Annual Report 2000

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Annual general meeting

The annual general meeting of Fortum Corporation will be held on Wednesday, 4 April 2001, at 3.00 pm, at Finlandia Hall, Mannerheimintie 13e, Helsinki.

Registrations for the AGM are requested by 4.00 pm, on 30 March 2001. Registrations can be done by telephone on +358 10 45 29460, by fax on +358 10 262 2727, or by mail to Fortum Corporation, Marjatta Rantiala, POB 1, FIN-00048 FORTUM. Written registrations must arrive before the end of the registration period. Any powers of attorney must be delivered in connection with the registration.

Payment of dividends

The Board of Directors will propose to the AGM that a dividend of EUR 0.23 per share be paid for the 2000 financial period. The record date for dividend payment is 9 April, and the suggested dividend payment date is 18 April 2001.

Interim Reports

Interim Report 1 January – 31 March 2001 will be published on 4 May 2001
Interim Report 1 January – 30 June 2001 will be published on 2 August 2001
Interim Report 1 January – 30 September 2001 will be published on 1 November 2001

The Annual Report and the Interim Reports are available in Finnish, Swedish and English and can also be read on Fortum's Internet home page at www.fortum.fi in Finnish, and at www.fortum.com in English and Swedish.

Contact information

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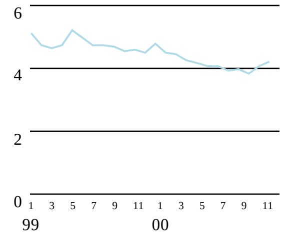
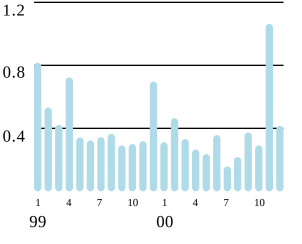
Quotations
EUR



Number of shares traded
mill. shares, daily average



The Year 2000

Fortum's net sales increased and its results improved significantly. We continued to restructure the business and introduced measures to improve our profitability.

- Our results improved significantly for the second year running.
- The exceptionally high price of crude oil and strong refining margins improved our results. The market price of electricity in the Nordic area continued at the low level of the previous year as a result of abundant hydropower production.
- Significant investments were made in acquiring power plants and power assets outside the Stora Enso plants in Finland and Sweden, and the German regional energy company Elektrizitätswerk Wesertal GmbH.
- Natural gas production began at the Åsgard field in Norway, in which Fortum is a shareholder. New oil discoveries were made in three oil exploration projects, one in the Barents Sea and two in the Norwegian Sea.
- Länsivoima Oyj was merged with Fortum Corporation.
- We decided to focus our power generation on the Nordic area and other countries in the Baltic Rim.
- We sold several power plants in Finland in order to improve our production structure.
- We made a start on restructuring Power Plant Engineering and decided to divest Transmission Engineering.
- We launched a Group-wide performance improvement programme.
- Mikael Lilius became President and CEO at the beginning of September.

Key figures

	2000	1999
Net sales, EUR mill.	11,026	8,232
Operating profit, EUR mill.	906	705
Profit before extraordinary items, EUR mill.	633	494
Earnings per share, EUR	0.55	0.41
Equity per share, EUR	6.32	6.00
Capital employed (at the end of period), EUR	11,365	9,425
Interest-bearing net debt (at the end of period), EUR mill.	4,626	3,818
Investments, EUR mill.	3,131	1,059
Net cash from operating activities, EUR mill.	424	524
Return on capital employed, %	9.4	8.4
Return on shareholders' equity, %	8.6	7.7
Gearing, %	73	79
Average number of employees	16,220	17,461

Fortum in Brief

Fortum is one of the leading energy companies in the Nordic countries. We have some 1.2 million direct customers in the Baltic Rim area.

Fortum is one of the Nordic countries' leading energy companies. It operates in all parts of the energy chain, from production to refining, distribution and marketing, and from energy-related engineering to operation and maintenance. Fortum Group's principal business area is northern Europe.

We are the market leader in the production and marketing of high-quality and pro-environmental petroleum products in the Baltic Rim. In electricity distribution and sales, and in power and heat generation, we are the second-largest company in the Nordic market. We also operate elsewhere in Europe, and in selected markets worldwide, and have a presence in some 30 countries.

Our customers include international oil companies, industrial and energy companies, and private consumers.

In 2000, our net sales totalled EUR 11 billion and we employed an average of 16,220 people. Fortum was established in 1998.

Fortum Corporation's shares are quoted on the Helsinki Exchanges.

Fortum's Business Structure

Sectors	Segments (financial reporting)
Oil and Gas	Oil and Gas Upstream
	Oil Refining and Marketing
Power and Heat	Power and Heat Generation and Sales
	Electricity Distribution
Service	Service
Engineering	Engineering

Fortum's Business and Markets

The changing operating environment is creating growth opportunities for Fortum.

Our operating environment is characterised by deregulation of the markets, structural change in the energy industry, for example, specialisation in certain parts of the value chain, and by an increased emphasis on environmental issues. The energy markets in the Nordic countries are among the most deregulated in the world.

The European Union is strongly promoting the development of competition in energy markets. EU guidance also aims at increasing efficient energy use and the use of biofuels, and at continuing environmentally favourable development of petroleum products.

Opec, the international organisation of the petroleum exporting countries, has restricted production and, as a result, diminished the over-supply of oil in world markets. In 2000, the average price of a barrel of crude rose by 59% compared with the previous year. Consumption of petroleum products increased in Europe, but decreased in Finland by 5%.

The margins of complex refineries with a versatile conversion capacity improved, partly as a result of more stringent environmental quality requirements for petroleum products. Demand for gas increased by 3% in the EU countries.

The deregulation of electricity markets proceeded. New markets were created and transmission terms were clarified. The Nordic and Central European markets are integrating, together with the deregulation of transmission connections.

The players in the European electricity markets are increasing in size and decreasing in number. In addition, municipal production and sales companies in the Nordic countries have transferred ownership, either fully or partly, to larger energy companies and industry is partly divesting its energy production. Electricity exchanges are becoming more important and are having a greater influence over market prices. Currently, a quarter of the physical electricity trade in the Nordic countries is traded in the Nord Pool exchange.

Deregulation, over-production, a milder than normal winter and autumn, and abundant rain suppressed electricity prices in the Nordic countries. Least competitive power plants were decommissioned and the building of new ones has been postponed.

Fortum's market position

We are one of the few companies able to offer an extensive selection of energy products and related services to a range of customer groups. The company uses various energy sources in a versatile way.

Fortum's own oil production equals to about one fifth of the need of refineries. We produce oil and gas in Norway and Oman.

We are the market leader in the production of high-quality and pro-environmental petroleum products in the Baltic Rim. We are also the market leader in the bulk, direct and retail sales of petroleum products in Finland, and have an important share of the market in the other Baltic Rim countries. We also export petroleum products outside northern Europe.

We have stakes in natural gas companies in the Baltic Rim and participate in the development of gas networks in the area. We are involved in the planning of a gas pipeline from Russia to Europe, and in oil and gas field projects in Russia. We also have natural gas operations in the UK.

We are the second-largest company in the Nordic market measured by volume of electricity generation and sales and by number of customers, and are also a significant distributor of electricity in Finland and Sweden.

In heat generation, we are the leading company in the Nordic countries, in volume of energy sold and in the number of customers. We own half the Swedish company, Birka Energi AB, which is one of Sweden's largest energy companies by number of customers and by generation capacity.

Changes in the markets and our strong position provide us with many opportunities in the Nordic countries and the Baltic Rim to increase company value. We aim to be an active player in the structural reorganisation of the electricity and oil business, for example, by utilising our niche position in oil refining. New product and service offerings are developed on the basis of our extensive customer base.

Fortum's home market is comprised of the Nordic countries. Germany and the rest of the Baltic Rim countries also constitute an important business area for us.

Chairman's Review

" An increase in Fortum's value requires implementation of a credible growth strategy and sufficient liquidity of the shares."

Significant changes have characterised the European energy markets in 2000. The pressures of deregulation have speeded up the restructuring of the energy industry also in the largest EU member states. The number of players in the markets is decreasing and their size is increasing. Energy companies are strengthening their position by forming alliances and making acquisitions, and there is very little ongoing investment in new European capacity.

During the year, we continued to focus on increasing the efficiency of our business operations and to strengthen our position in electricity generation, particularly in Sweden. Our Nordic home market is in the vanguard of European deregulation.

Matti Vuoria

Europe's largest energy companies are gaining ground in the Nordic countries and elsewhere in northern Europe. We have to make our own choices. We have to act decisively and without prejudice now as we did during the opening of the markets and the foundation phase of our company.

Over the past few years, the Finnish government has demonstrated its preparedness for change by broadening the ownership base of state-owned companies and by contributing to the establishment of stronger company structures. This has created opportunities to increase the value of companies in the interest of all shareholders.

An increase in Fortum's value requires implementation of a credible growth strategy and sufficient liquidity of the shares. Recently, the government has given us positive messages on this issue. It has signalled positive consideration regarding further steps in the ownership structure on the basis of tangible projects. It is now our task to fulfil the expectations of our owners.

Fortum's performance continued to improve in 2000, picking up considerably as the year progressed. The Board proposes that the annual general meeting should decide on a dividend of EUR 0.23 for the year 2000. This proposal reflects both appreciation of the performance improvement and confidence in the future development of Fortum.

Creating the prerequisites for an increase in the company's value is now our biggest challenge. On behalf of the Board of Directors, I extend my gratitude to our management and all employees for their determined efforts. I wish you success and energy in your ongoing work.

Matti Vuoria
Chairman of the Board

President and CEO's Review

"Improving our ability to achieve excellent performance, strengthening our balance sheet, and creating a common corporate culture are our most significant tasks in the near future."

When I took over the helm of Fortum in September, I came into an interesting company at a time when rapid changes in our operating environment required important decisions. The preparation for managing these changes has proceeded well, and some strategic decisions have already been taken. In addition to these, our most significant tasks in the near future will involve improving our ability to achieve excellent performance, strengthening our balance sheet, and creating a common company culture.

Significant improvement in results

In 2000, our profitability improved from the previous year, as it did in 1999. The Group's comparable operating profit was more than 50% higher than in the previous year, while net profit for the period decreased, as the result of significant extraordinary income entered in 1999.

The results improved particularly in the Oil and Gas sector, which benefited from several favourable factors. The price of crude oil increased to its highest level in 10 years, and the international refining margin was also high as a result of stricter environmental requirements on motor fuels and a heavy demand for products which complied with them. In addition, the USD exchange rate strengthened considerably during the year. Results in the Oil and Gas sector were 125% better than in 1999 – an excellent performance when compared with other companies in the industry.

The low prices in the electricity markets, which continued in the Nordic countries and in Germany, had an adverse effect on our results. In the Nordic countries, prices were influenced by abundant rainfall, which resulted in a significant increase in the supply of hydropower. This is why our new electricity generation capacity was not able to improve on the results of the Power and Heat sector for 2000.

The Service sector showed a positive trend, but the unprofitable operations of Power Plant Engineering were a burden on the Engineering sector.

Mikael Lilius

Actions to improve our results further

Only the best companies are successful in a changing operating environment, which is why we must aim at being in the vanguard of this industry. Despite the positive trend in Group results, we have not yet achieved a satisfactory result. As we aim at strengthening our long-term competitive position, our first actions will be to focus our business operations, to specify our targets, and to increase our financial flexibility.

President and CEO's Review continued

" Targeted ROE and ROCE 12%."

During the year, we decided to focus our electricity generation activities on the Nordic countries and elsewhere in the Baltic Rim. Following this, we decided to sell our power plants in Hungary, the UK and Ireland. We made the best progress in this ambition when we signed an agreement on the sale of the BERt company in Hungary. To improve our capital structure, we used a minority investment arrangement to finance the power assets contract we signed with Stora Enso and, for the same reason, sold significant production assets in Finland. As a result, our financial flexibility improved.

We redirected the operations of the Engineering sector. We decided to sell Transmission Engineering and began to restructure Power Plant Engineering.

We are determined to capitalise on our key expertise in the R&D unit, which supports the power and heat business, and began a significant reorganisation to move research and development's focus closer to the business.

We use specific financial targets to influence our business decisions. To achieve our targeted performance, it is important for our people to know how high we are aiming. To arrive at the desired financial targets, we assessed the recent levels of indicators used in our industry. Based on these, and on market outlook, we confirmed our targeted return on equity (ROE) and return on capital employed (ROCE) at 12%. To achieve this in a short period will be a challenge, but it is necessary if we are to retain the commitment of our shareholders.

In September, we launched a Group-wide performance improvement programme. Each performance unit made its own plan of how to improve productivity by 5-10% each year and to increase the return on net assets to meet our targets within the next few years.

The plans comprise the Group's plan of operations for 2001, which we will monitor in our normal financial reporting. The 2001 performance bonus systems are also based on the implementation of the improvement programme, and bonuses will be paid based on achieved targets.

Our corporate governance has also been improved and standardised. Line responsibility and the decision-making authority of operational management teams are emphasised throughout the Group.

Promising outlook for Fortum

We have a solid basis from which to participate in changing markets. Our significant position in the Nordic electricity markets, special expertise in oil refining, and market leadership in high-quality motor fuels are some of our core businesses' strengths. Our wide range of customers also provides us with growth potential.

Following our strategic review, which we began in the autumn, we selected the Nordic countries and the rest of the Baltic Rim as the geographic focus for our core businesses. In the electricity business, particularly, we aim at participating in the Nordic restructuring and have already expressed an interest in negotiating for the acquisition of the entire share capital of Birka Energi AB. We also intend to be an active player in the reshaping of oil refining and marketing, which we believe will happen. Our strong niche

Business structure spring 2001

Fortum

Sectors

- Fortum Oil and Gas
- Fortum Power and Heat
- Fortum Markets
- Fortum Energy Solutions
- Fortum Engineering

"We intend to be an active player in the reshaping of the energy industry."

position in this business provides us with an excellent base from which to create considerable added value.

At the beginning of 2001, we established a new sector, Fortum Markets, to develop our customerships in the Nordic countries. This business provides our industrial customers with energy products, and small-scale entrepreneurs and private customers with a wide range of products and services. Fortum Markets is continuing the work started at Energy House and includes e-commerce services, in which we are a leader. Through our prize-winning portals, customers can order electricity and oil, as well as services relating to moving house, summer cottages and renovation. We will continue actively to develop our extensive range of services and e-commerce.

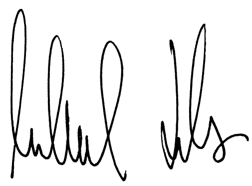
We can also increase business volume by combining our existing strengths in the operation and maintenance of power plants, and in related technology. Towards the end of the year, we instituted development work to offer a new range of energy services to industrial customers of various sizes. This is a growth area, which may prove to be significant on an international scale. To this end, we established Fortum Energy Solutions, in which we have concentrated our key expertise in these areas. It is possible to increase profitable business without major capital investments by offering tailored energy solutions to various customer groups.

These actions to improve performance, combined with focusing and reorganising our business, will contribute to the creation of a stronger company. Our principal shareholder has announced its readiness to change our ownership structure, which would give us the freedom we need for major moves.

One Fortum

Our objective is to make Fortum a dynamic and fast-moving company which will benefit our shareholders and our other stakeholders. Our people are key to this work, and our corporate identity relies on the people we employ. This is why we aim to create a corporate culture which is based on shared values. In the autumn, we initiated a value process, which resulted in shared values for all Fortum employees. We have crystallised the characteristics of a Fortum employee as: cool head, warm heart, open mind, and clean hands. These are the success factors of our employees and thus of our company. They are also a good basis for a common corporate identity, which is being developed through a unified company image.

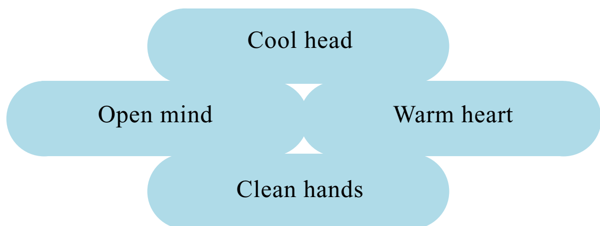
The past year has been a time of focusing and efficiency improvement throughout our company. I would like to extend my gratitude to our employees for their good work at a time of change and turbulence. That hard work will need to continue in the current year, but together I believe we will make it a success.



Mikael Lilius
President and CEO

Fortum values

Excellent business performance
customer satisfaction
value creation



Creativity and innovation
continuous learning
readiness to change

Co-operative spirit
respect, trust and responsibility
open and active communication

High ethics
honesty and integrity
good corporate citizenship

Financial Summary

Market review

Key market-based factors which will influence our performance are the price of crude oil, the refining margin, the market price of electricity, and the exchange rate of the US dollar.

In 2000, there was a considerable increase in the price of crude oil. The price of North Sea Brent crude rose to as high as USD 35 a barrel during the autumn, and at the year-end was around USD 24 a barrel. The annual average price of Brent was USD 28.5, compared with approximately USD 18 the previous year. The average price of oil sold by us was USD 27.6 a barrel (USD 17.9).

The international refining margin more than tripled. The annual average was USD 3.4 a barrel (USD 0.9 in 1999). Our refining margin continued to be considerably higher than the international reference margin.

The market price of electricity in the Nordic countries remained at the 1999 level. The average system price of the Nord Pool exchange was EUR 12.8 (EUR 13.5) per MWh. The regional prices in Finland and Sweden were higher than the system price. The Nordic countries used a total of 382 TWh of electricity, 1.5% more than in 1999. The heat market was influenced by a strong increase in fuel prices and the exceptionally warm autumn.

Distribution prices of electricity were stable.

Income statement

EUR mill.	2000	1999
Net sales	11,026	8,232
Share of profits of associated companies	46	36
Other operating income	140	187
Depreciations and write-downs	-571	-523
Expenses	-9,735	-7,227
Operating profit	906	705
Financial expenses, net	-273	-211
Profit before extraordinary items	633	494
Extraordinary items	-10	460
Profit before taxes	623	954
Income taxes, total	-154	-229
Minority interests	-46	-22
Net profit for the period	423	703

Net sales and results

Group net sales increased by 34% to EUR 11,026 million (EUR 8,232 million) from the previous year. This was principally attributable to the increase in the prices of crude oil and petroleum products, and to expanded gas trading. Despite the lower price of electricity, the electricity business's net sales increased as a result of additional capacity acquired from Germany and Sweden.

Fortum Group's operating profit for 2000 increased by 29% to EUR 906 million (EUR 705 million). The comparable increase in the operating profit of the continuing business operations was 52%, because the operating profit for 1999 included EUR 107 million of operating profit from discontinued operations.

The increase in the price of crude oil considerably improved the results for Oil and Gas Upstream. The results for Oil Refining and Marketing also improved significantly, as a result of an improvement in the refining margin. In addition, shipping operations and a strong demand for gasoline components contributed to the improved results of Oil Refining and Marketing.

The continuing low price of electricity reduced the profit for power generation and sales. In addition, district heat sales diminished as a result of the warmer-than-average weather.

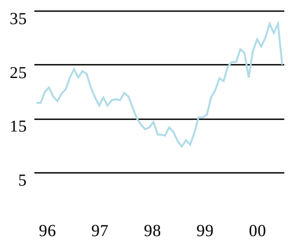
The poor result of Engineering was due to certain loss-making projects of Power Plant Engineering. The other Engineering units were profitable.

The business operations acquired during the year had a slightly positive effect on the operating profit.

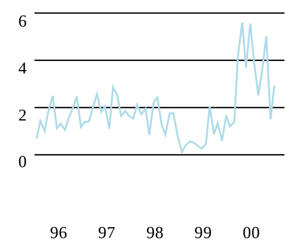
Balance sheet

EUR mill.	2000	1999
Fixed assets and other long-term investments	11,712	9,724
Current assets	3,116	2,815
Assets	14,828	12,539
Shareholders' equity	5,022	4,705
Minority interests	1,281	126
Provisions for liabilities and charges	197	83
Deferred tax liabilities	1,177	1,128
Interest-bearing liabilities	5,063	4,593
Interest-free liabilities	2,088	1,904
Shareholders' equity and liabilities	14,828	12,539

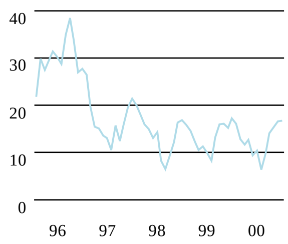
Brent crude price
USD/bbl
monthly average



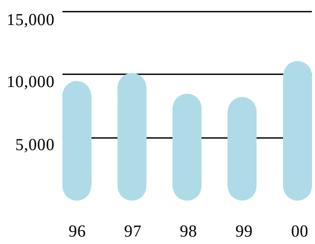
Refining margin in Rotterdam
Brent complex, USD/bbl, monthly average



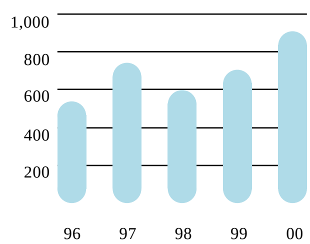
Market price of electricity Nord Pool
EUR/MWh, monthly average



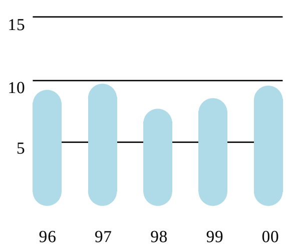
Net sales
EUR mill.



Operating profit
EUR mill.



Return on capital employed
%



Consolidated cash flow statement

EUR mill.	2000	1999
Net cash from operating activities	424	524
Capital expenditures	-1,742	-1,058
Proceeds from sales of fixed assets	518	972
Change in other investments	115	59
Cash flow before financing activities	-685	497
Net change in loans	-666	-184
Dividends paid	-141	-99
Other financing items	1,152	-6
Net cash from financing activities	345	-289
Change in cash and marketable securities	-340	208

Inventory gains, which were a result of the increase in crude oil prices and principally affected statutory crude oil stockpiling, and the appreciation of the coal stock totalled EUR 24 million (EUR 81 million).

Operating profit includes gains on the sale of fixed assets and shareholdings, at EUR 119 million (EUR 155 million). Correspondingly, non-recurrent write-downs and provisions totalled EUR 66 million (EUR 20 million).

Extraordinary items in 1999 included the profit from the sale of Gasum Oy's shares and the business operations of Neste Chemicals Oy and Enermet Oy.

Net profit for the period was EUR 423 million (EUR 703 million) and earnings per share were EUR 0.55 (EUR 0.41). Return on capital employed was 9.4% (8.4%) and return on shareholders' equity was 8.6% (7.7%).

Our net financing expenses were EUR 273 million (EUR 211 million). Taxes for the financial year totalled EUR 154 million (EUR 229 million).

Production and sales

Oil and Gas Upstream

In 2000, we produced an average of 34,200 oil-equivalent barrels of oil and gas a day (32,700 in 1999) – about 1.7 million tonnes a year, an increase of almost 5% on the previous year. Gas production at the Åsgard field in Norway began in October 2000.

Oil Refining and Marketing

Our wholesale deliveries of petroleum products in Finland totalled 7.8 million tonnes (7.9 million tonnes). Petroleum product sales outside Finland increased slightly and amounted to 4.9 million tonnes (4.8 million tonnes). Our most important export market was Sweden: petroleum product sales to Sweden totalled 1.7 million tonnes (2.0 million tonnes). Exports to North America increased to 1.0 million tonnes (0.8 million tonnes). Exports to the Baltic countries were small.

Our retail and direct sales of petroleum products in Finland were 3.8 million tonnes, the same as in the previous year. In addition, we maintained our market position.

Deliveries of petroleum products refined by Fortum, by product group

(1,000 t)	2000	1999
Gasoline	3,941	4,186
Diesel	3,246	2,666
Aviation fuel	786	1,005
Light fuel oil	1,843	2,249
Heavy fuel oil	1,133	1,003
Other	1,360	1,380
Total	12,309	12,489

Power and Heat Generation and Sales

Our electricity sales in the Nordic countries amounted to 45.3 TWh (41.6 TWh). Sales in Finland amounted to 28.4 TWh (29.6 TWh) and in Sweden to 16.9 TWh (12.0 TWh), including 50% of Birka Energi's electricity sales. Outside the Nordic countries, our sales totalled 6.1 TWh (2.2 TWh). The average price of our electricity sold in the Nordic countries decreased by 6% from the previous year.

Electricity sales by area

(TWh)	2000	1999
Nordic countries, total	45.3	41.6
Sweden [1)]	16.9	12.0
Finland	28.4	29.6
Germany	3.9	0.2
UK	1.9	2.0
Estonia	0.2	0.1
Total	51.3	43.9

[1)] includes 50% of Birka Energi's electricity sales

Financial Summary

The heat market was influenced by a strong increase in fuel prices and the exceptionally warm autumn. We sold a total of 15.6 TWh (15.7 TWh) of heat in the Nordic countries.

Heat sales by area

(TWh)	2000	1999
Sweden [1]	4.1	3.8
Finland	11.5	11.9
Other countries	0.7	0.0
Total	16.3	15.7

[1] includes 50% of Birka Energi's heat sales

Electricity Distribution
Our networks distributed a total of 15.0 TWh of electricity, 19% more than in the previous year. At the end of the year, the number of customers was 902,000 (743,000).

Electricity distribution in distribution networks, by area

(TWh)	2000	1999
Sweden [1]	8.1	8.6
Finland	4.0	4.0
Other countries	2.9	0.0
Total	15.0	12.6

[1] includes 50% of Birka Energi's electricity distribution

Service
The availability of the power plants operated by Fortum Service continued to be excellent. The five-year average was 97.2% (97.1%). 47% of the net sales came from outside the Group.

Engineering
At year end, Fortum Engineering's un-invoiced orders totalled EUR 473 million (EUR 675 million). We decided to divest Transmission Engineering, and we started restructuring the operations of Power Plant Engineering.

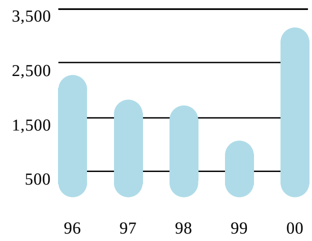
Financing and financial position

The most significant financial transaction in 2000 was that implemented for the financing of the acquisition of Stora Enso power plants, in which Fortum Capital Ltd issued preferred shares worth EUR 1.2 billion. Interest-bearing net debt was EUR 4,626 million (EUR 3,818 million) and gearing 73% (79%) at the end of the year.

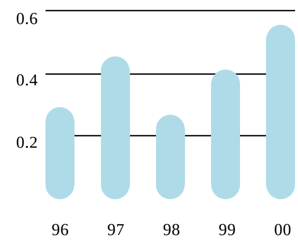
At the end of the year, cash and marketable securities totalled EUR 437 million. In addition, we had a total of about EUR 1 billion of undrawn syndicated loans. In 2000, our net financing expenses totalled EUR 273 million, which corresponds to 2% of net sales. The non-recurrent costs of the financing arrangement in connection with the acquisition of Stora Enso power assets totalled some EUR 33 million.

Our most important loan currencies were the Swedish krona, euro and the US dollar. At the end of the year, the average interest rate of the loans, excluding loans of Birka Energi, after hedging arrangements, was 6.2%.

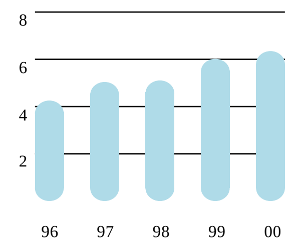
Investments
EUR mill.



