# Annual Report 2001

Fortum

# Contents







Financial Statements 2001
are attached separately.

# Investor Information

## Annual General Meeting

The Annual General Meeting of Fortum Corporation will be held on Tuesday, 26 March 2002, at 4.00 pm, at Finlandia Hall, Mannerheimintie 13 e, Helsinki.

Registrations for the AGM are requested by 4.00 pm, on 19 March 2002. Registrations can be done by telephone on +358 10 452 9460, by fax on +358 10 262 2727, by e-mail to fortum.yhtiokokous@yhteyspalvelut.elisa.fi 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 0.26 per share be paid for the financial period 2001. The record date for dividend payment is 3 April, and the suggested dividend payment date is 10 April 2002.

## Interim Reports

Interim Report 1 January - 31 March 2002 will be published on 25 April 2002
Interim Report 1 January - 30 June 2002 will be published on 25 July 2002
Interim Report 1 January - 30 September 2002 will be published on 24 October 2002

The Annual Report and 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

Financial information can be obtained from Fortum Corporation, Corporate Communications/Heidi Jokinen, POB 1, FIN-00048 FORTUM, tel. int. +358 10 45 24861, fax +358 10 45 24798, e-mail heidi.jokinen@fortum.com.

The IR contact is Raija Norppa-Rahkola, Vice President, Investor Relations, tel. int. +358 10 45 24135, fax +358 10 45 24327, e-mail raija.norppa-rahkola@fortum.com.

## Share information for 2001

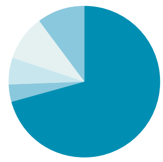
- Highest share price EUR 5.70
- Lowest share price EUR 4.05
- Average share price EUR 4.79
- Total number of shares traded, 134.5 million
- Market capitalisation EUR 4,017 million (31 Dec 2001)

## Largest shareholders as of 31 December 2001

- Finnish State
- Social Insurance Institution
- Ilmarinen Mutual Pension Insurance Company
- Varma-Sampo Mutual Pension Insurance Company
- The town of Kurikka

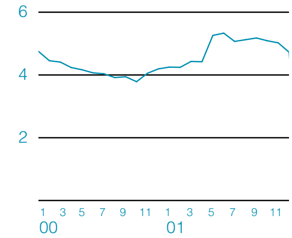
Additional information about shares and shareholders is available on pages 39-42 of the financial statements.

### Distribution of ownership
as of 31 December 2001

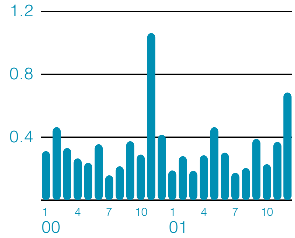


- Finnish State 70.7%
- Financial and insurance institutions 3.7%
- Households 5.7%
- Other Finnish investors 9.7%
- International investors 10.2%

### Quotations, EUR
(monthly average)




### Number of shares traded, mill. shares
(daily average)



# Fortum in Brief

## Fortum Corporate Structure

| | |
|---|---|
| Power and Heat Sector | Generation |
| | Portfolio Management and Trading |
| | Heat |
| | Gas |
| | Electricity Distribution |
| | Birka Energi |
| Oil Sector | Exploration and Production |
| | Oil Refining |
| | Oil Retail |
| | Shipping |
| Other business units | Fortum Energy Solutions |
| | Fortum Markets |

Fortum is one of the leading energy companies in the Nordic countries. We operate in all parts of the energy chain, from production to refining, distribution, sales and marketing, and from energy-related engineering to operation and maintenance. Our main products are electricity, heat, traffic and heating fuels.

In power and heat generation, and in electricity distribution and sales, we are the second largest company in the Nordic market. We are the market leader in the production and marketing of high-quality and environmentally benign petroleum products in the Baltic Rim. In addition to our principal business area - the Nordic countries and the Baltic Rim - we also operate elsewhere in Europe and in selected markets in North America and Asia.

Our customers include industrial and energy companies, small customers and international oil companies.

In 2001, our net sales totalled EUR 10.4 billion, and we employed on average 14,803 people. The shares of Fortum Corporation, which was established in 1998, are quoted on the Helsinki Exchanges.

# The Year 2001

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 10,410 | 10,614 |
| Operating profit, EUR mill. | 914 | 906 |
| Profit before extraordinary items, EUR mill. | 702 | 633 |
| Earnings per share, EUR | 0.57 | 0.55 |
| Equity per share, EUR | 6.49 | 6.32 |
| Capital employed (at end of period), EUR mill. | 11,032 | 11,365 |
| Interest-bearing net debt (at end of period), EUR mill. | 3,674 | 4,626 |
| Investments, EUR mill. | 713 | 3,131 |
| Cash flow before financing activities, EUR mill. | 844 | -685 |
| Return on capital employed, % | 8.7 | 9.4 |
| Return on shareholders' equity, % | 8.3 | 8.6 |
| Gearing, % | 54 | 73 |
| Average number of employees | 14,803 | 16,220 |

Fortum implemented its strategy and focused operations on its core market, the Nordic countries and the Baltic Rim. Net debt was reduced considerably and the balance sheet strengthened. The restructuring programme continued and the new corporate structure became effective at the beginning of October. The most significant development was the agreement to purchase the remaining half of the Swedish energy company, Birka Energi AB.

- Our result improved slightly, despite the weakened market at the end of the year.
- Interest-bearing net debt decreased by almost one billion euro.
- Cash flow remained strong throughout 2001.
- A better year for the electricity businesses, poorer for oil.
- We decided to concentrate our oil and gas production in Northern Europe, and power generation in the Nordic countries.
- Two new units – Fortum Energy Solutions (FES) and Fortum Markets – were established to develop customer relationships.
- The performance improvement programme continued throughout the whole Group.
- Share price increased, trading picked up.

# Energy Market

Fortum operates in the Nordic electricity markets, which belong to the most deregulated in the world. The common Nordic market creates growth potential for power generation and sales. In Central Europe, especially, the transmission capacity and arrangements between different countries restrict the transmission of electricity. The European Union aims at opening a single electricity market by 2005.

## Nordic consolidation continues

The players in the electricity markets are decreasing in number and increasing in size. In the Nordic countries, there are still large numbers of small municipal electricity companies, but these are transferring ownership, either fully or partly, to larger energy companies. Moreover, industry is continuing to divest its energy production. New companies are entering the derivatives markets.

## Lively electricity trade

Electricity consumption in the Nordic countries is increasing at an annual rate of about 1–2%, but no new production capacity has been built in recent years. In Finland, the Government has approved an application for a decision in principle on constructing a fifth nuclear power plant. The application is now being heard in Parliament, and a decision on the matter is expected during spring 2002. A decision in principle is not the same as a resolution to construct a nuclear power plant. The final decision on building the plant will be made by the applicant, Teollisuuden Voima Oy, in which Fortum has an interest of 27%.

Trading in electricity is increasingly carried out in power exchanges. Trading prices here also have a direct impact on electricity prices outside the exchanges. The Nordic power exchange Nord Pool accounts for almost one third of all spot trading in the Nordic countries. Enron's share of the Nord Pool derivates trade was almost one third. The company's withdrawal did not have any significant impact on the functionality of the Nordic electricity market, however. Several power exchanges, in which we are a member, operate in other European countries, for example, in Frankfurt and Leipzig in Germany and in Amsterdam in the Netherlands. Fortum trades in electricity in the UK, too.

Tougher competition in the electricity end-user markets, changes in the market price situation and inadequate risk management affected the results of many electricity sales companies.

## Demand for oil down, natural gas up

The demand for petroleum products on the world market decreased throughout the year. In the last quarter, demand was even down compared with the previous year. With weakening demand, the over-supply of crude oil increased and the prices of petroleum products fell. Consumption of petroleum products in Europe increased by about one per cent in comparison with the previous year. Consumption in our main market, Finland, increased by more than two per cent.

OPEC lost some of its markets after cutting down production several times. In countries outside OPEC, production continued to increase, especially in Russia, where production volumes grew by several percentages.

The concentration of oil trading continued, due to alliances between large companies, and the volumes in oil exchanges grew. Trading in futures markets became more diverse, and e-commerce gained more importance.

The European Commission's proposals for a directive on quality requirements for traffic fuels and for a directive on use of biofuels were heard. Several countries in northwest Europe, such as Germany and the UK, have already decided to promote the demand for low-sulphur and sulphur-free fuels under an accelerated schedule by means of tax differentiation.

Demand for natural gas increased by more than two per cent in the EU countries. The European Union has focused particularly on deregulating the gas markets and improving the reliability of gas supply in Europe. Particular attention is being paid to future gas deliveries from Russia and related new distribution routes. In the Nordic countries, especially in Sweden, there is increasing interest in the use of gas in energy generation.

# Message from the Chairman

During 2001, a number of strategically important steps were taken at Fortum. The efficiency of the operations was improved and structures were clarified. As regards power, the company progressed in line with its goals, as the acquisition of Birka Energi AB's shares owned by the City of Stockholm was confirmed at the end of the year. The European Commission has later approved the transaction.

At the same time, our Central European competitors have increased their activity to gain a stronger footing in Northern Europe. In the large EU countries, on the other hand, the opening up of the internal energy market has hardly progressed at all. These factors show that focusing our efforts on the Nordic countries and the Baltic Rim area has been the right choice. However, deregulation of the EU energy market can not remain incomplete. I am convinced that restructuring in the European energy sector will continue and that Fortum has to be an active player in this development.

The energy dialogue between the EU and Russia has intensified and is progressing towards issues relating to actual business opportunities. The negotiations on the enlargement of the EU, which are important for the Baltic markets, are reaching a crucial stage. The extent to which and when these arrangements will offer opportunities for new business remains to be seen. Our strategic position in this respect is good, though.

Corporate governance issues are a topic of lively debate throughout Europe and the world. In Fortum we are ready to revise company's governance practices in order to support positive value creation and hope that our shareholders are active in implementing new practices in the spirit of a public company. As our operations have increased significantly in Sweden, the composition of our Board of Directors has also become more international. I hope that a similar development will continue in the entire company, too.

The Birka transaction, one of the core steps of our strategy, was realised by means of internal financing and debt instruments. No equity or ownership related instruments were available this time. The ability of the state and our other owners to support Fortum in its goal to create value will be of vital importance in order to secure active progress in the future. We assess our options from the perspective of a competitive public company, and intend to be active, relying on our owners' support.

Our management's determined efforts during the year have been successful. The operations became more efficient, the balance sheet was strengthened, and above all, our company is more homogeneous than before. I wish to extend my gratitude to the management and all employees for their work in achieving this.

The Board's proposal to the annual general meeting on a dividend of EUR 0.26 per share is based on the performance of the company and confidence in the future development of our main markets.

Matti Vuoria
Chairman of the Board

# President and CEO's Review

## In line with our strategy, we are focusing on the Nordic energy market and on creating the framework for long-term profitable growth. Our aim is to build a leading power company in this market area and to further develop oil refining which focuses on high-quality products.

We also aim to leverage on our expanding customer base in order to achieve competitive product and service concepts.

On the basis of these guidelines we identified a number of strategic and operative actions at the beginning of the year under review that will also help us to achieve our financial objectives.

### Good start to strategy implementation

We can all be satisfied with the results of our determined work. The most important achievement was the agreement to purchase the remaining half of Birka Energi, signed in November. This transaction is the most important step we have taken so far in implementing our Nordic strategy. Together with Birka Energi we are among the leading companies in all sectors of the power and heat business. Our position provides us with a strong springboard from which to participate in the ongoing restructuring of the Nordic power sector.

Restructuring in the oil industry also continued during the year, mainly in Central Europe. Recently, however, it has seemed that major Russian oil companies have been increasing competition whilst striving to enter the Baltic market. We are monitoring the situation closely in Fortum. In these circumstances it is especially important to sustain our competitiveness. During the year we have strengthened our niche position in oil refining by increasing our capacity to produce environmentally benign petroleum products.

At the beginning of 2001 we announced that we would be focusing our core business operations on the Nordic countries and elsewhere in the Baltic Rim. During the review year, we divested our interest in power plants in the UK and Thailand, and finalised the sale of the energy company in Hungary. We also signed an agreement to divest our oil field interests in Oman in February 2002. On the other hand, we decided to invest in the production of the South Shapkino oil field in Northwest Russia.

### Prerequisites created for developing customerships

In order to enable us to maximise customer service we decided to combine our versatile know-how in power generation. During the year, we formed Fortum Energy Solutions (FES) to which we transferred all our expertise relating to power plant engineering, construction, operation and maintenance, and modification work. FES can thus offer customised solutions for every stage in the life cycle of a power plant.

At the same time, we addressed the problems in engineering and technology. We divested Transmission Engineering and began a programme of major performance improvement measures in Power Plant Engineering. The technology unit for the power and heat business was also in need of similar changes; the functions of the unit were devolved to other units or outsourced. In this way we created competence teams that are close to the business with the ability to meet demanding technology needs.

The establishment in the spring of Fortum Markets – replacing the former Energy House – was also based on the concept of developing customer relationships. It has already proved to be the right solution. Focusing on basic products and services in retailing electricity and heating oil has had a positive effect on the unit's results. The unit now has an excellent starting point from which to develop new competitive products and services, enabling us to provide our customers with even better service.

## Results satisfactory, balance sheet strengthened

The financial results in 2001 were affected in particular by altered market factors at the end of the year. Although the shutdown of the Åsgard gas field, the low international refining margin and the lower price of oil had an adverse effect on the last quarter result, our financial development was nevertheless slightly better than that in the previous year. This was attributable to performance improvement actions in various parts of the Group, and increased electricity sales at a higher market price. Our own additional refining margin remained strong throughout 2001.

In the summer we realised that also organisational changes were needed to improve our performance. We wanted more autonomy for the business units, in other words, the power and responsibility to operate more independently. We also aimed at a solution that would be in line with our strategic direction, and on the basis of this the Group's organisation was simplified early in the autumn. Instead of 26 performance units and four sectors, there are now 12 business units and two sectors. The larger and more appropriate entities comprised of clear business areas provide the units with the critical mass to better allow the achievement of their targets and more independent operations.

A main goal is to strengthen our balance sheet. During the year we decreased our net debt by almost one billion euro. This was made possible by the divestments and a strong cash flow.

The disposal of our treasury stock in December improved both our debt-paying ability and our share liquidity. We are delighted by the confidence shown in us by new, prominent international investors.

## Good starting point

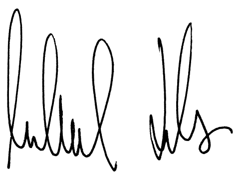
We have proved the credibility of our Nordic strategy and intend to continue on this path. Thanks to the Birka transaction, we now have a unique opportunity to create a leading Pan-Nordic energy company. The task will be challenging and success will require considerable effort from all our employees. The preparations made so far convince me that on both sides of the Gulf of Bothnia we have sufficient ability, skill and commitment to create a better and more competitive entity from two fine companies.

The Birka deal resulted in a temporary weakening of our balance sheet. For this reason, we shall be paying particular attention to maintaining our financial freedom of action. We have decided to continue to focus operations and accelerate the sale of non-core assets. Within 18 months we aim to dispose of assets worth about one billion euro. Our power business in Germany is part of this divestment programme. Nevertheless, we are continuing our efforts to improve our competitiveness. We will continue to invest in environmentally benign traffic fuels and biofuels in order to retain our position as a forerunner.

Our efforts to improve our competitiveness will also continue in the form of improving the efficiency of our operations. In order to achieve our financial goals, we must focus on what is most important and on actively adopting new, more efficient operating practices.

The continuous process of change is a challenge for the entire personnel. The key to our success is the ability to maintain the skills and enthusiasm of talented people. In order to improve leadership and business skills and to strengthen the Group's joint management culture, we have started a management and experts training programme for about 500 employees. Systematic and diverse training to develop employee competence at every level of operations was continued in all the business units.

The year 2001 was very demanding for the personnel. I am pleased to say that there has been strong commitment to our common goals and that we have made great strides in the right direction. I wish to extend my profound gratitude to the entire personnel for their excellent work. We can all look forward with confidence to the year ahead.



Mikael Lilius
President and CEO

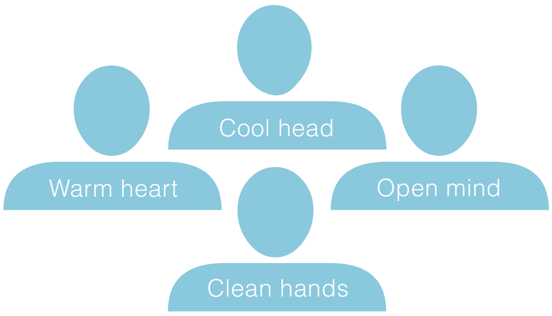
# Values and Strategy

In all of its activities, Fortum strives for excellent performance. We want Fortum to be known as a **customer driven company** with a **strong environmental commitment**.

## Fortum's shared values guide our behaviour

### Excellent business performance
- customer satisfaction
- value creation

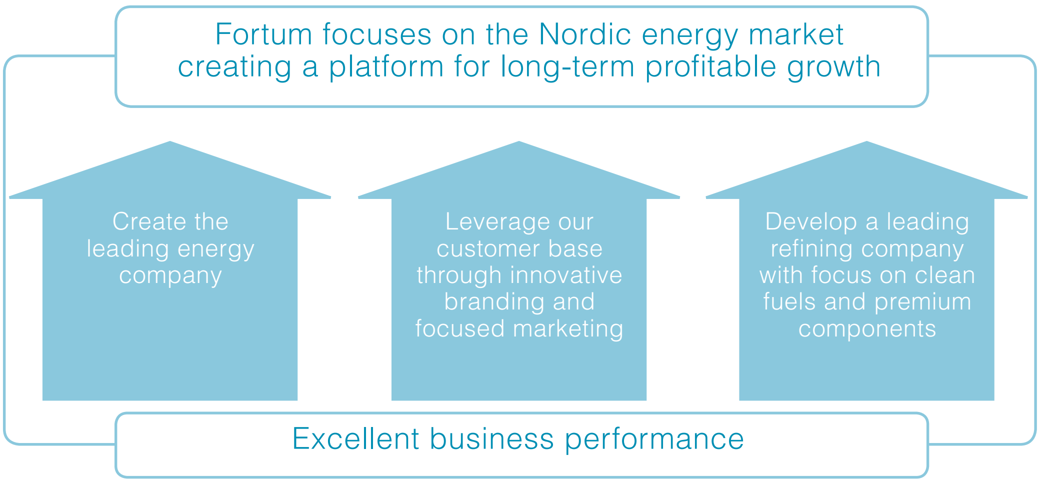
### Co-operative spirit
- respect, trust and responsibility
- open and active communication




### Creativity and innovation
- continuous learning
- readiness to change

### High ethics
- honesty and integrity
- good corporate citizenship

## Our business plans follow Fortum's strategy



# Financial Summary

## Market review

The market price of electricity in the Nordic countries almost doubled compared with the previous year as a result of the decline in hydropower generation and growth in consumption. The average system price of the Nord Pool power exchange was EUR 23.2 (12.8) per MWh. The selling prices for end customers, too, increased in all the Nordic countries. The average price of electricity sold by us in the Nordic countries increased by 8% from the previous year. Electricity consumption in the Nordic countries increased by a preliminary estimate of 2% from the previous year and totalled 392 (384) TWh.

The international oil refining margins decreased in comparison with the previous year and were exceptionally low at the end of the year, on average USD 1 a barrel in the period from July to December. The Brent Complex margin averaged USD 1.9 a barrel in 2001, compared with USD 3.4 a barrel in 2000. Our additional margin in 2001 continued on an annual basis to be about USD 2 a barrel.

During 2001, crude oil prices varied from more than USD 30 to USD 17 a barrel. The price development of crude oil was steady at the beginning of the year, but towards the end of 2001 prices began to fall and at year-end were about USD 20. The average price of North Sea Brent light crude oil was USD 24.4 (28.5) a barrel. The average price of oil sold by us was USD 23.7 (27.6) a barrel. The price per oil-equivalent barrel of natural gas was USD 19.2 (19.8).

## Net sales and results

Group net sales remained on the level of the previous year, and totalled EUR 10,410 (10,614) million. The electricity business's net sales were up, thanks to increased electricity sales and the rise in the average price of electricity. The decrease in the net sales of the oil businesses was mainly attributable to the fall in the price of crude oil and petroleum products compared with the previous year.

Fortum Group's operating profit was EUR 914 (906) million. The rise in the price of electricity in 2001 together with increased production appreciably improved the results for generation and sales. The decline in the crude oil price and the pipeline repair work at the Åsgard gas field decreased the results for Oil and Gas Upstream. The results for Oil Refining and Marketing were substantially reduced on account of the weakening international refining margin, inventory losses and the maintenance shutdown at the Porvoo refinery. The result of the oil businesses declined substantially in the last quarter.

The result for Fortum Energy Solutions (FES) was considerably higher than the previous year (pro forma). It was weakened by the provisions made in connection with the sale of Transmission Engineering. On the other hand, the sale of the operation and maintenance contract relating to the Humber power plant improved the results of FES.

The trend in Fortum Markets was also positive. This was attributable in particular to the performance improvement programme implemented in the unit. The unit's figures are included in the figures for Power, Heat and Gas and Oil Refining and Marketing.

Inventory losses due to the decrease in crude oil prices and the depreciation of the coal stock totalled EUR 81 million (gains EUR 24 million). Inventory losses totalled EUR 65 million in the last quarter.

Operating profit includes gains on the sale of fixed assets and shareholdings, at EUR 149 (119) million. Correspondingly, non-recurring write-downs and provisions totalled EUR 57 (66) million.

Birka Energi has been consolidated by using the proportionate method on the basis of 50% ownership. The Birka Energi Group accounted for EUR 189 (175) million of Fortum's operating profit. The other associated companies have been consolidated by the equity method. Fortum's share of the results of these companies, excluding Birka Energi, totalled EUR 36 (46) million.

Profit before extraordinary items was EUR 702 (633) million.

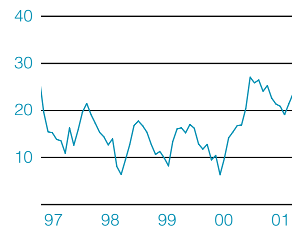
Profit before taxes totalled EUR 702 (623) million.

The minority interest accounted for EUR 83 (46) million of the result for the period. The minority share was comprised almost entirely of the share belonging to owners of preference shares issued by Fortum Capital Ltd in 2000.

Net profit for the period was EUR 459 (423) million and earnings per share were EUR 0.57 (0.55). Return on capital employed was 8.7% (9.4%) and return on shareholders' equity was 8.3% (8.6%).

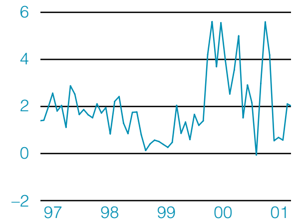
The Group's net financial expenses were EUR 212 (273) million. The figure for 2000

Market price of electricity, Nord Pool
EUR/MWh

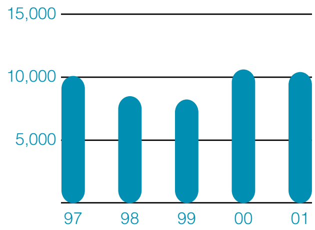



Brent crude price
USD/bbl

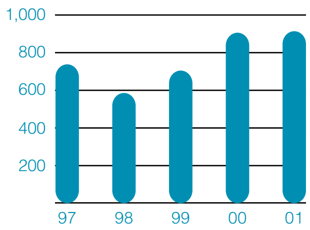

Refining margin in Rotterdam
Brent complex, USD/bbl



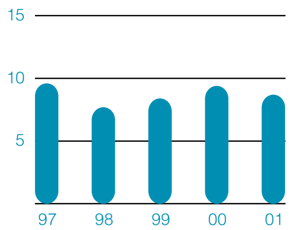

Net sales
EUR mill.



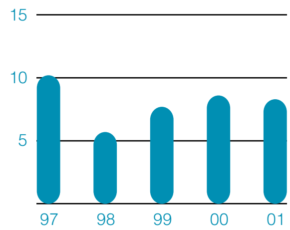
Operating profit
EUR mill.