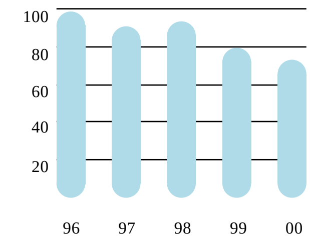
Earnings per share
EUR



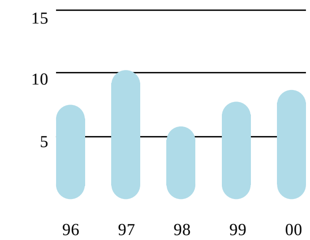
Shareholders' equity per share
EUR



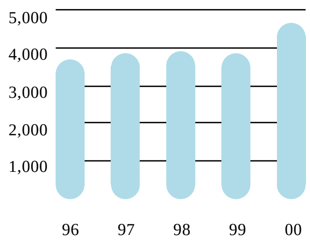
Gearing
%



Return on shareholders' equity
%



Interest-bearing net debt
EUR mill.



Investments and divestments

In 2000, we invested EUR 3,131 million (EUR 1,059 million), a major portion of which was in acquisitions by the Power and Heat sector. The total includes EUR 1,208 million (EUR 8 million) of interest-bearing net debt of the acquired subsidiaries at the time of acquisition.

We acquired the share capital of the German energy company, Elektrizitätswerk Wesertal GmbH, for EUR 388 million, in January. In May-June, we acquired Stora Enso's power plant capacity, corresponding to a total of 1,511 MW and 6.7 TWh of annual production in Finland and Sweden. The value of the transaction, at EUR 1.7 billion, included several companies and interests. We also agreed with Stora Enso on annual electricity deliveries of over 2 TWh over the next three years.

The development of the Åsgard oil and gas field for production was completed. Over the year, a total of EUR 70 million was spent preparing for gas production, which began in October, and the related infrastructure.

To optimise the production structure of electricity, we sold part of our electricity generation capacity and exchanged our power generation shares.

Key sensitivities

Annual change	Approximate effect on the Group's operating profit EUR million
US dollar, 10%	+/- 25 [1]
Brent crude oil price, USD 1 /bbl	+/- 27
Refining margin, USD 0.1 /bbl	+/- 11
Market price of electricity, EUR 1/MWh	+/- 10 [2]

[1] Currency hedging included
[2] Nordic countries (excl. Birka) with hedging, no volume change.

Key figures by segment

	Net sales EUR mill.		Operating profit EUR mill.		RONA, % [3]	
	2000	1999	2000	1999	2000	1999
Oil and Gas Upstream [1]	945	366	218	82	18.0	8.3
Oil Refining and Marketing [2]	7,759	5,064	382	182	22.2	11.4
Power and Heat Generation and Sales	1,760	1,443	211	236	3.8	5.1
Electricity Distribution	467	347	127	115	6.4	7.6
Service	356	290	12	12	32.9	38.7
Engineering	585	479	-21	12	-35.6	24.0
Other operations	94	137	-20	-24		
Eliminations	-940	-717	-3	-17		
Total	11,026	7,409	906	598		
Discontinued operations	-	823	-	107		
Group	11,026	8,232	906	705		

	2000	1999
[1] Includes natural gas trading and retail sales	558	136
[2] Includes oil trading	1,117	783

[3] RONA, % = Operating profit / identifiable assets on average

Oil and Gas Upstream

- Oil and gas exploration and production in Norway, the Middle East, and Russia
- Natural gas trading and sales to end users in the UK
- Interests in gas companies in Finland, Sweden, Estonia, and Latvia

Field stakes, commercial reserves and average production per day in 2000

Field	Share %	Operator	Commercial reserves Fortum's share mill.boe	Production boe/day
Norway			232	29,200
Brage [1]	12.3	Norsk Hydro	12	6,000
Heidrun	5.1	Statoil	64	11,400
Åsgard	7.0	Statoil	156	11,800
Oman	35.0	Occidental	32	5,000
Total			264	34,200

[1] Includes the Sognefjord deposit, of which Fortum's share is 13.2%.

Market review

The price of North Sea Brent crude oil rose as high as USD 35 a barrel during the autumn. Opec's decision to increase production did not have an effect until the year end when prices returned to USD 24, as they had been at the beginning of the year. Natural gas prices followed those of crude oil and rose to a record high, although consumption continued to grow significantly.

Increasing proportion of gas

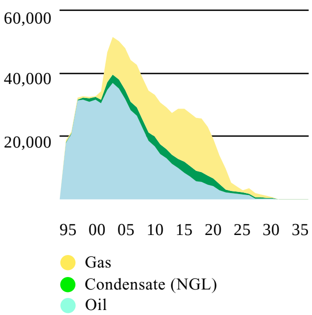
We have interests in three producing oil and gas fields on the Norwegian continental shelf; Brage, Heidrun, and Åsgard. We also have stakes in the Suneinah concession in Oman in its oil-producing deposits. We sell our oil and gas in international markets.

In 2000, increased production resulted in our commercial oil and gas reserves decreasing by 2% to the year end to 264 million oil-equivalent barrels (approximately 35 million tonnes). Of total reserves, oil and gas condensates accounted for 145 million barrels (approximately 55%) and natural gas for 16.5 billion cubic metres (approximately 45%).

The year-end value of oil and gas reserves was EUR 1.4 billion, equivalent to the net present value after taxes, assuming a constant crude oil price of USD 18 a barrel of our commercial reserves during their remaining years of production.

During the year, our production increased by almost 5%. We produced an average of 34,200 oil-equivalent barrels of oil and gas a day - approximately 1.7 million tonnes a year. Of this, around 8% was accounted for by natural gas. We envisage that production will peak in 2002, reaching more than 50,000 oil-equivalent barrels a day. This corresponds to an annual production of approximately 2.5 million tonnes. The proportion of natural gas of total production will increase significantly in the next few years.

Production
forecast vintages
boe/day



boe= oil-equivalent barrel

Åsgard close to peak production

Norway Production at Brage is expected to continue, although in declining quantities, until 2011. We transport the recovered associated gas to onshore facilities through a separate pipeline.

Peak production at Heidrun is expected to continue for the next three to four years, after which it will gradually decline. Oil production is expected to continue until 2020. A gas pipeline, which connects Heidrun to the Åsgard field and which is designed to exploit Heidrun's gas reserves, was completed in February 2001.

Gas production at Åsgard started in October 2000. Our share of the combined annual oil and gas output from the field is estimated to reach an annual average of 25,000 oil-equivalent barrels a day (1.3 million tonnes) by 2002. Oil and gas production will continue until the 2020s.

In 2000, we participated in three new oil discoveries. In addition, we were awarded a licence for a 25% share in two new concessions in the Norwegian Sea.

Oman We have a 35% interest in the Suneinah concession, the most important field being Safah. As a result of improved production technology, we have nearly doubled the remaining recoverable oil reserves of the Safah field during the past three years.

Russia Our goal in the next few years is to acquire stakes in oil and gas fields in the Timan Pechora region. Developing these to production stage will bring synergetic benefits. Our long-term goal is to take part in the exploitation of the massive natural gas reserves of the Barents Sea.

The Yuzhno-Shapkinskoye onshore field is operated by SeverTEK, a 50/50 joint venture owned by Fortum and the Russian oil company, Lukoil. The companies continue to plan the field and to make preparations to start test production. The field's commercial oil reserves are estimated to be 164 million barrels.

Together with OAO Gazprom, Norsk Hydro, Conoco, and TotalFinaElf, we are also continuing economic feasibility studies on the Shtokmanovskoye gas field, the natural gas reserves of which are estimated at 3,200 billion cubic metres.

Natural gas projects progress

We are active in the UK in gas trading and sales to end users. Following the deregulation of the market, we also began operations in Germany and the Netherlands.

North Transgas Oy, which we own together with Gazprom, is preparing a study on a natural gas pipeline from Russia, through Finland, to western Europe.

We have interests in gas companies in Finland, Estonia, Sweden, and Latvia.

Key figures

	2000	1999
Net sales, EUR mill.	945	366
Operating profit, EUR mill.	218	82
Identifiable assets, EUR mill.	1,284	1,138
RONA, %	18.0	8.3
Investments, EUR mill.	137	199
Average number of employees	122	94

Oil Refining and Marketing

- Oil refining
- Petroleum product marketing and sales
- Inland and maritime transportation, terminals and harbour services
- Liquefied petroleum gas business
- International trading
- Customers include Finnish and international oil companies, enterprises, agriculture, and retail customers
- Nearly 400,000 Neste card customers at our service stations, and approximately 300,000 other petroleum product customers

Market review

International refining margins improved considerably. In 2000, the annual average refining margin was over USD 3 a barrel (approximately USD 1).

Our refining margin during the year was superior to the international reference margin, as a result of our refineries' comprehensiveness and ability to produce added-value products and to improve their environmental impact.

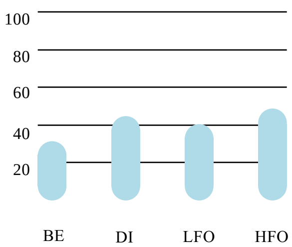
In 2000, 8.8 million tonnes of petroleum products were sold in Finland, a decrease of 5%. Gasoline sales also fell, by 3.5%, from the previous year. In the past decade, the number of cars and volume of traffic has grown, but gasoline consumption has decreased, principally as a result of new cars being designed to use less fuels.

Sales of diesel fuel were up nearly 2%. Diesel consumption is closely linked to the overall economic situation: it rises with any increase in the industry's transport volumes. In addition, the number of diesel-powered cars has increased.

Sales of light fuel oil fell by less than 12% from the previous year. This was attributable to the exceptionally warm autumn and early winter, as well as the price of oil. Sales of heavy fuel oil, which is principally used by industry, declined by close to 11%. The sales of liquefied petroleum gas, in contrast, increased by 4%.

In 2000, the international liquefied petroleum gas (LPG) market was more prone to price fluctuations than the oil market. An increase in oil prices resulted in LPG prices being, overall, considerably higher than in the past couple of years.

Fortum's market shares in Finland in 2000



BE= Gasoline
DI= Diesel fuel
LFO= Light fuel oil
HFO= Heavy fuel oil

CityDiesel exports increased considerably

In Finland, we have approximately 75% of the wholesale market for refined petroleum products. In 2000, wholesale deliveries totalled some 7.8 million tonnes (7.9 million tonnes).

Petroleum product sales outside Finland amounted to 4.9 million tonnes (4.8 million tonnes), of which 1.7 million tonnes (2.0 million tonnes) was accounted for by sales to Sweden, the majority of which was gasoline, diesel fuel and aviation fuel.

Gasoline, the majority of which was low-sulphur, accounted for half of our refineries' total exports. Most of the approximately 1.6 million tonnes of diesel fuel exports was accounted for by extremely low-sulphur CityDiesel, the export of which, mainly to the UK, Denmark and Norway, increased by approximately 45%.

We increased the production and export of CityDiesel as planned, whereas we decreased the production and export of heating oil and aviation fuel.

With a favourable market situation, our gasoline sales to North America increased by almost 30%, and totalled over 1 million tonnes.

Our sales to the Baltic countries were small as a result of the considerably lower price of local products.

We are the market leader in road and industrial bitumen in Finland, selling approximately 310,000 tonnes in 2000, somewhat more than the previous year.

We have stabilised the volume of trading to focus our trading activity on oil supply operations and exports beyond Europe.

Key figures

	2000	1999
Net sales, EUR mill.	7,759	5,064
Operating profit, EUR mill.	382	182
Identifiable assets, EUR mill.	1,838	1,609
RONA, %	22.2	11.4
Investments, EUR mill.	128	140
Average number of employees	4,248	4,450

Our environment-driven product strategy has been a success. Our motor fuels already meet most of the future quality criteria.

The network of Neste service stations reorganised

In 2000, our combined retail and direct sales in Finland amounted to approximately 3.8 million tonnes of refined petroleum products, the same level as the previous year. Gasoline's market share was 31.6% (32.3% in 1999) and diesel fuel's 44.2% (44.4%). Light fuel oil stayed the same, at 40.4%, and the market share of heavy fuel oil was 48.7% (47.1%).

Competition intensified in the Finnish diesel and fuel oil market, but we maintained our market position.

Sales developed as planned in the Baltic countries and Poland, despite intense competition. In Russia, consumption of our products increased from the previous year.

To improve efficiency, Neste Marketing Ltd concentrated on its key area of expertise, operating Neste service stations, and signed an agreement with two central trading companies on the procurement of convenience store and café supplies. In addition, a joint venture was established to operate some of the café-restaurants.

We sold 25 Neste service stations to entrepreneurs and established a real estate company, to which we transferred the premises of 90 convenience stores.

At year end, our retail network in Finland included 977 service stations, unmanned A24 stations and diesel fuel outlets, and other sales points (1,019 retail locations).

In the Baltic countries and Poland, we continued to develop our network of Neste service stations by converting existing service stations into unmanned Neste A24 stations. We are implementing the project country by country and it will be completed in March 2001, when there will be more than 100 unmanned Neste A24 stations.

In Russia, we had 20 Neste service stations, two of which were opened in 2000. At the end of the year, we had a total of 129 outlets in the Baltic Rim, excluding Finland.

Liquefied petroleum gas

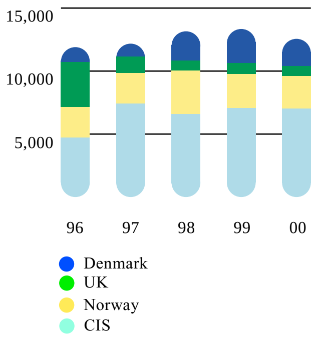
We buy liquefied gas from the world market for use in our refineries, and take part in international LPG trading in London. Trading was made more difficult in the year by considerable price fluctuations and increased transportation costs.

Refineries aim at long operating periods

We concentrate on manufacturing environmentally-preferred products at our Porvoo and Naantali refineries. Porvoo (refining capacity 11 million tonnes) is one of the most comprehensive and efficient facilities in Europe. At our speciality product refinery in Naantali (capacity 2.8 million tonnes), we produce, in addition to conventional petroleum products, an increasing amount of speciality products, such as bitumen, solvents, small-engine gasoline, racing gasoline, and completely sulphur-free light fuel oil.

Our refineries continued to perform well. The annual utilisation of conversion capacity at Porvoo fell due to a compressor fire in

Crude oil and feedstock imports to refineries
1,000 t



March and a strike of the Chemical Workers Union. In spring, operations at the Naantali refinery also stopped because of a strike, and in autumn, operations were halted to carry out a planned four-week refurbishment and turn-around shutdown.

In 2000, our refineries used 10.7 million tonnes of crude oil and 2.0 million tonnes of other feedstock (11.1 and 2.0 million tonnes). We continued to source most of our crude oil imports from the North Sea, 5.5 million tonnes, and the CIS countries, 5.0 million tonnes. Most of the raw material was delivered by sea, but 2.3 million tonnes of crude oil and feedstock was delivered from the CIS by rail.

The Porvoo refinery achieved a total feed of 10.5 million tonnes (10.5 million tonnes). In December, it reached a new monthly record in distillation, 1,144 tonnes an hour. We made investments principally to complete the project to increase CityDiesel production, to refurbish the catalytic cracking unit, to increase base oil production, and to make improvements on automation. Preparations for the five-week turn-around shutdown in spring 2001 progressed according to plan. It is planned that the shutdown, which will be the most extensive in the refinery's history in terms of volume of work, will enable us to achieve an uninterrupted five-year operating period.

The Naantali refinery achieved a total feed of 2.3 million tonnes (2.6 million tonnes). The refurbishment and turn-around shutdown in September included several projects for improving the refinery's reliability and efficiency and for decreasing its environmental load. The aim is to achieve a continuous operating period of at least five years.

Environmental requirements change gasoline composition

We produce sophisticated motor fuel components which we use in our reformulated gasolines as well as sell them to other oil companies. The gasoline components, MTBE (methyl tertiary butyl ether) and TAME (tertiary amyl methyl ether), are oxygenates manufactured at our Porvoo refinery that improve gasoline combustion and reduce harmful emissions. In addition, we manufacture MTBE in Portugal and in large joint-venture plants in Canada and Saudi Arabia, which we sell on international markets. In 2000, we sold some 810,000 tonnes (890,000 tonnes) of MTBE globally, with the main markets being the United States and western Europe.

The State of California has decided to ban the use of MTBE by the end of 2002. This is principally based on the fact that leaking gasoline storage tanks cause uncontained spills and possible ground-water contamination. California is the main market of our 50%-owned MTBE facility at Edmonton, Canada, and we are, therefore, preparing to convert the plant to the production of iso-octane in 2002. We will use our proprietary NExOCTANE technology, which we licence, in production.

We use proprietary technology for manufacturing environmentally-preferred gasoline components.

We also develop, market and sell industrial and automotive lubricants and speciality products which have lower environmental impact. We are the market leader in Finland with a market share of 25%. In response to increasingly stringent quality criteria for lubricants, we focus on developing and manufacturing top-quality base oils and synthetic, and synthetic-like, base oils. We produce polyalphaolefin (PAO) base oil, the most important component of synthetic lubricants, at our plant in Belgium. We currently have approximately 30% of the European market.

We also manufacture another base oil, EHVI (Enhanced High Viscosity Index), at our Porvoo refinery, for use in the blending of our own lubricants. It is marketed as a raw material for modern lubricants, which are in growing demand in international markets. We are tripling our EHVI production at the Porvoo refinery, and the increased capacity will be available in autumn 2001.

We own 50% of Nynäs Petroleum AB, a Swedish company which specialises in the manufacture of bitumen and naphthenic base and process oils.

We introduce new oil technology to the market

We develop motor fuels and motor oils which have increasingly low environmental impact.

We use our patented NExTAME technology at the Porvoo refinery to produce TAME low-emission etherified gasoline component, and have licensed the NExTAME and NExETHERS processes to other international oil companies. Our proprietary NExOCTANE dimerisation technology, which produces a high-octane gasoline component, has been made commercially available, and we have sold the first licence. In addition, we are continuing to commercialise our high-conversion NexCC cracking technology. We plan to commercialise our new technologies world-wide.

Tanker fleet being restructured

Inland and maritime transportation as well as terminal and harbour services are provided by our Logistics unit.

We specialise in shipping crude oil and petroleum products in the Baltic Sea, North Sea and Arctic waters. At the end of the year, our fleet included 26 tankers, consisting of seven crude carriers, 18 petroleum product carriers, seven of which are chemical carriers, and one gas carrier. The fleet also includes three barges, two pusher tugs and two escort tugs. Seven of the vessels are wholly-owned, and two partly-owned, by us, and 17 are chartered from other parties under long- or short-term contracts. The total carrying capacity of the fleet is approximately 1.1 million dwt. All our vessels are equipped with a double bottom or hull.

In 2000, the quantity of products shipped by our tankers increased to 37.5 million tonnes (35.5 million tonnes), approximately half of which was accounted for by transport services provided to outside parties. In our main areas of operation, there was a significant increase in the freight in all vessel sizes towards the end of the year. The high freight level together with the strong dollar doubled the returns per vessel for each trip, compared with the beginning of 2000. As a result, the market price of new and older vessels increased by 20 to 30% during the year.

We continued to restructure our fleet by acquiring new vessels which better comply with future requirements, by selling part of our current fleet and by restructuring the ownership of our carriers. In 2000, we sold two of our ageing petroleum product vessels for a total of EUR 10.6 million and, as a result of the transaction, we booked EUR 8.0 million in profit. In June, we ordered two ice-strengthened crude carriers with a carrying capacity of 106,000 dwt from Japan. These will operate in the Baltic and North Seas. The vessels will be completed at the end of 2002. In addition, we have ordered two escort tugs from a Spanish shipbuilding company, the construction of which will be completed in 2002.

We operate 13 oil terminals in Finland and the Baltic Rim and have our own storage facilities. We co-operate with other oil companies for terminal services. We own and operate terminals in Tallinn, Riga and St Petersburg.

For inland transportation, we use 165 Neste-brand tanker trucks owned by private hauliers.

Deliveries of Fortum's petroleum products by product group

(1,000 t)	2000	1999
Gasoline	3,941	4,186
Diesel fuel	3,246	2,666
Aviation fuel	786	1,005
Light fuel oil	1,843	2,249
Heavy fuel oil	1,133	1,003
Others	1,360	1,380
Total	12,309	12,486

Deliveries of Fortum's petroleum products by area

(1,000 t)	2000	1999
Finland	7,423	7,713
Other Nordic countries	2,142	2,163
Baltic countries and Russia	153	417
USA and Canada	1,029	777
Other countries	1,562	1,419
Total	12,309	12,489

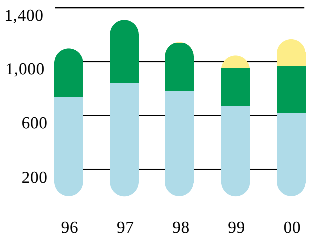
Breakdown of refinery output

(1,000 t)	2000	1999	1998	1997	1996
Liquefied petroleum gases	267	248	380	346	410
Motor fuel	3,922	4,268	4,059	3,707	4,209
Diesel fuel and light fuel oil	5,248	5,033	5,125	4,315	4,568
Heavy fuel oil and bitumen	1,647	1,544	1,579	1,394	1,445
Other products	1,095	1,290	1,390	1,075	1,185
Total output	12,178	12,383	12,533	10,837	11,817

Power and Heat Generation and Sales

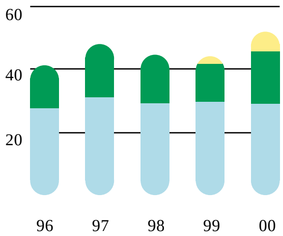
- Our products comprise electricity, heat, process steam, and energy and portfolio management services
- Our customers are made up of households, small and medium-sized companies, energy companies and industry
- We have 1,033,600 electricity customers, 825,000 of which are in the Nordic countries, including our subsidiaries and 50% of Birka Energi's electricity users
- We have 6,000 heat customers, 3,400 of which are in Sweden, 940 in Finland and 1,600 outside the Nordic countries

Net sales of electricity by area
EUR mill.



Other countries
Sweden and Norway
Finland

Electricity sales by area
TWh



Other countries
Sweden and Norway
Finland

Market price of electricity remained low

The Nordic market was characterised by abundant generation of hydropower, a fifth higher than in a normal year, but the market price of electricity remained at the previous year's level. The system price of the Nord Pool exchange was an average of EUR 12.8 per MWh (EUR 13.5 in 1999). Unlike the previous year, regional prices in Finland and Sweden were EUR 2.1 and 1.5 per MWh higher than the system prices, as a result of the record high hydropower generation in Norway and Sweden and of an insufficient capacity for electricity transmission. More than 60% of Nordic electricity was generated with hydropower. At the end of the year, water resources were larger than average, but there was less snow than usual.

The Nordic countries used 382 TWh of electricity, an increase of 1.5% on the previous year. In Finland, the increase was about 1.7% and in Sweden 1.6%. The total volume of electricity used in Finland was 79 TWh, 55% of which was in industry.

The low market price of electricity resulted in the cancellation or postponement of several power plant projects. In Finland, Teollisuuden Voima Oy (an industrial power company), of which we own 26.6%, submitted an application to the Ministry of Trade and Industry for a decision in principle on a new nuclear power unit.

In the Nordic countries, the margins on the small-customer sales continued to decrease, and, as profitability has deteriorated, small companies have tended to form alliances with one another or have been acquired by larger companies. At the same time, the call for electricity sales and distribution in Finland to be completely separated, in order to prevent cross subsidies, increased.

Warm weather resulted in lower consumption of heat

The heat market was characterised by a strong increase in fuel prices and exceptionally warm autumn weather, which decreased the Nordic consumption of district heat on the previous year. In Finland, consumption decreased by 5%.

Industry had a boom, and increase in the need of energy concerned primarily electricity, while the consumption of process heat remained almost unchanged. The outsourcing of industrial heat production has been slow, but the interest has increased in the medium-sized industries.

Electricity generation capacity increased significantly

We are the Nordic countries' second-largest electricity producer and seller, and also have electricity and heat businesses in Germany and the Baltic countries. We are in the process of divesting our power shares in the UK, Ireland and Hungary.

In the Nordic countries, our electricity sales totalled 45.3 TWh (41.6 TWh), of which 28.4 TWh was in Finland and 16.9 TWh in Norway and Sweden, including 50% of Birka Energi's electricity sales. In Finland, electricity sales decreased by 4%, and, in Sweden increased by 41%. Most of the growth in Sweden resulted from the power plant capacity acquired from Stora Enso. Outside the Nordic countries, we sold a total of 6.1 TWh, of which 64% was in Germany. In the Nordic countries, our net electricity sales totalled EUR 967 million, and elsewhere in the world EUR 203 million.

In the Nordic countries, the average price of our electricity decreased by 6%; 66% (58%) was sold to large customers and 24% (29%) to small customers, while sales to electricity exchanges and temporary sales accounted for 10% (13%).

Key figures

	2000	1999
Net sales, EUR mill.	1,760	1,443
Electricity sales	1,170	1,037
Heat sales	411	360
Operating profit, EUR mill.	211	236
Identifiable assets, EUR mill.	6,193	4,844
RONA, %	3.8	5.1
Investments, EUR mill.	2,343	445
Average number of employees	2,784	2,087

Most of our electricity generation is emission-free, and in our heat generation the use of biofuels is being significantly increased.

In addition to electricity, we also provide our company customers with portfolio management services. We developed three theme portals through the internet for our private customers, who can use them to buy electricity and to order heating oil.

Our power generation capacity, at 10,163 MW, increased by 1,615 MW on the previous year. Our capacity in the Nordic countries was 9,243 MW, including 50% of Birka Energi's electricity generation capacity and our shares in partly-owned power plants. This capacity increased by 11%, 940 MW, on the previous year. We have carried out goal-oriented work to make our production structure more pro-environmental through increased generation of back-pressure power based on hydropower and low-emission fuels. We generated 40.7 TWh of electricity, or 11% of the electricity used in the Nordic countries. Our electricity generation capacity in our wholly- and partly-owned power plants totalled 45.0 TWh.

We acquired 1,511 MW of power plant capacity from Stora Enso, 1,352 MW of which was in Sweden and 159 MW in Finland. In connection with this contract, we agreed on electricity supplies for Stora Enso's plants in Sweden. These contracts cover a total of more than 2 TWh each year for the next three years.

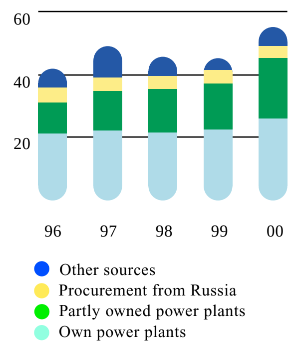
We sold 97 MW of the capacity we acquired from Stora Enso in Finland and exchanged the acquired shares of Pamilo Oy for the shares of Bullerforsens Kraft AB, a Sweden-based company. In Finland, we sold our power generation shares of the Vuosaari A and B plants and three hydropower plants acquired from Stora Enso to Helsingin Energia. In addition, we exchanged our shares of Gulsele AB, a Swedish hydropower company, for shares in Kemijoki Oy.

We signed an agreement with the Russian company, Technopromexport, on electricity imports over the next seven years. The terms of the agreement are flexible and the pricing structure reflects the significance of the spot price as reference price. The agreement provides us with an import capacity of 300 MW of electricity from Russia from the beginning of 2001, and at least 1.6 TWh of energy will be imported each year. In 2000, we imported about 3.5 TWh of electricity from Russia.

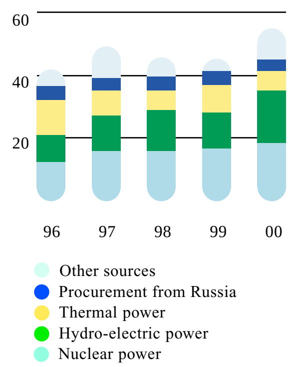
We extended our operations in Germany by acquiring all the shares of Elektrizitätswerk Wesertal GmbH. Wesertal sells and distributes electricity, heat and gas. It and its associated companies introduced a production improvement programme.

The Edenderry peat-fired power plant in Ireland was commissioned for test operation in December. Commercial operation of the Grangemouth power plant in Scotland is expected to begin in April 2001, and the power plants under construction in Germany and Thailand proceeded as planned. In Hungary, we reached an agreement on the sale of the shares of the power and heat company, Budapesti Erömü Rt, to the French

Electricity procurement by source
TWh



Electricity procurement by energy type
TWh



company EdF. The official licences required for the agreement are expected to be granted in the first part of 2001. In Thailand, we sold the shares of Cogeneration Public Company, our listed electricity generation company, to the Belgian company Tractabel.

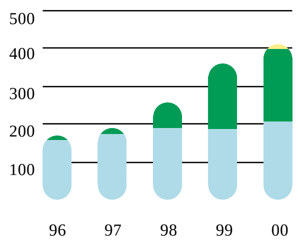
Heat generation and sales

We are the leading Nordic producers of heat. We produce, sell and market district heat, process steam, and energy services relating to heat, to companies and municipalities, as well as to end users of district heat in the Nordic countries and in the Baltic Rim. During the year, we sold 15.6 TWh of heat in the Nordic countries, 5.7 TWh of which was process steam for industry and 9.9 TWh of which was district heat. Our sales to outside the Nordic countries totalled 0.7 TWh. Net sales of heat totalled EUR 411 million, EUR 206 million of which was in Finland, EUR 190 million in Sweden, and EUR 15 million outside the Nordic countries.

In Sweden Birka Energi continued to expand by acquiring heat generation and distribution capacity in the Stockholm area and in Norway. We agreed with the municipalities of the Turku region in Finland that we would continue to supply district heat up to 2010. At the same time, we decided to establish a common heat generation company to build and own natural gas-fired heating plants in the Turku region. We sold our share in Lahden Lämpövoima Oy to Lahti Energia.

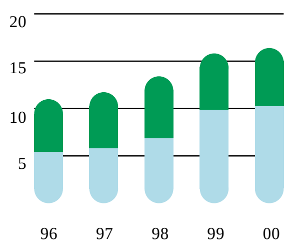
Our heat generation capacity totalled 6,002 MW, 5,518 MW of which was in the Nordic countries, including our shares in partly-owned power plants. The heat generation in our wholly- and partly-owned power plants totalled 15.4 TWh, including 50% of Birka Energi.

Net sales of heat
EUR mill.



Other countries
Sweden and Norway
Finland

District heat and steam sales
TWh



Steam
District heat

Research focused on e-commerce

During the year, we invested EUR 19 million in research and development of new products and services. Our investment focused on new e-commerce solutions and information systems supporting these solutions; on pro-environmental power and heat generation technologies; and on research and development of the use of fuels.

We have pioneered in the development of solar electricity in Finland. In order to strengthen its position in the solar electricity market, our subsidiary NAPS Systems Oy extended its ownership base by selling its shares at the beginning of 2001 to 3i Finland Oy, a venture capital company, which now holds 39%.

Power and heat generation capacity as of 31 December 2000

(includes 50% of Birka Energi's capacity)

Power generation capacity in the Nordic countries 9,243 MW

	Finland 5,483 MW		Sweden 3,760 MW	
	Own power plants	Shares in partly-owned power plants	Own power plants	Shares in partly-owned power plants
Total	4,103	1,380	2,097	1,663
Hydro-electric power	768	653	1,787	353
Nuclear power	980	486	-	940
Combined heat and power generation	810	130	238	2
Coal	260	-	65	-
Natural gas	222	95	-	-
Peat	176	35	7	-
Others	152	-	166	2
Condensing power	1,532	0	0	99
Coal	1,378			64
Peat	154			
Other				35
Other generation	13	111	72	269

Electricity generation capacity outside Finland totalled 920 MW; 554 MW of shares in Germany and 358 MW of shares in the UK and Ireland. In addition, the capacity of 347 MW is under construction.

Heat generation capacity in the Nordic countries 5,518 MW

	Finland 3,102 MW		Sweden 2,416 MW
	District heat	Process steam	District heat
Own power plants	1,777	1,325	2,311
Combined heat and power generation	1,023	729	487
Coal	360	80	115
Natural gas	187	185	18
Peat	271	184	
Others	205	280	354
Other	754	596	1,824
Shares in partly-owned power plants			105

Heat generation capacity outside Finland totalled 484 MW. In addition, the capacity of 678 MW is under construction.

Birka Energi

- Birka Energi produces electricity, heat, district cooling, town gas, and electricity and heat distribution services
- Its customers are households, small- and medium-sized companies, energy companies and industry
- Number of electricity customers: 830,000
- Number of electricity distribution customers: 876,000
- Number of heat customers: 6,800

Fortum and the City of Stockholm have 50/50 ownership of Birka

Birka Energi sells electricity, heat, district cooling and town gas. It owns and operates power plants, electricity, district heat and district cooling networks primarily in greater Stockholm and central Sweden.

It is Sweden's largest energy company by number of end customers, its third-largest producer of electricity, and is the largest producer of district heat in the Nordic countries. Birka is one of the largest producers of district heat in Europe, while its district cooling business is the market leader.

Birka sold 24.8 TWh (24.0 TWh in 1999) of electricity in 2000: 47% was sold to small customers, 47% to large customers, and 6% was sales to electricity exchanges and temporary sales. Birka's net sales of electricity amounted to EUR 545 million, and it used 4,452 MW of electricity generation capacity. It generated 21.5 TWh of electricity in its wholly- and partly-owned power plants and, of this generation, 12.4 TWh was hydropower and 8.2 TWh nuclear power.

Birka's heat sales totalled 8.1 TWh (7.5 TWh). As a result of warmer-than-average weather, the sales of district heat decreased, but the total heat sales increased as a result of acquisitions. Net sales of heat totalled EUR 378 million, and Birka's heat generation capacity was 4,816 MW.

Birka distributed a total of 29.6 TWh (26.3 TWh) of electricity in its networks, 16.2 TWh of which was in distribution networks, and 13.4 TWh in regional networks.

Birka invested a gross total of EUR 518 million, EUR 255 million of which was in acquisitions. The most significant of these investments were made in the heat and distribution business, and in the electricity business. During the year, Birka acquired the share capital of Arvika Energi AB and Brista Kraft AB, a combined heat and power plant north of Stockholm, which uses biofuels. It also acquired a regional network from Stora Enso for EUR 195 million. In Norway, the Group is expanding its co-operation through the energy recovery contracts signed between Birka Energi AS and Globe Norge AS Hafslund. The sales of fixed assets totalled EUR 58 million. Birka sold the electricity distribution business acquired from Sigtuna Energi.

Birka Energi Group's key figures

	2000	1999
Net sales, EUR mill.	1,593	1,454
Operating profit, EUR mill.	314	294
Identifiable assets, EUR mill.	7,590	7,481
Investments, EUR mill.	518	375
Average number of employees	3,338	3,365

Electricity Distribution

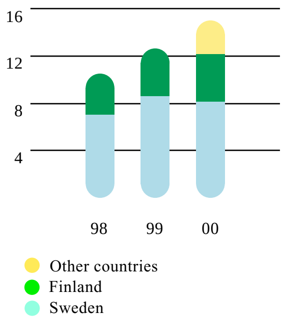
- Regional and distribution network transmission of electricity
- 15.0 TWh of distribution network transmission and 14.0 TWh of regional network transmission
- 901,800 customers in total: 281,600 in Finland, 438,100 in Sweden, 162,900 in Germany, and 19,200 in Estonia

Distribution is an essential part of Fortum's expertise: a steady distribution business provides a stable, albeit regulated, profit. The means of regulating profits on electricity distribution differs from one country to another.

In Finland, one player is allowed a maximum of 25% of the electricity transmitted in the 0.4 kV distribution network across the whole country. The share of electricity transmission of subsidiaries wholly owned by Fortum was 11% in Finland and 15% in Sweden.

In 2000, a total of 15 TWh of electricity was distributed in Fortum's networks, 19% more than in the previous year. The volume of distribution network transmission was 8.1 TWh in Sweden, 4.0 TWh in Finland, 2.7 TWh in Germany, and 0.2 TWh in Estonia. Net sales totalled EUR 389 million. The volume of regional network transmission totalled 14.0 TWh, with net sales of EUR 55 million.

Electricity distribution in distribution networks by area
TWh



Development of the electricity distribution business

During the course of the year, we reorganised our electricity distribution businesses in Finland into a single unit, with the objective of saving costs by dismantling overlapping operations and by developing uniform methods. In Finland, Fortum Sähkönsiirto Oy, which was established after Länsivoima Oyj merged with Fortum Corporation at the end of September, is responsible for the unit's business operations. At the end of the year, the electricity distribution of Tuusulanjärvi Energy Ltd was also transferred into Fortum Distribution.

In Sweden, Birka Nät AB, part of the Birka Energi Group in which Fortum has a 50% share, is responsible for electricity distribution. In April, Birka Nät purchased the regional networks of Stora Enso in central Sweden for EUR 195 million.

In Germany, Elektrizitätswerk Wesertal GmbH, which was acquired by Fortum, distributes electricity in regional and distribution networks in the area around the town of Hameln in the federal states of Lower Saxony and North Rhein-Westphalia.

In Estonia, Fortum distributes electricity in the combined area of Fortum Läänemaa AS and Viimsi Elekter AS.

The energy market authorities in Finland and Sweden are in the process of developing price regulation models that take operational efficiency into account. The models complement each other, and Fortum will use them both in the development of its operations.

The development of electricity distribution focuses on solutions required in increasing the value and productivity of network operations and improving the environmental acceptability of operations. Key areas include modern methods of condition management and service entities offered to users of distribution services.

In September, the Supreme Administrative Court reached a decision on the appeal on the reasonable pricing of electricity distribution by Megavoima Oy, which has merged with Fortum, confirming the assessment of reasonable pricing applied by the Energy Market Authority. The decision that Megavoima Oy's pricing of network services had exceeded reasonable return on capital employed by a total of just under EUR 1 million in 1996 and 1997 remained valid. Megavoima Oy adjusted its pricing already at the beginning of July 1999 in accordance with the authorities' decision.

Key figures

	2000	1999
Net sales, EUR mill.	467	347
Operating profit, EUR mill.	127	115
Indentifiable assets, EUR mill.	2,263	1,685
RONA, %	6.4	7.6
Investments, EUR mill.	489	266
Average number of employees	994	697

Service

- Operation and maintenance of power plants
- Contract maintenance of power plants and industry
- Turbine, substation and process equipment services
- About 800 customers in 9 countries

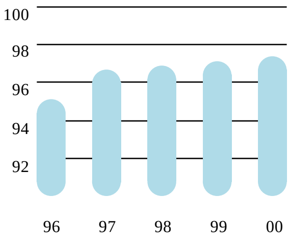
Market review

We provide services to our customers to enable them to focus on their core businesses. At Fortum, the operation and maintenance of power plants has been concentrated into one discrete business entity. Products and services, which are the result of long-term development, are actively offered to external key customers.

Our customers include power plant and substation owners and operators, and industry. We are responsible for operating more than 11,000 MW of power generating capacity and 6,800 MW of heat generating capacity. In Finland, our contracts cover the operation and maintenance of 56 power and heating plants throughout the country, and we have maintenance contracts for more than 80 industrial projects. 47% of the net sales of the sector come from external customers.

Operation-time energy availability of power plants, %

Five-year sliding average per year



New remote support centre improves services

The availability of power plants operated by Fortum Service continued to be excellent. The five-year average increased to 97.4% (1999: 97.1%). In 2000, the use of biofuels in Finland increased by 10% to 2.1 TWh (1.9 TWh in 1999).

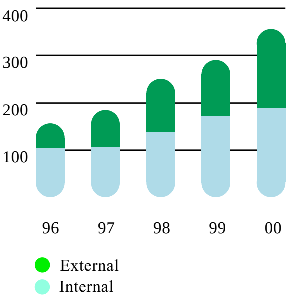
Customer relationships in maintenance were increasingly partnership-orientated, and several long-term contracts were signed during the year. The number of turbine services and substation projects implemented in Finland and abroad increased from the previous year. Fortum Service Industripartner AB was established in Sweden, and began operating at the beginning of the year. It is responsible for the maintenance of the Bofors companies in Karlskoga in Sweden and employs some 250 people.

In May, we established a subsidiary in Germany, Fortum Service Deutschland GmbH, which deals with operation and maintenance contracts, and markets and sells Fortum Service products in Germany and the rest of continental Europe. The company is based in Hamburg.

We opened a remote support centre, which uses the latest technology to improve the performance and productivity of power and industrial plants. Those customers' plants which are Service's responsibility can be networked and given online support in various problem situations. The centre's more than 60 experts serve customers in several countries.

Increase in net sales

EUR mill.



In spring 2000, we introduced efficient laser equipment for coating worn parts, such as shafts and spindles. The equipment is among the most efficient in the Nordic countries. It can also be used to make new parts. Operations began well and we have decided with our partners to build new, larger premises in Kokkola, which will be completed in 2001.

Product development was focused on the application of new technology and the development of expert support services. At the beginning of the year we began to monitor the condition of large electric motors, and this increased during the year, particularly in the forest and process industry.

In maintenance, we focus our operations on contract maintenance and specialist maintenance services. Locally, we also offer other maintenance services. During the latter part of the year, we began to implement changes in our business operations to meet our new strategy.

Customers benefit from new technology

In a number of the countries in which Fortum Service operates, the markets are already developing.

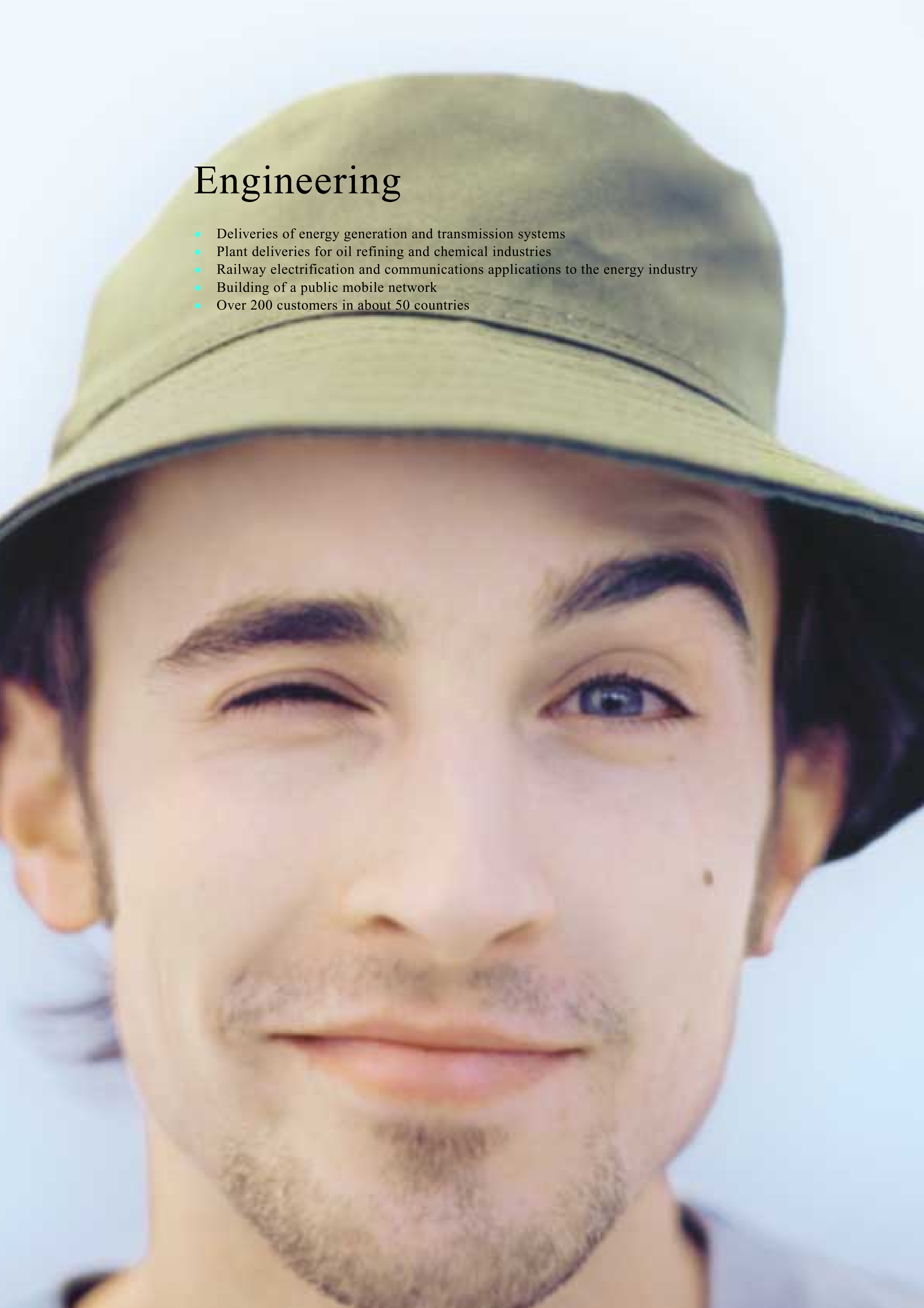
The efficiency of power plants, and the production and energy use of energy-intensive industries, can be significantly increased through concepts which are based on advanced technology and expertise, new ways of operation, and the distribution of tasks. We will enter new growth markets in accordance with these concepts.

Key figures

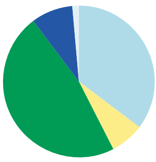
	2000	1999
Net sales, EUR mill.	356	290
Operating profit, EUR mill.	12	12
Identifiable assets, EUR mill.	31	42
RONA, %	32.9	38.7
Investments, EUR mill.	5	9
Average number of employees	3,643	3,387

Engineering

- Deliveries of energy generation and transmission systems
- Plant deliveries for oil refining and chemical industries
- Railway electrification and communications applications to the energy industry
- Building of a public mobile network
- Over 200 customers in about 50 countries



Uninvoiced order book as of 31 Dec 2000, EUR 473 mill.



Engineering supports Fortum's own business operations in electricity, heat, oil and gas. Over 40% of its net sales come from external customers.

Power Plant Engineering's strength is its environmental expertise

The main product of Power Plant Engineering is the design and construction of combined heat and power (CHP) plants, mainly using biomass and natural gas. It also specialises in environmental technologies and refurbishments for reducing power plants' fuel consumption, environmental emissions and operating costs, and offers consulting services in hydropower, nuclear power, automation, and electrification. Fortum is one of the leading power plant contractors in Europe.

Net sales increased compared with the previous year. The most significant new projects were the biomass-fired power plants in Härnösand in Sweden and Cutro in Italy, the implementation of which is based on boiler technology developed at Fortum, and the Vresova desulphurisation plant in the Czech Republic. Construction of CHP plants continued in Germany, Hungary, Scotland and Thailand. A peat-fired power plant was completed in Ireland.

The focus of product development and the growth area of engineering lie in power plants which use biomass, based on our own technology. The global markets of these are growing strongly, partly as a result of the climate issue.

Power plant refurbishment markets are focused in eastern central Europe. We have five projects under way in Romania. Two desulphurisation plants are under construction in the Czech Republic and Poland, where emission-reducing changes to burners have also been implemented. New automation solutions boost power plant operation by improving efficiency and reducing emissions with smaller fuel quantities.

At the end of the year, we started restructuring the operations of Power Plant Engineering.

Transmission Engineering to be sold

In transmission, Engineering strengthened its position in the construction and maintenance of electricity distribution systems and fixed telecommunications networks in Finland.

The construction of base stations for mobile telecommunications continued actively in the Nordic countries while, at the same time, a significant number of orders were received from elsewhere, particularly as a subcontractor of equipment manufacturers. In Sweden, net sales were also boosted by the installation of optical cables in the power transmission network.

The electrification of the railway line between Toijala and Turku, in Finland, was completed and a significant contract in Northern Finland began.

At the end of the summer, Fortum decided to divest Transmission Engineering.

Oil, Gas and Chemicals Engineering

Oil, Gas and Chemicals Engineering supplies our advanced process technologies to the oil, gas and chemicals industry, for example, for the production of cleaner motor fuels. Together with Fortum's Oil and Gas sector, Engineering develops new solutions for our own product development needs and for those of oil refiners in various countries.

The implementation of the shutdown of the Naantali refinery, in autumn 2000, and the planning of the 2001 shutdown of the Porvoo refinery were our most significant assignments within the Group.

International projects included the design and construction of a polypropylene plant, in Austria, and the construction of a unit based on our NExTAME technology, in Italy. Process control technology and training simulators were developed and supplied to polyethylene and polypropylene plants in Europe and the Middle East.

Key figures

	2000	1999
Net sales, EUR mill.	585	479
Operating profit, EUR mill.	-21	12
Identifiable assets, EUR mill.	81	37
RONA, %	-35.6	24.0
Investments, EUR mill.	20	12
Average number of employees	3,446	3,254

Human Resources

- Target-oriented and participative management
- Reward-based and active remuneration system
- Systematic human resources development
- Open internal communication
- Health and safety
- Equality

Acquisitions increased the number of employees

During 2000, we employed an average of 16,220 people. At the end of the year, the number of employees was 15,770, 14,844 of whom were permanent employees. Women accounted for 23% of the employees, and our workers' average age was about 44.

The number of permanent employees increased by 719, primarily as a result of acquisitions, the most important of which was Elektrizitätswerk Wesertal GmbH in Germany (about 600 employees).

Improved skills

We have prepared business strategies in various performance units and, at the same time, have assessed the need to develop employees' skills. On the basis of these assessments, we have prepared employee development plans. These are based on target and development discussions of each employee with his/her superior, during which the objectives of each employee or team are agreed. Excellent performance is always rewarded.

Development and training was principally carried out by the performance units. Overall, investment in employee development in the year amounted to about EUR 11.2 million, and there was an average of 3.2 training days per person.

This was the first time that employee satisfaction had been analysed throughout the Group, and it included management and leadership, and environment and health issues. About a half the Fortum employees participated in this questionnaire, which recorded a satisfaction index of 61.5%.

Towards the end of the year, we published our common principles for the furthering of equality in Finland.

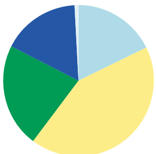
Rewarding basis specified

In 2000, we established a Fortum-wide reward system, based on the achievement of the performance objectives and on each employee's or team's performance.

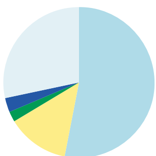
We combined the personnel funds into the Fortum personnel fund. The members of the fund are the Fortum companies in Finland, which employ around 7,900 people.

A bond loan with warrants was arranged for the employees in 1999, and a management stock option scheme covers about 130 key employees. The statutory financial statements give further information about the bond loan and the stock option scheme.

Levels of education of employees



Fields of education of employees



Recruitment improved

The Group-wide internal labour market continued to be active in 2000. We had a total number of 350 vacancies, 80 of which were available in the public labour market. Around 300 people transferred between performance units.

We introduced recruitment pages on our web site at the beginning of 2000. These aroused great interest and, during the year, we received about 1,500 open applications and around 5,300 applications for summer traineeships through the internet. In addition, about 800 people used the web site to apply for various types of trainee and diploma work positions. More than 750 students and schoolchildren worked at Fortum as summer trainees.

In 2000, we used a uniform image for the first time when we took part in seven student and recruitment events. According to the research carried out by the magazine Tekniikka & Talous (Technology & Business), Fortum was one of the three most popular employers in Finland among technology and business students.

Maintenance and promotion of employee fitness for work

During the year, we prepared a programme to maintain and promote employee fitness for work. This aims at achieving a balance between an individual and work and creating a well functioning and balanced working community.

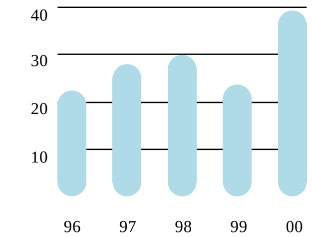
Number of employees by country as of 31 Dec

	2000	1999
Finland	9,360	9,556
Sweden	2,110	1,809
Germany	664	39
Estonia	575	449
Hungary	422	450
Norway	408	323
Russia	366	378
USA	288	283
UK	238	235
Other European countries	333	499
Other countries outside Europe	80	104
Total	14,844	14,125

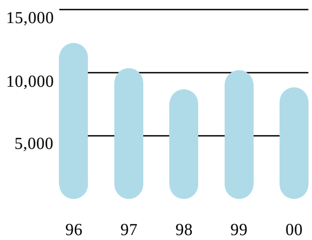
Environment, Health and Safety (EHS)

- High-quality, safe and pro-environmental products and services
- EHS programme completed
- Climate Initiative and Climate Fund to decrease carbon dioxide emissions
- The number of lost workday injuries and uncontained spills decreased

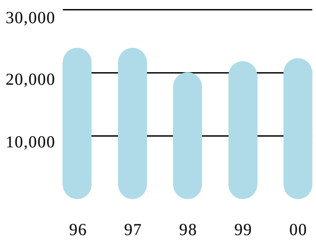
Share of renewable energy sources in electricity generation
%



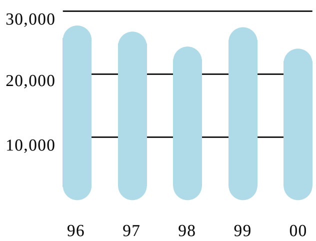
Carbon dioxide emissions into the air
1,000 t/year



Sulphur dioxide emissions into the air
tonnes/year



Nitrogen oxide emissions into the air
tonnes/year



Fortum's target-oriented climate programme

In February 2000, we published our environmental, health and safety programme, which includes our Climate Initiative. The Climate Initiative combines our short- and long-term objectives and actions to decrease carbon dioxide emissions.

We decrease carbon dioxide emissions by increasing the use of renewable energy sources and energy-efficient combined heat and power (CHP) generation, both in our own operations and in joint projects in developing countries and in those with economies in transition.

The hydropower plants we acquired from Stora Enso in 2000 doubled our hydropower capacity. The power plants of the Oulujoki watercourse are being refurbished to increase their efficiency. During the year, the share of hydropower in our electricity generation increased to 35%.

During the past few years, we have continued to increase the use of biofuels in power and heat generation and, in 2000, it increased by 14%. At our Joensuu power plant in Finland, we carried out a boiler conversion, which makes it possible to increase the share of biofuels used at the plant from a few per cent up to 50%.

We were constructing natural gas-fired CHP power plants in Scotland, Germany and Thailand. They will be commissioned during 2001, and will output around 350 MW of electricity.

Application of the Kyoto mechanisms is a prerequisite for cost-effective decrease in carbon dioxide emissions worldwide. During the year, we established a climate fund, the initial capital of which is EUR 1.6 million, which aims at investing in projects to decrease carbon dioxide emissions in developing countries and in countries with economies in transition. The first investment was made by joining the World Bank's Prototype Carbon Fund, PCF, which implements the joint projects accepted in the Kyoto Protocol, worldwide.

We sold 50,000 tonnes of the emission decrease achieved by converting the boiler at the Joensuu power plant to a Canadian power company. While this is not a huge volume, the project brought us valuable experience in practical implementation of international emission trading. This is the largest emission trade so far between two continents.

Environmental aspects support our business

Our investment in the development of clean motor fuels since the beginning of the 1990s is bearing fruit. There was continuing demand for clean products, and the entire capacity of our refineries was in use. The production of low-sulphur diesel fuel increased by nearly 30%, the major part of which was exported to the European market.

The combustion of our reformulated gasoline is clean, as a result of oxygen-containing compounds. The State of California will prohibit the use of MTBE, the most important oxygenate, at the end of 2002. Because of leaks caused by careless handling of gasoline, groundwater has been contaminated. Alberta Envirofuels in Edmonton, Canada, our joint venture with Chevron, is preparing to switch to the production of a replacing iso-octane component for the US market.

An extensive risk study was completed in the EU, the results of which indicate that MTBE is not hazardous to health. The protection of groundwater is being intensified in the EU, but the prohibition of MTBE is not expected.