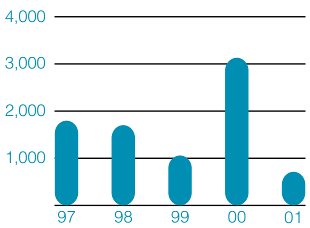

Return on capital employed
%




Return on shareholders' equity
%




Investments
EUR mill.




included non-recurring expenses of EUR 33 million, resulting from financing arrangements relating to the acquisition of power plant assets in Sweden. Taxes for the financial year totalled EUR 160 (154) million.

## Production and sales

### Power, Heat and Gas

Our electricity generation capacity in the Nordic countries was 9,149 (9,243) MW at the end of the year, while our total capacity was 10,223 (10,163) MW. Our electricity sales in the Nordic countries in 2001 amounted to 47.1 (45.3) TWh. Sales in Finland amounted to 27.6 (28.4) TWh and in the other Nordic countries 19.5 (16.9) TWh, including 50% of Birka Energi's electricity sales. Outside the Nordic countries, our sales totalled 6.6 (6.1) TWh.

Our sales of heat in the Nordic countries were on last year's level, 15.6 (15.6) TWh.

### Electricity sales by area

| TWh | 2001 | 2000 |
|---|---|---|
| Total for Nordic countries | 47.1 | 45.3 |
| - Finland | 27.6 | 28.4 |
| - Other Nordic countries[1)] | 19.5 | 16.9 |
| Germany | 3.6 | 3.9 |
| Great Britain and Ireland | 2.8 | 1.9 |
| Other countries | 0.2 | 0.3 |
| Total | 53.7 | 51.4 |

[1)] includes 50% of Birka Energi´s electricity sales, which were 11.4 TWh in 2001

### Heat sales by area

| TWh | 2001 | 2000 |
|---|---|---|
| Sweden | 4.7 | 4.1 |
| Finland | 10.9 | 11.5 |
| Other countries | 1.7 | 0.7 |
| Total | 17.3 | 16.3 |

[1)] includes 50% of Birka Energi's heat sales, which were 4.6 TWh in 2001

### Electricity Distribution

At the beginning of July, Fortum harmonised the structure of its electricity distribution pricing in Finland and raised prices. Our distribution networks transmitted a total of 15.0 (15.0) TWh of electricity and our regional networks a total of 16.0 (14.0) TWh.

### Electricity distribution in distribution networks, by area

| TWh | 2001 | 2000 |
|---|---|---|
| Sweden[1)] | 7.7 | 8.1 |
| Finland | 4.4 | 4.0 |
| Other countries | 2.9 | 2.9 |
| Total | 15.0 | 15.0 |

[1)] includes 50% of Birka Energi's electricity distribution, which was 7.7 TWh in 2001

### Oil Refining and Marketing

Our wholesale deliveries of petroleum products in Finland totalled 7.8 (7.8) million tonnes. Our market share continued to be about 75%. Sales of petroleum products outside Finland totalled 4.4 (4.9) million tonnes. Gasoline, the majority of which was low-sulphur, accounted for over half of our refineries' exports. Our most important export markets were Sweden, Germany and the USA.

Our retail sales of petroleum products in Finland were 3.8 (3.8) million tonnes. The market share varied by product from 30% to 46%.

### Deliveries of petroleum products refined by Fortum, by product group

| 1,000 t | 2001 | 2000 |
|---|---|---|
| Gasoline | 3,823 | 3,941 |
| Diesel fuel | 3,310 | 3,246 |
| Aviation fuel | 455 | 786 |
| Light fuel oil | 1,713 | 1,843 |
| Heavy fuel oil | 1,201 | 1,133 |
| Others | 1,641 | 1,360 |
| Total | 12,143 | 12,309 |

### Oil and Gas Upstream

In 2001, we produced an average of 40,200 (34,2000) oil-equivalent barrels of oil and gas a day – about 2.0 (1.7) million tonnes a year. Of this, slightly less than one fifth was accounted for by natural gas, its production following the production start at the Åsgard field amounting to 2.6 (1.0) million oil-equivalent barrels. During the year we decided to concentrate oil and gas production in Northern Europe and to divest our field interests in Oman.

## Financing and financial position

During 2001 Fortum's interest-bearing debt decreased appreciably, thanks to the business's strong cash flow and the disposal of fixed assets. Net debt was EUR 3,674 (4,626) million and gearing 54% (73%) at the end of the year.

The company did not make any new significant, long-term financing arrangements. At the end of the year, the requisite financing arrangements to realise the Birka Energi transaction were agreed, and short-term syndicated loan agreements were made.

The Group's liquidity continued to be good. At the end of the year, cash and marketable securities totalled EUR 602 million. In addition, we had a total of about EUR 1,150 million undrawn facilities. In 2001, our net financing expenses totalled EUR 212 million.

## Investments and divestments

In 2001, the Group invested EUR 713 (3,131) million. The most important investment was directed to increase production capacity of environmentally benign products, Citydiesel and base oils, at the Porvoo refinery.

During the year we sold our interests in the power plants in the UK, Hungary and Thailand. We are also disposing of our remaining power plants in the UK and Ireland as well as our power business operations in Germany.

As part of our plan to optimise the power and heat production portfolio we sold our power plant in Joensuu and our interest in Etelä-Pohjanmaan Voima Oy.

We decided to focus our oil and gas production on Northern Europe. In September, we decided to participate in the first phase of the development of the South Shapkino oil field located in Northwest Russia and to divest our oil field interests in Oman on the Arabian Peninsula.

## Key sensitivities in 2002

| Change | Approximate effect on the Group's operating profit EUR million |
|---|---|
| Market price of electricity, EUR 1/MW | +/- 20[1] |
| Brent crude oil price, USD 1/bbl | +/- 25 |
| Refining margin, USD 0.1/bbl | +/- 10 |
| US dollar, 10% | +/- 15 |

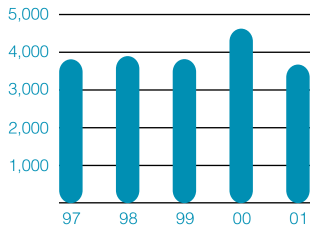
The figures include hedging
[1] effect is not linear, in the Nordic countries, Birka 100%

## Key figures by segment

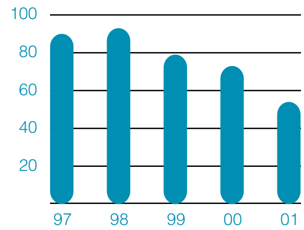
| | Net sales EUR mill. | | Operating profit EUR mill. | | RONA % [1] | |
|---|---|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Power, Heat and Gas | 2,227 | 1,873 | 367 | 211 | 6.2 | 3.9 |
| Electricity Distribution | 473 | 470 | 135 | 127 | 6.2 | 5.7 |
| Oil Refining and Marketing | 7,223 | 7,807 | 242 | 386 | 13.7 | 22.4 |
| Oil and Gas Upstream | 408 | 387 | 196 | 213 | 15.6 | 18.2 |
| Fortum Energy Solutions | 603 | 887 | 13 | -11 | 5.3 | -6.4 |
| Other operations | 95 | 94 | -40 | -22 | | |
| Eliminations | -619 | -904 | 1 | 2 | | |
| Group | 10,410 | 10,614 | 914 | 906 | | |

1) RONA, % = Operating profit / identifiable assets on average

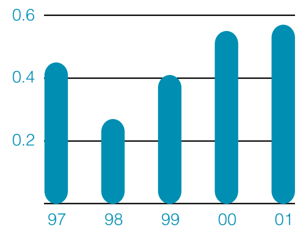
Interest-bearing net debt
EUR mill.



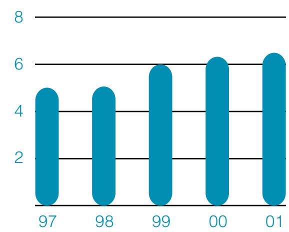

Gearing
%




Earnings per share
EUR




Shareholders' equity per share
EUR



# Acquisition of Birka Energi AB

In November, we signed an agreement with the City of Stockholm to acquire the City's 50% interest in Birka Energi AB for a total price of some EUR 1.5 billion. In addition, we will assume approximately EUR 1.9 billion of net interest-bearing debt and minority interests. The City of Stockholm will retain a share of Birka Energi's district heating operations, Birka Värme, entitling to a 50% share in the financial result of Birka Värme. The transaction was concluded in February 2002.

The pro forma information has been compiled as if the acquisition of the additional 50% interest in Birka Energi had taken place on 1 January 2001. The pro forma information has been given solely for illustrative purposes and due to its nature does not as such provide a true picture of the Group's financial position or results. The pro forma information is based on audited information on the Fortum Group and the Birka Energi Group and on unaudited adjustments relating directly to the transaction to be explained and to the adjustments of Birka Energi financials to conform to Fortum's accounting standards. The adjustments do not include potential synergy benefits, savings or expenses.

## Pro forma income statement 1 Jan - 31 Dec 2001

(unaudited), EUR million

| | Fortum Group | Birka Energi Group (50%) | Adjustments [1] | Fortum pro forma |
|---|---|---|---|---|
| Net sales | 10,410 | 747 | -38 | 11,119 |
| Expenses | -8,873 | -484 | 67 | -9,290 |
| Depreciation | -623 | -108 | -22 | -753 |
| Operating profit | 914 | 155 | 7 | 1 076 |
| Financial income and expenses | -212 | -88 | -98 | -398 |
| Profit before taxes | 702 | 67 | -91 | 678 |
| Income taxes | -160 | -22 | 26 | -156 |
| Minority interests | -83 | 0 | -11 | -94 |
| Net profit for the period | 459 | 45 | -76 | 428 |
| Earnings per share, EUR | 0.57 | | | 0.54 |

[1] Effects of the Birka acquisition (amortisation of goodwill, interest expenses, minority interest in Birka Värme) and adjustments of Birka financials to Fortum's accounting standards.

## Pro forma key figures 31 Dec 2001

(unaudited)

| | Fortum Group | Birka Energi Group (50%) | Adjustments [2] | Fortum pro forma |
|---|---|---|---|---|
| Number of employees | 13,425 | 1,790 | | 15,215 |
| Interest-bearing net debt, EUR mill. | 3,674 | 1,710 | 1,673 | 7,057 |
| Gearing, % | 54 | | | 102 |

[2] Effects of the Birka acquisition and adjustments of Birka financials to Fortum's accounting standards.

## Pro forma balance sheet 31 Dec 2001

(unaudited), EUR million

| | Fortum Group | Birka Energi Group (50%) | Adjustments [3] | Fortum pro forma |
|---|---|---|---|---|
| **Assets** | | | | |
| Fixed assets and other long-term investments | 11,328 | 3,558 | 536 | 15,422 |
| Current assets | | | | |
| Inventories and receivables | 2,364 | 282 | -4 | 2,642 |
| Cash and cash equivalents | 602 | 29 | 108 | 739 |
| Total | 2,966 | 311 | 104 | 3,381 |
| Total | 14,294 | 3,869 | 640 | 18,803 |
| **Shareholders' equity and liabilities** | | | | |
| Shareholders' equity | 5,485 | 1,290 | -1,290 | 5,485 |
| Minority interests | 1,270 | 53 | 108 | 1,431 |
| Interest-bearing liabilities | 4,276 | 1,739 | 1,781 | 7,796 |
| Interest-free liabilities | 3,263 | 787 | 41 | 4,091 |
| Total | 14,294 | 3,869 | 640 | 18,803 |

[3] Effects of the Birka acquisition (acquisition debt, goodwill, minority interest in Birka Värme) and adjustments of Birka financials to Fortum's accounting standards.

## Pro forma information by segment 1 Jan - 31 Dec 2001

(unaudited), EUR million

| Net sales | Fortum pro forma |
|---|---|
| Power, Heat and Gas | 2,677 |
| Electricity Distribution | 696 |
| Oil Refining and Marketing | 7,223 |
| Oil and Gas Upstream | 408 |
| Fortum Energy Solutions | 725 |
| Other operations | 95 |
| Eliminations | -705 |
| Net sales | 11,119 |

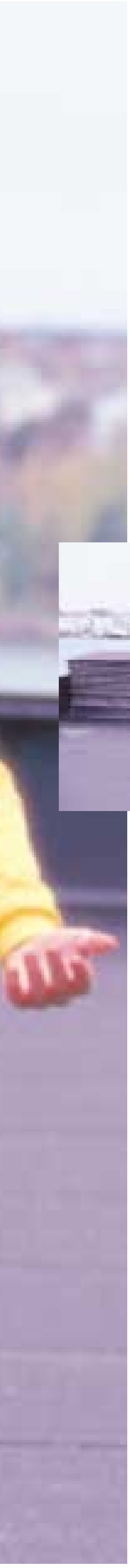
| Operating profit | Fortum pro forma |
|---|---|
| Power, Heat and Gas | 449 |
| Electricity Distribution | 211 |
| Oil Refining and Marketing | 242 |
| Oil and Gas Upstream | 196 |
| Fortum Energy Solutions | 17 |
| Other operations | -40 |
| Eliminations | 1 |
| Operating profit | 1,076 |

## Fortum volume and capacity data 2001

incl. Birka 100 %

| | Nordic countries | Total |
|---|---|---|
| Power generation capacity (MW) | 11,551 | 12,625 |
| Electricity generation | | |
| Output (TWh) | 52.1 | 57.7 |
| Electricity sales (TWh) | 58,5 | 65.1 |
| Heat generation capacity (MW) | 7,854 | 8,581 |
| District heat sales (TWh) | 14.2 | 14.5 |
| Process steam sales (TWh) | 6.0 | 7.5 |
| Distribution customers ('000) | 1,177 | 1,357 |
| Retail customers ('000) | 1,154 | 1,326 |

Power, Heat and Gas
Birka Energi
Electricity Distribution



# Power and Heat

Fortum carries on its power, heat and gas operations mainly in the Nordic countries. The primary businesses are generation and sales of power, heat, cold energy and process steam, electricity distribution as well as energy and portfolio management services. We also have holdings in natural gas companies.

Measured by the volume of power generation and sales and the number of customers, we are the second largest company in the Nordic countries and a major electricity distributor in Finland and Sweden. We are the leading Nordic producers of heat in terms of the amount of energy sold and numbers of customers.

The Nordic electricity market comprises more than 13 million consumers in Finland, Sweden, Norway and Denmark. Of these some 0.8 million are Fortum's customers, including the subsidiaries and 50% of Birka Energi's users. The number of our heat customers totals some 4,800 in the Nordic countries.

## Market price of electricity nearly doubled in the Nordic countries

Hydropower generation in the Nordic countries was 9% higher than average, although 22 TWh less than the previous year. The supply of hydropower in Norway decreased significantly. Sweden, on the other hand, had fairly heavy rainfall throughout the year. At the end of 2001, the water reservoirs in the Nordic countries were slightly lower than average and there was somewhat less snow than usual. Approximately 55% of electricity in the region was generated by hydropower, some 24% by nuclear power, 20% by thermal power and 1% by wind power. The market price of electricity in the Nordic countries nearly doubled as a result of the decline in hydropower generation compared with the previous year and growth in consumption. The system price of the Nord Pool power exchange was on average EUR 23.2 (12.8) per MWh. The selling prices for end customers, too, increased in all the Nordic countries. The market price of electricity was nevertheless still appreciably below the costs for new production capacity.

## Electricity transmission trends in Europe

Grid companies in Europe have discussed on a cross-border electricity transmission mechanism. Their organisation, ETSO (European Transmission Systems Operators) has proposed an arrangement whereby electricity vendors or providers would pay EUR 1/MWh for access to the entire European electricity market. The scheme is scheduled to be implemented during 2002. Cross-border tariffs are not in use in the Nordic countries. In order to increase free trading of electricity, additional cross-border transmission capacity is needed. Responsibility for constructing additional capacity lies with the grid companies.

# Power, Heat and Gas

- Fortum generated 10% of the electricity consumed in the Nordic countries
- In our own electricity generation, hydropower accounted for 41% and nuclear power for 46% in the Nordic countries
- The Swedish company, Birka Energi, in which we previously had a 50% interest, will be fully integrated with Fortum in 2002.

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 2,227 | 1,873 |
| Electricity sales, EUR mill. | 1,269 | 1,170 |
| Heat sales, EUR mill. | 464 | 411 |
| Operating profit, EUR mill. | 367 | 211 |
| Identifiable assets, EUR mill. | 5,873 | 6,050 |
| RONA, % | 6.2 | 3.9 |
| Investments, EUR mill. | 197 | 2,282 |
| Average number of employees | 2,920 | 2,938 |

## More hydropower and biofuels in power generation

We generated 41.0 (37.7) TWh of electricity, or 10% of the electricity consumed in the Nordic countries. The power generation in our wholly- and partly-owned power plants totalled 46.5 (42.0) TWh, including 50% of Birka Energi.

We have consistently aimed to make our production portfolio more environmentally benign through increased generation of hydropower and combined heat and power production based on biofuels.

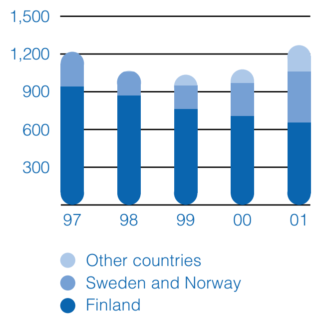
Hydropower accounted for 17.0 (16.8 ) TWh, or about 37% (40%) and nuclear power some 20.7 (18.3) TWh, or 45% (43%) of our power generation. Other energy sources were natural gas, coal, biomass, peat, oil, and wind power.

During the year, we sold our shares in the Hungarian power company, Budapesti Erömü Rt, the British power company, South Humber Bank, and the Finnish company, Etelä-Pohjanmaan Voima Oy. We are also divesting our shares in power generation in the UK and our power business operations in Germany.

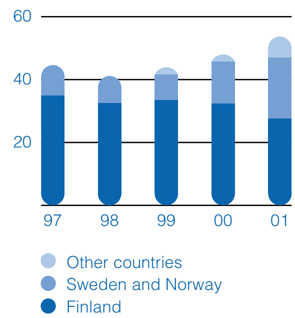
## Electricity sales grew in the Nordic countries

In the Nordic countries, our electricity sales totalled 47.1 (45.3) TWh, and outside the Nordic countries 6.6 (6.1) TWh. Net sales of electricity in the Nordic countries were EUR 1,063 (967) million and EUR 206 (203) million in other countries. In the Nordic countries the average

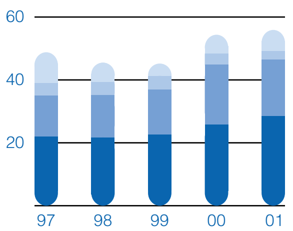
Net sales of electricity by area
EUR million



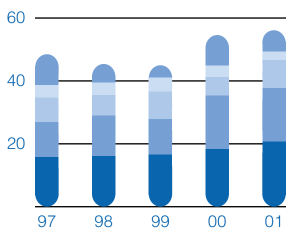

Electricity sales by area
TWh



Electricity procurement by procurement source
TWh




Electricity procurement by energy type
TWh




## Electricity sales by area

| TWh | 2001 | 2000 |
|---|---|---|
| Total for Nordic countries | 47.1 | 45.3 |
| Finland | 27.6 | 28.4 |
| Other Nordic countries [1] | 19.5 | 16.9 |
| Germany | 3.6 | 3.9 |
| UK and Ireland | 2.8 | 1.9 |
| Other countries | 0.2 | 0.3 |
| Total | 53.7 | 51.4 |

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

price of electricity sold by us rose by 8%. 71% (77%) was sold to business customers and distribution companies, 12% (13%) to households and electricity exchanges and temporary sales accounted for 17% (10%). The figures include the electricity sales of Fortum Markets. In addition to electricity, we also provide our corporate customers and energy companies with portfolio management services.

Our power generation capacity totalled 10,223 MW, of which 9,149 MW, including 50% of Birka Energi's capacity and our shares in partly-owned power plants, was in the Nordic countries.

## Heat generation increased

As a producer of heat we offer our customers district heat and process steam as well as cooling and cold energy and related energy services. Our market area includes the Nordic and Baltic countries, and Poland.

Our sales of heat in the Nordic countries totalled 15.6 (15.6) TWh, 5.8 (5.7) TWh of which was process steam for industry and 9.8 (9.9) TWh of which was district heat. Sales outside the Nordic countries totalled 1.7 TWh (0.7 TWh).

Our heat generation capacity totalled 6,162 MW, 5,435 MW of which was in the Nordic countries, including our shares in partly-owned power plants. Heat generation in our own and in partly-owned power plants in the Nordic countries totalled 15.3 (15.4) TWh. The figure includes 50% of Birka Energi's heat generation, 4.5 (3.9) TWh. We aim to increase the use of biofuels, in line with our environmental targets.

## Additional gas needed

We own shares in gas companies in Finland, Sweden and Estonia, and we are actively involved in expanding the natural gas market in Sweden. We have surveyed the scope of the natural gas market in Central Sweden and the feasibility of constructing a natural gas pipeline network in the area.

We increased our interest in Nova Naturgas AB (formerly Vattenfall Naturgas AB) from 10% to 20% and disposed of our 2% interest in the Latvian company, A/S Latvijas Gaze. Fortum and the Russian company, Gazprom, jointly own North Transgas Oy, which is developing a gas pipeline project from Russia via the Baltic to Western Europe. Plans are being made to expand the company's ownership base. We carry on gas trading and sell gas to end-users mainly in the UK.

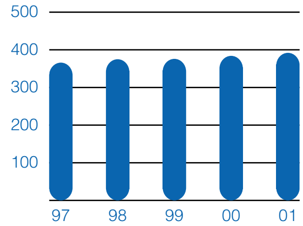
## R&D focused on low-emission production

During the year, we invested EUR 8 (19) million in research and development of new products. The main focus was on improving economic use of hydropower, enhancing nuclear power plant safety and increasing the use of local, low-emission fuels.

## Electricity consumption in the Nordic countries

- The Nordic countries used 392 TWh of electricity, which was 2.0% more than the previous year and 8.6% more than five years ago.
- In Finland the increase in electricity consumption was about 3.1% and in Sweden 2.5%.
- The total volume of electricity used in Finland was 82 TWh, 53% of which was in industry.
- In Sweden the figures were 150 TWh and 40%.
- Hydropower accounted for 55% of the electricity generated in the Nordic countries.

Electricity consumption in the Nordic countries
TWh




## Power and heat generation capacity as of 31 December 2001

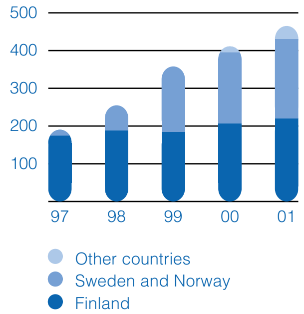
(includes 50% of Birka Energi's production capacity)

Power generation capacity in the Nordic countries 9,149 MW

| | Finland 5,230 MW | | Sweden 3,919 MW | |
|---|---|---|---|---|
| | Own power plants | Other shares | Own power plants | Other shares |
| Total | 4,040 | 1,190 | 2,102 | 1,817 |
| Hydro-electric power | 768 | 613 | 1,770 | 273 |
| Nuclear power | 984 | 447 | - | 966 |
| Combined heat and power generation | 743 | 130 | 260 | 2 |
| Coal | 247 | - | 65 | - |
| Natural gas | 222 | 95 | - | - |
| Peat | 122 | 35 | 7 | - |
| Other | 152 | - | 188 | 2 |
| Condensing power | 1,532 | - | - | 559 |
| Coal | 1,378 | - | - | 64 |
| Peat | 154 | - | - | - |
| Others | - | - | - | 495 |
| Other | 13 | - | 72 | 17 |

Electricity generation capacity in other countries totalled 1,074 MW; 578 MW of shares in Germany; 488 MW of shares in the UK and Ireland and 8 MW in the Baltic countries.

Net sales of heat
EUR mill.