We are the first Finnish sellers of electricity to provide electricity with an environmental specification. Wind electricity and Norppa Electricity, which was granted an eco-label by the Finnish Association for Nature Conservation, are two examples of our ecological energy products. The majority of our biofuel-based heat also meets the requirements of the Norppa label. We offer optimisation and environmental services and energy audits to our industrial customers. We introduce environmental information and products on our web site, through our e-commerce channels.

Fortum Engineering provides its customers with energy-efficient and pro-environmental energy technologies. Our product range covers CHP plants, hydro and wind power plants, refurbishments of old power plants and environmental technology. The decrease in sulphur emissions achieved with the desulphurisation plants built in the Czech Republic and Poland corresponds to Finland's entire annual sulphur emissions.

We continue to improve the environmental performance, and process and occupational safety of our production facilities.

Improving safety

We are making every effort to advance employee health and safety, and to decrease environmental risks. Good risk management improves the quality, reliability and efficiency of operations. We aim to reduce the number of safety incidents to half the 1999 level by 2003.

During the year, the lost workday injury frequency which resulted in more than one lost workday was 11.5 injuries per million working hours, 21% lower than in 1999. This positive trend was clouded by a fatal accident to one of our contractor's employees at a power plant construction site in Poland.

The number of uncontained spills decreased from 23 to 16, but the number of fires requiring fire brigade action increased from 10 to 14. The incidents did not have any significant impact on the environment.

In order to continue to improve the safety of nuclear power plants, we pursued the severe accident management programme at the Loviisa power plant. During the year, we introduced a new emergency control room, which is used only in a highly improbable nuclear fuel meltdown accident, and, at unit one, we made modifications to secure the external cooling of the reactor pressure vessel.

Sulphur and nitrogen emissions under control

We have made significant investments in the decrease of sulphur and nitrogen emissions at our production plants. As a result, specific emissions per production have decreased substantially. We use the best available technology in the desulphurisation and denitrification of flue gases, and foresee no major investment in the next few years. It is possible that further measures to decrease emissions will be required at the Naantali refinery and at the Haapavesi power plant in Finland, and at the Kohtlajärve power plant in Estonia.

We made effective use of by-products in heat and power generation: 77% of ash and 100% of gypsum were reused, as was 100% of sulphur, a by-product of oil refining. In 2000, the sales of our by-products earned us about EUR 0.9 million. The reuse of by-products also saves waste management costs.

Regulatory compliance

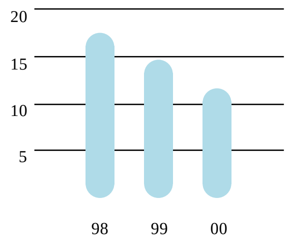
During the year, with the exception of a few minor infringements, the operation of our production plants complied with valid permits and other environmental regulations. No verified impact on the environment or on human health ensued and no financial consequences resulted to the company. We have taken corrective measures to prevent these non-conformances from recurring.

EHS investments increased

In 2000, our EHS investment amounted to EUR 47 million, and the annual operating costs totalled about EUR 55 million. These include costs related to air pollution control, soil protection, effluent treatment, waste management, fire abatement, process and occupational safety activities, and occupational health care. Our most significant investments included the boiler conversion of the Joensuu power plant and the closed-loop cooling system of the Naantali refinery in Finland.

The estimated investment in 2001 required to maintain regulatory compliance is EUR 12 million.

Lost workday injuries
injuries/million hours worked

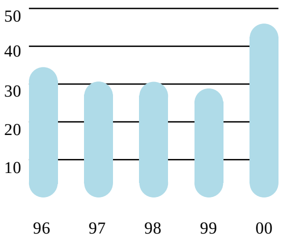


Fortum's energy and material balance 2000

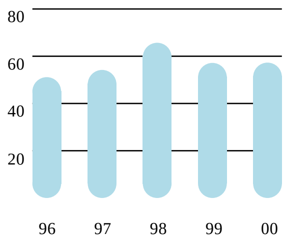
Fortum's energy and material balance gives a rough illustration of our key raw material and energy flows and emissions. Internal electricity and fuel items have been eliminated. Neither does the balance include the share of Birka Energi and other associated companies, nor trading operations.

Raw materials and fuels >		Energy >		Emissions into water V		Emissions into the air Λ	
Crude oil, mill. t	10.7	Heat, TWh	3.6	Heat emissions, TWh	23	CO_2, t	9,000,000
Other feedstocks, mill. t	2.2	Electricity, TWh	15	Waste water, mill. m^3	16	SO_2, t	23,000
Liquefied petroleum gas, mill. t	0.5					NO_x, t	24,000
Natural gas, mill. m^3	1,240					VOC, t	6,300
Coal, mill. t	0.7					Particles, t	1,900
Peat, mill. t	1						
Biofuels, mill. t	1.3						
Other fuels, mill. t	0.5						
Uranium, mill. t	0.000027						

EHS investment
EUR mill. /year



EHS operating costs
EUR mill. /year



We paid a total of EUR 218 million of various environment-based taxes and fees in Finland. The most significant items were additional tax on motor fuels and taxes on fuels used in heat generation. The tax basis for 2001 remains unchanged.

Financial instruments is one possible way of controlling climate policy. This was studied when the Finnish national climate programme was prepared. So far, we have no basis to estimate whether financial instruments will be introduced in Finland, and if so, what kind of impact it may have on our business.

Environmental risks relating to economy under control

We have evaluated the environmental liabilities related to our past actions and made the necessary provisions, in line with our accounting principles, for any future remedial cost relating to environmental damage. The management is not aware of any cases that would have a material impact on our financial position.

We systematically apply various risk management mechanisms in connection with acquisitions and disposals. In our contracts, environmental liabilities are defined in detail to avoid any unexpected claims for damages. The environmental risk position of our contracts has no significant impact on company economy.

In accordance with the Nuclear Energy Act of Finland, we make provisions for future costs which will arise from nuclear waste management. By the end of 2000, the cost of handling and disposing of accumulated nuclear waste and the decommissioning of the Loviisa power plant was estimated at EUR 489 million. Of this, we have contributed EUR 486 million to the Nuclear Waste Disposal Fund in line with the fund's payment programme.

As determined by Finnish legislation, our liability in the event of a nuclear accident amounts to some EUR 290 million, which is covered by statutory insurance. Our minority interests in the Swedish and German nuclear power companies owned by our subsidiaries do not involve any economic liability for nuclear damages.

Better EHS management

In spring, Fortum's Board of Directors approved our environmental, health and safety programme, which specifies the Group's strategic objectives and firm targets of our EHS operations for the next few years. The six strategic objectives of our EHS programme are:

- ensuring that our safety level is top class
- turning the climate issue to business opportunities
- creating eco-competitiveness
- exemplary EHS management
- Fortum personnel taking pride in our way of handling EHS issues
- stakeholders trusting in us.

Recognition to environmental reporting

The only way we can maintain stakeholder trust is to show that we implement the set targets and to report openly on any successes and setbacks.

In 2000, our environmental communication received two significant recognitions from outside the Group: the 1998 environmental report of our Oil and Gas sector was chosen as the best European environmental report, and Fortum's 1999 annual report was the best Finnish annual report in respect of environmental reporting.

Waste		By-products		Products	
Conventional waste, t	24,000	Ash, t	240,000	Petroleum products, mill. t	13
Recyclable waste, t	26,000	Gypsum, t	21,000	Other products, mill. t	0.4
Hazardous waste, t	36,000 1)	Sulphur, t	46,000	Electricity, TWh	34
Low- and medium-level waste, m^3	190			Heat, TWh	12
Spent radioactive fuel, t	27				

1) includes contaminated soil

Corporate Governance

Corporate Governance

Fortum complies with the legislation and the application guidelines on the administration of public listed companies, issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. We also observe the Guidelines for Insiders issued by the Helsinki Exchanges.

Fortum Group comprises the parent company, Fortum Corporation, and its wholly-owned subgroups, the parent companies of which are Fortum Oil and Gas Oy and Fortum Power and Heat Oy. The management of Fortum Corporation is responsible for the management of the entire group.

In 2000, the Group's business was divided into four sectors: Oil and Gas, Power and Heat, Engineering, and Service. The sectors were divided further into 30 performance units, whose performance can be clearly measured. In spring 2001, the business structure was changed.

The decision-making bodies running the Group's administration and operations are the annual general meeting, Supervisory Board, Board of Directors and the President and Chief Executive Officer.

Supervisory Board

The Articles of Association specify that the Supervisory Board should comprise a minimum of ten and a maximum of 20 members; the current number is 15. The members are elected at the annual general meeting for a one-year term of office. The Supervisory Board meetings are also attended by four employee representatives, who are not members of the Supervisory Board.

The main tasks of the Supervisory Board are to supervise the administration of the company; to discuss issues that involve a substantial downsizing or expansion of the business or a material modification to the organisation; and to select the Chairman and other members of the Board of Directors. In addition, the Supervisory Board appoints, on the recommendation of the Board of Directors, the President and CEO of the company and decides on the terms and conditions of his employment. As a rule, the Supervisory Board convenes every other month.

Board of Directors

According to the Articles of Association, the Board of Directors comprises five to seven members. Currently the Board numbers six, and its members are appointed for a calendar year. As a rule, the Board of Directors convenes six times a year.

The Board of Directors is responsible for the administration of the Group and for ensuring that the business complies with the relevant rules and regulations, Fortum's Articles of Association, and the instructions given by the annual general meeting and the Supervisory Board.

The Board of Directors is responsible for the company's strategic development and for supervising and steering the business. It also decides on the Group's key operating principles; confirms the company's annual operating plan, annual financial statements, and interim reports; decides on major investments; confirms the company's ethical values and operating principles and oversees their implementation; appoints deputies to the President and CEO and the immediate subordinates to the President and CEO, and decides on their remuneration; confirms the Corporate Executive Committee and the Group's organisational and operating structure at top management level; and defines the company's dividend policy.

The Executive Chairman of the Board, together with the President and CEO, prepares matters relating to the Group's strategy, development of corporate structure, and co-operation projects for the Board of Directors.

The Board of Directors has appointed an audit committee, and a nomination and compensation committee. The members of these committees are all non-executive. The audit committee monitors the company's financial statements, interim reports and auditors' reports, and monitors and assesses the Fortum-wide internal supervision system and internal audit.

The nomination and compensation committee discusses, assesses and gives suggestions on the Group's, and its management's, pay structures, bonus and incentive systems, and contributes to nomination issues.

The audit committee is chaired by Heikki Pentti, and the members are Birgitta Kantola and Erkki Virtanen.

The nomination and compensation committee is chaired by L.J.Jouhki, and the members are Olli-Pekka Kallasvuo and Heikki Pentti.

President and CEO, and Group management

The role of the President and CEO is to manage the Group's business and administration in accordance with the Companies Act of Finland and the instructions of the Board of Directors. The President and CEO is supported by the Corporate Executive Committee, which is shown on page 42.

The remuneration and shareholdings of the Supervisory Board, the Board of Directors, and the President and CEO

The salary and remuneration of members of the Supervisory Board and the Board of Directors for 2000 totalled EUR 620 thousand. The salary of the Executive Chairman of the Board, including fringe benefits, totalled EUR 220 thousand, and the salary of the President and CEO, including the fringe benefits, was EUR 190 thousand (4 months).

The Executive Chairman of the Board and the President and CEO are paid performance bonuses, in addition to their salary and fringe benefits, the size of which is dependent on the Group's financial performance and success in reaching its goals. The bonus may not exceed 30% of the person's annual salary. No other remunerations were paid to the members of the Board.

Fortum Corporation's shares and stock options held by the members of the Supervisory Board, the Board of Directors and the President and CEO on 31 December 2000 are listed in the adjacent table.

Fortum has not granted loans to the members of the Board. Nor do Board members or other representatives of the management have any essential business relations with the company.

Auditing

The internal auditing function, which reports to the Board of Directors and the President and CEO, assures that we operate in compliance with the relevant rules and regulations as well as with the Group's operating principles. This function also ensures that the company's risk management is arranged at optimum effectiveness.

The companies of the Group are audited by PricewaterhouseCoopers; Pekka Kaasalainen, authorised public accountant, has the principal responsibility.

Bonus and incentive systems

The management stock option scheme, and a bond loan with warrants targeted at personnel, support the achievement of our long-term goals. More details are in the official financial statements.

An annual bonus and incentive system, designed to support the achievement of our short-term goals, is employed throughout the Group. The criteria used in determining the size of the bonus are confirmed annually by the Board of Directors on the recommendation of the compensation committee. The criteria on the basis of which the employees' progress in reaching their personal goals are recognised, are mutually agreed by the employee and his/her superior in an annual performance and appraisal discussion. The criteria are approved by the person to whom the superior reports.

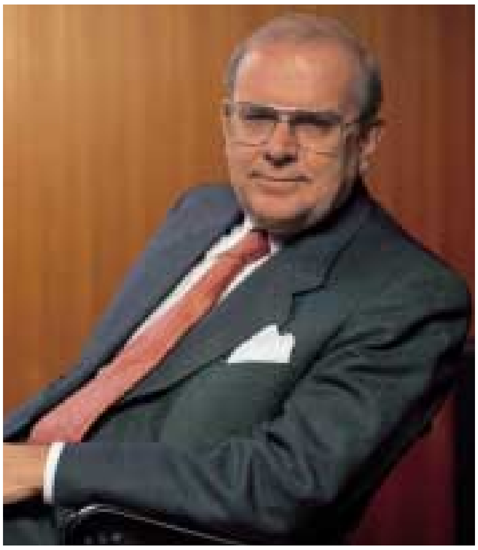
The Fortum Personnel Fund (for Finnish employees only) pays profit-sharing bonuses to fund members with effect from 2000, but not to those eligible for management stock options. The criteria for the bonuses are determined by the Board of Directors on the basis of the Group's annual results.

Shareholdings and stock options as of 31 December 2000

	No. of shares	No. of stock options
Matti Vanhanen	351	
Krister Ahlström	4,750	
Jaakko Ihamuotila	13,926	100
L.J. Jouhki	8,006	
Heikki Pentti	546	
Matti Vuoria	8,370	350
Mikael Lilius		350
Eero Aittola	1,370	250

Board of Directors

Matti Vuoria, Master of Laws, born 1951, Executive Chairman. Mr Vuoria is a director of a number of companies, including Danisco A/S and The European Renaissance Fund Limited, and is Chairman of Solidium Oy.

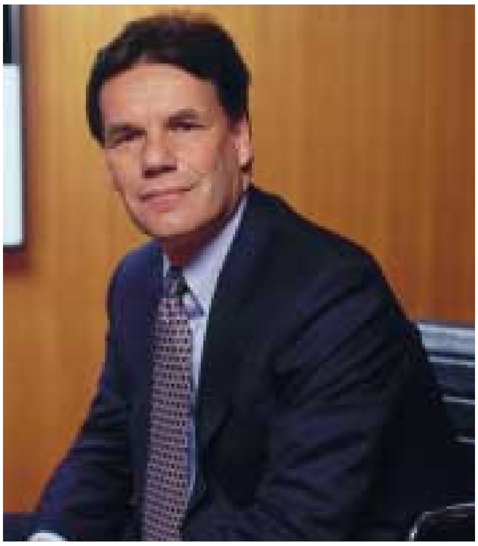


Krister Ahlström, MSc (Eng), born 1940, Deputy Chairman until 31 December 2000. Mr Ahlström is a director of a number of companies. He is Chairman of MNB Maizels Group, Deputy Chairman of Stora Enso Oyj, and member of the Supervisory Board of Merita Bank Plc.

L.J. Jouhki, MSc (Econ), born 1944, Deputy Chairman. Mr Jouhki is Chairman of Thominvest Oy and Finnlines Plc, and is a director of Oyj Hartwall Abp, Sanoma-WSOY Corporation and UPM-Kymmene Corporation. He is also a member of the Supervisory Board of Merita Bank Plc.

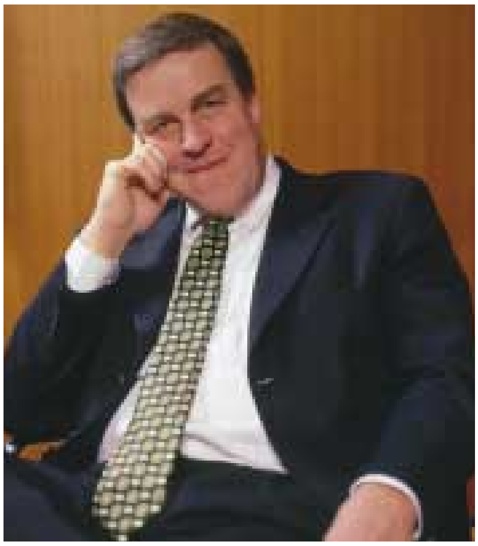
Jaakko Ihamuotila, MSc (Eng), DTech hc, born 1939, Executive Member until 1 September 2000 and a member of the Board of Directors until 31 December 2000. Mr Ihamuotila is a director of a number of companies, including Raisio Group plc. He is also a member of the Supervisory Board of Merita Bank Plc.

Birgitta Kantola, Master of Laws, born 1948. In the period from 1995 to 2000, Ms Kantola was Vice President and CFO of International Finance Corporation (Washington D.C.). Today she is a director of Vasakronan AB and Akademiska Hus AB.



Olli-Pekka Kallasvuo, Master of Laws, born 1953. Mr Kallasvuo is Executive Vice President, Chief Financial Officer and a member of Nokia Group Executive Board. He is Chairman of a number of companies, including Nextrom Holding S.A (Switzerland), Nokian Tyres plc and F-Secure Corporation. He is also a director of Finnish Broadcasting Company and, in the period 1991-1996, was a Board member and Chairman of Helsinki Stock Exchange Ltd.

Heikki Pentti, BSc (Econ), born 1946. Mr Pentti is Chairman of Lemminkäinen Oyj, member of the Supervisory Boards of Talentum Oyj and Merita Bank Plc, and is a director of Myllykoski Corporation.



Erkki Virtanen, MSc (Social Sciences), born 1950, Secretary General of the Ministry of Trade and Industry. Mr Virtanen is Deputy Chairman of Patria Industries Oyj and Sitra, Finnish National Fund for Research and Development.

Corporate Executive Committee

From left to right:
Juha Laaksonen, Eero Aittola, Veli-Matti Ropponen, Mikael Lilius, Tapio Kuula, Carola Teir-Lehtinen, Harri Pynnä, and Kari Huopalahti

Mikael Lilius, BSc (Econ), born 1949, President and Chief Executive Officer, Chairman of the Corporate Executive Committee since 1 September 2000.

Eero Aittola, BSc (Econ), born 1942, Group Executive Vice President, Fortum's President and CEO 10 March – 31 August 2000.

Kari Huopalahti, MSc (Eng), born 1947, Senior Vice President, Corporate Development.

Tapio Kuula, MSc (Eng), MSc (Econ), born 1957, President, Power and Heat sector.

Juha Laaksonen, BSc (Econ), born 1952, Senior Vice President, Chief Financial Officer.

Veli-Matti Ropponen, MSc (Eng), BSc (Econ), born 1949, President, Oil and Gas sector.

Carola Teir-Lehtinen, MSc, born 1952, Senior Vice President, Corporate Communications.

Harri Pynnä, Master of Laws, born 1956, Senior Vice President, Corporate Legal Affairs, Secretary to the Corporate Executive Committee.

Other Management

28 February 2001

Oil and Gas sector

President *Veli-Matti Ropponen*
Oil Retail, Finland, *Matti Peitso*
Oil Retail, Baltic Rim, *Kai Laurén*
Refining and Wholesale, *Risto Rinne*
Nynäs Petroleum, *Måns Collin*
Lubricants, *Veli-Pekka Helander*
Base Oils, *Ilkka Poranen*
Components, *Risto Näsi*
Exploration & Production, *Hans Kristian Rød*
Natural Gas, *Tapio Harra*
LP Gas Supply and Trading, *Per-Erik Wallgren*
LP Gas Distribution, *Ingmar Dahlblom*
Energy House, *Rauno Kallonen*

Power and Heat sector

President *Tapio Kuula*
Power Portfolio Management and Trading, *Timo Karttinen*
Generation, *Jussi Helske*
Birka Energi, *Tomas Bruce*
Distribution, *Tapio Lehtisalo*
Heat, *Risto Riekko*
P&H, UK and RoI, *Esko Salosaari*
P&H, Continental Europe, *Esko Salosaari*
P&H, Emerging Markets, *Matti Kangas*
Technology, *Esa Lecklin*

Service sector

President *Pekka Päätiläinen*
O&M Finland, *Matti Suikkanen*
O&M Scandinavia, *Pekka Päätiläinen*
Maintenance, *Tapio Kelo*
O&M International, *Erkki Päivärinta*

Engineering sector

President *Anders Palmgren*
Power Plant Engineering, *Eero Auranne*
Oil, Gas and Chemicals Engineering, *Kim Kronstedt*
Transmission Engineering, *Pekka Salo*

Other Performance Units

Fortum Data, *Kari Keskiivari*
Fortum Support, *Eero Maijala*

Corporate Staff

Technology, *Tapio Alvesalo*
Information Technology, *Jouni Keronen*
Environment, Health and Safety, *Arja Koski*
Investor Relations, *Raija Norppa-Rahkola*
Internal Audit, *Päivi Pesola*

Supervisory Board

Ben Zyskowicz, born 1954, Member of Parliament, Deputy Chairman
Henrik Aminoff, BSc (Econ), born 1945, Assistant Director, Metsä-Serla, Paper Group
Tuija Brax, born 1965, Member of Parliament
Kaarina Dromberg, born 1942, Member of Parliament
Klaus Hellberg, born 1945, Member of Parliament
Harri Holkeri, born 1937, President of the UN General Assembly
Mikko Immonen, born 1950, Member of Parliament
Kyösti Karjula, born 1952, Member of Parliament
Tanja Karpela, born 1970, Member of Parliament
Kari Laitinen, born 1950, Party Secretary
Jouko K. Leskinen, Master of Laws, born 1943
Leena Luhtanen, born 1941, Member of Parliament
Pekka Tuomisto, Master of Laws, born 1940
Matti Vanhanen, born 1955, Member of Parliament
Sirkka Vilkamo, born 1951, Head of Energy, Efficiency and Technology Division, Ministry of Trade and Industry

In 2000, the following members resigned from the Supervisory Board

Ilkka-Christian Björklund, Licentiate of Social Sciences, born 1947, Chairman of the Supervisory Board, following the appointment as Deputy Mayor of the City of Helsinki
Ville Itälä, born 1959, Member of Parliament, following membership in the Finnish Government

Employee Representatives

Risto Heino, managers and professionals
Tapio Lamminen, workers
Pentti Paajanen, workers
Eero Pollari, technical professionals

Glossary

Barrel
A crude oil barrel; 159 litres.

By-products
In power generation, products such as ash and gypsum produced during the cleaning of flue gases.

Bioenergy
Biomass is organic vegetable mass which is a result of photosynthesis. Fuels made of biomass are called biofuels. Biomass also includes municipal and industrial waste suitable for energy production, most of which is of organic origin. Energy generated from biofuels is called bioenergy. Bioenergy is carbon dioxide neutral energy because the CO^2 released from it is quickly bound to vegetation.

Bubbling fluidised bed combustion
Combustion technology in which the combustion takes place in a fluidised state, which is produced by blowing gas through a layer of granular material, for example, sand. The technology is suitable for the combustion of difficult fuels.

Catalyst
A substance used to promote, accelerate, or modify a chemical reaction without itself taking part in the reaction. A catalyst is usually a metal or a metallic oxide used for removing nitrogen oxide from the flue gases of power plants and from the exhaust gases of motor vehicles.

Condensing power
Electric energy that is generated by condensing steam produced by cooling water without using the thermal energy contained in the steam.

Efficiency
The ratio of the effective power obtained to the power utilised. The proportion of the total energy contained in fuels that becomes available in the form of electricity and heat.

EHVI
Enhanced High Viscosity Index is a term used for an oil, the product qualities of which correspond mostly to the qualities of synthetic base oils. The chemical structure of the oil may vary from one production process to another.

EIA
Environmental Impact Assessment. The assessment of the environmental impact of a planned project.

Esters
High-quality base oils which are either fully-synthetic or made of biocomponents. Made of, for example, oxoalcohols, rapeseed oil or tall resin oil.

Fossil fuel
Fuel derived from ancient, buried organic matter, such as coal, crude oil, and natural gas.

Low-NOx technology
Nitrogen oxide emissions in combustion can be reduced by preventing their formation or by breaking down the nitrogen oxides already formed. The means include low-NOx burners, the staging of combustion air and fuel feeding, and a reduction in temperature.

Mineral oil
A product of conventional oil refining which is still widely-used.

MTBE
A gasoline component which contains oxygen and promotes cleaner combustion.

PAO, polyalphaolefin
Synthetic base oil used in the manufacture of high-quality lubricants.

Refuse-derived fuel, RDF
Waste that has been sorted and is suitable for being burned.

Renewable energy sources
Renewable energy sources include solar, wind, hydro and bioenergy and geothermal energy, as well as energy generated from waves and the movement of the tides.

Specific emissions
The volume of emissions calculated per energy unit produced (mg/kWh) or consumed (mg/MJ).

Synthetic oil
A highly-refined product of oil refining or the petrochemical industry, the product qualities of which are markedly better than those of mineral oil.

VHVI
Very High Viscosity Index is a term used for an oil, the product qualities of which mostly correspond to the qualities of synthetic base oils. The chemical structure of the oil may vary from one production process to another.

1 MW
(megawatt) = 1,000 kW (kilowatt) = 1,000,000 W (watt); units of power; the power of a normal incandescent lamp is 25 to 100 W.

1 TWh
(terawatt-hour) = 1,000 GWh (gigawatt-hour) = 1,000,000 MWh (megawatt-hour) = 1,000,000,000 kWh (kilowatt-hour); units of energy; an incandescent lamp of 100 watts consumes 0.1 kWh of energy an hour.

1 TJ
(terajoule) = 1,000,000 MJ (megajoule); units of energy, generally used when speaking of the energy content of fuels.

Banks and Investment Bankers Following Fortum

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Financial Statements 2000

www.fortum.com

Fortum

Contents

Board of Directors' report

Group net sales increased by 34% to EUR 11,026 million (EUR 8,232 million) from the previous year. This was principally attributable to the increase in the prices of crude oil and petroleum products, and to expanded gas trading. Despite the lower price of electricity, the electricity business's net sales increased as a result of additional capacity acquired from Germany and Sweden.

The Nordic countries constitute our most important market area: together they accounted for 57% of our 2000 net sales.

Net sales by segment

EUR million	2000	1999	Change-%
Oil and Gas Upstream [1]	945	366	158
Oil Refining and Marketing [2]	7,759	5,064	53
Power and Heat Generation and Sales	1,760	1,443	22
Electricity Distribution	467	347	35
Service	356	290	23
Engineering	585	479	22
Other operations	94	137	–31
Internal invoicing	–940	–717	31
Total	11,026	7,409	49
Discontinued operations	–	823	
Group	11,026	8,232	34

[1] Includes natural gas trading and retail sales	558	136
[2] Includes oil trading	1,117	783

Comparable operating profit improved by over 50%

Fortum Group's operating profit for 2000 increased by 29% to EUR 906 million (EUR 705 million). The comparable increase in the operating profit of the continuing business operations was 52%, because the operating profit for 1999 included EUR 107 million of operating profit from discontinued operations. The increase in the price of crude oil considerably improved the results for Oil and Gas Upstream. The results for Oil Refining and Marketing also improved significantly, as a result of an improvement in the refining margin. In addition, shipping operations and a strong demand for gasoline components contributed to the improved results of Oil Refining and Marketing.

The continuing low price of electricity reduced the profit for power generation and sales. In addition, district heat sales diminished as a result of the warmer-than-average weather.

The volume of the expiring electricity contracts, most of which were signed before the deregulation of the markets, was 4.7 TWh, but a corresponding volume was sold with other contracts. The consequent reduction in operating profit was almost EUR 40 million compared with the previous year. Old contracts to the volume of some 3 TWh will be expiring in 2001 with about 7 TWh expiring over the following three years. It is estimated that future annual effects on operating profit will be less than in 2000.

The effect of Birka Energi Group, half of which is owned by Fortum, on our operating profit was EUR 175 million.

The poor result of Engineering was due to certain loss-making projects of Power Plant Engineering. The other Engineering units were profitable.

Operating profit by segment

EUR million	2000	1999	Change-%
Oil and Gas Upstream	218	82	166
Oil Refining and Marketing	382	182	110
Power and Heat Generation and Sales	211	236	−11
Electricity Distribution	127	115	10
Service	12	12	0
Engineering	−21	12	−275
Other operations	−20	−24	17
Eliminations	−3	−17	
Total	906	598	52
Discontinued operations	–	107	
Group	906	705	29

The business operations acquired during the year had a slightly positive effect on the operating profit.

Inventory gains, which were a result of the increase in crude oil prices and principally affected statutory crude oil stockpiling, and the appreciation of the coal stock totalled EUR 24 million (EUR 81 million).

Operating profit includes gains on the sale of fixed assets and shareholdings, at EUR 119 million (EUR 155 million). Correspondingly, non-recurrent write-downs and provisions totalled EUR 66 million (EUR 20 million).

Excluding Birka Energi, our associated companies have been consolidated by the equity method. Our share of the results of these companies, excluding Birka Energi, totalled EUR 46 million (EUR 36 million). Birka Energi has been consolidated by using the proportionate method on the basis of 50% ownership.

Profit before extraordinary items amounted to EUR 633 million (EUR 494 million).

Profit before taxes was EUR 623 million (EUR 954 million). Extraordinary items in 1999 included the profit from the sale of Gasum Oy's shares and the business operations of Neste Chemicals Oy and Enermet Oy.

Net profit for the period was EUR 423 million (EUR 703 million) and earnings per share were EUR 0.55 (EUR 0.41). Return on capital employed was 9.4% (8.4%) and return on shareholders' equity was 8.6% (7.7%).

Our net financing expenses were EUR 273 million (EUR 211 million). Taxes for the financial year totalled EUR 154 million (EUR 229 million).

Major price fluctuations on the markets, increased production volume for Fortum

Oil and Gas Upstream

In 2000, there was a considerable increase in the price of crude oil. The price of North Sea Brent crude rose to as high as USD 35 a barrel during the autumn, and at the year-end was around USD 24 a barrel. The annual average price of Brent was USD 28.5, compared with approximately USD 18 the previous year. The average price of oil sold by us was USD 27.6 a barrel (USD 17.9).

In 2000, we produced an average of 34,200 oil-equivalent barrels of oil and gas a day (32,700 in 1999) – about 1.7 million tonnes a year, an increase of almost 5% on the previous year. Gas production at the Åsgard field in Norway began in October 2000. In 2001, gas production at the field is expected to reach nearly 10,000 oil-equivalent barrels a day.

Oil Refining and Marketing

The international refining margin more than tripled. The annual average was USD 3.4 a barrel (USD 0.9 in 1999). Our refining margin continued to be considerably higher than the international reference margin.

Our wholesale deliveries of petroleum products in Finland totalled 7.8 million tonnes (7.9 million tonnes). Petroleum product sales outside Finland increased slightly and amounted to 4.9 million tonnes (4.8 million tonnes). Our most important export market was Sweden: petroleum product sales to Sweden totalled 1.7 million tonnes (2.0 million tonnes). Exports to North America increased to 1.0 million tonnes (0.8 million tonnes). Exports to the Baltic countries were small.

Our retail and direct sales of petroleum products in Finland were 3.8 million tonnes, the same as in the previous year. In addition, we maintained our market position.

Power and Heat Generation and Sales

The market price of electricity in the Nordic countries remained at the 1999 level. The average system price of the Nord Pool exchange was EUR 12.8 (EUR 13.5) per MWh. The regional prices in Finland and Sweden were higher than the system price. The Nordic countries used a total of 382 TWh of electricity, 1.5% more than in 1999.

Our electricity generation capacity in the Nordic countries was 9,243 MW (8,303 MW) at the end of the year, while our total capacity was 10,163 MW (8,549 MW). Our electricity sales in the Nordic countries amounted to 45.3 TWh (41.6 TWh). Sales in Finland amounted to 28.4 TWh (29.6 TWh) and in Sweden to 16.9 TWh (12.0 TWh), including 50% of Birka Energi's electricity sales. Outside the Nordic countries, our sales totalled 6.1 TWh (2.2 TWh). The average price of our electricity sold in the Nordic countries decreased by 6% from the previous year.

The heat market was influenced by a strong increase in fuel prices and the exceptionally warm autumn. We sold a total of 15.6 TWh (15.7 TWh) of heat in the Nordic countries.

In December, we signed contracts on long-term deliveries of district heat in the Turku region. The total agreed capacity is about 300 MW and the annual energy volume is 1.5 TWh.

Electricity Distribution

Distribution prices of electricity were stable. Our networks distributed a total of 15.0 TWh of electricity, 19% more than in the previous year. The increase was attributable to the acquisition of Elektrizitätswerk Wesertal GmbH. We organised electricity distribution in Finland into one unit.

Service

The availability of the power plants operated by Fortum Service continued to be excellent. Service is responsible for the operation of a total of over 11,000 MW of electricity generation capacity and 6,800 MW of heat generation capacity. In the maintenance business, our customer relations were based more and more on partnerships and, during the year, we signed several long-term contracts.

Engineering

At the year-end, Fortum Engineering's uninvoiced orders totalled EUR 473 million (EUR 675 million at the end of 1999). We decided to divest Transmission Engineering. Power Plant Engineering showed a distinct loss, and we started restructuring the operations of this performance unit.

Significant financing arrangements, liquidity continued to be good

The most significant financial transaction in 2000 was that implemented for the financing of the acquisition of Stora Enso power plants, in which Fortum Capital Ltd issued preferred shares worth EUR 1.2 billion. The increase in the minority interest entered in the balance sheet of the consolidated financial statements is a result of this financing arrangement.

Interest-bearing net debt was EUR 4,626 million (EUR 3,818 million) and gearing 73% (79%) at the end of the year.

The Group's liquidity continued to be good. At the end of the year, cash and marketable securities totalled EUR 437 million. In addition, we had a total of about EUR 1 billion of undrawn syndicated loans. In 2000, our net financing expenses totalled EUR 273 million, which corresponds to 2% of net sales. The non-recurrent costs of the financing arrangement in connection with the acquisition of Stora Enso power assets totalled some EUR 33 million.

Our most important loan currencies were the Swedish krona, euro and the US dollar. At the end of the year, the average interest rate of the loans, excluding loans of Birka Energi, after hedging arrangements, was 6.2%.

Most significant investments made in electricity generation

In 2000, we invested EUR 3,131 million (EUR 1,059 million), a major portion of which was in acquisitions by the Power and Heat sector. The total includes EUR 1,208 million (EUR 8 million) of interest-bearing net debt of the acquired subsidiaries at the time of acquisition.

We acquired the share capital of the German energy company, Elektrizitätswerk Wesertal GmbH, for EUR 388 million, in January. In May-June, we acquired Stora Enso's power plant capacity, corresponding to a total of 1,511 MW and 6.7 TWh of annual production in Finland and Sweden. The value of the transaction, at EUR 1.7 billion, included several companies and interests. We also agreed with Stora Enso on annual electricity deliveries of over 2 TWh over the next three years.

The development of the Åsgard oil and gas field for production was completed. Over the year, a total of EUR 70 million was spent preparing for gas production, which began in October, and the related infrastructure.

Corporate reorganisation in power generation

To optimise the production structure of electricity, we sold 97 MW of the capacity we acquired from Stora Enso in Finland and exchanged the shares we had acquired in Pamilo Oy for those of Bullerforsens Kraft AB in Sweden. We sold our power generation shares in the Vuosaari A and B plants and three hydropower plants acquired from Stora Enso to Helsingin Energia. In addition, we exchanged our shares of the Swedish hydropower company, Gulsele AB, for shares in Kemijoki Oy. We also sold our shares in Lahden Lämpövoima Oy to Lahti Energia.

Operations were redirected, performance improvement programme was launched

In the course of the year, we decided to focus our electricity generation on the Nordic countries and elsewhere in the Baltic Rim, and to divest our power plants in Hungary, UK and Ireland. In December 2000, an agreement was reached on the sale of our shares in Budapesti Erömü Rt, which produces electricity and heat in Hungary, to the French company, EdF. The official licences required for the agreement are expected to be granted in the first part of 2001.

We redirected the operations of the Engineering sector. We decided to divest Transmission Engineering and began to restructure Power Plant Engineering.

We launched a Group-wide performance improvement programme in September.

Share capital increased in connection with Länsivoima merger

In the merger of Länsivoima Oyj with Fortum Corporation on 30 September 2000, 60,825,940 new Fortum Corporation shares were issued as merger consideration, and the share capital was increased by EUR 206,808,196. The new shares were combined with Fortum Corporation's existing share type on 30 September 2000. In the merger, one Länsivoima share was equivalent to 10 Fortum's new shares. On 31 December 2000, the number of Fortum Corporation's shares was 845,608,575, and the share capital was EUR 2,875,069,155. The number of shares, excluding the parent company shares owned by Group companies, was 794,571,055.

Fortum Power and Heat Oy, Fortum Corporation's wholly-owned subsidiary, was the largest shareholder of Länsivoima Oyj. In the merger, Fortum Power and Heat Oy received 51,037,520 Fortum Corporation shares to the total nominal value of EUR 173,527,568, which is 6.04% of Fortum Corporation shares, share capital and votes. Currently, these shares do not carry any voting rights. At the same time, the Finnish State's shareholding decreased from 75.38% to 69.96%.

The Board of Directors of Fortum Corporation has today no unused authorisations from the general meeting of shareholders to increase the company's share capital or to subscribe for the company's own shares.

R&D operations intensified through networking

Investment in research and development, at EUR 58 million (EUR 72 million), represented 0.5% (0.9%) of net sales. The development of the R&D portfolio continued, and we aimed at supporting the business strategy with clearly defined and well-resourced projects and by networking with the best experts of this industry. Contacts with national and EU research programmes were strengthened.

Compliance with the environmental regulations

In spring, Fortum's Board of Directors approved our EHS programme, which includes our Climate Initiative. In the same connection, we established a climate fund, which invests in projects to decrease carbon dioxide emissions in developing countries and in countries with economies in transition. We also joined the World Bank's Prototype Carbon Fund, PCF, which implements climate benign projects worldwide.

Industrial safety at Fortum sites improved, and the lost workday injury frequency decreased by 20% on the previous year.

During the year, with the exception of a few minor infringements, our operations complied with valid permits and other environmental regulations. We are not aware of any cases that would involve environmental liabilities with a material impact on our financial position.

Two valid option schemes

We have two employee incentive systems, both launched in 1999, which are linked with the performance of our share.

Management stock option scheme
In this scheme, a maximum of 15,000 stock options can be issued to a maximum of 150 key members of Fortum Group's employees. The stock options entitle the holders to subscribe for a maximum of 15 million Fortum Corporation shares in the period from 1 October 2002 to 1 October 2005. These shares correspond to 1.8% of the company's present share capital and voting rights. As a result of the subscriptions made as part of the management stock option scheme, Fortum's share capital may rise, in total, by a maximum of EUR 51 million. At the end of 2000, the management stock option scheme covered 123 persons with a total of 12,676 option rights.

Bond loan with warrants to employees
The maximum amount of the bond loan with warrants to employees was FIM 25 million (EUR 4.2 million). The loan period is three years, at an annual interest of 4%. The loan, including the interest, will be repaid in one instalment on 17 May 2002.

A total of 25,000 bond loan stakes at a nominal value of FIM 1,000 per stake was offered, with each stake carrying 300 share warrants. Each warrant may be exercised to subscribe for one Fortum Corporation share. At the end of 2000, the bond loan amounted to FIM 23.8 million (EUR 4.0 million). As a result of the subscriptions relating to the bond loan with warrants to employees, Fortum's share capital may be increased at most by EUR 24.2 million or 7.1 million new shares, corresponding to 0.8% of the company's share capital today. The shares connected with this bond loan are open for subscription between 17 May 2002 and 17 May 2005.

Number of employees almost unchanged

In 2000, Fortum Group employed an average of 16,220 people (17,461 in 1999), and at the end of the year 15,770 people (15,048). The increase was principally a result of the acquisition of the German company, Elektrizitätswerk Wesertal GmbH. At the end of the year, Fortum Corporation employed 377 people (37), after 348 employees of our subsidiaries became employees of Fortum Corporation at the beginning of the year.

Changes in Group management

A new corporate governance model came into effect at the beginning of 2000. Fortum Group's business operations are divided into Oil and Gas, Power and Heat, Engineering, and Service sectors. These sectors are divided into 30 performance units, and the profitability of their operation can be clearly measured. At the same time, the former corporate staffs and divisional staffs were combined.

Ilkka-Christian Björklund resigned from the Supervisory Board and its Chairmanship on 1 August 2000 due to his transfer to the employment of the city of Helsinki. Deputy Chairman Ben Zyskowicz took over the role of Chairman of the Supervisory Board. Ville Itälä resigned from the Supervisory Board on 1 September 2000 when he was appointed a member of the Finnish Government. The Supervisory Board had 15 members at the end of the year. The meetings of the Supervisory Board are also attended by four employee representatives.

In 2000, the members of Fortum's Board of Directors were Matti Vuoria (Chairman), Krister Ahlström (Deputy Chairman), Jaakko Ihamuotila (executive director until

31 August 2000), Heikki Marttinen (until 10 March 2000), L.J. Jouhki, Heikki Pentti, and Erkki Virtanen. For 2001, Matti Vuoria (Chairman), L.J. Louhki (Deputy Chairman), Olli-Pekka Kallasvuo, Birgitta Kantola, Heikki Pentti, and Erkki Virtanen were elected to the Board of Directors.

Fortum Corporation's President and CEO, Heikki Marttinen, was released from his duties on 10 March 2000, and Eero Aittola, Corporate Executive Vice President, Chief Financial Officer, took over the role of President and CEO until the end of August. Mikael Lilius became President and CEO on 1 September 2000 and Eero Aittola was appointed Group Executive Vice President on 7 September 2000.

The companies of the Group were audited by SVH PricewaterhouseCoopers Oy, with Pekka Kaasalainen, authorised public accountant, having the principal responsibility.

Events after the review period

In February 2001, we expressed our interest in negotiating for the acquisition of the entire share capital of Birka Energi AB.

At the beginning of 2001, we decided to establish a new sector, Fortum Markets, to develop our customerships in the Nordic countries. This business provides our industrial customers with energy products, and small-scale entrepreneurs and private customers with a wide range of products and services.

We can also increase business volume by combining our existing strengths in the operation and maintenance of power plants, and in related technology. This is a growth area, which may prove to be significant on an international scale. To this end, we established Fortum Energy Solution, in which we have concentrated our key expertise in these areas.

Short-term outlook

Key market-based factors which will influence our performance are the price of crude oil, the refining margin, the market price of electricity, and the exchange rate of the US dollar.

Opec's target is to keep the price of crude oil at between USD 22 and 28 dollars a barrel. In February 2001, the price of Brent futures for 2001 on the International Petroleum Exchange was USD 26 to 28 a barrel. Our oil and gas production will increase as a result of gas production beginning at the Åsgard field.

In 2000, the international refining margin was exceptionally high. A significant reason, which has a long-term effect, was the stricter environmental requirements for motor fuels and the resulting high demand for products which comply with them. No increase in oil consumption in our most important markets is foreseen. The approximately five-week turn-around shutdown at our Porvoo refinery in spring 2001 will reduce the total amount of our refined petroleum products.

Over the next couple of years, electricity consumption in the Nordic countries is estimated to increase by 1.5% each year. In 2001 the growth in consumption is expected to be even faster because the warm weather of the previous year decreased consumption by almost 10 TWh. The proportion of hydropower in power generation is estimated to fall from the record high level of 2000. At the same time, the proportion of coal used in power generation is estimated to increase. The normalisation of the water situation and the low snowfall in Norway indicate a rise in the price of electricity.

Consolidated income statement

EUR million	Note	2000	1999
Net sales	2, 3, 4	11,026	8,232
Share of profits (losses)			
of associated companies	5	46	36
Other operating income	6	140	187
Depreciation, amortisation and write-downs	2, 7	–571	–523
Other operating expenses	8	–9,735	–7,227
Operating profit	2	906	705
Financial income and expenses	9	–273	–211
Profit before extraordinary items		633	494
Extraordinary items	10	–10	460
Profit before taxes		623	954
Income taxes	11, 23	–154	–229
Minority interests		–46	–22
Net profit for the period		423	703

Consolidated balance sheet

EUR million	Note	2000	1999
ASSETS			
Fixed assets and other			
long-term investments	12, 13, 14		
Intangible assets		425	316
Tangible assets		9,593	7,670
Other long-term investments		1,694	1,738
		11,712	9,724
Current assets			
Inventories	15	746	661
Long-term receivables	16	97	27
Short-term receivables	17	1,836	1,352
Investments	19	15	141
Cash and cash equivalents		422	634
		3,116	2,815
		14,828	12,539
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	21		
Share capital		2,875	2,640
Additional paid-in capital		30	3
Retained earnings		1,694	1,359
Net profit for the period		423	703
		5,022	4,705
Minority interests		1,281	126
Provisions for liabilities and charges	22	197	83
Deferred tax liabilities	23	1,177	1,128
Liabilities	24, 25		
Long-term liabilities			
Interest-bearing		4,017	3,241
Interest-free		446	403
		4,463	3,644
Short-term liabilities			
Interest-bearing		1,046	1,352
Interest-free		1,642	1,501
		2,688	2,853
		14,828	12,539

Consolidated cash flow statement

EUR million	2000	1999
Operating activities		
Profit before extraordinary items	633	510
Depreciation, amortisation and write-downs	571	507
Other non-cash flow income and expenses	–2	–13
Financial income and expenses	273	211
Divesting activities, net	–60	–145
Operating profit before change in working capital	1,415	1,070
Change in working capital		
Decrease (+)/increase (–) in interest-free trade and other short-term receivables	–928	–218
Decrease (+)/increase (–) in inventories	–86	–161
Decrease (–)/increase (+) in interest-free liabilities	531	327
Change in working capital	–483	–52
Change in interest-bearing working capital, decrease (+)/increase (–)	–12	30
Funds generated from operations	920	1,048
Interest and other financial expenses paid, net	–312	–212
Dividends received	22	20
Income taxes paid	–144	–269
Realised foreign exchange gains and losses	–62	–63
	–496	–524
Net cash from operating activities	424	524
Investing activities		
Capital expenditures	–716	–739
Proceeds from sales of fixed assets	235	211
Acquisition of shares in subsidiaries net of cash acquired	–842	–151
Investments in shares in participating interests	–166	–158
Investments in other shares	–18	–10
Proceeds from sales of shares in subsidiaries net of cash disposed	159	555
Proceeds from sales of shares in participating interests	86	163
Proceeds from sales of other shares	38	43
Change in other investments, increase (–), decrease (+)	115	59
	–1,109	–27
Cash flow before financing activities	–685	497
Financing activities		
Payment of (–)/proceeds from (+) short-term borrowings	500	345
Proceeds from long-term liabilities	438	162
Payment of long-term liabilities	–1,604	–691
Dividends paid	–141	–99
Capital investment by minority shareholders, increase (+), decrease (–)	1,158	–6
Other financing activities	–6	0
Cash flow from financing activities	345	–289
Net increase (+)/decrease (–) in cash and marketable securities	–340	208
Cash and marketable securities at the beginning of the period	775	564
Foreign exchange adjustment	2	3
	777	567
Cash and marketable securities at the end of the period	437	775
Net increase (+)/ decrease (–) in cash and marketable securities	–340	208

Notes to the financial statements

1. Accounting policies and principles

The financial statements of Fortum are prepared in accordance with Finnish GAAP.

Consolidation

The consolidated financial statements include the parent company Fortum Corporation and all those companies in which Fortum Corporation holds, directly or indirectly, more than 50% of the voting rights except for certain housing companies which are not necessary to be included in order to give a true and fair view of the results and financial position of the Group.

Fortum Corporation's consolidated financial statements have been prepared using the pooling-of-interests method. The acquisition cost of Fortum Power and Heat and Fortum Oil and Gas has been eliminated against the share capital of the companies, and the difference arising from the elimination of mutual shareholdings has been entered as a decrease in the shareholders' equity.

The financial statements of Fortum Power and Heat and Fortum Oil and Gas have been consolidated according to the acquisition-cost method. The difference between the acquisition cost of subsidiaries and shareholders' equity at the time of acquisition, arising from the elimination of mutual shareholdings, has been allocated to fixed assets at the time of acquisition to the extent that their fair value at the time exceeded the book value. Items allocated to the fixed assets are depreciated according to the depreciation plan of the underlying asset. The rest of the difference is entered as goodwill on consolidation, which is amortised over its estimated lifetime to a maximum of 20 years. In calculating goodwill on consolidation, voluntary reserves and accumulated depreciation above the plan, less deferred tax liabilities, have been included in the equity.

Subsidiaries acquired during the year are consolidated from the date of acquisition. Likewise, the subsidiaries divested during the accounting period are included in the consolidated accounts until the date of divestment.

Intergroup transactions, receivables, liabilities, unrealised profits and internal profit sharing have been eliminated. Minority interests have been reported separately in the income statement and the balance sheet.

Associated companies material to Fortum, in which the Group holds between 20% and 50% of the voting rights, have been consolidated using the equity method. Accordingly, the company's share of the net profit of an associated company and its share of other changes in the equity, less depreciation on goodwill on consolidation, is entered as income in the income statement and added to the value of the share in the consolidated balance sheet. The dividends received are deducted from the balance sheet value of the shares. However, the Birka Energi Group, which has a very significant impact on Fortum's financial position, has been consolidated using the proportionate method. With the proportionate consolidation method, a company's figures are consolidated on a line-by-line basis according to the parent's ownership. Financial income and expenses include a share of the results of the associated companies not related to the Group's regular business operations.

Net sales

Net sales include sales revenues from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer, and statutory stockpiling fees.

Trading sales include the value of wet cargo deliveries and the net result of derivative contracts.

Other operating income

Other operating income includes gains on the sales of fixed assets, as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Receivables and liabilities denominated in foreign currencies have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Conversion differences relating to financing have been entered net under financial income or expenses.

Translation differences arising from the shareholders' equity of foreign subsidiaries and associated companies have been netted by hedging results and entered under consolidated shareholders' equity.

The income statements of companies outside Finland have been translated into euro using an annual average exchange rate based on month-end exchange rates, while the balance sheets have been translated employing the exchange rate quoted on the balance sheet date. The resulting translation differences have been entered under non-restricted equity. The fixed assets of subsidiaries operating in high-inflation countries such as Russia and the Baltic countries are revalued to the exchange rate on the effective date of the acquisition.

Derivative instruments

Fortum enters into derivative financial instruments such as forward contracts, options, and currency swaps to hedge its exposure to fluctuations in foreign exchange rates. The interest element relating to derivatives is accrued as interest income or expense over the period to maturity. Derivatives used to hedge loans or receivables in the balance sheet and any other derivative contracts included in the net position are valued employing the exchange rate quoted on the balance sheet date, and the foreign exchange gains or losses are recognised in the income statement. Loans and related currency swaps have been netted in the balance sheet. Foreign exchange gains or losses on derivatives that hedge future cash flow are recognised once the underlying income or expense occurs.

Option premiums are treated as advances paid or received until the options mature or elapse. The difference between the paid or received premium and the closing price of the option on the balance sheet date is entered in the income statement. However, revenue can only be recognised to the extent of expenses having been charged for the underlying transaction.

Interest income or expense for derivatives used to manage exposure to interest rate risk is accrued over the period to maturity and is recognised as adjustment to the interest income or expense of the underlying liability or transaction. Losses for interest rate derivatives used for purposes other than hedging are valued at the interest rate as of the balance sheet date and entered as an expense in the income statement.

Fortum also enters into commodity derivatives as a part of its trading and hedging activities. These instruments are marked-to-market, and any losses arising from such instruments used for purposes other than hedging are expensed. Gains or losses on derivatives used for hedging purposes are recognised as income or expense once the underlying income or expense occurs. In the financial statements, commodity options are treated in the same way as currency options.

Sales and procurement contracts

Probable losses on sales and procurement contracts have been estimated and expensed.

Fixed assets and depreciation

The balance sheet value of fixed assets consists of historical costs less depreciation and other deductions, plus any revaluations permitted by local regulations. Some foreign companies have also capitalised direct acquisition costs and interests relating to the construction period.

Depreciation according to plan is straight-line depreciation based on the probable lifespan of investments. Depreciation on oil, gas and peat reserves and production equipment is calculated using the unit-of-production method. The depreciation periods used for different asset groupings are as follows:

Hydro-electric power plant buildings, structures and machinery	40–50 years
Other power plant buildings, structures and machinery	25 years
Substation buildings, structures and machinery	30–40 years
Transmission lines	15–40 years
Other buildings and structures	20–40 years
Other tangible assets	20–40 years
Other machinery and equipment	5–20 years
Other long-term investments	5–10 years

Acquisition costs are depreciated at the end of their actual lifespan at the latest, irrespective of their planned lifespan. Sales and scrapping losses are recorded either as other operating expenses or extraordinary expenses.

Oil and gas reserves are valued as per each field on the basis of future cash flows in line with the practice of the country concerned. If required, the balance sheet value of capitalised expenditure is reduced by additional depreciation.

Finance leases

In the consolidated financial statements, properties acquired through finance-lease agreements have been recognised as assets and liabilities in the balance sheet. Depreciation on fixed assets and interest expenses on debt instead of rental expenses have been entered in the income statement.

Investments

Interest-bearing net debt of acquired companies has been included in investments.

Inventories

Inventories have been valued on the FIFO principle at the lower of direct acquisition cost or market value, taking into account the impact of possible hedging operations. In the case of some foreign subsidiaries, the acquisition cost also includes indirect expenses in line with the practice of the country concerned. Valuation differences do not have a material impact on the consolidated financial statements.

Identifiable assets

The identifiable assets of the business segments include fixed assets, shares and the working capital allocated to the business segments. Fixed assets also include deferred tax liabilities as a result of the allocation of goodwill on consolidation in accordance with the IAS.

Marketable securities

Marketable securities are accounted for at the lower of acquisition cost or market value.

Oil exploration expenditures

Oil exploration expenditures are recorded using the successful-efforts method under which all the expenditures of the exploration projects are capitalised and either depreciated according to the plan or expensed once it has been established that commercially exploitable oil or gas reserves were not discovered.

Research and development

Research and development expenditures have been recorded as annual expenses with the exception of investments in buildings and equipment.

Income recognition of long-term projects

Income from long-term projects is recognised according to percentage of completion. A provision has been made for expected losses from long-term projects, as well as for costs arising during the warranty period.

Pension expenses

Pension expenses have been entered in the results in line with the practice observed in the host countries in which Fortum operates. The compulsory liabilities deficit of the Neste Pension Foundation as well as the liabilities on pensions granted by Fortum itself have been included in pension costs and entered as a provision in the balance sheet.

Extraordinary items

Profits and losses associated with withdrawing from a business, or significantly reducing Fortum's presence in a business, have been entered as extraordinary income or expenses.

Deferred tax liabilities

In the consolidated accounts, appropriations have been divided into shareholders' equity and deferred tax liabilities. Since 1 January 1998, deferred tax liabilities and assets have also been calculated on the basis of other differences in timing. Deferred tax liabilities also include deferred tax liabilities as a result of the allocation of goodwill on consolidation to fixed assets in accordance with the IAS.