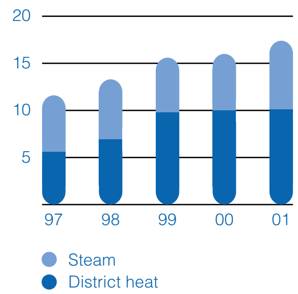



Heat generation capacity in the Nordic countries 5,435 MW

| | Finland 3,016 MW | | Sweden 2,419 MW |
|---|---|---|---|
| | District heat | Process steam | District heat |
| Own power plants | 1,691 | 1,325 | 2,314 |
| Combined heat and power generation | 904 | 729 | 487 |
| Coal | 360 | 80 | 115 |
| Natural gas | 187 | 185 | - |
| Peat | 271 | 184 | 18 |
| Others | 86 | 280 | 354 |
| Other | 787 | 596 | 1,827 |
| Other shares | - | - | 105 |

Heat generation capacity in other countries totalled 727 MW.

District heat and steam sales
TWh



# Birka Energi

- Birka Energi produces and sells electricity, heat, district cooling, town gas, and provides electricity and heat distribution services to households, companies, energy companies and industry
- Number of electricity customers 748,000
- Number of electricity distribution customers 894,000
- Number of heat customers 7,200

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 1,455 | 1,593 |
| Operating profit, EUR mill. | 369 | 314 |
| Identifiable assets, EUR mil | 7,504 | 7,590 |
| Investments, EUR mill. | 338 | 518 |
| Average number of employees | 3,481 | 3,338 |

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

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

Birka sold 22.9 (24.8) TWh of electricity in 2001. Households accounted for 21%, large customers 51% and electricity exchanges and temporary sales for 28% of electricity sales. It generated 22.3 (21.5) TWh of electricity in its wholly- and partly-owned power plants, and 11.2 (12.4) TWh of this generation was hydropower and 10.1 (8.2) TWh nuclear power. It used 4,803 (4,452) MW of electricity generation capacity.

Birka Energi sold 9.3 (8.1) TWh of heat. Net sales of heat amounted to EUR 419 (378) million, and Birka's heat generation capacity was 4,837 (4,816) MW.

Electricity distribution amounted to 32.3 (29.6) TWh, 15.4 (16.2) TWh of which was in distribution networks, and 16.9 (13.4) TWh in regional networks.

Birka Energi invested a gross total of EUR 338 (518).

The sales of fixed assets totalled EUR 250 (58) million. Birka Energi sold its 49% interest in Katrineholms Energi AB and its wholly-owned company Katrineholms Energiförsäljning AB.

In January 2002, it acquired a 49% interest in Hofors Energi AB. The transaction requires the approval of the municipality of Hofors, which owns the remaining 51% of the company. At the beginning of February the transaction whereby Birka Energi divested its shares in AB Avesta Energi entered into force.

# Electricity Distribution

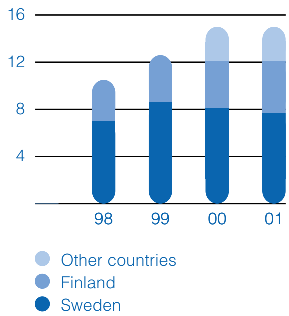
| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 473 | 470 |
| Operating profit, EUR mill. | 135 | 127 |
| Identifiable assets, EUR mill. | 2,113 | 2,264 |
| RONA, % | 6.2 | 5.7 |
| Investments, EUR mill. | 100 | 489 |
| Average number of employees | 954 | 976 |

- Fortum harmonised its electricity distribution prices in Finland
- 100% efficiency in electricity distribution in Finland as measured by the Energy Market Authority
- Autumn storms impeded electricity distribution

Net sales for electricity distribution were EUR 473 (470) million, distribution network transmission accounting for EUR 376 (389) million and regional network transmission EUR 54 (55) million. The volume of distribution network transmission totalled 15.0 (15.0) TWh and the volume of regional network transmission 16.0 (14.0) TWh. The figures include 50% of Birka Energi's electricity transmissions.

Fortum harmonised the structure of its electricity distribution pricing and raised prices in Finland at the beginning of July 2001. Price increases for regional network transmission will become effective at the start of the next agreement period, as a rule as from January 1, 2002.

Electricity distribution in distribution networks
TWh




## Changes ahead for regulatory regimes and legislation

The Energy Market Authority, which is the body responsible for supervising the electricity market in Finland, is preparing to include efficiency when assessing whether the profit made by distribution companies is reasonable or not. Efficiency assessments are based on the DEA model, in which efficiency is evaluated by the relative statistical comparison of controllable costs, amount and quality of electricity distributed, and network length and number of customers. The Energy Market Authority measured the efficiency of distribution companies for the first time last year. According to the information from 1999, Fortum's distribution efficiency was 100%.

Sweden is preparing to go over to a theoretical model for comparing optimum networks. The model assesses the prices of electricity distribution in various operating environments and objectively compares differences in efficiency between network companies. The proposed legislation is due to come into force on 1 July 2002.

## Number of electricity distribution customers, by area

| | 2001 | 2000 |
|---|---|---|
| Sweden[1)] | 447,000 | 438,000 |
| Finland | 283,000 | 282,000 |
| Germany | 160,000 | 163,000 |
| Estonia | 20,000 | 19,000 |
| Total | 910,000 | 902,000 |

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

## Volume of distributed electricity, by area

| TWh | 2001 | 2000 |
|---|---|---|
| Sweden[1)] | 7.7 | 8.1 |
| Finland | 4.4 | 4.0 |
| Germany | 2.7 | 2.7 |
| Estonia | 0.2 | 0.2 |
| Total | 15.0 | 15.0 |

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

## Fortum's electricity distribution business

- Regional and distribution network transmission of electricity and network asset management
  - Distribution network, 0.4-20 kV cables and transformers
  - Regional network, 110 kV cables and transformers
- In Finland, one player is allowed a maximum of 25% of the electricity distributed in the 0.4 kV distribution network across the country.

Norway's energy authority determines the maximum allowed prices and monitors operations. The regulatory regime, which is valid for five years at a time, was reformed at the beginning of 2002. Under the reform, network companies must increase the efficiency of their operations by 1.5% each year. In addition an annual requirement to increase efficiency by 0 to 5.2% is determined on a company-specific basis. The highest allowed return on network capital is 20%.

In Germany, the lack of an authority responsible for regulating network operations coupled with inconsistent regulations and agreements hinder the operation of the market. Plans are being made in Estonia to introduce a system of regulation based on advance monitoring, such as that employed by Norway, which focuses on determining a reasonable level of profit.

Legislation governing the electricity market also faces changes in Finland. Under the bill, the network operations of electricity companies should be spun off from the rest of their business by the beginning of 2004. Fortum has already done this.

## Autumn storms impeded electricity distribution

Late autumn storms in Finland caused damage to the electricity distribution network. Costs amounting to over EUR 2 million were incurred by us as a result of storm damage. Wide-spread power cuts caused by the storms have sparked a debate on the readiness of power companies and society to function appropriately in crisis situations. The Ministry of Trade and Industry has appointed an administrator to appraise the effectiveness of the system for ensuring the provision and distribution of electricity in exceptional weather conditions. The work is expected to be completed by the end of April 2002.

Exceptionally wide-spread power cuts in Sweden have also given rise to a debate on the reliability of power supply. A cable fire that broke out in Stockholm in March darkened part of the city for several days, the country was also plagued by autumn storms.

# Oil

Fortum's oil related operations include oil and gas exploration and production, the supply of raw materials for the refineries, oil refining, storage, inland and maritime transportation, harbour services, product marketing and sales as well as international oil and LPG trading as well as components and lubricants business. We are the market leader in the production of high-quality environmentally benign petroleum products in the Baltic Rim area. Petroleum products are also exported to countries outside Europe.

Fortum's two refineries are located in Finland. The Porvoo refinery is one of the most versatile and efficient in Europe. Its main products are environmentally benign traffic fuels. The Naantali refinery increasingly produces special products, such as bitumens, solvents, small-engine gasoline, special gasoline for racing and almost sulphur-free light fuel oil.

Fortum concentrates oil and gas production in Norway and Russia. Gas accounts for one fifth of total production. Our own oil production accounts for about one fifth of the needs of our own refineries.

Fortum sells petroleum products and related services to drivers through its own network of Neste service stations, unmanned A24 stations and diesel fuel outlets. Fortum Markets sells fuel oil products to customers in industry and the heating and municipal sectors. Fortum has almost 500,000 service station customers with loyalty cards and some 300,000 other petroleum product customers.

## Fluctuating raw material prices, moderate price development of petroleum products

During the year, prices for crude oil varied from more than USD 30 to USD 17 a barrel. The average price of Brent crude oil for the year was USD 24.4 (USD 28.5) a barrel. The average price per barrel of oil sold by Fortum was USD 23.7 (USD 27.6), and the price per oil-equivalent barrel of natural gas was USD 19.0 (USD 19.8).

With the exception of the rise in gasoline prices in spring, the price development of petroleum products remained moderate and the stocks were high. The international refining margins (Brent complex) remained exceptionally low since summer. The average refining margin for the year was USD 1.9 (3.4) a barrel.

Our additional margin continued on an annual basis to be about USD 2 a barrel.

Our share of wholesale petroleum products in Finland is about 75% and of retail sales some 40%. We are the market leader in lubricants for industry and traffic in Finland, with a market share of 27%. The network of Neste service stations maintained its market leadership in the gasoline and diesel markets in Finland. In the next few years, the greatest potential for growth in the Baltic Rim area will be found in St Petersburg and Poland.

Oil Refining and Marketing
Oil and Gas Upstream

# Oil Refining and Marketing

- Production capacity for Citydiesel and lubricant base oils increased
- Decision taken to commence trial production of ethanol-gasoline in the spring of 2002
- Good year for Shipping

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 7,223 | 7,807 |
| Operating profit, EUR mill. | 242 | 386 |
| Identifiable assets, EUR mill. | 1,688 | 1,842 |
| RONA, % | 13.7 | 22.4 |
| Investments, EUR mill. | 224 | 129 |
| Average number of employees | 4,524 | 4,815 |

## Sales of petroleum products in Finland

- Sales of petroleum products in Finland grew by 3.3% and totalled 9 million tonnes.
- Gasoline sales grew by 1.5% and diesel sales by 2%.
- Light fuel oil sales grew by 10%.
- Sales of heavy fuel oil grew by 14%.

## Demand for environmentally benign products

Fortum's share of the wholesale market for petroleum products in Finland is about 75%, 7.8 (7.8) million tonnes, and its share of the retail market is about 40%, 3.8 (3.8) million tonnes.

Exports from Finland of petroleum products refined by Fortum totalled 4.4 (4.9) million tonnes. Of this, over 2.2 million tonnes was motor gasoline, most of which was low-sulphur gasoline (sulphur content below 50 ppm). Over 300,000 tonnes of sulphur-free gasoline (sulphur content below 10 ppm) was exported to Germany. Gasoline exports to the USA were halved at 430,000 tonnes as a result of improved European markets.

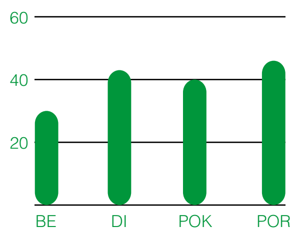
Exports of diesel fuel were entirely low-sulphur fuel. Over 700,000 tonnes of sulphur-free diesel was exported to Sweden and Germany. Exports of all grades of diesel grew by about 10%. Exports to Germany showed the highest growth.

Trading operations in both oil and LPG supported the Group's oil and LPG supplies and overseas exports of petroleum products.

As in previous years, fluctuations in the price of LPG on international markets were more pronounced than for the oil markets. Total sales of LPG were 315,000 (312,000) tonnes.

Fortum's share of retail sales of petroleum products in Finland

%




BE=Gasoline
DI=Diesel fuel
POK=Light fuel oil
POR=Heavy fuel oil

## Neste service stations competitive

The Neste network of service stations sold 715 (726) million litres of gasoline in Finland and the D network sold 835 (795) million litres of diesel. In other countries in the Baltic region, Neste service stations sold 360 (281) million litres of gasoline and 72 (56) million litres of diesel, both showing an increase of 29% on the previous year. In the Baltic states and Poland, Neste service stations were converted to unmanned stations. In Estonia and Latvia,

## Deliveries of petroleum products refined by Fortum, by product group

| 1,000 t | 2001 | 2000 |
|---|---|---|
| Gasoline | 3,823 | 3,941 |
| Diesel fuel | 3,310 | 3,246 |
| Aviation fuel | 455 | 786 |
| Light fuel oil | 1,713 | 1,843 |
| Heavy fuel oil | 1,201 | 1,133 |
| Other | 1,641 | 1,360 |
| Total | 12,143 | 12,309 |

the shops were leased to a non-Group company.

In the Baltic states and St Petersburg, the Futura brand of gasoline with additives is sold in addition to the local brands. In St Petersburg, Futura Citydiesel is also sold. In order to ensure quality, the products are stored in Fortum's own terminals where the Futura additive is added.

## Investment in refining increases environmentally benign products

The costs of the spring maintenance shutdown at the Porvoo refinery were EUR 34 million. There was a thorough maintenance programme which lasted for six weeks and was designed to increase the production capacity of environmentally benign products, and to increase the length of the next operating period to five years.

The two largest investments at the Porvoo refinery were to increase the production capacity of low-sulphur and sulphur-free traffic fuels and lubricant base oil. In the autumn, the expansion in production of Citydiesel and base oil were completed, which resulted in an increase in production capacity for Citydiesel to 3.9 million tonnes a year and for base oil to 150,000 tonnes a year. An investment programme began at the Naantali refinery which will enable it to produce sulphur-free gasoline.

We produce and sell sulphur-free products in countries where the tax regime promotes these products in the markets. The company is also ready to supply sulphur-free traffic fuels in Finland.

We are also ready and keen to start to use ethanol in the manufacture of motor gasoline. We are planning to start pilot production of ethanol gasoline in the spring of 2002. The tax on the ethanol used in the test will be reduced by 30 cents per litre.

## Oil spills at the refineries

Two oil spills occurred at the refineries at the end of the year. In December at the Naantali refinery, some 300 $m^3$ of water containing oil leaked into the soil and then into the sea due to human error. The spill also spread outside the refinery area.

At the turn of the year at the Porvoo refinery, a pipeline between the harbour and the underground storage was frozen and some 500 $m^3$ of diesel oil leaked into the terrain, and a part of it into the sea. Thanks to oil booms, the oil did not spread outside the dock basin.

In both cases, internal incident investigations were started immediately. VTT (the Technical Research Centre of Finland) and TUKES (the Safety Technology Authority) are also carrying out their investigations. In addition, the police is carrying out a criminal investigation into the Naantali case.

## Tightening demands change the composition of traffic fuels

We produce motor fuel components for use in our own reformulated gasolines as well as for sale to other oil companies. MTBE (methyl tertiary butyl ether) and TAME (tertiary amyl methyl ether) are oxygenates which improve the combustion of gasoline and reduce harmful emissions. We also produce MTBE in Portugal and in joint venture plants in Canada and Saudi Arabia for sale on international markets. In 2001 we sold about 840,000 (810,000) tonnes of MTBE in different parts of the world, but mainly in the USA and Western Europe.

In California the use of MTBE will be banned by the end of 2002. The reasons are pri-

## Deliveries of petroleum products refined by Fortum, by area

| 1,000 t | 2001 | 2000 |
|---|---|---|
| Finland | 7,484 | 7,243 |
| Other Nordic countries | 1,991 | 2,142 |
| Baltic countries and Russia | 45 | 153 |
| USA and Canada | 682 | 1,029 |
| Other countries | 1,941 | 1,562 |
| Total | 12,143 | 12,309 |

## Fortum's refineries are located in Porvoo and Naantali

- The refineries used 10.9 (10.7) million tonnes of crude oil and 0.9 (2.0) million tonnes of other feedstocks.
- The refining capacity in Porvoo was 11 million tonnes and in Naantali 2.8 million tonnes.
- 5.7 million tonnes of crude oil came from the North Sea and 5.3 million tonnes from Russia and other sources.
- Most of the other feedstocks came from Russia.
- 84% of raw material supplies were transported by sea and 16% were transported by rail.

marily leakages from storage tanks which allows gasoline to leak into the soil and consequently threatens to pollute the groundwater. In Canada, the Edmonton plant, half owned by Fortum, is preparing to replace the production of MTBE with iso-octane in the summer of 2002.

In Europe, the EU has prepared a risk evaluation of the use of MTBE which confirms that MTBE does not pose any health risk and that there are no grounds for prohibiting its use. The EU's risk evaluation is being followed up by commissioning a risk reduction programme which will try to prevent gasoline leakages.

## Quality base oils and lubricants

We concentrate on the development and production of high quality base oils. In Belgium the company produces base oils such as polyalphaolefins (PAO), which are the most important components of synthetic lubricants. We currently have a market share of about 30% of the polyalphaolefin market in Europe.

We also manufacture annually 150,000 tonnes of EHVI base oil (Enhanced High Viscosity Index), a product similar to synthetic oil, at the Porvoo refinery. The product is used in the production of the company's own lubricants and it is also sold on international markets as a raw material for lubricants.

The FIA (Flow Improver Agent) production plant was completed in the last quarter of the year and is based on our own research and development work. FIA reduces the friction of crude oil and petroleum products and this allows greater flow rates through pipes, which increases the capacity of pipelines by several tens of percentages. The closest markets are in Russia and the North Sea.

## Good utilisation of shipping

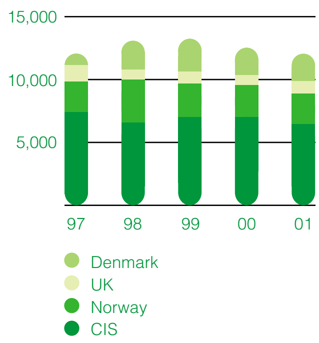
We arrange the transport of crude oil and petroleum products in the Baltic, the North Sea and the North Atlantic. We only use double-hulled or double bottom tanker vessels for oil transport. In 2001 we transported a total of 37.0 (37.5) million tonnes in tankers. Over half of this amount was for non-Group customers.

The high freight level at the beginning of the year, good utilisation of vessels and a strong dollar all had a positive effect on profitability. At the end of the year the freights and the price charged for vessels took a downturn as the demand for oil transport declined. The level of freights however was still satisfactory. No significant improvement is expected, however, as both this year and next shipyards will be delivering large numbers of new tanker vessels.

Fortum has terminal operations in Finland and elsewhere in the Baltic area. The firm's foreign terminals are in Tallinn, Riga and St Petersburg.

### Supply of crude oil and feedstocks to the refineries

1,000 t



## Refinery production

| 1,000 t | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|
| Liquefied petroleum gases | 191 | 267 | 248 | 380 | 346 |
| Gasoline | 3,783 | 3,922 | 4,268 | 4,059 | 3,707 |
| Diesel and light fuel oil | 5,015 | 5,248 | 5,033 | 5,125 | 4,315 |
| Heavy fuel oil and bitumen | 1,549 | 1,647 | 1,544 | 1,579 | 1,394 |
| Other products | 808 | 1,095 | 1,290 | 1,390 | 1,075 |
| Total output | 11,346 | 12,178 | 12,383 | 12,533 | 10,837 |

## Tanker fleet at the end of 2001:

- 31 tanker vessels, of which
  - 21 product tankers
  - 8 crude carriers
  - 2 barge/tug combinations
- 1 barge
- 2 tugs

Seven vessels are wholly-owned and two part-owned by Fortum. The remaining 22 tanker vessels are chartered, 19 of them under long-term agreements. The total capacity of the fleet is over 1 million dead weight tonnes.

Fortum's inland based transport is handled by 155 private hauliers who operate their own trucks in the Neste livery.

## Fortum continues to renew its tonnage

Fortum is acquiring new vessels, selling its existing tonnage and restructuring its vessel ownership. The aim is to reduce the age of the fleet so as to be better able to respond to the needs of the future. Last year agreements were made for the building of two 14,000 dwt and two 25,000 dwt product tankers which will be delivered in the second half of 2003. At least two of the new tankers will be on long-term bareboat charter. We have also commissioned two ice-breaking crude oil tankers, 106,000 dwt, and two escort tugs, all of which will be completed during 2002. We sold two tankers during the year, one of which was leased back.

## Fortum's oil technology throughout the world

We use our patented NExTAME technology at the Porvoo refinery in production of a low-emission etherified gasoline component. More NExTAME and NExETHERS licenses have been sold to international oil companies as have licenses for the new ethanol-based ETBE production. Fortum's NExOCTANE technology for the production of high-octane gasoline components has been developed commercially and the first licensed plant is under construction. Commercialisation of the high conversion NExCC cracking technology is also progressing.

## Neste service station network in 2001

- A total of approximately 1,000 sales outlets.
- Finland has a total of 303 Neste service stations, of which 65 are branded "Quick Shop" stations and 172 are unmanned stations (A24).
- There are 374 D-stations for heavy vehicles in Finland, 24 in Sweden and 2 in Russia.
- There are 114 other sales points in Finland.
- There are a total of 135 Neste service stations in other countries in the Baltic region.
- There are almost 500,000 service station customers who have Neste cards.

# Oil and Gas Upstream

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 408 | 387 |
| Operating profit, EUR mill. | 196 | 213 |
| Identifiable assets, EUR mill. | 1,271 | 1,236 |
| RONA, % | 15.6 | 18.2 |
| Investments, EUR mill. | 90 | 133 |
| Average number of employees | 61 | 63 |

- We decided to focus our oil and gas production on Norway and Russia
- Oil and gas reserves increased
- International demand for crude oil decreased and the price fell

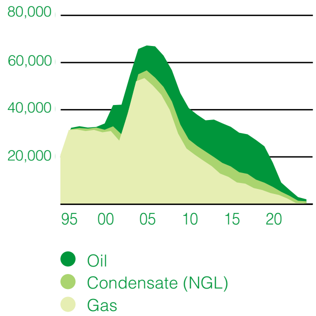
## Reserves and production increased

Fortum has interests in three producing oil and gas fields on the Norwegian continental shelf: Brage, Heidrun and Åsgard. In northern Russia Fortum is participating in a development investment in an oil field, which aims to start production in 2003.

At the end of the year, Fortum's commercial oil and gas reserves, excluding the reserves in Oman, totalled 289 million oil-equivalent barrels, approximately 38 million tonnes. In spite of the sale of the interest in Oman and production, net reserves increased by 10%. The growth is mainly attributable to the South Shapkino oil field located in the Komi Republic in Russia. Our share of its reserves is 82 million barrels or some 11 million tonnes. Oil accounted for 184 million barrels (64%) of total reserves and natural gas for 15 billion cubic metres (36%). Some 70% of these reserves were in production.

Our production increased by 18% compared with the previous year. The increase was lower than expected due to technical problems in gas production at Åsgard. In 2001, we produced an average of 40,200 oil-equivalent barrels of oil and gas a day – approximately 2.0 million tonnes a year. Of this, almost one fifth was accounted for by natural gas, its production amounting to 363 million cubic metres. We envisage that our production will exceed 50,000 barrels a day in 2004, after production has started in Russia.

Production forecast vintages
(boe/day)



## Fortum's field stakes, commercial reserves and average production per day in 2001

| Field | Share, % | Operator | Commercial reserves mill.boe | Production boe/day |
|---|---|---|---|---|
| Norway | | | 207 | 33,700 |
| Brage [1] | 12.3 | Norsk Hydro | 10 | 5,300 |
| Heidrun | 5.1 | Statoil | 48 | 10,800 |
| Åsgard | 7.0 | Statoil | 149 | 17,600 |
| Oman [2] | 35.0 | Occidental | | 6,500 |
| Russia | 50.0 | SeverTEK | 82 | |
| Total | | | 289 | 40,200 |

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

[2] Sold at the beginning of 2002

### Problems in gas production at Åsgard

Production at the fields in Norway increased less than expected, due to interruptions in gas production started at the Åsgard field at the end of 2000. It was necessary to shut down the gas production platform for over four months in order to repair the defects found in the gas pipes of the field. Production of gas condensates also decreased at the Åsgard field, but oil production continued normally. Gas production at Åsgard was restarted at the turn of the year, and it is estimated that the field will be in full production in the summer of 2002.

Oil production at Brage and Heidrun continued as planned. In March, Fortum's Norwegian subsidiary, Fortum Petroleum AS, acquired a 30% interest in three new concessions in the North Sea. The successful exploration programme of the previous year was followed up by success in the Norwegian Barents Sea in October, where more oil reserves were confirmed in the appraisal wells of the Goliath deposit. During production testing, 4,300 barrels of oil a day were extracted from the well. Fortum has a 15% interest in this field, which will possibly be developed.

### Divesting interests in Oman

We decided to relinquish oil production in the Middle East and divest our 35% interest in the Suneinah concession. The sales contract was signed in February 2002 and became effective on 31 December 2001. During the past ten years, Fortum has produced a total of 27 million barrels (3.6 million tonnes) of oil in Oman.

### Production in Russia likely to start in 2003

We decided to develop into production the South Shapkino oil field located in the Timan-Pechora Basin in northwest Russia. The field belongs to SeverTEK, a company half owned by Fortum and the Russian oil company Lukoil.

The field's commercial oil reserves are over 20 million tonnes. Production at the field is planned to start in 2003. Fortum's 50% share of the development investments in the field are some USD 180 million (EUR 205 million). The production potential of the field was confirmed at the beginning of last year, when old appraisal wells were successfully opened for test production.

A new, almost one hundred kilometres long pipeline will be completed at the same time as production starts.

Other business units

# Fortum Energy Solutions (FES)

- Service unit with versatile power generation know-how
  - operation and maintenance services for power plants and industry
  - technical and commercial analyses
  - construction management and design
  - turnkey deliveries of power plants and refurbishments
- Market area: the Nordic countries, Europe and Asia
- Special expertise in biomass utilisation

| Key figures | 2001 | 2000 |
|---|---|---|
| Net sales, EUR mill. | 603 | 887 |
| Operating profit, EUR mill. | 13 | -11 |
| Identifiable assets, EUR mill. | 236 | 257 |
| RONA, % | 5.3 | -6.4 |
| Investments, EUR mill. | 80 | 92 |
| Average number of employees | 5,442 | 6,445 |

During the year under review we set up a new business unit, Fortum Energy Solutions (FES). The new unit incorporates the former Service sector, Power Plant Engineering, international CHP projects as well as a major part of the R&D unit, which supports the Group's power and heat business.

The added value brought by Fortum Energy Solutions emerges in reliable, environmentally benign energy production, high industrial process availability and economical maintenance.

The unit's customers include power companies, developers of energy projects and energy-intensive as well as small and medium-scale industries.

## Accomplished and new energy projects

In July the 100 MW gas power plant at Laem Chabang in Thailand was completed and an operation and maintenance agreement with the power plant signed. In October a joint venture was established to construct a 40 MW industrial power plant at Liaohe in northern China. We also sold our minority share in the Hin Krut power plant in Thailand.

Other major power plant projects were also completed during the year, including Grangemouth in Scotland and Wacker in Germany. In addition, the Kozienice desulphurisation plant in Poland was handed over to the customer.

The most significant of the new power plant projects was the commission for the 110 MW gas power plant at Kispest in Hungary. Construction of the plant will be carried out during the next two years.

## BioMAC launched

The Engineering unit shifted its strategy from large-scale power plant projects to medium-scale ones. The BioMAC power plant, based on the new strategy and the results of our own R&D, was launched on the market.

## Maintenance means partnership

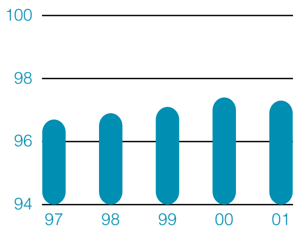
Fortum is responsible for a total of 79 power and heating plants of varying sizes and types throughout Finland. The energy availability of the plants during operation was excellent, remaining on average at 97.1% (97.0%) throughout the year.

Laser coating methods and technology have been improved and the market for these products has expanded in industry and the power plant sector. The new facilities for the laser coating unit were taken into use in Kokkola.

Fortum and Rolls-Royce Power Ventures Limited signed an agreement on the operation and maintenance of the gas turbine plants at Bristol, Exeter and Croydon.

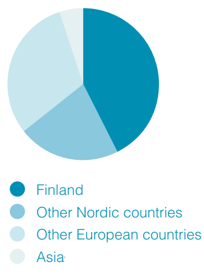
Operation-time energy availability of power plants

%




Net sales by destination country

EUR mill.



# Fortum Markets

- Energy retailing
- Continuation of the work begun in the Energy House
- Electricity sales 18.3 TWh
- Sales of petroleum products 1.67 million tonnes
- Approximately 500,000 customers in Finland

Fortum Markets was formed in the early part of 2001 in accordance with the principles of Fortum's customer strategy. Emphasis is placed on the importance of a customer-oriented approach, the ability to offer the customers the best products and services in the energy sector and efforts to broaden the clientele in the Nordic countries. The performance improvement programme implemented during the year had a positive effect on the unit's results.

## Restructuring underway in the Nordic countries

Many municipalities have divested or are in the process of divesting their electricity companies, and it is estimated that a strong consolidation will happen in the Nordic countries as a result of mergers and acquisitions. The number of Nordic companies selling electricity totals over 400, most of which are owned by municipalities.

Success in the Nordic energy retail market requires cost competitiveness, high-quality products and services as well as a broad enough customer base. Fortum aims to expand its energy retail operations mainly through acquisitions and by increasing its service offering with the help of partners.

## Wide range of products and services

A broader clientele enables the development of cost-effective systems for customer service, ordering and invoicing. By purchasing electricity, fuels and energy services from Fortum, customers can benefit from joint purchases from a single source in the form of a better price-quality ratio. Fortum Markets offers its customers a wide range of environmentally benign products.

## Sales network, Contact Centre and online services

Account Managers are at the service of Fortum Markets' business customers. The Contact Centre offers its telephone services to households and small enterprises. Via the Internet's online services, customers can place heating oil and electricity product orders, check their invoicing information and monitor their purchases.

Fortum Markets has set demanding targets for the quality of its customer service. Customer satisfaction as well as efficiency and quality of operations are three areas to which special attention has been given during the past year. The quality of customer service is monitored and developed on a continuous basis with the help of customer feedback systems designed for the different sales channels.

The figures of Fortum Markets' oil business as well as electricity business are included in the figures of the sectors Oil Refining and Marketing and Power, Heat and Gas, respectively.

## Fortum Markets consists of three units

- Private Customers
  Sales and marketing of electricity and petroleum products and related services to households and farms. Total sales amounted to 4.0 TWh, 0.37 million tonnes.
- Business Customers
  Electricity and petroleum products and related services to the process industry, manufacturing industry as well as service and property companies. Total sales amounted to 14.3 TWh, 1.30 million tonnes.
- Customer Services
  Customer, invoicing and data management services to the above units and to our other business units in Fortum.

# Human Resources

| Number of employees by country as of 31 Dec. | 2001 | 2000 |
|---|---|---|
| Finland | 7,922 | 9,360 |
| Sweden | 2,172 | 2,110 |
| Germany | 622 | 664 |
| Estonia | 488 | 575 |
| Hungary | 333 | 422 |
| Norway | 41 | 408 |
| Russia | 344 | 366 |
| USA | 284 | 288 |
| UK | 204 | 238 |
| Other European countries | 312 | 333 |
| Other countries outside Europe | 134 | 80 |
| Total | 12,856 | 14,844 |

- A year of changes: new values, a new organisation, personnel cutbacks
- New employee development plans
- Incentive and bonus systems
- Programme to improve employee fitness, competence and motivation

## A year of changes and development projects

Our human resources management in 2001 was characterised by a variety of innovations, changes and development projects. These included the Group's new values, the new organisation which became effective in October, planning of a Group-wide senior employee development system and at the same time employee cutbacks in various parts of the Group.

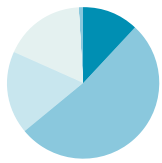
In 2001 we had on average 14,803 (16,220) employees. At the end of the year the number of employees totalled 13,425 (15,770), of whom 12,856 (14,844) had permanent contracts. Women accounted for 23%, and the average age was approximately 44.

The number of employees decreased during the year by 2,345 people. Most of this cutback was due to the divestment of Transmission Engineering at the end of June. As a result of various measures to improve efficiency, the number of employees was reduced by some 370 people.

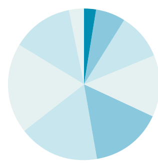
## Human resources development secures the future

We further increased long-term and systematic development of human resources in the entire Group. Development and training are principally the responsibility of the business units.

Levels of education




Age distribution



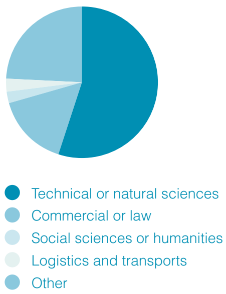
Overall, investment in employee development during the year amounted to about EUR 8.8 million, and there was an average of 2.7 training days per person in 2001.

In order to improve supervisory and business skills and to strengthen the Group's joint management practice, a development plan for management and experts was drawn up. The first programmes, Fortum Challenger and Fortum Forward, will start up in 2002. Our aim is to engage about 500 employees in these programmes.

## Employee satisfaction measured in the spring

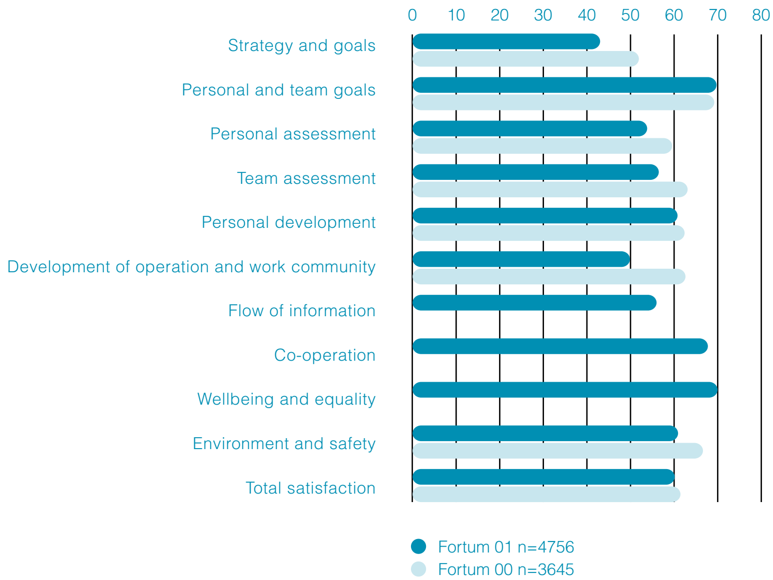
For the second year running we analysed employee satisfaction throughout the Group. Some 4,756 (3,645) employees replied to the survey, which was mainly conducted through the Intranet. The results were somewhat poorer than those for the previous year. The business units will carry out the needed improvement measures.

### Fields of education




### Wellbeing and equality received highest ratings

The survey included ten main areas. The results for both 2001 and 2000 are presented in the figure, subject to availability of comparative data.



## Number of permanent employees by segment as of 31 Dec 2001

| | |
|---|---|
| Power, Heat and Gas | 2,719 |
| Electricity Distribution | 930 |
| Oil Refining and Marketing | 4,110 |
| Oil and Gas Upstream | 59 |
| Fortum Energy Solutions | 4,245 |
| Other operation | 793 |
| Total | 12,856 |

## Incentive and bonus systems establish their place

Our achievement and performance reward systems have established their role as an important steering mechanism. In addition to these schemes, especially the production plants have their own bonus systems that are based on productivity.

The annual general meeting in the spring resolved on a new three-stage stock option scheme, the first two stages of which were implemented during the year under review. In connection with this, we announced that the personnel fund could be expanded to include the business units and personnel outside Finland. Realisation of this plan entails amendments to the Personnel Fund Act. The statutory financial statements on pages 41–42 give further information about the stock option scheme.

## Employee fitness for work programme enhances wellbeing

Our programme TRIM to maintain and promote employee fitness for work was put into actual practice during the year. The aim of the programme is to improve fitness, competence and motivation both in the business units and the work community in general. The units worked in collaboration in planning and implementing the programme.

## New structure enabled task changes

The new corporate structure, which became effective in October, gave rise to a considerable number of changes in operating practices and tasks. For example, the responsibility for human resources was for the most part transferred from Group level to the business units and corporate services. Human resource managers were appointed to assist the line management so that training and other human resource issues could be incorporated as a natural part of operations. The corporate staff took responsibility for defining the basic lines of human resource policy.

The Group-wide internal labour market continued to be active, especially at the beginning of the year. We had a total of 250 vacancies, and some 320 people rotated to new jobs within the company.

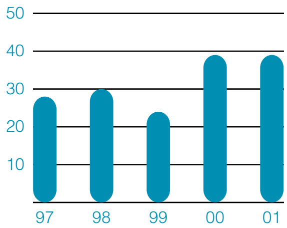
The recruitment pages on our web site were an efficient means of attracting employees during 2001, too. We received about 8,500 job applications through the Internet. Of these, 5,500 were summer applications. During the year we participated in seven national or regional recruitment events in Finland.

The entire Group began making preparations for the imminent retirement of the 'baby boomer' generation of employees, and the labour shortage that is likely to follow. We aim to further enhance our image as an employer and thereby ensure that we attract a professional and well-motivated labour force in the future, too.

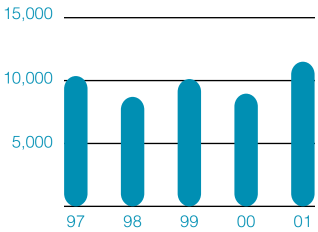
# Environment, Health and Safety (EHS)

- The share of renewable energy sources in power generation was 39% and 22% in heat production
- Fortum maintained its strong position as a producer of clean traffic fuels
- Emissions increased due to growth in production
- Green certificate trading with Dutch companies
- Setback from oil spills

Share of renewables in electricity generation
%




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




## Turning the climate change into business opportunities

We have closely monitored progress in the international climate process. Although the EU took action more rapidly than expected last year, we have succeeded in anticipating the direction of development and have improved our know-how in new fields.

The most recent acquisitions secure our competitiveness as regards the climate issue. The acquisition of Birka Energi will increase our hydropower production capacity by some 80%. 60% of our electricity generation capacity would then be renewable and 80% carbon dioxide free. Approximately 10% of Birka's hydropower is small-scale hydropower, for which there is demand on the green certificate markets.

We carried out investments to increase the use of biofuels at our power plants. During the year under review, a new biostation was built at the Jyväskylä power plant, making it possible to raise the proportion of biofuels to 30%. The use of sawdust as supplementary fuel was tested at the Naantali and Haapavesi power plants. Overall, the use of biofuels decreased somewhat compared with the previous year because of limited regional availability.

We have developed the use of biocomponents in traffic fuels for a number of years now. In response to the EU's Directive concerning biocomponents, we are producing a high octane bioethanol-containing gasoline on a trial basis during 2002 and 2003.

Fortum and Vapo are investigating the production of liquefied wood fuel that is suitable for use in buildings and regional district heating centres. At the end of 2001 a liquefied wood fuel pilot plant based on a fast pyrolysis process was built at the Porvoo refinery. The plant is the first of its kind in the world. Liquefied wood fuel will make it possible to reduce carbon dioxide emissions arising from heating.

We have systematically developed our competence in implementing the Kyoto mechanisms. We have invested in the World Bank's Prototype Carbon Fund, which realises projects to reduce greenhouse gas emissions in developing countries and in countries with economies in transition. The emission reductions achieved by the Carbon Fund are distributed to the contributors in relation to the amount of their investment.

In 2001 we participated actively in the European wide green certificate trading pilot project (RECS). Our first transactions in green certificate trading involved two Dutch companies. These provided us with useful experience in contract making and in auditing the production plants.

## Continued high demand for environmentally benign traffic fuels

Our aim is to provide our customers with high-quality, environmentally benign products and services. With this aim, we have carried out conscientious R&D into traffic fuels for well over a decade. Today, we are a leading producer of environmentally benign traffic fuels in Europe.

We estimate that the demand for high-quality traffic fuels will continue to remain high on account of, among other things, the new quality requirements that will come into force in the EU during 2005. Additional production capacity for cleaner traffic fuels will be available in spring 2002 at the Naantali refinery. This will further

## Climate issue shapes business environment

Great strides were made in the International Climate Convention during the year. The EU took an assertive role and started the preparations for the ratification of the Kyoto Protocol in summer 2002, even though the United States has so far opted to stay out of the process. In October the EU launched a broad climate package which included, besides a proposal to ratify the Kyoto Protocol, a communication on the European Climate Change Programme and a proposal for a Directive on emissions trading. Implementation of the programme will require a number of Directives on the generation and use of energy in the next few years. The measures prescribed in the programme will make it possible to achieve about half of the EU's carbon dioxide emissions reduction target. The aim is to achieve the other half by means of the Europe-wide emissions trading procedure. The Government published Finland's climate strategy in the spring. It is based on the programmes for renewable energy and energy saving drafted in 1999 and 2000 and on electricity generation solutions. Measures proposed include higher taxation, increasing specific subsidies and, if necessary, prohibiting coal-based power production. The Finnish Parliament will continue to debate the climate strategy after a decision on whether to construct a new nuclear power plant has been made.

improve our competitive position in Europe's traffic fuel markets.

## More resources for improving safety

We are making every effort to advance employee health and safety and to decrease environmental risks. We aim to reduce the number of safety incidents to 50% of the 1999 level by the end of 2003.

During the year, the lost workday injury frequency which resulted in more than one lost workday was 12.3 injuries per million working hours, 7% more than in 2000. One of the company's employees was killed in a traffic accident in Estonia and two of our contractor's employees died in occupational accidents in Thailand and in Germany.

Our lost workday injury frequency represents a good Finnish average in terms of safety. We still have some way to go to match international high-performing companies, however. Greater effort will be needed to improve safety if we are to catch up and reach our own objective. In 2001, the Corporate Executive Committee approved our safety principles, which specify the criteria and objectives of the high-level safety culture that the company aims to develop.

The total number of uncontained spills decreased from 16 to 13. In December an oil spill occurred at both the Naantali and Porvoo refineries. They are described on page 23.

Otherwise the operations of our production plants for the most part complied with valid environmental permits and other environmental regulations. Minor infringements of valid permits which occurred at seven units had no verified impact on the environment or on human health, and no financial consequences resulted to the company. We were not involved in any lawsuits in which we would have to pay significant compensation on the grounds of environmental, health or safety infringements. The police is carrying out a criminal investigation into the Naantali oil spill case.

## Increases in production and emissions

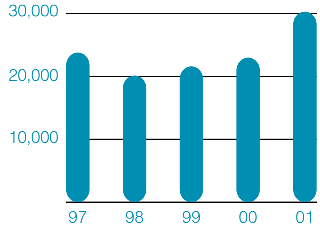
Our carbon dioxide, nitrogen oxide and sulphur dioxide emissions increased clearly compared with the previous year. This was due, among other things, to the increased production with fossil fuels in connection with the start-up of the new power plants at Edenderry, Grangemouth, Burghausen and Laem Chabang.

## Up-to-date environmental technology

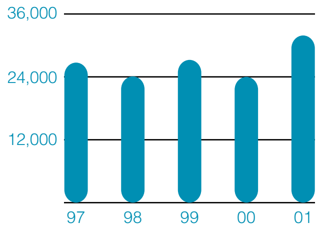
Our EHS investments amounted to some EUR 44 (47) million, and the operating expenses totalled EUR 58 (55) million. These included costs related to our air pollution control, soil protection, effluent treatment, waste management and fire abatement, process and occupational safety activities and occupational health care. The expenses arising from process modifications and new production processes are also included in environmental costs to the extent as they reduce the environmental load from production or enhance the environmental properties of our products.

Our most significant investments during the year included the new production line for cleaner traffic fuels at the Naantali refinery, the liquefied wood fuel pilot plant at the Porvoo refinery,

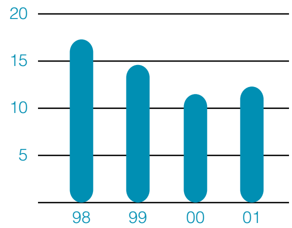
### Sulphur dioxide emissions into the air
tonnes/year



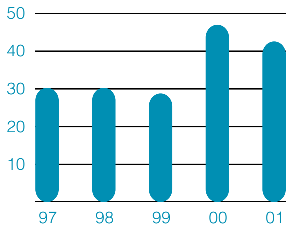

### Nitrogen oxide emissions into the air
tonnes/year



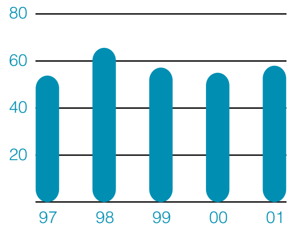

### Lost workday injuries
injuries/million hours worked



EHS investments
EUR mill. /year




EHS operating costs
EUR mill./year




## Importance of renewable energy production and biofuels increases

In 2001 the Directive on the promotion of electricity from renewable energy sources came into force in the EU. The aim is to increase the average proportion of renewable energy sources used in energy production in the EU from the current level of 14% to 22% by 2010. Finland aims to increase the share of renewable energy sources in energy production to 31.5%, which on an annual level means a production increase of over 10 TWh compared with 1997. In order to encourage the use of renewable resources, a number of countries are planning to set obligations for operators on the electricity market according to which a certain proportion of the electricity purchased must originate from renewable energy sources. The operator can meet the obligation either by producing electricity themselves from renewable resources of energy or by purchasing green certificates from other operators. A two-year RECS project in which a system for renewable energy certificate trading is being developed and pilot trading started is currently underway in Europe. The project is supported by the EU. At the end of the year the EU Commission also proposed a Directive on biofuels for transport. It sets targets according to which the proportion of biocomponents in gasoline and diesel oil should be gradually increased to 5.75% by 2010.

the biostation at the Jyväskylä power plant and the improvement of the integrity of the oil storage tank containment areas at the refineries.

During the year under review, the European Council and Parliament came to a compromise over the Directives on emissions from large combustion plants (LCP) and national emission ceilings (NEC). These set emission limits for sulphur dioxide and nitrogen oxides for new and existing power plants as well as national emission ceilings for acidifying emissions and volatile organic compounds.

Environmental protection at our production plants mainly complies with the requirements of the best available techniques, and implementation of the Directives is not expected to entail any significant investment needs.

In 2001, we paid a total of EUR 217 (218) million in environment-based taxes and fees in Finland. The most significant items were additional tax on traffic fuels and taxes on fuels used in heat generation. The tax basis for 2002 remains unchanged.

## EHS risks and liabilities 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 evaluate EHS risks in connection with acquisitions and disposals. To avoid any unexpected claims for damages, environmental liabilities are defined in detail in our contracts. The environmental risk position of our acquisitions during the year has no significant impact on company economy.

Sudden and unexpected environmental damages occurring anywhere in the world are covered by the Fortum Group's liability insurance. The insurance limit is some EUR 530 million (USD 500 million) for each insured event within one insurance period. In the USA and Canada, the insurance includes limitations regarding the duration of the damage and reporting the event.

In accordance with the Finnish Nuclear Energy Act, we made provisions for future costs which will arise from nuclear waste management. By the end of 2001, the cost of handling and disposing of accumulated nuclear waste and the decommissioning of the Loviisa power plant was estimated at EUR 515 million. Our fund holding in the State Nuclear Waste Management Fund covers the costs in full.

The liability relating to a nuclear accident is laid down in Finnish legislation. We have covered this liability by statutory insurance amounting to EUR 300 million. Fortum's subsidiaries own minority interests in Swedish and German nuclear power companies. The nuclear power companies in question have organised their nuclear responsibilities in accordance with the national regulations.