Provisions

Foreseeable future expenses and losses that no longer accrue corresponding revenues and which Fortum is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the decommissioning of production platforms, guarantee reserves, expenses relating to the future clean-up of proven environmental damage, and pension liabilities.

Exchange rates 1996–2000

The table below shows the most important exchange rates used in the financial statements during the years 1996–2000:

Exchange rates on the balance sheet date

	1996	1997	1998	1999	2000
FIM	5.9457	5.9457	5.9457	5.9457	5.9457
USD	1.2803	1.0969	1.1667	1.0046	0.9305
CAD	1.7539	1.5721	1.8061	1.4608	1.3965
GBP	0.7556	0.6612	0.7055	0.6217	0.6241
SEK	8.8111	8.6635	9.4874	8.5625	8.8313
NOK	8.2476	8.0413	8.8716	8.0765	8.2335
DKK	7.6139	7.4808	7.4489	7.4433	7.4631
DEM	1.9899	1.9639	1.9558	1.9558	1.9558
NLG	2.2332	2.2135	2.2037	2.2037	2.2037
BEF	41.0333	40.5022	40.3374	40.3399	40.3374
FRF	6.7092	6.5728	6.5597	6.5596	6.5597

Average exchange rates during the accounting period

	1996	1997	1998	1999	2000
FIM	5.9457	5.9457	5.9457	5.9457	5.9457
USD	1.2970	1.1507	1.1102	1.0653	0.9236
CAD	1.7702	1.5967	1.6449	1.5857	1.3725
GBP	0.8275	0.7005	0.6692	0.6589	0.6087
SEK	8.7015	8.7669	8.8373	8.8281	8.4805
NOK	8.3590	8.1004	8.3731	8.3344	8.1051
DKK	7.5082	7.5626	7.4555	7.4368	7.4532
DEM	1.9481	1.9846	1.9576	1.9558	1.9558
NLG	2.1831	2.2336	2.2068	2.2037	2.2037
BEF	40.0926	40.9486	40.3922	40.3399	40.3374
FRF	6.6189	6.6798	6.5626	6.5596	6.5597

2. Information by segment

EUR million	2000	1999
Net sales		
Oil and Gas Upstream	945	366
Oil Refining and Marketing	7,759	5,064
Power and Heat Generation and Sales	1,760	1,443
Electricity Distribution	467	347
Service	356	290
Engineering	585	479
Other operations	94	137
Internal invoicing	–940	–717
Total	11,026	7,409
Discontinued operations*)	–	823
Group	11,026	8,232

*) Includes Gasum, Enermet, Infrarödteknik and Neste Chemicals in 1999.

EUR million	2000	1999
Depreciation, amortisation and write-downs		
Oil and Gas Upstream	85	77
Oil Refining and Marketing	147	137
Power and Heat Generation and Sales	191	166
Electricity Distribution	122	75
Service	7	7
Engineering	9	8
Other operations and eliminations	10	12
Total	571	482
Discontinued operations*)	–	41
Group	571	523

*) Includes Gasum, Enermet, Infrarödteknik and Neste Chemicals in 1999.

EUR million	2000	1999
Operating profit		
Oil and Gas Upstream*)	218	82
Oil Refining and Marketing	382	182
Power and Heat Generation and Sales	211	236
Electricity Distribution	127	115
Service	12	12
Engineering	–21	12
Other operations	–20	–24
Eliminations	–3	–17
Total	906	598
Discontinued operations**)	–	107
Group	906	705

*) Treatment of Gasum has been changed from a subsidiary company to an associated company in 1999.

**) Includes the impact of change in Gasum holding, Enermet, Infrarödteknik, Neste Chemicals, and Asko in 1999.

EUR million	2000	1999
Investments		
Oil and Gas Upstream	137	199
Oil Refining and Marketing	128	140
Power and Heat Generation and Sales	2,343	445
Electricity Distribution	489	226
Service	5	9
Engineering	20	12
Other operations and eliminations	9	5
Total	3,131	1,036
Discontinued operations*)	–	23
Group	3,131	1,059

*) Includes Gasum, Enermet, Infrarödteknik and Neste Chemicals in 1999.

EUR million	2000	1999
Identifiable assets		
Oil and Gas Upstream	1,284	1,138
Oil Refining and Marketing	1,838	1,609
Power and Heat Generation and Sales*)	6,193	4,844
Electricity Distribution*)	2,263	1,685
Service	31	42
Engineering	81	37
Other operations and eliminations	141	181
Total	11,831	9,536
Discontinued operations	–	–
Group	11,831	9,536

*) Identifiable assets include deferred tax liabilities due to the allocated goodwill on consolidation: EUR 216 million in 2000 and EUR 252 million in 1999 in Power and Heat Generation and Sales; and EUR 262 million in 2000 and EUR 211 million in 1999 in Electricity Distribution.

EUR million	2000	1999
Return on net assets (%)		
Oil and Gas Upstream	18.0	8.3
Oil Refining and Marketing	22.2	11.4
Power and Heat Generation and Sales	3.8	5.1
Electricity Distribution	6.4	7.6
Service	32.9	38.7
Engineering	–35.6	24.0

EUR million	2000	1999
Significant non-recurring items in operating profit		
Oil and Gas Upstream	2	0
Oil Refining and Marketing	32	120
Power and Heat Generation and Sales	14	43
Electricity Distribution	–1	0
Service	0	0
Engineering	2	16
Other operations and eliminations	23	–12
Total	72	167
Discontinued operations*)	–	48
Group	72	215

Average number of employees		
Oil and Gas Upstream	122	94
Oil Refining and Marketing	4,248	4,450
Power and Heat Generation and Sales	2,784	2,087
Electricity Distribution	994	697
Service	3,643	3,387
Engineering	3,446	3,254
Other operations	983	1,037
Total	16,220	15,006
Discontinued operations*)	–	2,455
Group	16,220	17,461

*) Includes Gasum, Enermet, Infrarödteknik and Neste Chemicals in 1999.

Average number of personnel in companies consolidated		
using the proportionate method	3,338	3,228
of which included in the Group	1,669	1,614

3. Effect on net sales of income recognition from contracts in progress

Net sales from contracts in progress entered as income according to the percentage of completion		
for the period	127	114
for previous periods	203	201
Total	330	315

4. Net sales by market area

Finland	4,348	3,691
Sweden	1,628	1,206
Other Nordic countries	261	121
Other European countries	1,573	1,544
USA and Canada	1,596	1,068
Other international sales	1,620	602
Total	11,026	8,232

EUR million	2000	1999

5. Share of profits (losses) of associated companies

Nynäs Petroleum Group	22	6
Gasum Group	8	5
Fingrid Oyj	7	8
Gemeinschaftskraftwerk Weser GmbH	7	–
Espoon Sähkö Group	0	4
Asko Group	–	12
Other associated companies	2	1
Total	46	36

6. Other operating income

Rental income	14	14
Gains on the sales of fixed assets	119	156
Other	7	17
Total	140	187

7. Depreciation, amortisation and write-downs

Depreciation and amortisation according to the plan	565	527
Write-downs on fixed assets	6	–4
Total	571	523

8. Other operating expenses

Change in product inventories	–99	–80
Own products capitalised in fixed assets	0	–1
Materials and external services		
Materials and supplies		
Purchases	8,085	5,750
Change in inventories	104	–89
External services	289	208
Personnel expenses		
Wages, salaries, and remunerations	546	552
Other indirect employee costs		
Pension costs	61	77
Other indirect employee costs	73	102
Other operating expenses	676	708
Total	9,735	7,227

Write-offs and losses on sales of fixed assets included in other operating expenses		
Losses on sales of fixed assets	5	2
Write-offs and losses on liquidation	18	23
Total	23	25

Salaries and remunerations		
Presidents and members of the Board	11	13
Supervisory Board	0	0
Total	11	13

9. Financial income and expenses

EUR million	2000	1999
Financial income and expenses		
Income from participating interests	1	0
Income from other long-term investments		
Dividend income	6	2
Interest income	16	19
Share of profits (losses) of associated companies	0	0
Other interest and financial income	49	32
Exchange rate differences	−4	−3
Write-downs on other long-term investments	−1	2
Interest and other financial expenses	−340	−263
Total	−273	−211
Total interest income and expenses		
Interest income	57	48
Interest expenses	−300	−257
Net interest expenses	−243	−209

10. Extraordinary items

EUR million	2000	1999
Extraordinary income		
Gains on the sales of fixed assets	–	491
Other	–	2
Total	–	493
Extraordinary expenses		
Write-offs and sales losses	–	−31
Other	−10	−2
Total	−10	−33
Extraordinary items total	−10	460

11. Income taxes

EUR million	2000	1999
Taxes on regular business operations	155	146
Taxes on extraordinary items	−1	83
Total	154	229
Taxes for the period	169	232
Taxes for previous periods	2	−1
Change in deferred tax liabilities	−17	−2
Total	154	229

12. Fixed assets and other long-term investments

EUR million	2000	1999
Intangible assets		
Intangible rights	24	27
Goodwill	39	41
Goodwill on consolidation	286	125
Other long-term expenditure	76	122
Advances paid	0	1
Total	425	316
Tangible assets		
Land and water areas	2,146	1,306
Buildings and structures	1,484	1,271
Machinery and equipment	5,286	4,295
Other tangible assets	277	265
Advances paid and construction in progress	400	533
Total	9,593	7,670
Other long-term investments		
Shares in participating interests	1,173	1,243
Receivables from participating interests	281	261
Other shares and holdings	177	151
Other receivables	63	83
Total	1,694	1,738

13. Changes in acquisition cost

Intangible assets

EUR million	Intangible rights	Goodwill	Goodwill on consolidation	Negative goodwill on consolidation	Other long-term investments	Advances paid	Total
Acquisition cost as of 1 January 2000	60	128	156	–6	272	1	611
Exchange rate differences and other adjustments	1	0	0	0	0	0	1
Increases	4	3	283	–14	22	1	299
Decreases	3	0	96	–3	87	2	185
Transfers between categories	0	0	0	0	0	0	0
Acquisition cost as of 31 December 2000	62	131	343	–17	207	0	726
Accumulated depreciation, amortisation and write-downs as of 1 January 2000	33	87	29	–4	150	–	295
Exchange rate differences and other adjustments	1	–2	0	–1	0	–	–2
Accumulated depreciation, amortisation and write-downs of decreases and transfers	0	0	17	1	38	–	56
Depreciation and amortisation for the period	4	7	34	0	19	–	64
Accumulated depreciation, amortisation and write-downs as of 31 December 2000	38	92	46	–6	131	–	301
Balance sheet value as of 31 December 2000	24	39	297	–11	76	0	425

Tangible assets

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2000	1,334	2,189	7,504	411	533	11,971
Exchange rate differences and other adjustments	–42	–8	–11	22	10	–29
Increases	899	372	2,039	96	228	3,634
Decreases	7	26	136	20	371	560
Transfers between categories	0	0	0	0	0	0
Acquisition cost as of 31 December 2000	2,184	2,527	9,396	509	400	15,016
Accumulated depreciation, amortisation and write-downs as of 1 January 2000	47	986	3,211	145	–	4,389
Exchange rate differences and other adjustments	–1	0	1	6	–	6
Accumulated depreciation, amortisation and write-downs of decreases and transfers	–5	–49	–569	19	–	–604
Depreciation and amortisation for the period	–	72	330	100	–	502
Write-downs for the period	–	4	1	0	–	5
Accumulated depreciation, amortisation and write-downs as of 31 December 2000	51	1,111	4,112	232	–	5,506
Revaluations	13	68	2	0	–	83
Balance sheet value as of 31 December 2000	2,146	1,484	5,286	277	400	9,593

Other long-term investments

EUR million	Shares in participating interests	Receivables from participating interests	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2000	1,116	261	156	83	1,616
Exchange rate differences and other adjustments	– 13	– 4	6	1	– 10
Increases	160	66	57	2	285
Decreases	149	42	36	23	250
Transfers between categories	0	0	0	0	0
Acquisition cost as of 31 December 2000	1,114	281	183	63	1,641
Accumulated write-downs as of 1 January 2000	4	0	7	0	1
Exchange rate differences and other adjustments	–	–	–	–	0
Accumulated write-downs of decreases and transfers	–	–	–	–	0
Write-downs for the period	–	–	–	–	0
Reversals of write-downs	–	–	–	–	0
Accumulated write-downs as of 31 December 2000	4	0	7	0	11
Revaluations	–	–	1	–	1
Retained earnings in associated companies	63	–	–	–	63
Balance sheet value as of 31 December 2000	1,173	281	177	63	1,694

The acquisition cost of the fixed assets of the companies acquired during the financial year is transferred to the Group's acquisition cost and accumulated depreciation to the Group's accumulated depreciation.

EUR million	2000	1999
Goodwill on consolidation included in shares in associated companies	130	135
Negative goodwill on consolidation included in shares in associated companies	–	0
Interest expenses capitalised during the period	27	18
Undepreciated capitalised interest expenses		
Buildings and structures	3	3
Machinery and equipment	63	54
Advances paid and construction in progress	21	18
Total	87	75
Market value of listed companies' shares included in other long-term investments		
Participating interests		
Market value	78	100
Book value	87	87
Difference	– 9	13
Other companies		
Market value	8	26
Book value	5	15
Difference	3	11

EUR million	2000	1999

14. Revaluations

Land areas		
Revaluations as of 1 January	18	15
Exchange differences	0	0
Increases in revaluations	0	3
Decreases in revaluations	5	0
Revaluations as of 31 December	13	18
Buildings		
Revaluations as of 1 January	69	71
Exchange differences	0	0
Increases in revaluations	–	0
Decreases in revaluations	1	2
Revaluations as of 31 December	68	69
Machinery and equipment		
Revaluations as of 1 January	2	2
Exchange differences	–	–
Increases in revaluations	–	–
Decreases in revaluations	–	–
Revaluations as of 31 December	2	2
Shares in participating interests		
Revaluations as of 1 January	6	6
Exchange differences	0	0
Decreases in revaluations	6	–
Revaluations as of 31 December	0	6
Other shares and holdings		
Revaluations as of 1 January	2	1
Increases in revaluations	–	1
Decreases in revaluations	1	0
Revaluations as of 31 December	1	2
Revaluations total		
Revaluations as of 1 January	97	95
Exchange differences	0	0
Increases in revaluations	–	4
Decreases in revaluations	13	2
Revaluations as of 31 December	84	97

Revaluations are based on current replacement cost.

15. Inventories

Raw materials and supplies	277	318
Work in progress	198	103
Products/finished goods	217	198
Other inventories	28	34
Advances paid	26	8
Total	746	661

Difference between replacement value and book value of inventories is immaterial.

EUR million	2000	1999

16. Long-term receivables

Long-term receivables		
Trade receivables	0	0
Receivables from participating interests		
Other receivables	17	1
Accrued income and prepaid expenses	2	0
Total	19	1
Loans receivable	2	1
Other receivables	56	2
Accrued income and prepaid expenses	20	23
Total	97	27
Long-term accrued income and prepaid expenses total	22	23

17. Short-term receivables

Short-term receivables		
Trade receivables	1,147	800
Receivables from participating interests		
Trade receivables	26	20
Other receivables	6	4
Accrued income and prepaid expenses	6	4
Total	38	28
Loans receivable	8	6
Other receivables	149	264
Accrued income and prepaid expenses	494	254
Total	1,836	1,352
Short-term accrued income and prepaid expense		
Accrued interests	5	8
Accrued taxes	6	22
Other	489	228
Total	500	258

18. Treatment of balance sheet items relating to income from projects in progress

All contracts in progress are included in the balance sheet on a project basis. The net amount of advance payments made and accrued income relating to contracts as well as advance payments received and accrued expenses relating to contracts is included in the balance sheet either in accrued income or in accrued expenses separately for each project.

Advance payments for inventories	134	56
Prepayments and accrued income	222	259
Deductions in inventories and financial assets	356	315
Advance payments received	222	259
Accruals	134	56
Deductions in liabilities	356	315

EUR million	2000	1999

19. Investments

Market value	15	142
Book value	15	141
Difference	0	1

20. Pension commitments to corporate management

The executive directors of Fortum Corporation are eligible for retirement at the age of 60. Other Group companies have corresponding arrangements.

21. Changes in shareholders' equity

Share capital as of 1 January	2,640	2,640
Share issue	207	–
Transfer from the additional paid-in capital	28	–
Share capital as of 31 December	2,875	2,640
Additional paid-in capital as of 1 January	3	3
Share premium	27	–
Transfer to the share capital	–28	–
Transfer from unrestricted equity	28	–
Additional paid-in capital as of 31 December	30	3
Retained earnings as of 1 January	2,062	1,332
Dividends paid	–141	–99
Own shares	–189	–
Transfer to restricted equity	–28	–3
Other distribution	0	0
Translation differences and other changes	–10	129
Net profit for the period	423	703
Retained earnings as of 31 December	2,117	2,062
Distributable funds as of 31 December	2,117	2,062

22. Provisions for liabilities and charges

Provisions for pensions	19	14
Other provisions		
Provision for contracts for differences	64	–
Provisions for a planned refinery maintenance and upgrade shutdown	33	26
Provisions for Exploration & Production	12	13
Other provisions	69	30
Total	197	83

23. Deferred tax liabilities

Change in deferred tax liabilities		
Appropriations	–13	15
Consolidation entries	2	–7
Separate financial statements of subsidiaries	–6	–10
Total	–17	–2

EUR million	2000	1999
Deferred tax liabilities		
Appropriations	670	672
Consolidation entries	424	431
Separate financial statements of subsidiaries	83	25
Total	1,177	1,128

24. Liabilities

Long-term liabilities		
Bonds	1,399	1,033
Convertible bonds	4	8
Loans from financial institutions	1,392	920
Pension loans	284	192
Advances received	2	2
Trade payables	0	0
Liabilities to participating interests		
Other long-term liabilities	160	130
Accruals and deferred income	0	0
Total	160	130
Other long-term liabilities	1,221	1,267
Accruals and deferred income	1	92
Total	4,463	3,644
of which interest-bearing	4,017	3,241

Short-term liabilities		
Bonds	96	15
Loans from financial institutions	639	718
Pension loans	9	1
Advances received	105	67
Trade payables	658	548
Liabilities to participating interests		
Advances received	1	7
Trade payables	24	27
Other short-term liabilities	3	9
Accruals and deferred income	6	7
Total	34	50
Other short-term liabilities	739	971
Accruals and deferred income	408	483
Total	2,688	2,853
of which interest-bearing	1,046	1,352

Interest-bearing and interest-free liabilities		
Interest-bearing liabilities	5,063	4,593
Interest-free liabilities	2,088	1,904
Total	7,151	6,497

Maturity of long-term liabilities

Year	
2001	194
2002	1,091
2003	329
2004	524
2005	376
2006 and later	2,143
Total	4,657

EUR million	2000	1999
Liabilities due after five years		
Bonds	490	496
Loans from financial institutions	253	180
Pension loans	269	167
Other long-term liabilities	1,131	1,325
Total	2,143	2,168
Long-term accruals and deferred income		
Accrual differences on contracts	–	89
Other long-term accruals and deferred income	1	3
Total	1	92
Short-term accruals and deferred income		
Accrued interests	75	86
Accrued taxes	19	113
Other short-term accruals and deferred income	320	291
Total	414	490

25. Bonds, debentures and other notes

Issuing year	Maturity year	2000	1999
Fortum Power and Heat Oy			
1991 USD loan	2001	31	32
1991 USD loan	2002–2002/11	63	65
1991 USD loan	2011	32	32
1992 USD loan	2002	41	42
1992 USD loan	2005	39	40
1992 USD loan	2007	49	51
Birka Energi AB			
1999 SEK loan	2002	3	3
1999 SEK loan	2002	1	1
1999 SEK loan	2004	3	3
1999 SEK loan	2004	39	41
1999 SEK loan	2003	8	9
1999 SEK loan	2004	4	5
1999 SEK loan	2004	17	17
1999 SEK loan	2002	–	6
1999 SEK loan	2002	3	3
1999 SEK loan	2002	4	4
1999 SEK loan	2005	3	3
1999 SEK loan	2002	6	6
1999 SEK loan	2002	4	5
1999 SEK loan	2002	6	6
1999 SEK loan	2002	6	6
1999 SEK loan	2004	20	21
1999 SEK loan	2004	17	17
1999 SEK loan	2004	6	6
1999 SEK loan	2004	6	6
1999 SEK loan	2004	2	2
1999 SEK loan	2004	6	6
1999 EUR loan	2006	244	251
2000 EUR loan	2005	120	–
2000 EUR loan	2008	9	–
2000 EUR loan	2002	5	–
2000 EUR loan	2001	27	–
2000 EUR loan	2007	5	–
2000 GBP loan	2002	50	–
2000 SEK loan	2003	6	–
2000 SEK loan	2003	22	–
2000 SEK loan	2004	6	–
2000 SEK loan	2006	22	–
2000 SEK loan	2003	6	–
2000 SEK loan	2002	6	–
2000 SEK loan	2004	6	–
2000 SEK loan	2003	3	–
2000 SEK loan	2002	6	–
2000 SEK loan	2008	11	–
2000 SEK loan	2002	6	–
2000 SEK loan	2001	22	–
2000 SEK loan	2002	2	–
2000 SEK loan	2003	6	–
2000 SEK loan	2003	11	–
2000 SEK loan	2003	6	–
2000 SEK loan	2003	3	–
2000 SEK loan	2003	6	–
2000 SEK loan	2003	11	–
2000 SEK loan	2003	3	–
2000 SEK loan	2003	3	–
2000 SEK loan	2003	3	–
2000 SEK loan	2004	6	–
2000 SEK loan	2001	6	–
2000 SEK loan	2002	6	–
2000 SEK loan	2002	3	–
2000 SEK loan	2001	6	–
2000 SEK loan	2002	28	–
2000 SEK loan	2002	11	–
2000 USD loan	2003	5	–
Gullspång Kraft AB			
1993 SEK loan	2003	17	17
1996 SEK loan	2001	11	12
1997 SEK loan	2000	–	12
Birka Värme Stockholm AB			
1995 SEK loan	2000	–	3
1995 SEK loan	2001	0	1
1997 SEK loan	1997–2006	1	1
Neste Finance B.V.			
1992	1999–2007	320	296
Fortum Corporation			
1994	2001	3	–
Fortum Oil and Gas Oy			
1992 I	2002	17	17
Total		1,495	1,048

26. Contingent liabilities

EUR million

Collaterals and other undertakings on own behalf	2000 Debt	2000 Value of collateral	1999 Debt	1999 Value of collateral
Own debt secured by pledged assets				
Bonds	106	30	–	–
Loans from financial institutions	103	84	226	175
Pension loans	14	16	56	57
Other liabilities	334	58	359	58
Total	557	188	641	290
Own debt secured by real estate mortgages				
Bonds	6	6	–	–
Loans from financial institutions	93	99	113	122
Pension loans	41	42	1	2
Trade payables	0	9	0	8
Other liabilities	–	0	2	2
Total	140	156	116	134
Own debt secured by company mortgages				
Bonds	0	3	–	–
Loans from financial institutions	5	16	34	43
Pension loans	–	0	1	1
Other liabilities	0	3	–	–
Total	5	22	35	44
Own debt secured by other mortgages				
Loans from financial institutions	27	52	40	54
Other liabilities	–	2	–	–
Accruals and deferred income	1	–	1	0
Total	28	54	41	54

EUR million	2000	1999
Collaterals for other own commitments		
Pledges	2	86
Real estate mortgages	87	96
Company mortgages	3	6
Other mortgages	6	–
Total	98	188
Collaterals given on behalf of participating interests		
Pledges	–	4
Real estate mortgages	–	1
Total	–	5
Collaterals given on behalf of others		
Pledges	1	0
Real estate mortgages	0	0
Other mortgages	–	0
Total	1	0
Collaterals total	519	715

EUR million	2000	1999
Liability for nuclear waste disposal	489	471
Share of reserves in the Nuclear Waste Disposal Fund	–460	–385
Liabilities in the balance sheet	29 *)	86 *)
Excess of security given over obligations	0	1

*) Mortgaged bearer papers as security

Other contingent liabilities

EUR million	2000	1999
Operating leasing liabilities		
Due within a year	68	50
Due after a year	122	138
Total	190	188

Finance leases are recognised as assets and liabilities in the balance sheet.

EUR million	2000	1999
Sale and leaseback	18	28
Other contingent liabilities given on own behalf	543	748
Other undertakings given on behalf of participating interests		
Guarantees	165	261
Other contingent liabilities	368	–
Total	533	261
Other undertakings given on behalf of persons referred to in § 11:7 of the Companies Act		
Guarantees	0	0
Other undertakings given on behalf of others		
Guarantees	140	91
Other contingent liabilities	20	2
Total	160	93
Other contingent liabilities total	1,444	1,318

Derivatives

EUR million	2000			1999		
Interest and currency derivatives	**Contract or notional value**	**Fair value**	**Not recognised as an income**	**Contract or notional value**	**Fair value**	**Not recognised as an income**
Forward rate contracts	85	0	–	–	–	–
Interest rate swaps	3,239	–7	2	1,975	0	17
Purchased interest rate options	–	–	–	2	0	0
Written interest rate options	–	–	–	–	–	–
Forward foreign exchange contracts [1), 2)]	2,358	48	–16	1,767	–18	–19
Currency swaps	2,308	149	–6	885	1	–27
Purchased currency options	144	1	1	54	–1	–1
Written currency options	90	1	1	54	–1	–1

[1)] Includes also closed forward and future positions.
[2)] Includes contracts used for equity hedging.

Oil futures and forward instruments	**Volume 1,000 bbl**	**Fair value**	**Not recognised as an income**	**Volume 1,000 bbl**	**Fair value**	**Not recognised as an income**
Sales contracts	15,130	21	17	22,154	–26	–4
Purchase contracts	4,341	–10	–10	17,063	7	3
Purchased options	2,093	0	0	1,477	0	0
Written options	1,250	0	0	1,546	–1	0

Electricity derivatives	**Volume TWh**	**Fair value**	**Not recognised as an income**	**Volume TWh**	**Fair value**	**Not recognised as an income**
Sales contracts	70	155	26	21	44	44
Purchase contracts	67	–163	–26	21	–61	–43
Purchased options	3	0	0	0	0	0
Written options	3	0	0	2	0	0

In addition to other contingent liabilities, a guarantee has been given on behalf of Gasum Oy, which covers 75% of the natural gas commitments arising from the natural gas supply agreement between Gasum and OOO Gazexport.

The fair values of derivative contracts subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivatives are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models.

27. Financial risk management

Financing and financial risks are managed centrally by Group Treasury in accordance with Group Treasury Policy, approved by Fortum's Board of Directors. In addition, Group Treasury acts as an internal bank and gives advice on financial matters to the performance units and Group companies. Birka Energi, 50% of which is owned by Fortum, manages its finances independently and is included in the enclosed figures only in respect of the translation position.

Financial position and liquidity risk

Group Treasury's remit is to optimise external financing and, by that means, to minimise interest and other financing expenses. The key objective is to use various financing sources, instruments and several lenders and to ensure financing arrangements which are as flexible as possible. The Group aims to restrict its refinancing risk, which is associated with the availability or cost of refinancing, by managing the maturities of its loan portfolio.

In order to achieve these objectives, external financing is mainly centralised in Group Treasury and financing of Group companies is managed with internal arrangements, whenever practicable under country-specific legislation which regulates the companies, and cost-effective. External interest-bearing debt by currency, average interest rates and average maturities are in Table 1.

Liquidity risk refers to the ability of the Group's liquid assets to cover its business needs. It is managed by using cashpools, commercial paper programmes and other credit lines (Table 2). In addition to Finland, centralised cash management has been developed in Sweden, Germany, Poland, the UK, Canada, the USA, and Estonia. Centralised cash management is cost-effective and also provides flexibility in the financial planning of the performance units.

Financial risk management

Table 1
Interest-bearing debt by currency

Currency	Amount EUR mill.	Avg interest rate %	Avg maturity years
EUR	1,179	4.8	2.4
USD	885	7.7	2.2
SEK	867	5.9	2.8
GBP	74	8.1	4.4
Other	54	12.2	1.6
Total	3,059	6.2	2.5
Birka Energi	2,004		
Fortum Group total	5,063		

Table 2
Major credit lines as of 31 Dec 2000 (without Birka)

Credit line	Total amount EUR mill.	Outstanding amount EUR mill.	Avg interest rate %	Maturity date
Fortum Corporation, CP programme	500	191	5.0	–
Fortum Corporation, SEK 2,500 mill. credit line	283	265	4.5	13.12.2001
Fortum Corporation, EUR 600 mill. syndicated credit line	600	175	5.4	28.04.2005
Fortum Oil and Gas Oy, USD 800 mill. syndicated credit line	860	484	6.9	2001–2003
Fortum Power and Heat Oy, DEM 760 mill. syndicated credit line	389	215	4.5	12.06.2004
Total	2,632	1,330	5.6	

Market risks

Foreign exchange risk

Foreign exchange risks are managed to minimise negative impact caused by exchange rate volatility in the Group's cash flow, results and balance sheet. The pricing currency of the oil markets is the US dollar. In Nord Pool, as part of the Nordic electricity market, the trading currency is the Norwegian krona. These, among others, expose the business to short-term transaction risks and to longer-term economic exposures, compared with companies with the same base and business risk currency. According to treasury policy, performance units must close their foreign exchange exposure, which is defined business-specifically in line with the operative planning period. This varies between 12 and 18 months. The risk exposures of the businesses are defined in co-operation with Group Treasury. Forecast flows which exceed the operative planning period are handled as economic exposures, and the covering of these positions is decided by the line management of the performance units.

Transaction risk refers to cash flow volatility caused by exchange rate fluctuations. Economic exposure refers to the company's relative position compared with its competitors. Performance units and Group companies transfer their risk, including loans and receivables (Table 3), by hedging transactions with Group Treasury. In accordance with treasury policy, management has set risk limits for the transaction position of Group Treasury, which enable restricted position taking. The net position is managed with forward contracts, swaps and options.

In addition to the business-based foreign exchange exposure, Group Treasury is responsible for managing the Group's translation position (Table 4). This consists of investments in foreign subsidiaries and associated companies, the equity value of which in the Group's base currency is exposed to exchange rate fluctuations. The aim is to keep the translation differences within the limit of EUR 80 million, set by the policy, in respect of the currencies which can be hedged. Foreign currency loans and forward contracts are used in hedging the translation position.

Interest rate risk

Fortum's interest rate exposure is mainly in interest-bearing net debt on the balance sheet and interest rate derivatives. The long-term objective of interest rate risk management is to minimise the Group's interest expenses in line with its defined risk limits. In hedging interest rate exposure, the target is to maintain the risk as close as possible to a position which is deemed to be neutral. Exposure is therefore minimised because a change in interest expenses, resulting from movements in interest rates, can be expected to be eliminated by a simultaneous contrary effect on business performance. In Fortum's case, a change in the business environment, such as shorter periods of commercial agreements, has shortened the risk-neutral period. A neutral interest rate position by currency is determined using benchmark interest rates. The risk limits are determined using modified duration.

Interest rate risk can be divided into market risk and flow risk. Market risk refers to the effect of a change in interest rates on the present value of the net position, comprised of interest-bearing debt and receivables. Interest rate risk is measured by modified duration. Interest rate sensitivity is measured as the effect of a change of one percentage unit in the interest rates on the present value of net debts (Table 5). Flow risk refers to the average interest period of interest-bearing debt and receivables by currency (gap analysis) and its effect on net interest expenses. The sensitivity of flow risk is measured by calculating the effect of an interest rate increase of one percentage unit on the net interest expenses over the next 12 months. (Table 5)

Table 3
Group treasury's transaction exposure as of 31 Dec 2000

EUR mill.	Net position	Hedge	Open
SEK	1,508	–1,509	–1
USD	1,070	–1,073	–3
GBP	132	–135	–3
NOK	–110	110	0
CAD	81	–83	–2
EEK	10	–19	–9
Other	19	–16	3
Total	2,710	–2,725	–15

Table 4
Group treasury's translation exposure as of 31 Dec 2000

EUR mill.	Investment	Hedge	Open	Hedge ratio
SEK	1,545	–1,016	529	66%
USD	353	–319	34	90%
GBP	133	–74	60	55%
CAD	64	–58	5	92%
Other	136	–14	122	10%
Total	2,231	–1,481	750	66%

Table 5
Fortum's interest rate exposure

EUR mill.	Flow risk	Market risk
EUR	3	11
SEK	10	25
USD	4	10
Other	1	3
Total	18	49

Price risks of commodities

The Group's main businesses are exposed to price and volume risks of commodities. The result of oil production, and partly that of gas production, is dependent on world market prices of crude oil. The value of oil and gas resources is affected more by long-term price development than by short-term price fluctuations. The profitability of oil refining is most affected by the refining margin – the price difference between the world market price of crude oil and the petroleum products quoted at the exchanges. The results of electricity generation depend considerably on weather conditions and water levels, which have an effect on both production and market prices.

At Fortum, business-specific risk management instructions on the market risks of commodities have been compiled, with defined measures for regulating the unit's risk position. Performance unit-specific risk limits have been determined, particularly for trading operations. Futures and forward contracts, options, and swaps are used to hedge commodity risk.

Credit risk

Credit risk is where the counterparty fails to fulfil its contractual obligations in financial transactions. Group Treasury's credit risk exposure consists of derivative contracts and investments. Limits for the credit risk position are defined in the treasury policy. The calculation of the credit risk position is based on the market value of contracts. During 2000 no credit losses incurred.

28. Legal proceedings

Administrative litigation, instituted by Fortum in 1999 against the city of Naantali over the return of harbour dues that were charged without foundation, continues at the Turku Administrative Court. Fortum Oil and Gas Oy demands that the city of Naantali return dues up to a maximum of EUR 35 million with interest, because the harbour in question is owned by Fortum. There is a difference of opinion between Fortum and the city of Naantali on the legal basis of the dues charged, and still to be charged. The Administrative Court is expected to reach a decision in 2001.

Fortum's subsidiary, Neste Canada Inc., is plaintiff and defendant in a counterclaim on the environmental cleaning costs of a factory that is part of the chemicals business, which was purchased for Neste Chemicals in 1992 and has since been sold. The other party is Reichhold Ltd. The legal proceedings, which have been pending since 1997 at the Toronto Provincial Court, are at the stage of hearing the parties' evidence. In management's opinion, the result of the proceedings will not have any material impact on Fortum's operational performance or financial position.

Fortum's subsidiary, Neste Oil Services Inc., is defendant in a matter, in which a US company, Trifinery, and its principal owner, Sanford P. Brass, are demanding compensation of about EUR 17 million for claimed damage in connection with a corporate acquisition. In 1999, Neste Oil Services sold its 50% share in a bitumen refinery in Corpus Christi, Texas, to the plaintiffs, who previously owned the other 50% of the refinery. The plaintiffs lost the case in the provincial court in December 2000, but have appealed against the verdict. In management's opinion, the result of the legal proceedings will not have any material impact on Fortum's operational performance or financial position.

Fortum is defendant in arbitration proceedings concerning the redemption price of the shares of Länsivoima Oy, which has merged with Fortum, initiated by Sampo Life Insurance Company Limited and Varma-Sampo Mutual Pension Insurance Company. The plaintiffs are demanding further compensation of more than EUR 20 million for their shares. In management's opinion, the arbitration court's decision can, at most, have an impact of only the said amount on Fortum's operational performance.

Fortum has extensive international operations and, in addition to the above, it is both defendant and plaintiff in several legal proceedings in connection with its operations. In management's opinion, the results of these proceedings will not, together or separately, have any materially adverse impact on Fortum's operational performance or financial position.

Group shares and holdings

	Domicile	No. of shares	Group holding, %		Nominal value CUR 1,000	Book value 31 Dec 2000 EUR 1,000
Group shares (book value over EUR 2 million)						
Oil and Gas Upstream						
Fortum Gas Ltd	UK	30,000	100.0	GBP	30	4,855
Gas Light & Coke Company Ltd	UK	1,300,000	100.0	GBP	1,300	3,068
Fortum Petroleum AS	Norway	2,000	100.0	NOK	2,000	9,579
Oil Refining and Marketing						
Eastex Crude Company	USA		70.0	USD		9,916
Fortum Energy House Ltd [1)]	Helsinki	22,542	100.0	EUR	22,542	87,410
Fortum Oil and Gas AB	Sweden	5,980,530	100.0	SEK	598,053	97,574
Fortum Oil N.V.	Belgium	60,389	100.0	BEF	603,890	13,641
Fortum Polska sp.z.o.o.	Poland	6,809	100.0	PLZ	1,815	20,434
Neste Crude Oil Inc.	USA	1,000	100.0	USD	1	2,600
Neste Eesti A/S	Estonia	1,738	100.0	EEK	1,738	5,926
Neste Latvija SIA	Latvia	10	100.0	LVL	629	18,956
Neste Lietuva UAB	Lithuania	230,000	100.0	LTL	23,000	22,023
Neste Marketing Ltd	Espoo	752,000	100.0	FIM	376,000	185,170
Neste MTBE S.A.	Portugal	600,000	100.0	PTE	600,000	2,096
Neste Oil Holding (U.S.A.) Inc	USA	1,000	100.0	USD	1	18,428
Neste Oil Services Inc.	USA	1,000	100.0	USD	1	45,871
Neste St. Petersburg OOO	Russia	10	100.0	RUR	1,012,066	58,249
Tehokaasu Oy	Helsinki	7,200	100.0	FIM	18,000	3,900
Tidelands Oil Production Company Partnership	USA		80.0	USD		7,067

[1)] Includes also power generation and/or sales.

	Domicile	No. of shares	Group holding, %		Nominal value CUR 1,000	Book value 31 Dec 2000 EUR 1,000
Power and Heat Generation and Sales						
Edenderry Power Limited	Ireland	7,000	100.0	IEP	7,000	8,888
Elektrizitätswerk Wesertal GmbH	Germany	1	100.0	EUR	35,800	387,549
Fortum Direct Limited	UK	1,900,000	100.0	GBP	1,900	3,044
Fortum Energia AS	Estonia	100	100.0	EEK	1,000	16,465
Fortum Energiantuotanto Oy	Espoo	27,035	100.0	EUR	2,704	13,486
Fortum Energie GmbH	Germany	6	100.0	DEM	600	127,822
Fortum Enertec Hameln GmbH	Germany		100.0	DEM	25,100	11,396
Fortum Finanz Management GmbH	Germany	1	100.0	EUR	25	40,928
Fortum Holding B.V.	Netherlands	13,456	100.0	NLG	13,456	60,897
Fortum Kraft AB	Sweden	100,000	100.0	SEK	100,000	169,846
Fortum Kraftwerk Burghausen GmbH	Germany	1	100.0	EUR	500	10,000
Fortum Lämpö Oy	Espoo	2,000	100.0	FIM	10,000	8,399
Fortum Power and Heat AB	Sweden	50,000	100.0	SEK	7,996,868	1,173,687
Fortum Power Holding B.V.	Netherlands	240	100.0	EUR	24	49,725
Fortum Termest AS	Estonia	296,312	92.6	EEK		4,155
IVO Energy Limited	UK	25,382,000	100.0	GBP	25,382	35,948
IVO Kraftwerk Lubmin GmbH	Germany	1	100.0	DEM	5,600	2,867
Kinnekulle Energi AB	Sweden	325,000	67.0	SEK	32,500	4,771
Kopparkraft AB	Sweden	6,859,670	100.0	SEK	100	395,559
Kopparkraft Intressenter AB	Sweden	1,000,000	100.0	SEK	100,000	246,000
Laem Chabang Power Company Limited	Thailand	60,199,994	100.0	THB	602,000	12,402
NAPS Systems Oy	Helsinki	11,363	100.0	EUR	1,136	4,279
Nynäshamn Värme AB	Sweden	2,000	100.0	SEK	2,000	2,151
Uudenmaan Energia Oy [2)]	Vihti	2,500	50.0	FIM	2,500	3,418

[2)] Fortum Corporation has a 50% holding, but, according to the partnership contract, Fortum has half of the Board memberships and a permanent chairmanship.

	Domicile	No. of shares	Group holding, %		Nominal value CUR 1,000	Book value 31 Dec 2000 EUR 1,000
Electricity Distribution						
AS Viimsi Elekter [1)]	Estonia	35,382	99.2	EEK		2,261
AS Viru Energia [1)]	Estonia	50,000	100.0	EEK		3,196
Fortum Aluesiirto Oy	Paimio	9,129	100.0	FIM	9,129	4,752
Fortum Läänemaa AS [1)]	Estonia	880,000	100.0	EEK		5,721
Fortum Sähkönjakelu Oy	Paimio	2,037	100.0	FIM	2,037	3,284
Fortum Sähkönsiirto Oy	Espoo	396,765	100.0	EUR	39,677	198,351
Koillis-Pohjan Sähkö Oy [1)]	Pudasjärvi	43,560	100.0	FIM	4,356	35,747
Merikarvian Sähkö Oy	Merikarvia	526	100.0	FIM	117	2,355
Oy Tersil Ab	Paimio	15,000	100.0	FIM	1,500	2,750
Oy Tertrade Ab	Paimio	15,000	100.0	FIM	1,500	2,425

[1)] Includes also power generation and/or sales.

Engineering						
ETV Eröterv Rt.	Hungary	54,422	84.2	HUF	544,220	2,859
Fortum Engineering Ltd	Helsinki	11,000	100.0	FIM	110,000	18,728
IVO Transmission Engineering Ltd	Helsinki	10,000	100.0	FIM	10,000	16,450
Transmast Ltd	Helsinki	300	100.0	FIM	3,000	13,978
Service						
Fortum Service Oy	Helsinki	5,000	100.0	FIM	50,000	8,409
Fortum Service Kaakkois-Suomi Oy	Voikkaa	921	100.0	FIM	921	2,087
Kotkan Putkityö Oy	Kotka	100	100.0	FIM	100	2,102
Other operations						
Fortum Assets Oy	Helsinki	400,000	100.0	FIM	40,000	22,979
Fortum Capital Ltd (67.57% of votes)	Guernsey	500	29.4	EUR	0	50,351
Fortum Chemicals Benelux Holding B.V.	Netherlands	173,406	100.0	NLG	78,390	29,245
Fortum Energy Ltd	UK	5,362,000	100.0	GBP	362	8,961
Fortum Investments Oy	Espoo	10,000	100.0	FIM	100,000	84,094
Fortum Project Finance S.A.	Luxembourg	154,000	100.0	BEF	1,540,000	167,518
Kiinteistö Oy IVOn Vanhakaupunki	Helsinki	1,600	100.0	FIM	16,000	10,764
Neste Finance B.V.	Netherlands	237,001	100.0	NLG	237,001	104,964
Neste Investments	Ireland	30,910,001	100.0	USD	30,910	78,425
Group companies consolidated using the pooling-of-interests method						
Fortum Power and Heat Oy	Helsinki	91,197,542	100.0	FIM	911,975	2,898,575
Fortum Oil and Gas Oy	Espoo	98,523,082	100.0	EUR	165,704	2,625,705

Participating interests
Joint ventures (book value over EUR 2 million)

Power and Heat Generation and Sales						
AB Avesta Energi	Sweden	25,000	50.0	SEK	2,500	9,196
AB Hudik Kraft	Sweden	6,000	50.0	SEK	6,000	2,545
AB Hälsingekraft	Sweden	74,500	50.0	SEK	74,500	26,722
AB Skandinaviska Elverk	Sweden	1,000,000	50.0	SEK	100,000	127,294
Arvika Energi AB	Sweden	4,300	50.0	SEK	4,300	2,862
Avestaforsen AB	Sweden	328,000	50.0	SEK	32,800	25,059
Baerum Fjernvarme AS	Norway	35,000	32.5	NOK	35,000	6,225
Baerum Fjernvarme Holding AS	Norway	18,688	32.5	NOK	18,688	3,178
Birka Energi AB	Sweden	10,000,000	50.0	SEK	1,000,000	1,301,690
Birka Energi AS	Norway	17,500	50.0	NOK	17,500	3,627
Birka Energy Securities AB	Sweden	26,584	50.0	SEK		4,359
Birka Marknad AB	Sweden	125,000	50.0	SEK	125,000	71,804
Birka Marknad Lidingö AB	Sweden	500	50.0	SEK	50	5,357
Birka Norden AB	Sweden	3,012,162	50.0	SEK	3,012	23,991

	Domicile	No. of shares	Group holding, %		Nominal value CUR 1,000	Book value 31 Dec 2000 EUR 1,000
Birka Värme AB	Sweden	1,000	50.0	SEK	1,000	37,566
Birka Värme Lidingö AB	Sweden	500	50.0	SEK	50	12,535
Birka Värme Stockholm AB	Sweden	6,099,985	50.0	SEK	609,999	702,439
Brista Kraft AB	Sweden	2,116	50.0	SEK		7,340
Brännälven Kraft AB	Sweden	20,000	3.4	SEK	5,000	13,753
Cajero AB	Sweden	1,000	50.0	SEK	1,000	43,046
Degerforsens Kraft AB	Sweden	10,000	12.5	SEK	1,000	3,070
Fryksdalens Kraft AB	Sweden	70,000	12.5	SEK	7,000	10,828
Gullspång Kraft AB	Sweden	44,155,643	50.0	SEK	220,778	806,192
Hudiksvalls Energiverk Ab	Sweden	1,000	50.0	SEK	1,000	4,587
Indalskraft AB	Sweden	6,500	50.0	SEK	6,500	180,293
Karåsen Kraft AB	Sweden	408,000	50.0	SEK	40,800	7,583
Krångede AB	Sweden	50	50.0	SEK	50	206,973
Lindsnäsfors Kraft AB	Sweden	2,151,924	50.0	SEK	215,193	96,043
Ljunga Kraft AB	Sweden	5,088,813	50.0	SEK	142,487	95,826
Parteboda Kraft AB	Sweden	500	5.1	SEK	50	18,113
Stockholm Energi Vattenkraft AB	Sweden	250	50.0	SEK	25	202,951
Sundshagsfors Kraft AB	Sweden	2,850	50.0	SEK	2,850	22,210
Svarthålsforsens Intressenter AB	Sweden	100,050	50.0	SEK	10,005	17,060
Uddeholm Kraft AB	Sweden	2,976,666	50.0	SEK	297,667	55,903
Voxnan Kraft AB	Sweden	500	5.1	SEK	50	72,934
Värmlandskraft OKG-delägarna AB	Sweden	154	36.5	SEK	154	6,729
Älvkraftintressenter i Värmland AB	Sweden	62,500	12.5	SEK	6,250	3,401
Österede Kraft AB	Sweden	500	50.0	SEK	50	46,726
Electricity Distribution						
Birka Nät AB	Sweden	15	50.0	SEK	150	538,175
Birka Nät Holding AB	Sweden	500	50.0	SEK	50	768,444
Birka Nät Småland AB	Sweden	250,000	50.0	SEK	25,000	45,276
Birka Nät Yngeredsfors AB	Sweden	400,000	50.0	SEK	40,000	97,627
Ekerö Energi AB	Sweden	9,597	39.6	SEK	621	12,771
Ockelbo Kraft AB	Sweden	14,282	47.6	SEK	714	3,044
Täby Energi Nät AB	Sweden	16,000	50.0	SEK	4,000	2,649
Värmlandsenergi AB	Sweden	26,806,635	50.0	SEK	268,067	36,944
Östernärkes Kraft AB	Sweden	7,649	23.5	SEK	765	2,555
Service						
Birka Service AB	Sweden	13,550	54.5	SEK	13,550	6,153
Birka Service Region Öst AB	Sweden	5,000	54.5	SEK	5,000	2,830
Renea AB	Sweden	20,000	54.5	SEK	1,000	2,008
Other associated companies (book value over EUR 2 million)						
Oil and Gas Upstream						
Gasum Corporation	Espoo	13,250,000	25.0	FIM	265,000	44,570
Severtek ZAO	Russia	107,500	50.0	USD	21,500	8,668
Oil Refining and Marketing						
CanTerm Canadian Terminals Inc.	Canada	50	50.0	CAD	200	7,161
Nynäs Petroleum AB	Sweden	33,765	50.0	SEK	33,765	44,915
Power and Heat Generation and Sales						
AB Aroskraft	Sweden	24,750	55.0	SEK	13,375	2,801
Blåsjöns Kraft AB	Sweden	3,000	25.0	SEK	3,000	8,278
Budapesti Erömü Rt	Hungary	652,191	45.4	HUF	6,521,910	25,350
Etelä-Pohjanmaan Voima Oy	Vaasa	1,319	27.9	FIM	13,190	28,473
Gemeinschaftskraftwerk Weser GmbH	Germany		33.0	DEM	55,000	28,121
Härjeåns Kraft AB	Sweden	15,779	23.1	SEK	1,578	3,722

	Domicile	No. of shares	Group holding, %		Nominal value CUR 1,000	Book value 31 Dec 2000 EUR 1,000
Ishavskraft AS	Norway	7,105	49.0	NOK	7,105	6,926
Katrineholm Energi AB	Sweden	33,075	24.5	SEK	3,308	9,621
Lappeenrannan Lämpövoima Oy	Lappeenranta	1,800	50.0	FIM	18,000	3,027
Mellansvensk Kraftgrupp AB	Sweden	36,665	47.9	SEK	30,849	29,525
OKG AB	Sweden	240,152	26.7	SEK	15,115	5,287
Ryssa Elverk AB	Sweden	109,040	17.5	SEK	5,437	9,339
Stensjöns Kraft AB	Sweden	110,000	25.0	SEK	5,500	24,279
Teollisuuden Voima Oy	Helsinki	189,877,285	26.6	FIM	189,877	124,655
Thameside Energy Park Limited	UK	2,400,000	50.0	GBP	2,400	3,845
Electricity Distribution						
Espoon Sähkö Oyj [1)]	Espoo	4,348,560	27.6	FIM	8,697	87,205
Fingrid Oyj	Helsinki	834	25.1	FIM	83,400	28,054
Karlskoga Energi & Miljö AB [1)]	Sweden	26,950	49.0	SEK	26,950	38,824
Keuruun Sähkö Oy [1)]	Keuruu	1,754	35.1	FIM	18	2,458
Sallilan Sähkölaitos Oy	Alastaro	27,250	46.0	FIM	1,363	8,174

[1)] Includes also power and heat generation and sales

Other operations						
Enermet Group Oy	Jyväskylä rur. mun.	223,684	26.7	FIM	22,368	3,762
Finnglass Oy	Pori	470	37.0	FIM	2,350	2,523
UVCC II Parallel Fund, L.P.	USA		33.3	USD	4,545	2,431
Other participating interests (book value over EUR 2 million)						
Kemijoki Oy	Rovaniemi	427,424	17.5	FIM	42,742	293,774
Other shares and holdings (book value over EUR 2 million)						
Oil and Gas Upstream						
Eesti Gaas AS	Estonia	1,212,629	17.7	EEK	1,212,629	5,245
Latvijas Gaze AS	Latvia	789,990	2.0	LVL	790	2,086
Vattenfall Naturgas AB	Sweden	31,610	10.0	SEK	1,517	8,964
Oil Refining and Marketing						
Saudi European Petrochemical Company Ibn Zahr	Saudi Arabia	98,832	10.0	SAR	98,832	14,851
Power and Heat Generation and Sales						
Gulsele AB	Sweden	21,960	9.2	SEK	2,196	20,007
Korselbränna AB	Sweden	25,920	8.1	SEK	2,592	15,632
Lapin Sähkövoima Oy	Tervola	183,534	13.0	FIM	184	19,252
AO Lenenergo, St Petersburg	Russia	54,344,760	7.1	RUR	38,200	23,427
Nokian Lämpövoima Oy	Nokia	19,900	19.9	FIM	199	4,373
Stadtwerke Detmold GmbH	Germany		12.5	DEM	4,675	2,390
Electricity Distribution						
Imatran Seudun Sähkö Oy (16.6% of votes)	Imatra	62,413	14.6	FIM	624	2,222
Vakka-Suomen Voima Oy	Laitila	14,210	16.7	FIM	213	2,324
Other operations						
Silja Oyj Abp	Helsinki	1,034,950	1.7	FIM	10,350	2,611
Utility Competitive Advantage Fund, L.L.C.	USA		11.1	FIM	50,357	8,470

Complete list of shares and holdings is included in Fortum Corporation's statutory financial statements.

Key financial indicators 1996–2000

		1996[1)]	1997[1)]	1998	1999	2000
INCOME STATEMENT						
Net sales	EUR million	9,430	10,099	8,494	8,232	11,026
- change	%	8.1	7.1	–15.9	–3.1	33.9
Share of profits (losses) of associated companies	EUR million	11	75	42	36	46
Other operating income	EUR million	71	105	102	187	140
Depreciation, amortisation and write-downs	EUR million	–416	–470	–505	–523	–571
Other operating expenses	EUR million	–8,561	–9,071	–7,547	–7,227	–9,735
Operating profit	EUR million	535	738	586	705	906
- of net sales	%	5.7	7.3	6.9	8.6	8.2
Financial income and expenses	EUR million	–151	–244	–218	–211	–273
Profit before extraordinary items and taxes	EUR million	384	494	368	494	633
- of net sales	%	4.1	4.9	4.3	6.0	5.7
Extraordinary items	EUR million	35	326	–5	460	–10
Profit before taxes	EUR million	419	820	363	954	623
- of net sales	%	4.4	8.2	4.3	11.6	5.7
Income taxes	EUR million	–127	–89	–123	–229	–154
Minority interests	EUR million	–28	–52	–27	–22	–46
Net profit for the period	EUR million	264	679	213	703	423
BALANCE SHEET						
Fixed assets and other long-term investments	EUR million	8,160	8,992	9,244	9,724	11,712
Current assets						
Inventories	EUR million	707	737	576	661	746
Receivables	EUR million	1,353	1,451	1,192	1,379	1,933
Cash and marketable securities	EUR million	424	663	564	775	437
Shareholders' equity	EUR million	3,315	3,930	3,975	4,705	5,022
Minority interests	EUR million	465	294	210	126	1,281
Provisions for liabilities and charges	EUR million	14	37	64	83	197
Deferred tax liabilities	EUR million	948	888	1,078	1,128	1,177
Interest-bearing debt	EUR million	4,115	4,476	4,462	4,593	5,063
Interest-free debt	EUR million	1,787	2,218	1,787	1,904	2,088
Total assets	EUR million	10,644	11,843	11,576	12,539	14,828
PROFITABILITY						
Return on shareholders' equity	%	7.4	10.2	5.7	7.7	8.6
Return on capital employed	%	9.1	9.6	7.7	8.4	9.4
FINANCING AND FINANCIAL POSITION						
Interest-bearing net debt	EUR million	3,691	3,813	3,898	3,818	4,626
- of net sales	%	39.1	37.8	45.9	46.4	42.0
Gearing	%	98	90	93	79	73
Equity-to-assets ratio	%	36	36	36	39	43
Net cash from operating activities	EUR million	700	756	793	524	424
Cash flow before financing activities	EUR million	–243	131	688	497	–685

		1996[1)]	1997[1)]	1998	1999	2000
Dividends	EUR million	68	99	99	141	194[2)]
Net interest expenses	EUR million	194	244	224	209	243
Interest coverage		2.8	3.0	2.6	3.4	3.7
OTHER INDICATORS						
Capital employed	EUR million	7,895	8,700	8,647	9,425	11,365
Investments	EUR million	2,268	1,797	1,702	1,059	3,131
- of net sales	%	24.1	17.8	20.0	12.9	28.4
Research and development expenditures	EUR million	74	87	92	72	58
- of net sales	%	0.8	0.9	1.1	0.9	0.5
Average number of employees		16,083	17,772	19,003	17,461	16,220

1) Fortum Group's financial information for the reference years 1996–1997 has been presented as if Fortum Power and Heat Oy (former Imatran Voima Oy) and Fortum Oil and Gas Oy (Former Neste Oyj) had been combined into Fortum as of 1 January 1996.
2) Board of Directors' proposal

Formulae for the key financial indicators are presented on page 34.