A separate report "Fortum in Society" will be published in spring 2002

# Corporate Governance

Fortum complies with the Finnish Companies Act and the guidelines on the administration of publicly 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. In addition to a register of persons obliged to declare insider holdings, as required under the Securities Markets Act, we maintain a more extensive insider list, which is kept in the insider register system of the Finnish Central Securities Depository.

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.

## Annual General Meeting

In addition to its other duties, the annual general meeting approves the parent company and consolidated income statement and balance sheet annually, resolves on the amount of dividends to be paid and appoints the members of the Supervisory Board. The annual general meeting is held once a year, at the latest in June.

## Supervisory Board

The members of the Supervisory Board are elected at the annual general meeting for a one-year term of office. The Supervisory Board comprises a minimum of ten and a maximum of 20 members; the current number is 17. The Supervisory Board meetings, which as a rule convene every other month, are also attended by four employee representatives, who are not members of the Supervisory Board.

The Supervisory Board supervises the administration of the company and discusses any issues that may involve a substantial downsizing or expansion of the business; confirms the number of the members of the Board of Directors and selects the Chairman and other members of the Board of Directors, and submits its statement on the financial statements and auditors' report to the annual general meeting. The Supervisory Board appoints, on the recommendation of the Board of Directors, the President and CEO of the company.

Members of the Supervisory Board:
Ben Zyskowicz, born 1954, Member of Parliament (MP), Deputy Chairman of the Supervisory Board
Henrik Aminoff, born 1945, BSc (Econ), Assistant Director, M-real, Paper Group
Tuija Brax, born 1965, MP
Kaarina Dromberg, born 1942, MP
Klaus Hellberg, born 1945, MP
Rakel Hiltunen, born 1940, MP
Harri Holkeri, born 1937, Counsellor of State
Jorma Huuhtanen, born 1945, Director General
Mikko Immonen, born 1950, MP
Kyösti Karjula, born 1952, MP
Tanja Karpela, born 1970, MP
Jouko K. Leskinen, born 1943, Master of Laws
Leena Luhtanen, born 1941, MP
Pertti Mäki-Hakola, born 1951, MP
Matti Vanhanen, born 1955, MP
Sirkka Vilkamo, born 1951, Industrial Counsellor, Ministry of Trade and Industry

Employee representatives:
Satu Laiterä, managers and professionals
Tapio Lamminen, workers
Pentti Paajanen, workers
Edvard Trebs, clerical personnel

## Board of Directors

The Board of Directors comprises five to seven members, who are appointed for a calendar year. The current number is seven. In 2001, the Board of Directors met nine times and held three telephone conferences.

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 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-executives. 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 auditing. The audit committee is chaired by Birgitta Kantola and the members are Hans von Uthmann and Erkki Virtanen.

The nomination and compensation committee discusses, assesses and makes proposals on the Group's, and its management's pay structures and bonus and incentive systems, and contributes to nomination issues. The nomination and compensation committee is chaired by Heikki Pentti, and the members are Lasse Kurkilahti and Antti Lagerroos.

## President and CEO

The role of the President and CEO is to manage the Group's business and administration in accordance with the Finnish Companies Act and the instructions of the Board of Directors. The President and CEO is supported by the Corporate Executive Committee. Mikael Lilius has been President and CEO since 2000.

## Salary, remuneration and shareholdings

The salary and remuneration of members of the Supervisory Board and the Board of Directors for 2001 totalled EUR 541 thousand. 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.

The Chairman of the Board's salary, fringe benefits and performance bonus totalled EUR 368 thousand in 2001. The corresponding total remuneration paid to the President and CEO was EUR 623 thousand. The retirement age of the President and CEO is 60, and the pension paid is 60% of the remuneration. In case Fortum decides to give notice to the President and CEO, he is entitled to a total compensation equalling 24 months' salary.

Fortum Corporation's shares and stock options held by the members of the Supervisory Board, the Board of Directors, the President and CEO and the Group Excecutive Vice President on 31 December 2001 are listed in the adjacent table.

## Auditing

The internal auditing function, which reports to the audit committee appointed by 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. The function also ensures that the company's risk management is arranged in the best possible manner.

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

## Bonus and incentive systems

The management and 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 on pages 41–42.

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 nomination and 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) has operated since 2000. The criteria for the fund's annual bonuses are determined by the Board of Directors.

## Shares and stock options as of 31 December 2001

| | | Stock options [1] | |
|---|---|---|---|
| | No. of shares | 1999 | 2001 |
| Members of the Supervisory Board | | | |
| Matti Vanhanen | 351 | | |
| Members of the Board of Directors | | | |
| Heikki Pentti | 546 | | |
| Matti Vuoria | 8,370 | 350,000 | 400,000 |
| Mikael Lilius, President and CEO | | 350,000 | 400,000 |
| Eero Aittola, Group Executive Vice President | 170 | 250,000 | 100,000 |

[1] Number of shares included in stock options

# Board of Directors on 31 December 2001

From left to right: Olli-Pekka Kallasvuo, Matti Vuoria

From left to right: Heikki Pentti, Birgitta Kantola, Erkki Virtanen

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.

Heikki Pentti, BSc (Econ), born 1946, Deputy Chairman. Mr Pentti is Chairman of Lemminkäinen Oyj and a director of Pohjola Group Insurance Corporation and Myllykoski Corporation.

Birgitta Kantola, Master of Laws, born 1948, Group Executive Vice President. 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 Sampo plc, Nextrom Holding S.A. (Switzerland), Nokian Tyres plc and F-Secure Oyj. During the period from 1991 to 1996 he was a Board member and Chairman of Helsinki Stock Exchange Ltd.

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

For the year 2002, the following persons were elected to the Board of Directors: Matti Vuoria (Chairman), Heikki Pentti (Deputy Chairman), Birgitta Kantola, Lasse Kurkilahti, Antti Lagerroos, Hans von Uthmann and Erkki Virtanen.

# Group Management

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

## Corporate Executive Committee

**Mikael Lilius,** BSc (Econ), born 1949, President and Chief Executive Officer, Chairman of the Corporate Executive Committee. Employed by Fortum since 2000.

**Eero Aittola,** BSc (Econ), born 1942, Group Executive Vice President. Employed by Fortum since 1990.

**Mikael Frisk,** MSc (Econ), born 1961, Senior Vice President, Corporate Human Resources. Employed by Fortum since 2001.

**Kari Huopalahti,** MSc (Eng), born 1947, Senior Vice President, Corporate Development. Employed by Fortum since 1973.

**Tapio Kuula,** MSc (Eng), MSc (Econ), born 1957, President, Power and Heat sector. Employed by Fortum since 1996.

**Juha Laaksonen,** BSc (Econ), born 1952, Chief Financial Officer. Employed by Fortum since 1979.

**Veli-Matti Ropponen,** MSc (Eng), BSc (Econ), born 1949, President, Oil sector. Employed by Fortum since 1973.

**Carola Teir-Lehtinen,** MSc (Chem.), born 1952, Senior Vice President, Corporate Communications. Employed by Fortum since 1986.

**Harri Pynnä,** Master of Laws, born 1956, Senior Vice President, Corporate Legal Affairs, Secretary to the Corporate Executive Committee. Employed by Fortum since 1998.

## Other Management 15 February 2002

### Power and Heat sector

President Tapio Kuula
Generation, Pekka Päätiläinen
Power Portfolio Management and Trading, Timo Karttinen
Heat, Risto Riekko
Distribution, Tapio Lehtisalo
Gas, Bo Lindfors
Birka Energi, Tomas Bruce

### Oil sector

President Veli-Matti Ropponen
Oil Exploration and Production, Hans Kristian Rød
Oil Refining, Risto Rinne
Oil Retail, Matti Peitso
Shipping, Jukka Laaksovirta

### Fortum Energy Solutions

President Eero Auranne

### Fortum Markets

President Kari Huopalahti

### Corporate Staff

Human Resources, Mikael Frisk
Corporate Strategy Development, Kari Huopalahti
Legal Affairs, Harri Pynnä
Internal Audit, Kaj Lindström
Finance, Juha Laaksonen
Communications, Carola Teir-Lehtinen
Environment, Health and Safety, Arja Koski

# Banks and Brokers following Fortum

**Alfred Berg Finland Oy**
tel. int. +358 9 228 321
Kluuvikatu 3
FIN-00100 Helsinki
Finland

**D. Carnegie AB Finland Branch**
tel. int. +358 9 6187 1200
POB 727
FIN-00131 Helsinki
Finland

**Conventum Securites Limited**
tel. int. +358 9 231 231
POB 359
FIN-00101 Helsinki
Finland

**Credit Agricole Indosuez Cheuvreux Nordic AB**
tel. int. +358 9 696 991
POB 688
FIN-00101 Helsinki

**Credit Lyonnais Securities**
tel. int. +44 20 7588 4000
Broadwalk House
5 Appold Street
London EC2A 2DA
U.K.

**Dresdner Kleinwort Wasserstein Securities**
tel. int. +44 171 623 8000
POB 560
London EC3P 3DB
U.K.

**Deutsche Bank AG, Helsinki Branch**
tel. int. +358 9 2525 25
POB 650
FIN-00101 Helsinki
Finland

**Enskilda Securities AB**
tel. int. +358 9 6162 8900
POB 599
FIN-00101 Helsinki
Finland

**Evli Bank Plc**
tel. int. +358 9 476 690
POB 1081
FIN-00101 Helsinki
Finland

**Handelsbanken Securities**
tel. int. +358 10 44 411
POB 315
FIN-00131 Helsinki
Finland

**Lehman Brothers**
tel. int. +44 20 7601 0011
One Broadgate
London EC2M 7HA
U.K.

**Mandatum Stockbrokers Ltd**
tel. int. +358 9 651 086
POB 66
FIN-00131 Helsinki
Finland

**Morgan Stanley Dean Witter & Co**
tel. int. +44 171 425 8000
25 Cabot Square, Canary Wharf
London E14 4QA
U.K.

**Nordea Securities Oyj**
tel. int. +358 9 12341
Fabianinkatu 29 B
FIN-00100 Helsinki
Finland

**Opstock Investment Banking**
tel. int. +358 9 40 465
POB 362
FIN-00101 Helsinki
Finland

**Schroder Salomon Smith Barney**
tel. int. +44 20 7986 4000
Citigroup Centre
33 Canada Square
London E14 5LB
U.K.

**UBS Warburg**
tel. int. +44 171 567 8000
2 Finsbury Avenue
London EC2M 2PG
U.K.

# Glossary

**Barrel (bbl)**
A crude oil barrel; 159 litres

**1 MW**
megawatt = 1,000 kilowatts (kW) = 1,000,000 watts (W)
Unit of power. The power of a normal incandescent lamp is 25 to 100 W.

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

**BioMAC**
A biomass-fired power plant based on Fortum's own boiler technology (MAC = Modular Advanced Combustion).

**EHVI**
Enhanced High Viscosity Index is a term describing lube oil quality. The chemical structure of the oil may vary from one production process to another. EHVI quality base oils are used in the manufacture of high-quality lubricants for industry and traffic.

**FIA**
Flow Improver Agent. A product that reduces flow resistance in pipelines and this allows greater flow rates through pipes.

**NExCC**
A cracking technology developed by Fortum. Cracking breaks long carbon molecules so that lighter oil fractions can be refined from heavier oil fractions.

**NExTAME and NExETHERS**
Technologies developed by Fortum which can be utilised in the cost-effective manufacture of gasoline ethers that are used to improve the combustion.

**NExOCTANE**
A technology developed by Fortum for the manufacture of iso-octane used as high quality gasoline component substituting MTBE.

**PAO**
Polyalphaolefin. A synthetic base oil used in the manufacture of high-quality lubricants.

Keilaniemi, Espoo
POB 1
FIN-00048 FORTUM, Finland
tel. int. +358 10 4511
fax +358 10 45 24447
www.fortum.com

Domicile Espoo
VAT NO F1463611-4

# Financial Statements 2001

Fortum

# Contents

# Board of Directors´ report

The year 2001 proved to be an eventful year for Fortum. During the year, the company managed to achieve significant progress in several areas. In line with its strategy Fortum focused and increased the efficiency of the operations. Net debt was reduced considerably, resulting in a stronger balance sheet. The most significant development was the agreement to acquire the remaining half of Birka Energi AB.

## Net sales of electricity business up, oil down

Group net sales remained on the level of the previous year, and totalled EUR 10,410 million (EUR 10,614 million). The electricity business's net sales were up, thanks to increased electricity sales and the rise in the average price of electricity. The decrease in the net sales of the oil business was mainly attributable to the fall in the price of crude oil and petroleum products compared with the previous year.

## Net sales by segment

| EUR mill. | 2001 | 2000 | Change % |
|---|---|---|---|
| Power, Heat and Gas | 2,227 | 1,873 | 19 |
| Electricity Distribution | 473 | 470 | 1 |
| Oil Refining and Marketing | 7,223 | 7,807 | – 7 |
| Oil and Gas Upstream | 408 | 387 | 5 |
| Fortum Energy Solutions | 603 | 887 | – 32 |
| Other operations | 95 | 94 | 1 |
| Internal invoicing | – 619 | – 904 | |
| Group | 10,410 | 10,614 | – 2 |

## Slightly improved operating profit

Fortum Group's operating profit was EUR 914 million (EUR 906 million). The rise in the price of electricity in 2001 together with increased production appreciably improved the results for power generation and sales. The decline in the crude oil price and the pipeline repair work at the Åsgard gas field diminished the results for Oil and Gas Upstream. The results for Oil Refining and Marketing were substantially reduced on account of the weakening international refining margin, inventory losses and the maintenance shutdown at the Porvoo refinery. The result of the oil business declined substantially in the last quarter.

The pro-forma result for Fortum Energy Solutions (FES) was considerably higher than the previous year. It was weakened by the provisions made in connection with the sale of Transmission Engineering. On the other hand, the sale of the operation and maintenance contract relating to the sale of the Humber power plant improved the results of FES.

The trend in Fortum Markets was also positive. This was attributable in particular to the performance improvement programme implemented in the unit. The unit's figures are included in the figures for Power, Heat and Gas and Oil Refining and Marketing.

## Operating profit by segment

| EUR mill. | 2001 | 2000 | Change % |
|---|---|---|---|
| Power, Heat and Gas | 367 | 211 | 74 |
| Electricity Distribution | 135 | 127 | 6 |
| Oil Refining and Marketing | 242 | 386 | – 37 |
| Oil and Gas Upstream | 196 | 213 | – 8 |
| Fortum Energy Solutions | 13 | – 11 | 218 |
| Other operations | – 40 | – 22 | – 82 |
| Eliminations | 1 | 2 | |
| Group | 914 | 906 | 1 |

Inventory losses due to the decrease in crude oil prices and the depreciation of the coal stock totalled EUR 81 million (gains EUR 24 million). Inventory losses totalled EUR 65 million in the last quarter.

Operating profit includes gains on the sale of fixed assets and shareholdings, at EUR 149 million (EUR 119 million). Correspondingly, non-recurring write-downs and provisions totalled EUR 57 million (EUR 66 million).

Birka Energi has been consolidated by using the proportionate method on the basis of 50% ownership. The Birka Energi Group accounted for EUR 189 million (EUR 175 million) of Fortum's operating profit. The other associated companies have been consolidated by the equity method. Fortum's share of the results of these companies, excluding Birka Energi, totalled EUR 36 million (EUR 46 million).

Profit before extraordinary items was EUR 702 million (EUR 633 million).

Profit before taxes totalled EUR 702 million (EUR 623 million).

The minority interests accounted for EUR 83 million (EUR 46 million) of the result for the period. The minority share was comprised almost entirely of the share belonging to owners of preference shares issued by Fortum Capital Ltd in 2000.

Net profit for the period was EUR 459 million (EUR 423 million) and earnings per share were EUR 0.57 (EUR 0.55). Return on capital employed was 8.7% (9.4%) and return on shareholders' equity was 8.3% (8.6%).

Group net financing expenses were EUR 212 million (EUR 273 million). The figure for 2000 included non-recurring expenses of EUR 33 million, resulting from financing arrangements relating to the acquisition of power plant assets in Sweden. Taxes for the financial year totalled EUR 160 million (EUR 154 million).

## Considerable fluctuation in market prices, increase in own power generation

### Power, Heat and Gas

The market price of electricity in the Nordic countries almost doubled compared with the previous year as a result of the decline in hydropower generation and growth in consumption. The average system price of the Nord Pool power exchange was EUR 23.2 (EUR 12.8) per MWh. The selling prices for end customers, too, increased in all the Nordic countries. Electricity consumption in the Nordic countries increased by a preliminary estimate of 2% from the previous year and totalled 392 TWh (384 TWh).

Fortum´s electricity generation capacity in the Nordic countries was 9,149 MW (9,243 MW) at the end of the year, while the total capacity was 10,223 MW (10,163 MW). The electricity sales of the company in the Nordic countries in 2001 amounted to 47.1 TWh (45.3 TWh). Sales in Finland amounted to 27.6 TWh (28.4 TWh) and in the other Nordic countries 19.5 TWh (16.9 TWh), including 50% of Birka Energi's electricity sales. Outside the Nordic countries, the sales totalled 6.6 TWh (6.1 TWh). The average price of the electricity sold by Fortum in the Nordic countries increased by 8% from the previous year.

Fortum´s sales of heat in the Nordic countries were on last year's level, 15.6 TWh (15.6 TWh).

### Electricity Distribution

At the beginning of July, Fortum harmonised the structure of its electricity distribution pricing in Finland and raised prices. Fortum´s distribution networks transmitted a total of 15.0 TWh (15.0 TWh) of electricity and its regional networks a total of 16.0 TWh (14.0 TWh).

### Oil Refining and Marketing

The international refining margins decreased in comparison with the previous year and were exceptionally low at the end of the year, on average USD 1 a barrel in the period from July to December. The Brent Complex margin averaged USD 1.9 a barrel in 2001, compared with USD 3.4 a barrel in 2000. Fortum´s premium margin in 2001 continued on an annual basis to be about USD 2 a barrel higher than the Brent Complex reference.

The price development of crude oil was steady at the beginning of the year, but towards the end of 2001 prices began to fall and at year-end were about USD 20. As a result inventory losses rose to EUR 79 million.

There was a six-week maintenance shutdown at the Porvoo refinery in the spring during which capacity extension for the production of Citydiesel and base oil was taken into use. The shutdown caused a production loss of about one million tonnes, meaning a loss of profit margin estimated at EUR 40 million. The next planned maintenance shutdown will be at the Naantali refinery in 2005.

The average shipping freight level was good. Successful timing in chartering and the high fleet utilisation rate ensured good profitability. During the year four new tankers were ordered and two sold.

Fortum´s wholesale deliveries of petroleum products in Finland totalled 7.8 million tonnes (7.8 million tonnes). The market share continued to be about 75%. Wholesale deliveries of petroleum products outside Finland totalled 4.4 million tonnes (4.9 million tonnes). Gasoline, the majority of which was low-sulphur, accounted for over half of our refineries' exports. The most important export markets were Sweden, Germany and the USA.

Fortum´s retail and direct sales of petroleum products in Finland were 3.8 million tonnes (3.8 million tonnes). The market share varied by product from 30% to 46%.

### Oil and Gas Upstream

During 2001, crude oil prices varied from more than USD 30 to USD 17 a barrel. The average price of North Sea Brent light crude oil was USD 24.4 (USD 28.5) a barrel. The average price of oil sold by Fortum was USD 23.7 (USD 27.6) a barrel. The price per oil-equivalent barrel of natural gas was USD 19.2 (USD 19.8).

In 2001, Fortum produced an average of 40,200 oil-equivalent barrels of oil and gas a day (34,200 in 2000) – about 2.0 million tonnes (1.7 million tonnes) a year. Of this, slightly less than one fifth was accounted for by natural gas, its production following the production start at the Åsgard field amounting to 2.6 million (1.0 million) oil-equivalent barrels. During the year the company decided to concentrate oil and gas production in Northern Europe and to divest its field interests in Oman.

### Fortum Energy Solutions (FES)

Fortum operated a total of 79 power and heating plants of different sizes and types throughout Finland. Their availability continued to be very high. A number of major power plant projects were completed during the year, and new maintenance contracts were signed. The BioMAC power plant, which is the result of Fortum´s own R&D, was launched on the market.

The Fortum Markets unit, formed in the spring, focuses on retailing of electricity and heating oil. There are some 500,000 business and private customers in Finland. Fortum Markets aims to expand operations elsewhere in the Nordic countries. Last year particular attention was devoted to customer satisfaction, efficiency and quality of operations. The figures for Fortum Markets are included in the figures for Power, Heat and Gas and Oil Refining and Marketing.

## Net debt decreased significantly

During 2001 Fortum's interest-bearing debt decreased appreciably, thanks to the strong cash flow from operations and the disposal of fixed assets. Net debt was EUR 3,674 million (EUR 4,626 million) and gearing 54% (73%) at the end of the year.

The company did not make any new significant, long-term financing arrangements. At the end of the year, the financing arrangements to realise the Birka Energi transaction were agreed, and short-term syndicated loan agreements were made. The Group's liquidity continued to be good. At the end of the year, cash and marketable securities totalled EUR 602 million. In addition, Fortum had a total of about EUR 1,150 million undrawn syndicated loans. In 2001, the net financing expenses totalled EUR 212 million.

## Additional production capacity through investments

In 2001, the Group invested EUR 713 million (EUR 3,131 million). The most important investment was directed to increase production capacity of environmentally benign products, Citydiesel and base oil, at the Porvoo refinery.

### Acquisition of Birka Energi AB

In November, Fortum signed an agreement with the City of Stockholm to acquire the City's 50% interest in Birka Energi AB for a total price of some EUR 1.5 billion. In addition, Fortum will assume approximately EUR 1.9 billion of net interest-bearing debt and minority interests. The City of Stockholm will retain a share of Birka Energi's district heating operations, Birka Värme, entitling to a 50% share in the financial result of Birka Värme.

The deal will strengthen Fortum´s position as one of the leading actors on the Nordic electricity market and be an important strategic step when expanding the power and heat business. The transaction was approved by the Stockholm City Council on 17 December 2001 and by the European Commission on 10 January 2002. The aim is to finalise the transaction during the first quarter in 2002.

## Progress in focusing and improving operations

In line with its strategy Fortum is focusing electricity generation in its core market, the Nordic countries, and elsewhere in the Baltic Rim. During the year the company sold its share in the South Humber Bank power plant in the UK, its share in Budapesti Erömü Rt in Hungary and its interest in the Thai company, Union Power Development Company (UPDC), which is responsible for the Hin Krut coal-fired power plant project. Fortum is also disposing of its power plants in the UK and Ireland as well as the power business operations in Germany.

As part of the plan to optimise the power and heat production portfolio Fortum sold the power plant in Joensuu and the interest in Etelä-Pohjanmaan Voima Oy.

Fortum decided to focus the oil and gas production on Northern Europe. In September, the company decided to participate in the first phase of the development of the South Shapkino oil field located in Northwest Russia and to divest the oil field interests in Oman on the Arabian Peninsula.

Two new units to develop customerships were established during the spring. All the core know-how relating to power plant engineering, construction, operation and maintenance as well as to modifications was combined under Fortum Energy Solutions (FES). The entire share capital of IVO Transmission Engineering Oy was divested in June. Another new unit was Fortum Markets, which focuses on base products and services in electricity and heating oil retail sales.

The Group-wide performance improvement programme was continued throughout the year.

## More investments for renewable energy research

The Group used EUR 53 (58) million, or 0.5% (0.5%) of net sales in research and development. The existing R&D portfolio continued to be focused in line with the new Group strategy. Some of the projects and the R&D personnel were transferred to the appropriate business units. Particular attention was paid to strengthening R&D activities in renewable energy-related solutions and services.

## Continued environmental efforts

The acquisition of Birka Energi provided Fortum with abundant renewable and carbon dioxide-free power generation capacity. The company carried out investments to increase the use of biofuels at the Jyväskylä power plant, for instance. A liquefied wood fuel pilot plant, which is due to start up in spring 2002, was built at the Porvoo refinery. Construction of a new production line at the Naantali refinery was started, too. It will manufacture sulphur-free motor fuels that meet the future quality requirements of the EU. Fortum is participating actively in the European project to develop trading in green certificates.