		1996[1)]	1997[1)]	1998	1999	2000
SHARE-RELATED DATA						
Earnings per share (EPS)	EUR	0.29	0.45	0.27	0.41	0.55
Cash flow per share	EUR	0.89	0.96	1.01	0.67	0.54
Shareholders' equity per share	EUR	4.22	5.01	5.06	6.00	6.32
Dividend per share	EUR	0.09	0.13	0.13	0.18	0.23[1)]
Dividend per earnings	%	29.6	27.7	46.3	43.4	41.9[1)]
Dividend yield	%			2.5	4.0	5.3[1)]
Price/earnings ratio (P/E)				18.5	10.9	7.9
Share prices						
Share price at the end of the period	EUR			5.03	4.50	4.35
Average share price	EUR			5.66	4.76	4.18
Lowest share price	EUR			4.86	4.24	3.50
Highest share price	EUR			6.05	5.80	4.94
Market capitalisation at the end of the period	EUR million			3,949	3,532	3,456
Trading volumes						
Number of shares				17,642,594	112,397,961	93,900,112
In relation to the weighted average number of shares	%			2.2	14.3	11,9
Number of shares		784,782,635	784,782,635	784,782,635	784,782,635	845,608,575
Number of shares excluding own shares		784,782,635	784,782,635	784,782,635	784,782,635	794,571,055
Adjusted average number of shares during the period		784,782,635	784,782,635	784,782,635	784,782,635	787,223,036

1) Board of Directors' proposal

Formulae for the key financial indicators are presented on page 34.

QUARTERLY NET SALES BY SEGMENT

EUR million	I/00	II/00	III/00	IV/00	2000
Oil and Gas Upstream	215	133	183	414	945
Oil Refining and Marketing	1,669	1,909	1,972	2,209	7,759
Power and Heat Generation and Sales	503	384	359	514	1,760
Electricity Distribution	131	106	101	129	467
Service	78	73	83	122	356
Engineering	118	155	135	177	585
Other operations	21	23	23	27	94
Internal invoicing	–210	–203	–229	–298	–940
Total	2,525	2,580	2,627	3,294	11,026
Discontinued operations	–	–	–	–	–
Group	2,525	2,580	2,627	3,294	11,026

EUR million	I/99	II/99	III/99	IV/99	1999
Oil and Gas Upstream	45	51	107	163	366
Oil Refining and Marketing	948	1,154	1,360	1,602	5,064
Power and Heat Generation and Sales	439	294	305	405	1,443
Electricity Distribution	99	77	73	98	347
Service	63	65	68	94	290
Engineering	78	111	105	185	479
Other operations	25	40	34	38	137
Internal invoicing	–123	–155	–184	–255	–717
Total	1,574	1,637	1,868	2,330	7,409
Discontinued operations [1)]	325	275	209	14	823
Group	1,899	1,912	2,077	2,344	8,232

[1)] Includes Gasum, Enermet, Infrarödteknik and Neste Chemicals in 1999.

QUARTERLY OPERATING PROFIT BY SEGMENT

EUR million	I/00	II/00	III/00	IV/00	2000
Oil and Gas Upstream	45	40	46	87	218
Oil Refining and Marketing	4	137	133	108	382
Power and Heat Generation and Sales	100	46	2	63	211
Electricity Distribution	49	19	25	34	127
Service	4	–2	2	8	12
Engineering	–2	–4	1	–16	–21
Other operations	–1	–10	–4	5	–20
Eliminations	–2	–1	–4	4	–3
Total	197	225	201	283	906
Discontinued operations	–	–	–	–	–
Group	197	225	201	283	906

EUR million	I/99	II/99	III/99	IV/99	1999
Oil and Gas Upstream [2)]	1	9	32	40	82
Oil Refining and Marketing	6	40	87	49	182
Power and Heat Generation and Sales	158	19	–1	60	236
Electricity Distribution	42	17	18	38	115
Service	3	0	–1	10	12
Engineering	0	–5	5	12	12
Other operations	6	–10	–5	–15	–24
Eliminations	–10	3	–4	–6	–17
Total	206	73	131	188	598
Discontinued operations [3)]	34	31	47	–5	107
Group	240	104	178	183	705

[2)] Treatment of Gasum has been changed from a subsidiary company to an associated company in 1999.
[3)] Includes the impact of change in Gasum holding, Enermet, Infrarödteknik, Neste Chemicals and Asko in 1999.

Formulae for the key financial indicators

Cash and marketable securities = Cash and cash equivalents + marketable securities

$$\text{Return on shareholders' equity (\%)} = \frac{\text{Profit before extraordinary items – taxes}}{\text{(Shareholders' equity + minority interests) average}} \times 100$$

$$\text{Return on capital employed (\%)} = \frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Capital employed average}} \times 100$$

$$\text{Return on net assets (\%)} = \frac{\text{Operating profit}}{\text{Identifiable assets average}} \times 100$$

Interest-bearing net debt = Interest-bearing debt – cash and marketable securities

$$\text{Gearing (\%)} = \frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interests}} \times 100$$

$$\text{Equity-to-assets ratio (\%)} = \frac{\text{Shareholders' equity + minority interests}}{\text{Total assets – advances received}} \times 100$$

$$\text{Interest coverage} = \frac{\text{Operating profit}}{\text{Net interest expenses}}$$

Capital employed = Total assets – interest-free liabilities – deferred tax liabilities – provisions for liabilities and charges

$$\text{Earnings per share (EPS)} = \frac{\text{Profit before extraordinary items – taxes on regular business operations – minority interests}}{\text{Adjusted average number of shares during the period}}$$

$$\text{Cash flow per share} = \frac{\text{Cash from operating activities}}{\text{Adjusted average number of shares during the period}}$$

$$\text{Shareholders' equity per share} = \frac{\text{Shareholders' equity}}{\text{Adjusted average number of shares at the end of the period}}$$

$$\text{Dividend per share} = \frac{\text{Dividends for the financial period}}{\text{Adjusted average number of shares during the period}}$$

$$\text{Dividend per earnings (\%)} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Dividend yield (\%)} = \frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$$

$$\text{Price/earnings ratio} = \frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$$

$$\text{Average share price} = \frac{\text{Amount traded in euros during the period}}{\text{Adjusted number of shares traded during the period}}$$

Market capitalisation at the end of the period = Number of shares at the end of the period x share price at the end of the period

Trading volumes = Number of shares traded during the period, and in relation to the weighted average number of shares during the period

Parent company income statement, balance sheet and cash flow statement

Income statement

EUR million	Note	2000	1999
Net sales	1	51	10
Other operating income	2	0	–
Depreciation, amortisation and write-downs	3	0	0
Other operating expenses	4	–87	–16
Operating loss		–36	–6
Financial income and expenses	5	65	1
Profit before extraordinary items and taxes		29	–5
Extraordinary items			
Group contributions		220	511
Profit before appropriations and taxes		249	506
Appropriations	6	0	0
Income taxes	7	–74	–141
Net profit for the period		175	365

Balance sheet

EUR million	Note	2000	1999
ASSETS			
Fixed assets and other long-term investments	8,9		
Intangible assets		1	0
Tangible assets		2	0
Other long-term investments		7,008	5,539
		7,011	5,539
Current assets			
Short-term receivables	10	525	513
Cash and cash equivalents		110	1
		635	514
		7,646	6,053
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	12		
Share capital		2,875	2,640
Additional paid-in capital		2,778	2,780
Retained earnings		290	67
Net profit for the period		175	365
		6,118	5,852
Accumulated appropriations			
Accumulated depreciation above the plan		1	0
Long-term liabilities			
Interest-bearing	13	202	4
Short-term liabilities	13		
Interest-bearing		1,245	88
Interest-free		80	109
		1,325	197
		7,646	6,053

Cash flow statement

EUR million	2000	1999
Operating activities		
Profit before extraordinary items	29	–5
Depreciation, amortisation and write-downs	0	0
Financial income and expenses	–65	–1
Divesting activities, net	6	–
Operating profit before change in working capital	–30	–6
Change in working capital		
Decrease (+)/increase (–) in interest-free trade and other short-term receivables	–13	158
Decrease (–)/increase (+) in interest-free liabilities	8	–7
	–5	151
Funds generated from operations	–35	145
Interest and other financial expenses received, net	9	1
Dividends received	0	0
Group contribution received	511	–
Income taxes paid	–153	–37
Realised foreign exchange gains and losses	–39	0
Net cash from operating activities	293	109
Investing activities		
Capital expenditures	–3	0
Proceeds from sales of fixed assets	0	0
Acquisition of shares in subsidiaries	–50	–1
Investments in shares in participating interests	–	–4
Investments in other shares	–1	–
Change in other investments, increase (–), decrease (+)	–1,115	–9
	–1,169	–14
Cash flow before financing activities	–876	95
Financing activities		
Payment of (–)/proceeds from (+) short-term borrowings	938	1
Proceeds from long-term liabilities	189	4
Payment of long-term liabilities	0	–
Dividends paid	–141	–99
Other financing activities	–1	0
Cash flow from financing activities	985	–94
Net increase (+)/decrease (–) in cash and marketable securities	109	1
Cash and marketable securities at the beginning of the period	1	0
Cash and marketable securities at the end of the period	110	1
Net increase (+)/ decrease (–) in cash and marketable securities	109	1

Notes to the financial statements of the parent company

EUR million	2000	1999
1. Net sales by market area		
Finland	51	10
2. Other operating income		
Gains on the sales of fixed assets	0	–
3. Depreciation, amortisation and write-downs		
Depreciation and amortisation according to the plan	0	0
4. Other operating expenses		
Personnel expenses		
Wages and salaries	19	3
Remunerations	0	0
Indirect employee costs		
Pension costs	3	1
Other indirect employee costs	7	1
Other operating expenses	58	11
Total	87	16
Salaries and remunerations		
President and CEO and members of the Board of Directors	1	1
Members of the Supervisory Board	0	0
Total	1	1
Average number of employees	385	30
5. Financial income and expenses		
Income from Group companies	–	–
Income from participating interests	1	0
Other interest and financial income from Group companies	88	12
Other interest and financial income	8	0
Exchange rate differences	64	0
Interest and other financial expenses to Group companies	–56	–11
Interest and other financial expenses	–40	0
Total	65	1
Total interest income and expenses		
Interest income	94	12
Interest expenses	–88	–11
Net interest income	6	1
6. Appropriations		
Depreciation above the plan	0	0
7. Income taxes		
Taxes on regular business operations	10	–1
Taxes on extraordinary items	64	142
Total	74	141

EUR million	2000	1999
8. Fixed assets and other long–term investments		
Intangible assets		
Other long-term expenditure	1	0
Tangible assets		
Machinery and equipment	2	0
Other tangible assets	0	–
Advances paid and construction in progress	0	–
Total	2	0
Other long-term investments		
Shares in Group companies	5,802	5,526
Receivables from Group companies	1,162	–
Shares in participating interests	33	4
Receivables from participating interests	9	9
Other shares and holdings	2	0
Other receivables	0	–
Total	7,008	5,539

9. Changes in acquisition cost

Intangible assets EUR million	Intangible rights	Other long-term invest-ments	Total
Acquisition cost as of 1 Jan 2000	–	0	0
Increases	0	1	1
Acquisition cost as of 31 Dec 2000	0	1	1
Accumulated depreciation, amortisation and write-downs as of 1 Jan 2000	–	0	0
Depreciation and amortisation for the period	0	0	0
Accumulated depreciation, amortisation and write-downs as of 31 Dec 2000	0	0	0
Balance sheet value as of 31 Dec 2000	0	1	1

Tangible assets EUR million	Machinery and equipment	Other tangible assets	Advances paid and construc-tion in progress	Total
Acquisition cost as of 1 Jan 2000	0	–	–	0
Increases	2	–	0	2
Transfers between categories	0	0	–	0
Decreases	0	–	–	0
Acquisition cost as of 31 Dec 2000	2	0	0	2
Accumulated depreciation, amortisation and write-downs as of 1 Jan 2000	0	–	–	0
Accumulated depreciation, amortisation and write-downs of decreases	0	–	–	0
Depreciation and amortisation for the period	0	–	–	0
Accumulated depreciation, amortisation and write-downs as of 31 Dec 2000	0	0	0	0
Balance sheet value as of 31 Dec 2000	2	0	0	2

Investments EUR million	Shares in Group companies	Receivables from Group companies	Shares in participating interests	Receivables from participating interests	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January	5,526	–	4	9	0	0	5,539
Increases	276	1,162	29	–	2	–	1,469
Acquisition cost as of 31 December	5,802	1,162	33	9	2	0	7,008
Balance sheet value as of 31 December	5,802	1,162	33	9	2	0	7,008

EUR million	2000	1999
10. Short-term receivables		
Receivables from Group companies		
Trade receivables	16	1
Other receivables	406	512
Accrued income and prepaid expenses	12	–
Total	434	513
Receivables from participating interests		
Trade receivables	0	–
Other receivables	0	0
Accrued income and prepaid expenses	1	–
Total	1	0
Trade receivables	0	–
Other receivables	0	–
Accrued income and prepaid expenses	90	0
Total	525	513

11. Pension commitments to corporate management

The executive directors of Fortum Corporation are eligible for retirement at the age of 60.

12. Changes in shareholders' equity		
Share capital as of 1 January	2,640	2,640
Scrip issue	28	–
Share issue	207	–
Share capital as of 31 December	2,875	2,640
Additional paid-in capital as of 1 January	2,780	2,780
Scrip issue	–28	–
Share premium	26	–
Additional paid-in capital as of 31 December	2,778	2,780
Retained earnings as of 1 January	432	166
Dividends paid	–141	–99
Other distribution	–1	0
Net profit for the period	175	365
Retained earnings as of 31 December	465	432
Distributable funds as of 31 December	465	432

EUR million	2000	1999
13. Liabilities		
Long-term liabilities		
Convertible bonds	4	4
Loans from financial institutions	189	–
Other long-term liabilities to Group companies	9	–
Total	202	4
of which interest-bearing	202	4
Short-term liabilities		
Bonds	3	–
Loans from financial institutions	563	–
Trade payables	2	1
Liabilities to Group companies		
Trade payables	9	0
Bonds	13	–
Other liabilities	652	25
Accruals and deferred income	6	1
Total	680	26
Liabilities to participating interests		
Other short-term liabilities	1	–
Other short-term liabilities	50	169
Accruals and deferred income	26	1
Total	1,325	197
of which interest-bearing	1,245	88
Interest-bearing and interest-free liabilities		
Interest-bearing liabilities	1,447	92
Interest-free liabilities	80	109
Total	1,527	201
Short-term accruals and deferred income		
Interests	21	1
Taxes	0	–
Other short-term accruals and deferred income	11	1
Total	32	2

Maturity of long-term liabilities

Year	
2001	25
2002	13
2003	4
2004	3
2005	177
2006 and later	5
Total	227

14. Bonds, debentures and other notes

Issuing year	Maturity year	2000	1999
1994 FIM loan	2001	16	–

15. Contingent liabilities

Undertakings on behalf of Group companies		
Guarantees	72	–
Other contingent liabilities	71	–
Total	143	–
Undertakings on behalf of participating interests		
Guarantees	140	–
Contingent liabilities total	283	–

Derivatives

EUR million	2000			1999		
Interest and currency derivatives	Contract or notional value	Fair value	Not recognised as an income	Contract or notional value	Fair value	Not recognised as an income
Interest rate swaps	1,656	8	16	–	–	–
Forward foreign exchange contracts[1), 2)]	4,349	17	0	–	–	–
Currency swaps	1,577	69	–1	–	–	–
Purhased currency options	155	1	0	–	–	–
Written currency options	155	–1	0	–	–	–

[1)] Includes also closed forward and future positions.
[2)] Includes also contracts used for equity hedging.

Shares and shareholders

Changes in share capital

The change of share capital into euros and increase in share capital through a scrip issue

The annual general meeting on 17 April 2000 decided that Fortum's share capital would be changed into euros and increased through a scrip issue by a total of EUR 28,441,677 up to EUR 2,668,260,959 by transferring the amount corresponding to the increase from the additional paid-in capital to the share capital. The nominal value of each share was increased from EUR 3.36376 to EUR 3.40. No new shares were issued, and the number of shares was not changed.

The merger of Länsivoima Oyj

On 30 September 2000, Länsivoima Oyj merged with Fortum Corporation. In the merger, one Länsivoima Oyj's share was equivalent to ten Fortum Corporation new shares. In connection with the merger, 60,825,940 new Fortum Corporation shares were issued and the share capital was increased by EUR 206,808,196. The new shares were combined with Fortum Corporation's old share type on 30 September 2000. The number of Fortum Corporation shares increased to 845,608,575, and the share capital to EUR 2,875,069,155.

In connection with the merger, Länsivoima Oyj's convertible bond loan was transferred to Fortum Corporation, which is liable for payment of the loan capital and the interest provided in the terms of the loan to the holders of convertible bonds. In all other respects, the terms of the convertible bond remained unaltered, other than the exchange right related to the loan. The convertible bonds cannot be exchanged for Fortum Corporation shares.

In the merger, on 30 September 2000, Fortum Power and Heat Oy, Fortum Corporation's wholly-owned subsidiary, received 51,037,520 Fortum Corporation shares to the total nominal value of EUR 173,527,568, which is 6.04% of the total number of Fortum Corporation shares and share capital. In the same connection, the Finnish State's shareholding decreased from 75.38% to 69.96%.

Share capital at the end of the year

By the end of 2000, a total of 845,608,575 Fortum Corporation shares had been issued. The nominal value of the share is EUR 3.40, and each share entitles the holder to one vote at the annual general meeting. All shares entitle holders to an equal dividend.

In accordance with the Articles of Association, at the end of 2000, Fortum Corporation's share capital may range between a minimum of EUR 2 billion and a maximum of EUR 8 billion. Within these limits, it can be increased or decreased without changing the Articles of Association. Fortum Corporation's share capital on 31 December 2000, paid in its entirety and entered in the trade register, was EUR 2,875,069,155. Fortum Corporation's shares are in the Finnish book-entry securities system maintained by the Finnish Central Securities Depository Ltd.

Development of share capital 1998–2000

	No. of new shares	No. of shares, total	Increase in share capital, EUR	New share capital, EUR
Fortum established on 7 Feb 1998	500,000	500,000	1,681,879	1,681,879
Rights issue on 3 June 1998	293,104,055	293,604,055	985,931,265	987,613,144
Rights issue on 29 June 1998	397,906,226	691,510,281	1,338,460,462	2,326,073,606
Rights issue on 17 Dec 1998	91,272,354	782,782,635	307,018,159	2,633,091,765
Employee offering on 18 Dec 1998	2,000,000	784,782,635	6,727,517	2,639,819,282
Scrip issue on 17 April 2000	0	784,782,635	28,441,677	2,668,260,959
Rights issue on 30 Sept 2000	60,825,940	845,608,575	206,808,196	2,875,069,155
Share capital on 31 Dec 2000		845,608,575		2,875,069,155

Quotation of shares

Fortum Corporation's shares are quoted on the Helsinki Exchanges. The first trading date was 18 December 1998. The shares are also traded in London in the SEAQ trading system.

At the end of the year, Fortum Corporation's lot size was 200 shares.

Fortum's shareholders as of 31 December 2000

Shareholder	No. of shares	Holding %
Finnish State	598,196,606	70.74
Fortum Power and Heat Oy	51,037,520	6.04
Social Insurance Institution	17,553,696	2.08
Varma-Sampo Mutual Pension Insurance Company	8,001,700	0.95
Ilmarinen Mutual Pension Insurance Company	6,342,000	0.75
The town of Kurikka	6,203,500	0.73
Pohjola Non-Life Insurance Company Limited	3,900,000	0.46
Neste Pension Foundation	3,757,575	0.44
Teollisuusvakuutus Oy	3,496,637	0.41
Suomi Mutual Life Assurance Company	3,350,000	0.40
Nominee registrations	41,240,983	4.88
Other shareholders in total	102,528,358	12.12
Total number of shares	845,608,575	100.00
Number of shares excluding our own shares	794,571,055	

Distribution of ownership of shares as of 31 December 2000

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of share capital
1–100	2,645	4.79	181,394	0.02
101–500	22,309	40.38	5,981,887	0.71
501–1,000	17,301	31.31	11,093,300	1.31
1,001–10,000	12,399	22.44	29,996,424	3.55
10,001–100,000	507	0.92	12,323 647	1.46
100,001–1,000,000	64	0.11	18,879,298	2.23
1,000,001–10,000,000	20	0.04	60,058,921	7.10
over 10,000,000	4	0.01	707,006,848	83.61
	55,249	100.00	845,521,719	99.99
Unregistered/uncleared transactions as of 31 December 2000			86,856	0.01
Total			845,608,575	100.00
of which nominee registrations			41,240,983	4.88

Distribution of ownership of shares by owner category as of 31 December 2000

Owner category	% of owners	% of share capital
Private non-financial corporations	2.67	1.05
Public non-financial corporations	0.01	6.09
Financial and insurance institutions	0.18	3.38
General government	0.11	77.98
Non-profit organisations	0.44	0.56
Households	95.66	5.98
Outside Finland and nominee registrations	0.93	4.95
Unregistered/uncleared		0.01
Total	100.00	100.00

State ownership

At the beginning of 2000, the Finnish State owned 75.38% of the company's shares and voting rights. By the end of September, its holding had decreased to 69.96% of shares and 74.45% of voting rights. Following a share transaction at the end of the year, the Finnish State's ownership increased to 70.74% of shares, while its share of the voting rights was 75.29% – the shares owned by Fortum Power and Heat Oy do not carry any voting rights.

The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

Management holdings and stock options

On 31 December 2000, the members of the Supervisory Board of Fortum Corporation owned a total of 351 shares or 0.00% of the shares and voting rights. The members of the Board of Directors, the President and CEO, and the Group Executive Vice President owned a total of 36,968 shares, which corresponds to 0.00% of the company's shares and voting rights. The members of the Board of Directors, the President and CEO, and the Group Executive Vice President owned a total of 1,050 stock options, which entitles them to a subscription of a total of 1,050,000 Fortum Corporation shares on certain conditions.

Bond loan with warrants to employees and management stock option scheme

We have two employee incentive systems, which were launched in 1999.

Management stock option scheme

In this scheme, a maximum of 15,000 stock options can be issued to a maximum of 150 key members of Fortum Group's employees. The stock options entitle the holders to subscribe for a maximum of 15 million Fortum Corporation shares in the period from 1 October 2002 to 1 October 2005. These shares correspond to 1.8% of the company's present share capital and voting rights. As a result of the subscriptions made as part of the management stock option scheme, Fortum's share capital may rise, in total, by a maximum of EUR 51 million.

The precondition for the subscription is that the comparison between Fortum's earnings per share in 1998 and the average of the earnings per share in 1999–2001 will show that Fortum's earnings per share performance is equal to, or better than, its peer group average. Another precondition for the subscription of shares in connection with the stock options is that Fortum's trade-volume weighted average share price performance between the periods 1 April 1999–31 August 1999 and 1 April 2002–31 August 2002 is equal to, or better than, its peer group average.

The subscription price is the trade-volume weighted average quotation of the period 1 January–30 June 2002. The subscription price is decreased by twice the percentage by which Fortum's share price performance will exceed the share price performance of the peer group between the periods 1 April 1999–31 August 1999 and 1 April 2002–31 August 2002. However, the subscription price of the share is at the minimum the trade-volume weighted average quotation of the period 18 December 1998–15 January 1999, i.e. EUR 5.61. The subscribed shares entitle the holder to a dividend for the accounting period during which the shares are subscribed for.

Bond loan with warrants to employees

The maximum amount of the bond loan with warrants to employees was FIM 25 million (EUR 4.2 million). The loan period is three years, at an annual interest of 4%. The loan, including the interest, will be repaid in one instalment on 17 May 2002.

A total of 25,000 bond loan stakes at a nominal value of FIM 1,000 per stake were offered, with each stake carrying 300 share warrants. Each warrant may be exercised to subscribe for one Fortum Corporation share. At the end of 2000, the bond loan amounted to FIM 23.8 million (EUR 4.0 million). As a result of the subscriptions relating to the bond loan with warrants to employees, Fortum's share capital may be increased by at most EUR 24.2 million or 7.1 million new shares, corresponding to 0.8% of the company's share capital today.

The shares connected with this bond loan are open for subscription during 17 May 2002–17 May 2005. The subscription price is the trade-volume weighted average price of Fortum's shares during 1 March 1999–31 March 1999, increased by 10%. Any dividends per share paid as of 1 January 2000 up to the date of subscription for the shares will be deducted from the subscription price. The subscription price is a maximum of EUR 4.85. The shares subscribed for entitle the holder to distribution of a dividend for the accounting period during which the shares will be subscribed for.

Other convertible bond loans, bonds with warrants, and unused authorisations

Fortum Corporation has issued no other convertible bonds or bonds with warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has today no unused authorisations from the general meeting of shareholders to increase the company's share capital or acquire for the company's own shares.

Quotation and trading of shares

The highest quotation of Fortum Corporation's shares on the Helsinki Exchanges in 2000 was EUR 4.94, the lowest EUR 3.50, and the middle-market quotation EUR 4.18. The closing quotation on the last trading day of the year was EUR 4.35.

A total of 93.9 million shares for a total value of EUR 392.2 million was traded during 2000. Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the year, was EUR 3,456 million.

Proposal for the distribution of retained earnings

The Group's non-restricted equity and distributable equity as of 31 December 2000 amounted to EUR 2,117 million. The parent company's distributable equity as of 31 December 2000 stood at EUR 465,142,681.91.

The Board of Directors proposes that Fortum Corporation should pay a dividend of EUR 0.23 per share, totalling EUR 194,489,972.25, and should set aside a sum of EUR 300,000 for the purposes of public utility. The rest of the distributable equity will be carried over to retained earnings.

Espoo, February 21, 2001

Matti Vuoria	L.J. Jouhki
Olli-Pekka Kallasvuo	Birgitta Kantola
Heikki Pentti	Erkki Virtanen

Mikael Lilius
President and CEO

Auditors' report

To the shareholders of Fortum Corporation

We have audited the accounting records, the financial statements and the corporate governance of Fortum Corporation for the period from 1 January to 31 December 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies Act.

Helsinki, February 21, 2001

SVH PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Kaasalainen
Authorised Public Accountant

Statement by the Supervisory Board

The Supervisory Board has reviewed Fortum Corporation's income statement, balance sheet, notes to the financial statements, consolidated financial statements, report on activities, and the Board of Directors' proposal contained in the latter for the disposal of retained earnings, and the auditors' report provided by the Company's auditors. The Supervisory Board has no comments to make on these. The Supervisory Board recommends that the income statement, balance sheet, consolidated financial statements and balance sheet be adopted and concurs with the Board of Directors' proposal for the allocation of profit.

The Supervisory Board is satisfied that its decisions and instructions have been followed and that it has received adequate information from the Board of Directors and the Company's management.

Espoo, March 6, 2001

Ben Zyskowicz

Henrik Aminoff	Tuija Brax	Kaarina Dromberg
Klaus Hellberg	Harri Holkeri	Mikko Immonen
Kyösti Karjula	Tanja Karpela	Kari Laitinen
Jouko K. Leskinen	Leena Luhtanen	Pekka Tuomisto
Matti Vanhanen	Sirkka Vilkamo	