All the above-mentioned projects are improving the ability to meet the increasing number of environmental challenges, especially in terms of the climate issue and energy sources. During the year, the EU completed a number of directives and proposals for directives which aim to reduce carbon dioxide emissions and increase the use of renewable energy sources.

At the end of the year two oil spills occurred at the refineries. One of the spills also had impacts outside the refinery. The refineries are currently thoroughly investigating the course of the events and the requisite corrective actions have been taken to prevent similar incidents from occurring in the future.

## Treasury stock sold

Fortum Corporation's wholly-owned subsidiary, Fortum Power and Heat Oy, disposed of its entire holding of 51,037,520 shares in Fortum Corporation on 4 December 2001. The shares represent 6.04% of the company's shares outstanding, and have a nominal value of EUR 173,527,568. The shares were placed at EUR 4.65 per share, raising total proceeds of EUR 237 million. Sales price less expenses and taxes have been entered as an increase in consolidated shareholders' equity. The shares came into Fortum Power and Heat Oy's possession in September 2000 in the merger with Länsivoima Oyj. The transaction increased the free float and liquidity. It also broadened Fortum´s international shareholder base and strengthened the balance sheet.

## Stock option programmes for key employees

The 2001 annual general meeting approved a stock option programme for key employees. The programme comprises 24 million option rights, which entitle to subscribe for a maximum of 24 million Fortum Corporation shares if the subscription conditions are met. The proportion of shares subscribed under stock option schemes is a maximum of 2.8% of the company's present share capital and voting rights. The subscription period will be staggered, beginning on 15 October 2005, 15 January 2006 and 15 April 2006, and ending under all stock option rights on 1 May 2007. As a result of subscriptions made as part of this stock option programme, Fortum's share capital may rise, in total, by a maximum of EUR 81.6 million. At the end of 2001, the stock option programme covered 358 persons with a total of 13,287,500 option rights.

The Board of Directors decided in the spring 2001 to close the stock option scheme started in 1999. On account of this, unsubscribed option rights will no longer be distributed to the personnel.

## Human Resources

In 2001, Fortum Group employed an average of 14,803 (16,220) people, and at the end of the year 13,425 people (15,770). The sale of Transmission Engineering accounted for most of the decrease. On account of measures to improve performance carried out in various parts of the Group, the number of permanently employed personnel decreased by some 370. At the end of the year, Fortum Corporation employed 340 people (377).

## Changes in Group management

The new corporate structure became effective at the beginning of October, replacing the 26 performance units with 12 business units. The larger entities provide the units with the critical mass to better allow the achievement of their targets and more independent operations. The new business structure complies with Fortum's strategic direction.

On 4 April 2001, Kari Laitinen and Ben Zyskowicz were elected by the annual general meeting as Chairman and Deputy Chairman of the Supervisory Board respectively. The following new members were appointed: Jorma Huuhtanen, Rakel Hiltunen and Pertti Mäki-Hakola. Ben Zyskowicz has chaired the Supervisory Board since February 2002, following the death of Kari Laitinen.

In 2001, the members of Fortum's Board of Directors were Matti Vuoria (Chairman), L.J. Jouhki (Deputy Chairman) until 4 July 2001, Heikki Pentti (Deputy Chairman from 31 August 2001), Olli-Pekka Kallasvuo, Birgitta Kantola and Erkki Virtanen.

Matti Vuoria (Chairman), Heikki Pentti (Deputy Chairman) Birgitta Kantola, Lasse Kurkilahti, Antti Lagerroos, Hans von Uthmann and Erkki Virtanen were elected members of the Board of Directors for 2002.

Eero Aittola, Group Executive Vice President, retired on 1 January 2002.

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 January Fortum agreed on the sale of the tanker Mastera to the Middle East for EUR 40 million. In February the company agreed on the sales of the oil and gas production operations in Oman to two Japanese companies. The sales proceeds of this transaction are expected to exceed EUR 180 million.

## Short-term outlook

Key market drivers which influence Fortum´s performance are the market price of electricity, the crude oil price, the international oil refining margin, and the exchange rates of the US dollar and the Swedish krona. It is extremely difficult to forecast how these driving factors will develop in the year ahead.

Over the next couple of years, electricity consumption in the Nordic countries is estimated to increase by about 1–2% each year. In 2001, the average spot price for electricity almost doubled compared with 2000. In January 2002, the price was on average the same as for the comparable period last year.

As a result of the closing of the Birka Energi AB deal, Fortum´s electricity generation capacity will increase by 20%, heat generation capacity by 40% and the number of electricity distribution customers by 50%. The transaction is expected to have a positive effect on the net result from 2003 onwards and to benefit Fortum by EUR 60 million a year as of 2004.

At the beginning of 2002 the price of crude oil seems to have settled at USD 20 a barrel. The oil producers' decision at the turn of the year to cut output supported prices, but poor demand and increased stocks are pushing prices down. It is estimated that gas production at the Åsgard field in 2002 will be approximately one third lower than usual on account of pipeline repairs to be continued in the spring. The disposal of the field shares in Oman is expected to be finalised during the spring.

Although no general increase in the consumption of petroleum products in Fortum's core markets is anticipated, there is a clear rise in the demand for low-sulphur and sulphur-free fuels. For several years, the international Brent Complex refining margin has averaged USD 1.5 to USD 2 a barrel. At the end of 2001, the international margin fell close to zero and there was no change for the better in January 2002. It is estimated that Fortum's premium margin will remain strong. Thanks to the investments last year, the proportion of high-quality petroleum products in the refineries' product yield increased, which further strengthened our premium margin.

# Consolidated income statement

| M€ | Note | 2001 | 2000 |
|---|---|---|---|
| **Net sales** | 3, 4 | 10,410 | 10,614 |
| Share of profits (losses) of associated companies | 5 | 36 | 46 |
| Other operating income | 6 | 203 | 140 |
| Depreciation, amortisation and write-downs | 7 | –623 | –571 |
| Other operating expenses | 8 | –9,112 | –9,323 |
| **Operating profit** | | 914 | 906 |
| Financial income and expenses | 9 | –212 | –273 |
| **Profit before extraordinary items** | | 702 | 633 |
| Extraordinary items | 10 | – | –10 |
| **Profit before taxes** | | 702 | 623 |
| Income taxes | 11, 22 | –160 | –154 |
| Minority interests | | –83 | –46 |
| **Net profit for the period** | | 459 | 423 |

# Consolidated balance sheet

| M€ | Note | 2001 | 2000 |
|---|---|---|---|
| ASSETS | | | |
| Fixed assets and other long-term investments | 12,13,14 | | |
| Intangible assets | | 382 | 425 |
| Tangible assets | | 9,439 | 9,593 |
| Other long-term investments | | 1,507 | 1,694 |
| | | 11,328 | 11,712 |
| Current assets | | | |
| Inventories | 15 | 598 | 746 |
| Long-term receivables | 16 | 99 | 97 |
| Short-term receivables | 17 | 1,667 | 1,836 |
| Investments | 19 | 156 | 15 |
| Cash and cash equivalents | | 446 | 422 |
| | | 2,966 | 3,116 |
| | | 14,294 | 14,828 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | 20 | | |
| Share capital | | 2,875 | 2,875 |
| Share premium | | 61 | 30 |
| Reserve fund | | 46 | – |
| Retained earnings | | 2,044 | 1,694 |
| Net profit for the period | | 459 | 423 |
| | | 5,485 | 5,022 |
| Minority interests | | 1,270 | 1,281 |
| Provisions for liabilities and charges | 21 | 144 | 197 |
| Deferred tax liabilities | 22 | 1,122 | 1,177 |
| Liabilities | 23, 24 | | |
| Long-term liabilities | | | |
| Interest-bearing | | 3,099 | 4,017 |
| Interest-free | | 417 | 446 |
| | | 3,516 | 4,463 |
| Short-term liabilities | | | |
| Interest-bearing | | 1,177 | 1,046 |
| Interest-free | | 1,580 | 1,642 |
| | | 2,757 | 2,688 |
| | | 14,294 | 14,828 |

# Consolidated cash flow statement

| M€ | 2001 | 2000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before extraordinary items | 702 | 633 |
| Depreciation, amortisation and write-downs | 623 | 571 |
| Other non-cash income and expenses | –91 | –2 |
| Financial income and expenses | 212 | 273 |
| Divesting activities, net | –122 | –60 |
| **Operating profit before change in working capital** | 1,324 | 1,415 |
| Change in working capital | | |
| Decrease (+)/increase (–) in interest-free trade and other short–term receivables | –31 | –928 |
| Decrease (+)/increase (–) in inventories | 117 | –86 |
| Decrease (–)/increase (+) in interest-free liabilities | 5 | 531 |
| Change in working capital | 91 | –483 |
| Change in interest-bearing working capital, decrease (+)/increase (–) | –3 | –12 |
| **Cash generated from operations** | 1,412 | 920 |
| Interest and other financial expenses paid, net | –197 | –312 |
| Dividends received | 34 | 22 |
| Income taxes paid | –178 | –144 |
| Realised foreign exchange gains and losses | 74 | –62 |
| | –267 | –496 |
| **Net cash from operating activities** | 1,145 | 424 |
| **Cash flows from investing activities** | | |
| Capital expenditures | –657 | –716 |
| Proceeds from sales of fixed assets | 135 | 235 |
| Acquisition of shares in subsidiaries net of cash acquired | –5 | –842 |
| Investments in shares in associated companies | –42 | –166 |
| Investments in other shares | –4 | –18 |
| Proceeds from sales of shares in subsidiaries net of cash disposed | 16 | 159 |
| Proceeds from sales of shares in associated companies | 261 | 86 |
| Proceeds from sales of other shares | 26 | 38 |
| Change in other investments, increase (–), decrease (+) | –31 | 115 |
| **Cash flow from investing activities** | –301 | –1,109 |
| **Cash flow before financing activities** | 844 | –685 |
| **Cash flows from financing activities** | | |
| Sales of own shares | 223 | – |
| Payment of (–)/proceeds from (+) short-term borrowings | –598 | 500 |
| Proceeds from long-term liabilities | 140 | 438 |
| Payments of long-term liabilities | –185 | –1,604 |
| Dividends paid | –183 | –141 |
| Capital investment by minority shareholders, increase (+), decrease (–) | – | 1,158 |
| Other financial activities | –76 | –6 |
| **Cash flow from financing activities** | –679 | 345 |
| **Net increase (+)/decrease (–) in cash and marketable securities** | 165 | –340 |
| Cash and marketable securities at the beginning of the period | 437 | 775 |
| Foreign exchange adjustment | – | 2 |
| | 437 | 777 |
| Cash and marketable securities at the end of the period | 602 | 437 |
| **Net increase (+)/decrease (–) in cash and marketable securities** | 165 | –340 |

# Notes to the financial statements

## 1. Accounting policies and principles

Fortum's financial statements 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 immaterial for giving 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. The difference has been entered as a decrease in shareholders' equity.

The financial statements of Fortum Power and Heat and Fortum Oil and Gas have been consolidated according to the acquisition-cost method. In eliminating mutual shareholdings, the balance sheet entry for the acquisition costs of the subsidiaries' shares has been reduced by the value of Fortum's holding in the company at the acquisition date including the value of provisions less deferred tax liabilities. 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.

The rest of the difference is entered as goodwill on consolidation. Items allocated to the fixed assets are depreciated according to the depreciation plan of the underlying asset. Goodwill on consolidation is amortised over its estimated lifetime subject to a maximum of 20 years.

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 shares in the consolidated balance sheet. Dividends received are deducted from the balance sheet value of the shares. The Birka Energi Group has a very significant impact on Fortum's financial position, and its income statement and balance sheet and notes to the financial statements have been consolidated into the Group financial statements using the proportionate method.

### 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 physical deliveries and the net result of derivative contracts. The net sales of the gas trading operation is the net figure from buying and selling.

### 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 at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Net conversion differences relating to financing have been entered under financial income or expenses.

The income statements of companies outside Finland have been translated into euros using an annual average exchange rate based on month-end exchange rates, while the balance sheets have been translated employing the exchange rate on the balance sheet date. The resulting translation differences have been netted against the translation differences arising from the hedging contracts protecting asset values and entered under non-restricted equity. The fixed assets of subsidiaries operating in high-inflation countries such as Russia and the Baltic countries are re-valued 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. 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. The interest element relating to derivatives is accrued as interest income or expense over the period to maturity.

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 an adjustment to the interest income or expense of the underlying liability or transaction. Losses on interest rate derivatives used for purposes other than hedging are valued at the interest rate on the balance sheet date and entered as an expense in the income statement.

Fortum also trades in commodity derivatives. The contracts are marked to market at the balance sheet date and any losses on contracts entered into for other than hedging purposes are entered as an expense in the income statement. Gains or losses on derivatives used for hedging purposes are recognised as income or expense once the underlying income or expense occurs.

The difference between the premium paid or received on financial and commodity options and the closing price of the option on the balance sheet date is entered in the income statement. However, revenue is only recognised up to the amount of expense charged for the underlying transaction. Option premiums are treated as advances paid or received until the options mature or lapse.

### Sales and procurement contracts

Possible losses on sales and procurement contracts have been estimated and expensed when the purchase price is higher than the estimated sales price.

### 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 included interest charges incurred during construction in addition to the historical costs of the fixed assets.

Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Depreciation on oil, gas and peat reserves and production equipment is calculated using the unit-of-production method.

The depreciation is based on the following expected useful lives:

| | |
|---|---|
| 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 |

Oil and gas reserves are valued by 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 interest bearing liabilities in the balance sheet. Rental expenses are entered as depreciation on fixed assets and interest expenses on debt in the consolidated 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 acquistion 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.

## Net assets

Net assets of the business segments include fixed assets, shares and working capital allocated to the business segments. Fixed assets also include deferred tax liabilities arising from the consolidated acquisition cost in accordance with the IAS.

## Marketable securities

Marketable securities are valued 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 production or expensed once it has been established that commercially exploitable oil or gas reserves were not discovered.

## Research and development

Research and development expenditures are 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. Compulsory provision is made for expected losses from long-term projects, as well as for costs arising during the warranty period.

## Pension expenses

Pension expenses have been recognised in accordance with the practice observed in the appropriate country. The compulsory liabilities deficit of the Fortum 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

Sales gains or losses and reductions in capital value resulting from 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 timing differences. Deferred tax liabilities also include deferred tax liabilities included in fixed assets arising from the consolidated acquisition cost in accordance with the IAS.

## Provisions

Foreseeable future expenses and losses that have no corresponding revenue 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 1997–2001

The table below shows the most important exchange rates used in the financial statements during the years 1997–2001:

Exchange rates at the balance sheet date

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| USD | 1.0969 | 1.1667 | 1.0046 | 0.9305 | 0.8813 |
| GBP | 0.6612 | 0.7055 | 0.6217 | 0.6241 | 0.6085 |
| SEK | 8.6635 | 9.4874 | 8.5625 | 8.8313 | 9.3012 |
| NOK | 8.0413 | 8.8716 | 8.0765 | 8.2335 | 7.9515 |

Average exchange rates over the period

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| USD | 1.1507 | 1.1102 | 1.0653 | 0.9236 | 0.8939 |
| GBP | 0.7005 | 0.6692 | 0.6589 | 0.6087 | 0.6196 |
| SEK | 8.7669 | 8.8373 | 8.8281 | 8.4805 | 9.2451 |
| NOK | 8.1004 | 8.3731 | 8.3344 | 8.1051 | 8.0532 |

## 2. Information by segment

| M€ | 2001 | 2000 |
|---|---|---|
| **Net sales** | | |
| Power, Heat and Gas [1] | 2,227 | 1,873 |
| Electricity Distribution | 473 | 470 |
| Oil Refining and Marketing | 7,223 | 7,807 |
| Oil and Gas Upstream | 408 | 387 |
| Fortum Energy Solutions | 603 | 887 |
| Other operations | 95 | 94 |
| Internal invoicing | –619 | –904 |
| Total | 10,410 | 10,614 |
| **Operating profit** | | |
| Power, Heat and Gas | 367 | 211 |
| Electricity Distribution | 135 | 127 |
| Oil Refining and Marketing | 242 | 386 |
| Oil and Gas Upstream | 196 | 213 |
| Fortum Energy Solutions | 13 | –11 |
| Other operations | –40 | –22 |
| Eliminations | 1 | 2 |
| Total | 914 | 906 |
| **Depreciation, amortisation and write-downs** | | |
| Power, Heat and Gas | 232 | 188 |
| Electricity Distribution | 121 | 122 |
| Oil Refining and Marketing | 140 | 148 |
| Oil and Gas Upstream | 102 | 84 |
| Fortum Energy Solutions | 18 | 18 |
| Other operations and eliminations | 10 | 11 |
| Total | 623 | 571 |
| **Significant non-recurring items in operating profit** | | |
| Power, Heat and Gas | 62 | 4 |
| Electricity Distribution | 15 | –1 |
| Oil Refining and Marketing | –75 | 31 |
| Oil and Gas Upstream | – | 2 |
| Fortum Energy Solutions | 21 | 13 |
| Other operations and eliminations | 1 | 23 |
| Total | 24 | 72 |

[1] The figures have been adjusted to reflect the change in accounting practises adopted in natural gas trading.

| M€ | 2001 | 2000 |
|---|---|---|
| **Return on net assets (%)** | | |
| Power, Heat and Gas | 6.2 | 3.9 |
| Electricity Distribution | 6.2 | 5.7 [2] |
| Oil Refining and Marketing | 13.7 | 22.4 |
| Oil and Gas Upstream | 15.6 | 18.2 |
| Fortum Energy Solutions | 5.3 | –6.4 |

[2] The adjusted average capital employed for the year 2000 has been taken into account.

| M€ | 2001 | 2000 |
|---|---|---|
| **Net assets** | | |
| Power, Heat and Gas [*] | 5,873 | 6,050 |
| Electricity Distribution [*] | 2,113 | 2,264 |
| Oil Refining and Marketing | 1,688 | 1,842 |
| Oil and Gas Upstream | 1,271 | 1,236 |
| Fortum Energy Solutions | 236 | 257 |
| Other operations and eliminations | 154 | 182 |
| Total | 11,335 | 11,831 |

[*] Net assets include deferred tax liabilities due to the allocated goodwill on consolidation in Power, Heat and Gas segment EUR 175 (216) million and in Electricity Distribution EUR 240 (262) million.

| M€ | 2001 | 2000 |
|---|---|---|
| **Investments** | | |
| Power, Heat and Gas | 197 | 2,282 |
| Electricity Distribution | 100 | 489 |
| Oil Refining and Marketing | 224 | 129 |
| Oil and Gas Upstream | 90 | 133 |
| Fortum Energy Solutions | 80 | 92 |
| Other operations and eliminations | 22 | 6 |
| Total | 713 | 3,131 |
| **Average number of employees** | | |
| Power, Heat and Gas | 2,920 | 2,938 |
| Electricity Distribution | 954 | 976 |
| Oil Refining and Marketing | 4,524 | 4,815 |
| Oil and Gas Upstream | 61 | 63 |
| Fortum Energy Solutions | 5,442 | 6,445 |
| Other operations | 902 | 983 |
| Total | 14,803 | 16,220 |
| Average number of personnel in companies consolidated using the proportionate method | 3,481 | 3,338 |
| of which included in the Group | 1,741 | 1,669 |

| M€ | 2001 | 2000 |
|---|---|---|

## 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 | 109 | 127 |
| for previous periods | 190 | 203 |
| Total | 299 | 330 |

## 4. Net sales by market area

| | | |
|---|---|---|
| Finland | 4,216 | 4,348 |
| Sweden | 1,512 | 1,628 |
| Other Nordic countries | 255 | 261 |
| Other European countries | 1,979 | 1,573 |
| USA and Canada | 1,416 | 1,596 |
| Other international sales | 1,032 | 1,208 |
| Total | 10,410 | 10,614 |

## 5. Share of profits (losses) of associated companies

| | | |
|---|---|---|
| Nynäs Petroleum Group | 15 | 22 |
| Gasum Group | 9 | 8 |
| Fingrid Oyj | 6 | 7 |
| Other associated companies | 6 | 9 |
| Total | 36 | 46 |

Undepreciated consolidation differences in connection with associated companies amounted to EUR 132 (130) million.

## 6. Other operating income

| | | |
|---|---|---|
| Rental income | 16 | 14 |
| Gains on sales of fixed assets | 149 | 119 |
| Other | 38 | 7 |
| Total | 203 | 140 |

## 7. Depreciation, amortisation and write-downs

| | | |
|---|---|---|
| Depreciation and amortisation according to the plan | 565 | 565 |
| Write-downs on fixed assets | 58 | 6 |
| Total | 623 | 571 |

| M€ | 2001 | 2000 |
|---|---|---|

## 8. Other operating expenses

| | | |
|---|---|---|
| Change in product inventories | 136 | –99 |
| Materials and external services | | |
| Materials and supplies | | |
| Purchases | 7,483 | 7,673 |
| Change in inventories | –161 | 104 |
| External services | 274 | 289 |
| Personnel expenses | | |
| Wages, salaries and remunerations | 560 | 546 |
| Other indirect employee costs | | |
| Pension costs | 70 | 61 |
| Other indirect employee costs | 53 | 73 |
| Other operating expenses | 697 | 676 |
| Total | 9,112 | 9,323 |

Salaries and remunerations of the Board

| | | |
|---|---|---|
| President and members of the Board | 9 | 11 |

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.

Collaterals and other undertakings on Board's behalf

There are no collaterals or other undertakings given on behalf of the Board.

Loans receivable from Group management

There are no receivables from Group management.

| M€ | 2001 | 2000 |
|---|---|---|
| **9. Financial income and expenses** | | |
| Income from associated companies | 1 | 1 |
| Income from other long-term investments | | |
| Dividend income | 4 | 6 |
| Interest income | 15 | 16 |
| Other interest income | 41 | 41 |
| Other financial income | 3 | 8 |
| Exhange rate differences | – | –4 |
| Write-downs on other long-term investments | –1 | –1 |
| Interest expenses | –271 | –300 |
| Other financial expenses | –4 | –40 |
| Total | –212 | –273 |
| | | |
| **10. Extraordinary expenses** | | |
| Other | – | –10 |
| Total | – | –10 |
| | | |
| **11. Income taxes** | | |
| Taxes on regular business operations | 160 | 155 |
| Taxes on extraordinary items | – | –1 |
| Total | 160 | 154 |
| | | |
| Taxes for the period | 170 | 169 |
| Taxes for previous periods | –1 | 2 |
| Change in deferred tax liabilities | –9 | –17 |
| Total | 160 | 154 |

## 12. Fixed assets and long-term investment

### Intangible assets

| M€ | Intangible rights | Goodwill | Goodwill on consolidation | Negative goodwill on consolidation | Other long-term investments | Advances paid | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost as of 1 January 2001 | 62 | 131 | 343 | – 17 | 207 | – | 726 |
| Exhange rate differences and other adjustments | 2 | 1 | 14 | – | 4 | – | 21 |
| Increases | 3 | 5 | 14 | – | 13 | 2 | 37 |
| Decreases | 1 | 3 | 20 | – 1 | 20 | – | 43 |
| Transfer between categories | – | – | – | – | – | – | – |
| Acquisition cost as of 31 December 2001 | 66 | 134 | 351 | – 16 | 204 | 2 | 708 |
| Accumulated depreciation, amortisation and write-downs as of 1 January 2001 | 38 | 92 | 46 | – 6 | 131 | – | 301 |
| Exhange rate differences and other adjustments | – 5 | – | – 7 | – | 3 | – | – 9 |
| Accumulated depreciation, amortisation and write-downs of decrease and transfers | – 9 | – 1 | – | – 1 | 14 | – | 3 |
| Depreciation and amortisation for the period | 4 | 9 | 18 | – 1 | 18 | – | 48 |
| Write-downs for the period | – | – | 22 | – | – | – | 22 |
| Accumulated depreciation, amortisation and write-downs as of 31 December 2001 | 46 | 102 | 79 | – 6 | 138 | – | 359 |
| Balance sheet value as of 31 December 2001 | 20 | 32 | 272 | – 10 | 66 | 2 | 382 |
| Balance sheet value as of 31 December 2000 | 24 | 39 | 297 | – 11 | 76 | 2 | 425 |

### Tangible assets

| M€ | 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 2001 | 2,184 | 2,527 | 9,396 | 509 | 400 | 15,016 |
| Exchange rate differences and other adjustments | – 98 | – 56 | – 164 | – 12 | 116 | – 214 |
| Increases | 2 | 44 | 408 | 43 | 211 | 708 |
| Decreases | 52 | 58 | 285 | 14 | 7 | 416 |
| Transfer between categories | – | 16 | 373 | 81 | – 470 | – |
| Acquisition cost as of 31 December 2001 | 2,036 | 2,473 | 9,728 | 607 | 250 | 15,094 |
| Accumulated depreciation, amortisation and write-downs as of 1 January 2001 | 51 | 1,111 | 4,112 | 232 | – | 5,506 |
| Exchange rate differences and other adjustments | – 3 | – 73 | – 13 | 82 | – | – 7 |
| Accumulated depreciation, amortisation and write-downs of decreases and transfers | – 2 | 35 | 247 | 34 | – | 314 |
| Depreciation and amortisation for the period | – | 77 | 407 | 33 | – | 517 |
| Write-downs for the period | – | – | 25 | 11 | – | 36 |
| Accumulated depreciation, amortisation and write-downs as of 31 January 2001 | 50 | 1,080 | 4,284 | 324 | – | 5,738 |
| Revaluations | 13 | 68 | 2 | – | – | 83 |
| Balance sheet value as of 31 December 2001 | 1,999 | 1,461 | 5,446 | 283 | 250 | 9,439 |
| Balance sheet value as of 31 December 2000 | 2,146 | 1,484 | 5,286 | 277 | 400 | 9,593 |

Other long-term investments

| M€ | Shares in associated companies | Receivables from associated companies | Other shares and holdings | Other receivables | Total |
|---|---|---|---|---|---|
| Acquisition cost as of 1 January 2001 | 1,114 | 281 | 183 | 63 | 1,641 |
| Exchange rate differences and other adjustments | – 12 | – 8 | 5 | – 7 | – 22 |
| Increases | 41 | 5 | 5 | 15 | 66 |
| Decreases | 108 | 58 | 37 | 24 | 227 |
| Transfers between categories | 9 | – | – 9 | – | – |
| Acquisition cost as of 31 December 2001 | 1,044 | 220 | 147 | 47 | 1,458 |
| | | | | | |
| Accumulated write-downs as of 1 January 2001 | 4 | – | 7 | – | 11 |
| Write-downs for the period | – | – | – | – | – |
| Reversals of write-downs | – | – | – | – | – |
| Accumulated write-downs as of 31 December 2001 | 4 | – | 7 | – | 11 |
| | | | | | |
| Revaluations | – | – | 1 | – | 1 |
| Retained earnings in associated companies | 59 | – | – | – | 59 |
| Balance sheet value as of 31 December 2001 | 1,099 | 220 | 141 | 47 | 1,507 |
| 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.

Other shares include EUR 27 (5) million of quoted shares, the market value of which was EUR 26 (8) million.
Associated companies include EUR 87 (87) million of quoted shares, the market value of which was EUR 130 (78) million.

| M€ | 2001 | 2000 |
|---|---|---|

## 13. Capitalised interest expenses

| | | |
|---|---|---|
| Buildings and structures | 5 | 3 |
| Machinery and equipment | 63 | 63 |
| Advances paid and construction in progress | 26 | 21 |
| Total | 94 | 87 |

Capitalised interest expenses during the period were EUR 7 (27) million.

## 14. Revaluations

| | Revaluations as of 1 Jan. | Increases | Decreases | Revaluations as of 31 Dec. |
|---|---|---|---|---|
| Land areas | 13 | – | – | 13 |
| Buildings | 68 | – | – | 68 |
| Machinery and equipment | 2 | – | – | 2 |
| Other shares and holdings | 1 | – | – | 1 |
| | 84 | – | – | 84 |

Revaluations are based on current replacement cost.

## 15. Inventories

| | | |
|---|---|---|
| Raw materials and supplies | 302 | 277 |
| Work in progress | 93 | 198 |
| Products/finished goods | 169 | 217 |
| Other inventories | 30 | 28 |
| Advanced paid | 4 | 26 |
| Total | 598 | 746 |

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

## 16. Long-term receivables

| | | |
|---|---|---|
| Receivables from associated companies | | |
| Other receivables | 44 | 17 |
| Accrued income and prepaid expenses | 2 | 2 |
| Total | 46 | 19 |
| Loans receivable | 1 | 2 |
| Other receivables | 50 | 56 |
| Accrued income and prepaid expenses | 2 | 20 |
| Total | 99 | 97 |

| M€ | 2001 | 2000 |
|---|---|---|

## 17. Short-term receivables

| | | |
|---|---|---|
| Trade receivables | 1,098 | 1,147 |
| Receivables from associated companies | | |
| Trade receivables | 12 | 26 |
| Other receivables | 6 | 6 |
| Accrued income and prepaid expenses | 5 | 6 |
| Total | 23 | 38 |
| Loans receivable | 8 | 8 |
| Other receivables | 166 | 149 |
| Accrued income and prepaid expenses | 372 | 494 |
| Total | 1,667 | 1,836 |

Short-term accrued income and prepaid expense

| | | |
|---|---|---|
| Accrued interests | 9 | 5 |
| Accrued taxes | 6 | 6 |
| Other | 362 | 489 |
| Total | 377 | 500 |

## 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 |
| Prepayments and accrued income | 270 | 222 |
| Deductions in inventories and financial assets | 270 | 356 |
| Advance payments received | 270 | 222 |
| Accruals | – | 134 |
| Deductions in liabilities | 270 | 356 |

## 19. Investments

The book value of the financial investments was EUR 156 (15) million and the market value was EUR 156 (15) million.

| M€ | 2001 | 2000 |
|---|---|---|

## 20. Changes in shareholders' equity

| | | |
|---|---|---|
| Share capital as of 1 January | 2,875 | 2,640 |
| Share issue | – | 207 |
| Transfer from share premium | – | 28 |
| Share capital as of 31 December | 2,875 | 2,875 |
| | | |
| Share premium as of 1 January | 30 | 3 |
| Increase in share premium | – | 27 |
| Sale of treasury stock | 31 | – |
| Transfer to the share capital | – | –28 |
| Transfer from unrestricted equity | – | 28 |
| Share premium as of 31 December | 61 | 30 |
| | | |
| Reserve fund as of 1 January | – | – |
| Transfer from unrestricted equity | 46 | – |
| Reserve fund as of 31 December | 46 | – |
| | | |
| Retained earnings as of 1 January | 2,117 | 2,062 |
| Dividends paid | –183 | –141 |
| Own shares | 189 | –189 |
| Transfer to restricted equity | –46 | –28 |
| Translation differences and other changes | –33 | –10 |
| Net profit for the period | 459 | 423 |
| Retained earnings as of 31 December | 2,503 | 2,117 |
| | | |
| Distributable funds as of 31 December | 2,503 | 2,117 |

## 21. Provisions for liabilities and charges

| | | |
|---|---|---|
| Provisions for pensions | 19 | 19 |
| Other provisions | | |
| Provisions for contracts for differences | 32 | 64 |
| Provisions for a planned refinery maintenance and upgrade shutdown | 11 | 33 |
| Provisions for Exploration & Production | 16 | 12 |
| Other provisions | 66 | 69 |
| Total | 144 | 197 |

## 22. Deferred tax liabilities

**Change in deferred tax liabilities**

| | | |
|---|---|---|
| Appropriations | –13 | –13 |
| Consolidation entries | –12 | 2 |
| Separate financial statements of subsidiaries | 16 | –6 |
| Total | –9 | –17 |

**Deferred tax liabilities**

| | | |
|---|---|---|
| Appropriations | 610 | 670 |
| Consolidation entries | 412 | 424 |
| Separate financial statements of subsidiaries | 99 | 83 |
| Total | 1,121 | 1,177 |

| M€ | 2001 | 2000 |
|---|---|---|

## 23. Liabilities

**Long-term liabilities**

| | | |
|---|---|---|
| Bonds | 1,162 | 1,399 |
| Convertible bonds | – | 4 |
| Loans from financial institutions | 878 | 1,392 |
| Pension loans | 336 | 284 |
| Advances received | 2 | 2 |
| Liabilities to associated companies | | |
| Other long-term liabilities | 162 | 160 |
| Total | 162 | 160 |
| Other long-term liabilities | 975 | 1,221 |
| Accruals and deferred income | 1 | 1 |
| Total | 3,516 | 4,463 |
| of which interest-bearing | 3,099 | 4,017 |

**Short-term liabilities**

| | | |
|---|---|---|
| Bonds | 478 | 96 |
| Convertible bonds | 4 | – |
| Loans from financial institutions | 487 | 639 |
| Pension loans | 9 | 9 |
| Advances received | 68 | 105 |
| Trade payables | 579 | 658 |
| Liabilities to associated companies | | |
| Advances received | 7 | 1 |
| Trade payables | 18 | 24 |
| Other short-term liabilities | 8 | 3 |
| Accruals and deferred income | 5 | 6 |
| Total | 38 | 34 |
| Other short-term liabilities | 663 | 739 |
| Accruals and deferred income | 431 | 408 |
| Total | 2,757 | 2,688 |
| of which interest-bearing | 1,177 | 1,046 |

**Interest-bearing and interest-free liabilities**

| | | |
|---|---|---|
| Interest-bearing liabilities | 4,276 | 5,063 |
| Interest-free liabilities | 1,997 | 2,088 |
| Total | 6,273 | 7,151 |

**Maturity of long-term liabilities**

| Year | |
|---|---|
| 2002 | 970 |
| 2003 | 311 |
| 2004 | 376 |
| 2005 | 344 |
| 2006 | 354 |
| 2007 and later | 2,131 |
| Total | 4,486 |

| M€ | 2001 | 2000 |
|---|---|---|
| **Liabilities due after five years** | | |
| Bonds | 398 | 490 |
| Loans from financial institutions | 311 | 253 |
| Pension loans | 330 | 269 |
| Other long-term liabilities | 1,092 | 1,131 |
| Total | 2,131 | 2,143 |
| **Long-term accruals and deferred income** | | |
| Other long-term accruals and deferred income | 1 | 1 |
| Total | 1 | 1 |
| **Short-term accruals and deferred income** | | |
| Accrued interests | 92 | 75 |
| Accrued taxes | 21 | 19 |
| Wages, salaries and other indirect employee costs | 88 | 89 |
| Other short-term accruals and deferred income | 235 | 231 |
| Total | 436 | 414 |

## 24. Bonds, debentures and other notes

| Issuing year | Maturity year | 2001 | 2000 |
|---|---|---|---|
| Fortum Power and Heat Oy | | | |
| 1991 USD loan | 2001 | – | 31 |
| 1991 USD loan | 2002–2002/11 | 60 | 63 |
| 1991 USD loan | 2011 | 30 | 32 |
| 1992 USD loan | 2002 | 39 | 41 |
| 1992 USD loan | 2005 | 37 | 39 |
| 1992 USD loan | 2007 | 47 | 49 |
| 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 | 37 | 39 |
| 1999 SEK loan | 2003 | 8 | 8 |
| 1999 SEK loan | 2004 | 4 | 4 |
| 1999 SEK loan | 2004 | 16 | 17 |
| 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 | 4 |
| 1999 SEK loan | 2002 | 6 | 6 |
| 1999 SEK loan | 2002 | 5 | 6 |
| 1999 SEK loan | 2004 | 19 | 20 |
| 1999 SEK loan | 2004 | 16 | 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 | 249 | 244 |
| 2000 EUR loan | 2005 | 124 | 120 |
| 2000 EUR loan | 2008 | 10 | 9 |
| 2000 EUR loan | 2002 | 5 | 5 |
| 2000 EUR loan | 2001 | – | 27 |
| 2000 EUR loan | 2007 | 5 | 5 |
| 2000 GBP loan | 2002 | 53 | 50 |
| 2000 SEK loan | 2003 | 5 | 6 |
| 2000 SEK loan | 2003 | 22 | 22 |
| 2000 SEK loan | 2004 | 5 | 6 |
| 2000 SEK loan | 2006 | 21 | 22 |
| 2000 SEK loan | 2003 | 6 | 6 |
| 2000 SEK loan | 2002 | 6 | 6 |
| 2000 SEK loan | 2004 | 5 | 6 |
| 2000 SEK loan | 2003 | 3 | 3 |
| 2000 SEK loan | 2002 | 5 | 6 |
| 2000 SEK loan | 2008 | 11 | 11 |
| 2000 SEK loan | 2002 | 5 | 6 |
| 2000 SEK loan | 2001 | – | 22 |
| 2000 SEK loan | 2002 | 3 | 2 |
| 2000 SEK loan | 2003 | 5 | 6 |
| 2000 SEK loan | 2003 | 11 | 11 |
| 2000 SEK loan | 2003 | 5 | 6 |
| 2000 SEK loan | 2003 | 3 | 3 |
| 2000 SEK loan | 2003 | 5 | 6 |
| 2000 SEK loan | 2003 | 11 | 11 |
| 2000 SEK loan | 2003 | 3 | 3 |
| 2000 SEK loan | 2003 | 3 | 3 |
| 2000 SEK loan | 2003 | 3 | 3 |
| 2000 SEK loan | 2004 | 5 | 6 |
| 2000 SEK loan | 2001 | – | 6 |
| 2000 SEK loan | 2002 | 5 | 6 |
| 2000 SEK loan | 2002 | 2 | 3 |
| 2000 SEK loan | 2001 | – | 6 |
| 2000 SEK loan | 2002 | 27 | 28 |
| 2000 SEK loan | 2002 | 11 | 11 |
| 2000 USD loan | 2003 | 6 | 5 |
| 2001 SEK loan | 2008 | 249 | – |
| Gullspång Kraft AB | | | |
| 1993 SEK loan no. SE 0000209488 | 2003 | 16 | 17 |
| 1996 SEK loan no. SE 0000325714 | 2001 | – | 11 |
| Birka Värme Stockholm AB | | | |
| 1997 SEK loan | 1997–2006 | 1 | 1 |
| Fortum Finance B.V. | | | |
| 1992 | 1999–2007 | 338 | 320 |
| Fortum Oyj | | | |
| 1994 | 2001 | – | 3 |
| Fortum Oil and Gas Oy | | | |
| 1992 I | 2002 | 17 | 17 |
| Total | | 1,640 | 1,495 |

## 25. Contingent liabilities

| M€ | 2001 | | 2000 | |
|---|---|---|---|---|
| Collaterals and other undertakings on own behalf | Debt | Value of collateral | Debt | Value of collateral |
| **Own debt secured by pledged assets** | | | | |
| Bonds | – | – | 106 | 30 |
| Loans from financial institutions | 247 | 169 | 103 | 84 |
| Pension loans | 10 | 12 | 14 | 16 |
| Other liabilities | 379 | 58 | 334 | 58 |
| Total | 636 | 239 | 557 | 188 |
| **Own debt secured by real estate mortgages** | | | | |
| Bonds | – | – | 6 | 6 |
| Loans from financial institutions | 35 | 85 | 93 | 99 |
| Pension loans | 42 | 42 | 41 | 42 |
| Trade payables | – | 10 | – | 9 |
| Other liabilities | – | 7 | – | – |
| Total | 77 | 144 | 140 | 156 |
| **Own debt secured by company mortgages** | | | | |
| Bonds | – | – | – | 3 |
| Loans from financial institutions | 2 | 8 | 5 | 16 |
| Other liabilities | – | – | – | 3 |
| Total | 2 | 8 | 5 | 22 |
| **Own debt secured by other mortgages** | | | | |
| Loans from financial institutions | 16 | 52 | 27 | 52 |
| Other liabilities | – | – | 1 | 2 |
| Total | 16 | 52 | 28 | 54 |

| M€ | 2001 | 2000 |
|---|---|---|
| **Collaterals for other own commitments** | | |
| Pledges | – | 2 |
| Real estate mortgages | 56 | 87 |
| Company mortgages | 3 | 3 |
| Other mortgages | 11 | 6 |
| Total | 70 | 98 |
| **Collaterals given on behalf of associated companies** | | |
| Pledges | 4 | – |
| Total | 4 | – |
| **Collaterals given on behalf of others** | | |
| Pledges | – | 1 |
| Total | – | 1 |
| **Collaterals total** | 517 | 519 |

| M€ | 2001 | 2000 |
|---|---|---|
| Liability for nuclear waste disposal | 515 | 489 |
| Share of reserves in the Nuclear Waste Disposal Fund | –505 | –460 |
| Liabilities in the balance sheet | 10*) | 29*) |

*) Mortgaged bearer papers as security

**Other contingent liabilities**

| M€ | 2001 | 2000 |
|---|---|---|
| **Operating leasing liabilities** | | |
| Due within a year | 80 | 68 |
| Due after a year | 97 | 122 |
| Total | 177 | 190 |

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

| M€ | 2001 | 2000 |
|---|---|---|
| **Sale and leaseback** | 18 | 18 |
| **Other contingent liabilities given on own behalf** | 462 | 543 |
| **Other undertakings given on behalf participating interests** | | |
| Guarantees | 177 | 165 |
| Other contingent liabilities | 352 | 368 |
| Total | 529 | 533 |
| **Other contingent liabilities given on behalf of others** | | |
| Guarantees | 65 | 140 |
| Other contingent liabilties | 4 | 20 |
| Total | 69 | 160 |
| **Other contingent liabilities total** | 1,255 | 1,444 |

Derivatives

| M€ | 2001 | | | 2000 | | |
|---|---|---|---|---|---|---|
| Interest and currency derivatives | Contract or notional value | Fair value | Not re-cognised as an income | Contract or notional value | Fair value | Not re-cognised as an income |
| Forward rate contracts | 5,026 | –2 | –2 | 85 | – | – |
| Interest rate swaps | 5,545 | –14 | 25 | 3,239 | –7 | 2 |
| Forward foreign exhange contracts [1), 2)] | 4,830 | –27 | –13 | 2,358 | 48 | –16 |
| Currency swaps | 3,180 | 312 | 35 | 2,308 | 149 | –6 |
| Purchased currency options | 163 | –4 | –4 | 144 | 1 | 1 |
| Written currency options | 76 | – | – | 90 | 1 | 1 |

1) Includes also closed forward and future positions.

2) Includes contracts used for equity hedging.

| Oil futures and forward instruments | Volume 1000 bbl | Fair value | Not re-cognised as an income | Volume 1000 bbl | Fair value | Not re-cognised as an income |
|---|---|---|---|---|---|---|
| Sales contracts | 7,090 | –1 | –1 | 15,130 | 21 | 17 |
| Purchase contracts | 4,525 | 1 | 1 | 4,341 | –10 | –10 |
| Purhased options | 5,400 | –1 | –1 | 2,093 | – | – |
| Written options | 900 | 1 | 1 | 1,250 | – | – |

| Electricity derivatives | Volume TWh | Fair value | Not re-cognised as an income | Volume TWh | Fair value | Not re-cognised as an income |
|---|---|---|---|---|---|---|
| Sales contracts | 52 | –34 | –34 | 70 | 155 | 26 |
| Purchase contracts | 44 | 41 | 41 | 67 | –163 | –26 |
| Purhased options | 3 | –1 | –1 | 3 | – | – |
| Written options | 1 | 2 | 2 | 3 | – | – |

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.

The derivative contracts are mainly used to manage the Group’s currency, interest rate and price risk.

## 26. Risk management

Financing and financial risks are managed centrally by Group Treasury in accordance with Group Treasury Policy, as approved by Fortum's Board of Directors. In addition, Group Treasury acts as an internal bank and gives advice on financial matters to the business units and Group companies. Birka Energi, half of which was owned by Fortum in 2001, has managed 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 so minimise interest and other financing expenses. The key objective is to use a variety of financing sources, instruments and lenders and to ensure that financing arrangements 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 under internal arrangements providing it is cost effective and practicable under the relevant national legislation. External interest-bearing debt by currency, average interest rates and average maturities are given in Table 1.

Liquidity risk refers to the Group's ability to fund its business needs from liquid assets. It is managed by using cash pooling arrangements, commercial paper programmes and other credit lines. Within each country the Group operates in, treasury and cash management, including short term funding requirements, are managed as centrally as possible within the local Group accounting system. The Group's most important credit limits are given in Table 2.

### Financial risk management

Table 1
Interest-bearing debt by currency as of 31 Dec 2001

| Currency | Amount M€ | Avg interest rate % | Avg maturity years |
|---|---|---|---|
| EUR | 949 | 4.4 | 3.4 |
| USD | 851 | 5.0 | 1.3 |
| SEK | 441 | 6.2 | 3.9 |
| GBP | 72 | 8.0 | 0.1 |
| Muut | 103 | 6.4 | 2.9 |
| Total | 2,416 | 5.1 | 2.3 |
| Birka Energi | 1,860 | | |
| Fortum Group total | 4,276 | | |

Table 2
Major credit lines as of 31 Dec 2001
(Birka Energi not included)

| Credit line | Total amount M€ | Outstanding amount M€ | Avg interest rate % | Maturity date |
|---|---|---|---|---|
| Fortum Oyj, CP programme | 500 | – | | – |
| Fortum Oyj, EUR 250M credit line | 250 | – | | 19.12.2002 |
| Fortum Oyj, EUR 200M credit line | 200 | – | | 16.12.2002 |
| Fortum Oyj, EUR 600M syndicated credit line | 600 | 175 | 3.8 | 28.04.2005 |
| Fortum Oil and Gas Oy, USD 800M syndicated credit line | 545 | 454 | 2.2 | 2001–2003 |
| Fortum Power and Heat Oy, DEM 760M syndicated credit line | 389 | 204 | 4.1 | 12.06.2004 |
| Total | 2,484 | 833 | 3.0 | |

### Foreign exchange risk

Foreign exchange risks are managed to minimise any negative impact caused by exchange rate volatility on the Group's cash flow, results and balance sheet. The pricing currency of the oil markets is the US dollar. In Nord Pool, the Nordic electricity market, the trading currency is the Norwegian krona. These factors, 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, but for whom these are domestic currencies. Treasury policy requires business units to close their foreign exchange positions for each business in line with the operational 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 lie outside the operational planning period are handled as economic exposures, and the covering of these positions is decided by the line management of the business 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. Business 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 policy is to keep the translation differences within a limit of EUR 80 million for currencies, which can be hedged. Foreign currency loans and forward contracts are used to hedge 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 the interest rate exposure, the target is to maintain the risk as close as possible to a neutral position. Exposure is therefore minimised because a change in interest expenses, resulting from movements in interest rates, will be eliminated by a simultaneous contrary effect on business performance. A neutral interest rate position by currency is determined using benchmark interest rates.

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, comprising 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 point in the interest rates on the present value of net debt. 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 point on the net interest expenses over the next 12 months.

During 2001 the modified duration of the loan portfolio was reduced to almost one. At the end of the year it was exceptionally long for euros as a result of improved liquidity. The excess funds were invested temporarily in short-term money market instruments. (Table 5)

Tabel 3
Group treasury's transaction exposure as of 31 Dec 2001

| M€ | Net position | Hedge | Open |
|---|---|---|---|
| SEK | 1,488 | –1,484 | 4 |
| USD | 704 | –703 | 1 |
| GBP | 154 | –154 | – |
| NOK | –103 | 103 | – |
| CAD | 45 | –45 | – |
| EEK | 8 | –7 | 1 |
| Other | 5 | –3 | 2 |
| Total | 2,301 | –2,293 | 8 |

Table 4
Group treasury's translation exposure as of 31 Dec 2001

| M€ | Investment | Hedge | Open | Hedge ratio |
|---|---|---|---|---|
| SEK | 1,373 | –1,009 | 364 | 73% |
| USD | 358 | –356 | 2 | 99% |
| GBP | 100 | –99 | 1 | 99% |
| CAD | 64 | –58 | 6 | 90% |
| Other | 151 | –40 | 111 | 26% |
| Total | 2,046 | –1,562 | 484 | 76% |

Table 5
Fortum's interest rate exposure (Birka Energi not included)

| | Modified duration | Flow risk M€ | Market risk M€ |
|---|---|---|---|
| EUR | 1.8 | – | 6 |
| SEK | 1.0 | 6 | 16 |
| USD | 0.9 | 6 | 10 |
| Other | | 1 | – |
| Total | 1.1 | 13 | 32 |

## 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 2001 no credit losses incurred.

### Price risks of commodities

The core operations of the Group are liable to commodity price and volume risks. The results for Oil and, to some extent, Gas Upstream are dependent on the development of the world market price for crude oil. The value of oil and gas reserves is affected not by short-term price fluctuations but by long-term price development. The profitability of Oil Refining is most affected by the refining margin, in other words, by the differential between the world market price for crude oil and international market and stock exchange prices for petroleum products. The performance of Power Generation is most affected by the market price of electricity and the availability of hydropower production, which depends on the volume of hydro flows.

Risk management guidelines on commodity market risks have been drafted for each of the business units. These guidelines outline measures that may be taken to moderate the risk status of the individual unit. Business unit-specific risk limits have been defined for Trading operations in particular. Hedging instruments used to manage commodity risks include futures and forward contracts, options and swaps.

## 27. Legal proceedings

In an administrative litigation process instituted by Fortum Oil and Gas Oy in 1999, the company demands that the town of Naantali refund harbour charges collected by the town up to a maximum amount of EUR 35 million plus interest. Fortum's complaint was dismissed by the Turku Administrative Court at the end of 2001, but the company has decided to file an appeal with the Supreme Administrative Court.

Fortum's subsidiary, Neste Canada Inc., is plaintiff and defendant in a counterclaim in legal proceedings concerning 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.

In summer 2001, the Directorate-General for Competition of the European Commission sent Fortum's Norwegian subsidiary – along with 29 other companies which produce or sell natural gas extracted from the Norwegian continental shelf – a notice in which it was claimed that the said companies are in breach of EU competition law because of participation in the activities of a gas sales organisation called Gassforhandlingssutvalget (GFU).

Until now, no Norwegian gas supplier has been allowed to sell gas directly, but the Norwegian authorities have required that all gas sales are effected through GFU, which has been established for this purpose by Statoil and Norsk Hydro.

The Commission has been studying Norwegian gas sales for five years. Fortum began gas production in Norway at the Åsgard Gas Field in October 2000. The value of gas sold by Fortum reached ca. 80 million euro at the end of 2001. Fortum's response to the Commission is based on the fact that gas sales have been allowed by the Norwegian authorities only through GFU, and Fortum has had no alternatives.

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, which mostly concern relatively minor interests, 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 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| **Group shares (book value over EUR 2 million)** | | | | | | |
| **Power, Heat and Gas** | | | | | | |
| AS Fortum Virumaa | Estonia | 50,000 | 100.0 | EEK | – | 3,196 |
| Bullerforsens Kraft AB | Sweden | 264,000 | 88.0 | SEK | 26 | 89,018 |
| Dalälvens Kraft AB | Sweden | 25,000 | 100.0 | SEK | 100 | 343,000 |
| Edenderry Power Limited | Ireland | 7,000 | 100.0 | IEP | 7,000 | 8,888 |
| Fortum Direct Ltd | UK | 1,900,000 | 100.0 | GBP | 1,900 | 2,263 |
| Fortum Energia AS | Estonia | 100 | 100.0 | EEK | 1,000 | 19,022 |
| 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 Energy Plus Ltd | UK | 1,599,996 | 100.0 | GBP | 1,600 | 3,147 |
| Fortum Finanz Management GmbH | Germany | 1 | 100.0 | EUR | 25 | 40,929 |
| Fortum Gas Ltd | UK | 3,030,000 | 100.0 | GBP | 3,030 | 4,979 |
| 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 | 193,581 |
| Fortum Lämpö Oy | Espoo | 2,000 | 100.0 | FIM | 10,000 | 8,399 |
| Fortum Power and Heat AB | Sweden | 50,000 | 100.0 | SEK | 8,046,868 | 1,173,687 |
| Fortum Termest AS | Estonia | 296,312 | 86.2 | EEK | – | 4,155 |
| IVO Kraftwerk Lubmin GmbH | Germany | 1 | 100.0 | EUR | 2,863 | 2,867 |
| Kinnekulle Energi AB | Sweden | 325,000 | 100.0 | SEK | 32,500 | 4,532 |
| Kopparkraft AB | Sweden | 6,859,670 | 100.0 | SEK | 100 | 376,324 |
| Kopparkraft Intressenter AB | Sweden | 1,000,000 | 100.0 | SEK | 100,000 | 244,412 |
| Ljusnans Kraft AB | Sweden | 5,000 | 100.0 | SEK | 100 | 266,105 |
| Nynäshamn Värme AB | Sweden | 2,000 | 100.0 | SEK | 2,000 | 2,043 |
| Saracen Gas Ltd | UK | 85,101 | 100.0 | GBP | 85 | 6,012 |
| Spjutmo Kraft AB | Sweden | 85,000 | 85.0 | SEK | 100 | 24,674 |
| Uudenmaan Energia Oy [1)] | Nummela | 2,500 | 50.0 | EUR | 420 | 3,418 |

[1)] 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 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| **Electricity Distribution** | | | | | | |
| Elektrizitätswerk Wesertal GmbH | Germany | 1 | 100.0 | EUR | 35,800 | 388,735 |
| Fortum Viimsi AS [1)] | Estonia | 23,515 | 99.2 | EEK | – | 2,389 |
| Fortum Aluesiirto Oy | Paimio | 9,650 | 100.0 | FIM | 9,650 | 28,746 |
| Fortum Läänemaa AS [1)] | Estonia | 880,000 | 100.0 | EEK | – | 5,868 |
| Fortum Sähkönjakelu Oy | Paimio | 2,039 | 100.0 | FIM | 2,039 | 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.

| | Domicile | No. of shares | Group holding, % | | Nominal value CUR 1,000 | Book value 31 Dec 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| **Oil Refining and Marketing** | | | | | | |
| Best Chain Oy | Helsinki | 112,800 | 100.0 | EUR | 11,280 | 45,413 |
| Eastex Crude Company | USA | – | 70.0 | USD | – | 3,540 |
| Fortum Markets Oy [1)] | Helsinki | 22,542 | 100.0 | EUR | 22,542 | 87,411 |
| Fortum Oil and Gas AB | Sweden | 2,000,000 | 100.0 | SEK | 200,000 | 23,972 |
| 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 | 2,745 |

| | Domicile | No. of shares | Group holding, % | | Nominal value CUR 1,000 | Book value 31 Dec 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| Neste Eesti AS | Estonia | 1,738 | 100.0 | EEK | 1,738 | 5,926 |
| Neste Latvija SIA | Latvia | 180 | 100.0 | LVL | 11,318 | 33,730 |
| Neste Lietuva UAB | Lithuania | 709,830 | 100.0 | LTL | 70,983 | 29,000 |
| Neste Markkinointi Oy | Espoo | 210,560 | 100.0 | EUR | 21,056 | 47,567 |
| Neste MTBE S.A. | Portugal | 600,000 | 100.0 | EUR | 3,000,000 | 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 | 48,431 |
| Neste St. Petersburg OOO | Russia | 10 | 100.0 | RUR | 1,052,821 | 58,427 |
| Tehokaasu Oy | Helsinki | 7,200 | 100.0 | FIM | 18,000 | 3,900 |
| Tidelands Oil Production Company Partnership | USA | – | 80.0 | USD | – | 6,000 |

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

| | | | | | | |
|---|---|---|---|---|---|---|
| **Oil and Gas Upstream** | | | | | | |
| Fortum Petroleum AS | Norway | 2,000 | 100.0 | NOK | 2,000 | 9,579 |
| **Fortum Energy Solutions** | | | | | | |
| ETV Eröterv Rt. | Hungary | 54,422 | 84.2 | HUF | 544,220 | 2,859 |
| Fortum Enertec Hameln GmbH | Germany | – | 100.0 | EUR | 12,833 | 11,396 |
| Fortum Engineering Oy | Helsinki | 11,000 | 100.0 | FIM | 110,000 | 18,728 |
| Fortum Kraftwerk Burghausen GmbH | Germany | 1 | 100.0 | EUR | 500 | 10,000 |
| Fortum Power Holding B.V. | Netherlands | 240 | 100.0 | EUR | 24 | 49,725 |
| Fortum Service Oy | Helsinki | 5,000 | 100.0 | FIM | 50,000 | 8,409 |
| Kotkan Putkityö Oy | Kotka | 100 | 100.0 | FIM | 100 | 2,102 |
| Laem Chabang Power Company Limited | Thailand | 66,999,994 | 100.0 | THB | 670,000 | 17,009 |
| **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 | 250 | 50,351 |
| Fortum Chemicals Benelux Holding B.V. | Netherlands | 173,429 | 100.0 | NLG | 78,390 | 29,245 |
| Fortum Energy Ltd | UK | 5,362,000 | 100.0 | GBP | 5,362 | 8,961 |
| Fortum Finance B.V. | Netherlands | 237,001 | 100.0 | NLG | 237,001 | 104,964 |
| Fortum Investments Ltd | Ireland | 30,910,001 | 100.0 | USD | 30,910 | 78,425 |
| 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 |
| NAPS Systems Oy | Helsinki | 11,363 | 61.0 | EUR | 1,136 | 4,279 |
| **Group companies consolidated using the pooling-of-interests method** | | | | | | |
| Fortum Power and Heat Oy | Helsinki | 91,197,542 | 100.0 | EUR | 153,212 | 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, Heat and Gas** | | | | | | |
| AB Hudik Kraft | Sweden | 6,000 | 50.0 | SEK | 6,000 | 2,417 |
| AB Hälsingekraft | Sweden | 74,500 | 50.0 | SEK | 500 | 27,989 |
| AB Skandinaviska Elverk | Sweden | 1,000,000 | 50.0 | SEK | 100,000 | 98,869 |
| Arvika Energi AB | Sweden | 4,300 | 50.0 | SEK | 4,300 | 2,718 |
| Avestaforsen AB | Sweden | 328,000 | 50.0 | SEK | 32,800 | 23,802 |
| Baerum Fjernvarme AS | Norway | 35,000 | 32.5 | NOK | 35,000 | 5,913 |
| Baerum Fjernvarme Holding AS | Norway | 18,688 | 32.5 | NOK | 18,688 | 2,911 |

| | Domicile | No. of shares | Group holding, % | | Nominal value CUR 1,000 | Book value 31 Dec 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| Birka Energi AB | Sweden | 10,000,000 | 50.0 | SEK | 1,000,000 | 1,236,400 |
| Birka Energi AS | Norway | 17,500 | 50.0 | NOK | 50 | 3,445 |
| Birka Kraft AB | Sweden | 44,155,643 | 50.0 | SEK | 220,778 | 810,946 |
| Birka Marknad AB | Sweden | 125,000 | 50.0 | SEK | 125,000 | 69,286 |
| Birka Värme AB | Sweden | 1,000 | 50.0 | SEK | 1,000 | 19,143 |
| Birka Värme Avesta AB | Sweden | 1,000 | 50.0 | SEK | 50 | 4,534 |
| Birka Värme Holding AB | Sweden | 4,505 | 50.0 | SEK | 50 | 645,128 |
| Birka Värme Lidingö AB | Sweden | 500 | 50.0 | SEK | 50 | 11,907 |
| Birka Värme Stockholm AB | Sweden | 6,099,985 | 50.0 | SEK | 609,999 | 537,565 |
| Brista Kraft AB | Sweden | 2,116 | 50.0 | SEK | – | 6,972 |
| Brännälven Kraft AB (17.7% of votes) | Sweden | 13,403 | 3.4 | SEK | 125 | 13,063 |
| Cajero AB | Sweden | 1,000 | 50.0 | SEK | 500 | 40,886 |
| Ekerö Energi AB | Sweden | 9,752 | 39.8 | SEK | 621 | 12,356 |
| Eksjö Elförsäljning AB | Sweden | 500 | 50.0 | SEK | 50 | 280,537 |
| HemEl AB | Sweden | 500,000 | 50.0 | SEK | 50 | 2,688 |
| Hudiksvalls Energiverk AB | Sweden | 1,000 | 50.0 | SEK | 500 | 7,466 |
| Krångede AB | Sweden | 50 | 50.0 | SEK | 50 | 196,597 |
| Lindsnäsfors Kraft AB | Sweden | 2,151,924 | 50.0 | SEK | 215,193 | 91,226 |
| Ljunga Kraft AB | Sweden | 5,088,813 | 50.0 | SEK | 142,487 | 91,019 |
| Nybroviken Kraft AB (26.5% of votes) | Sweden | 50,000 | 5.1 | SEK | 50 | 12,287 |
| Parteboda Kraft AB (26.5% of votes) | Sweden | 500 | 5.1 | SEK | 50 | 17,253 |
| SEV Holding AB | Sweden | 500 | 50.0 | SEK | 50 | 11,494 |
| Stockholm Energi Vattenkraft AB | Sweden | 250 | 50.0 | SEK | 100 | 245,792 |
| Tåsan Kraft AB | Sweden | 450 | 40.0 | SEK | – | 4,365 |
| Uddeholm Kraft AB | Sweden | 2,976,666 | 50.0 | SEK | 297,667 | 43,115 |
| Voxnan Kraft AB (26.5% of votes) | Sweden | 500 | 5.1 | SEK | 50 | 69,303 |
| Värmlandskraft OKG-delägarna AB | Sweden | 154 | 36.7 | SEK | 154 | 4,895 |
| Ångefallens Kraft AB | Sweden | 2,500 | 25.0 | SEK | 50 | 4,199 |
| Älvkraft i Värmland Intressenter AB (22.8% of votes) | Sweden | 62,500 | 12.5 | SEK | 50 | 3,231 |
| **Electricity Distribution** | | | | | | |
| AB Ryssa Elverk | Sweden | 311,241 | 49.4 | SEK | 25 | 23,528 |
| Birka Nät AB | Sweden | 15 | 50.0 | SEK | 150 | 387,047 |
| Birka Nät Holding AB | Sweden | 500 | 50.0 | SEK | 50 | 389,129 |
| Birka Nät Småland AB | Sweden | 250,000 | 50.0 | SEK | 25,000 | 43,005 |
| Birka Nät Yngeredsfors AB | Sweden | 400,000 | 50.0 | SEK | 40,000 | 92,730 |
| Ockelbo Kraft AB | Sweden | 15,000 | 50.0 | SEK | 25 | 3,040 |
| Täby Energi Nät AB | Sweden | 16,000 | 50.0 | SEK | 4,000 | 2,516 |
| Värmlandsenergi AB | Sweden | 26,806,635 | 50.0 | SEK | 268,067 | 35,096 |
| **Fortum Energy Solutions** | | | | | | |
| Birka Service AB | Sweden | 54,546 | 54.5 | SEK | 12,067 | 7,530 |
| **Other associated companies (book value over EUR 2 million)** | | | | | | |
| **Power, Heat and Gas** | | | | | | |
| AB Aroskraft | Sweden | 24,750 | 55.0 | SEK | 13,375 | 3,846 |
| Gasum Oy | Espoo | 13,250,000 | 25.0 | FIM | 265,000 | 44,570 |
| Blåsjön Kraft AB | Sweden | 3,000 | 25.0 | SEK | 50 | 7,863 |
| Gemeinschaftskraftwerk Weser GmbH | Germany | – | 33.0 | EUR | 28,121 | 28,121 |
| Horrmundsvalla Kraft AB | Sweden | 1,000 | 50.0 | SEK | 1,000 | 4,413 |
| Härjeåns Kraft AB | Sweden | 15,822 | 23.2 | SEK | 50 | 3,546 |
| Ishavskraft AS | Norway | 7,105 | 49.0 | NOK | 7,105 | 6,926 |
| Lappeenrannan Lämpövoima Oy | Lappeenranta | 1,800 | 50.0 | FIM | 18,000 | 3,027 |

| | Domicile | No. of shares | Group holding, % | | Nominal value CUR 1,000 | Book value 31 Dec 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| Mellansvensk Kraftgrupp AB | Sweden | 36,665 | 47.9 | SEK | 30,849 | 28,044 |
| Nova Naturgas AB | Sweden | 510,201 | 20.4 | SEK | 24,490 | 23,377 |
| OKG AB | Sweden | 240,152 | 26.7 | SEK | 15,115 | 5,022 |
| Stensjöns Kraft AB | Sweden | 110,000 | 25.0 | SEK | 5,500 | 23,062 |
| Teollisuuden Voima Oy | Helsinki | 189,877,285 | 26.6 | FIM | 189,877 | 124,655 |
| **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 | 36,877 |
| 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 generation and/or sales.

| | Domicile | No. of shares | Group holding, % | | Nominal value CUR 1,000 | Book value 31 Dec 2001 EUR 1,000 |
|---|---|---|---|---|---|---|
| **Oil Refining and Marketing** | | | | | | |
| CanTerm Canadian Terminals Inc. | Canada | 50 | 50.0 | CAD | 200 | 7,104 |
| Nynäs Petroleum AB | Sweden | 33,765 | 50.0 | SEK | 33,765 | 42,645 |
| **Oil and Gas Upstream** | | | | | | |
| SeverTEK ZAO | Russia | 107,500 | 50.0 | USD | 21,500 | 8,668 |
| **Fortum Energy Solutions** | | | | | | |
| Panjin Liaohe Fortum Thermal Power Company Co. | Thailand | – | 50.0 | EUR | – | 9,007 |
| **Other operations** | | | | | | |
| Enermet Group Oy | Jyväskylä rur. mun. | 268,349 | 26.7 | FIM | 26,835 | 4,513 |
| Finnglass Oy | Alavus | 470 | 37.0 | FIM | 2,350 | 2,523 |
| UVCC II Parallel Fund, L.P. | USA | – | 33.3 | USD | 4,545 | 2,150 |
| **Other participating interests (book value over EUR 2 million)** | | | | | | |
| Kemijoki Oy | Rovaniemi | 427,424 | 17.5 | FIM | 42,742,400 | 293,774 |
| **Other shares and holdings (book value over EUR 2 million)** | | | | | | |
| **Power, Heat and Gas** | | | | | | |
| Eesti Gaas AS | Estonia | 1,212,629 | 17.7 | EEK | 27,503 | 5,245 |
| Lapin Sähkövoima Oy | Tervola | 183,534 | 13.0 | FIM | 184 | 19,624 |
| AO Lenenergo, St Petersburg | Russia | 54,344,760 | 7.1 | RUR | 54,345 | 23,427 |
| Nokian Lämpövoima Oy | Nokia | 19,900 | 19.9 | FIM | 199 | 4,373 |
| Stadtwerke Detmold GmbH | Germany | – | 12.5 | EUR | 2,487 | 2,487 |
| **Electricity Distribution** | | | | | | |
| Imatran Seudun Sähkö Oy (16.6% of votes) | Imatra | 69,594 | 14.6 | FIM | 14,981,677 | 2,522 |
| Vakka-Suomen Voima Oy | Laitila | 14,210 | 16.7 | FIM | 14 | 2,324 |
| **Oil Refining and Marketing** | | | | | | |
| Saudi European Petrochemical Company Ibn Zahr | Saudi Arabia | 98,832 | 10.0 | SAR | 98,832 | 14,851 |
| **Other operations** | | | | | | |
| Silja Oyj Abp | Helsinki | 1,034,950 | 1.7 | FIM | 10,350 | 2,611 |
| Utility Competetive Advantage Fund L.L.C. | USA | – | 11.1 | – | – | 7,908 |

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

# Key financial indicators 1997–2001

| | | 1997 [1] | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|
| INCOME STATEMENT | | | | | | |
| Net sales | M€ | 10,099 | 8,494 | 8,232 | 10,614 | 10,410 |
| -change | % | 7.1 | –15.9 | –3.1 | 28.9 | –1.9 |
| Share of profits (losses) of associated companies | M€ | 75 | 42 | 36 | 46 | 36 |
| Other operating income | M€ | 105 | 102 | 187 | 140 | 203 |
| Depreciation, amortisation and write-downs | M€ | –470 | –505 | –523 | –571 | 623 |
| Other operating expenses | M€ | –9,071 | –7,547 | –7,227 | –9,323 | –9,112 |
| Operating profit | M€ | 738 | 586 | 705 | 906 | 914 |
| -of net sales | % | 7.3 | 6.9 | 8.6 | 8.5 | 8.8 |
| Financial income and expenses | M€ | –244 | –218 | –211 | –273 | –212 |
| Profit before extraordinary items | M€ | 494 | 368 | 494 | 633 | 702 |
| -of net sales | % | 4.9 | 4.3 | 6.0 | 6.0 | 6.7 |
| Extraordinary items | M€ | 326 | –5 | 460 | –10 | – |
| Profit before taxes | M€ | 820 | 363 | 954 | 623 | 702 |
| -of net sales | % | 8.2 | 4.3 | 11.6 | 5.9 | 6.7 |
| Income taxes | M€ | –89 | –123 | –229 | –154 | –160 |
| Minority interests | M€ | –52 | –27 | –22 | –46 | –83 |
| Net profit for the period | M€ | 679 | 213 | 703 | 423 | 459 |
| BALANCE SHEET | | | | | | |
| Fixed assets and other long-term investments | M€ | 8,992 | 9,244 | 9,724 | 11,712 | 11,328 |
| Current assets | | | | | | |
| Inventories | M€ | 737 | 576 | 661 | 746 | 598 |
| Receivables | M€ | 1,451 | 1,192 | 1,379 | 1,933 | 1,766 |
| Cash and marketable securities | M€ | 663 | 564 | 775 | 437 | 602 |
| Shareholders' equity | M€ | 3,930 | 3,975 | 4,705 | 5,022 | 5,485 |
| Minority interests | M€ | 294 | 210 | 126 | 1,281 | 1,270 |
| Provisions for liabilities and charges | M€ | 37 | 64 | 83 | 197 | 144 |
| Deferred tax liabilities | M€ | 888 | 1,078 | 1,128 | 1,177 | 1,122 |
| Interest-bearing debt | M€ | 4,476 | 4,462 | 4,593 | 5,063 | 4,276 |
| Interest-free debt | M€ | 2,218 | 1,787 | 1,904 | 2,088 | 1,997 |
| Total assets | M€ | 11,843 | 11,576 | 12,539 | 14,828 | 14,294 |
| PROFITABILITY | | | | | | |
| Return on shareholders' equity | % | 10.2 | 5.7 | 7.7 | 8.6 | 8.3 |
| Return on capital employed | % | 9.6 | 7.7 | 8.4 | 9.4 | 8.7 |
| FINANCING AND FINANCIAL POSITION | | | | | | |
| Interest-bearing net debt | M€ | 3,813 | 3,898 | 3,818 | 4,626 | 3,674 |
| -of net sales | % | 37.8 | 45.9 | 46.4 | 43.6 | 35.3 |
| Gearing | % | 90 | 93 | 79 | 73 | 54 |
| Equity-to-assets-ratio | % | 36 | 36 | 39 | 43 | 48 |
| Net cash from operating activities | M€ | 756 | 793 | 524 | 424 | 1,145 |
| Cash flow before financing activities | M€ | 131 | 688 | 497 | –685 | 844 |
| Dividends | M€ | 99 | 99 | 141 | 194 | 220 [2] |
| Net interest expenses | M€ | 244 | 224 | 209 | 243 | 215 |
| Interest coverage | | 3.0 | 2.6 | 3.4 | 3.7 | 4.3 |

[1] Fortum Group's financial information for the reference year 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.

| | | 1997 [1] | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|
| OTHER INDICATORS | | | | | | |
| Capital employed | M€ | 8,700 | 8,647 | 9,425 | 11,365 | 11,032 |
| | | | | | | |
| Investments | M€ | 1,797 | 1,702 | 1,059 | 3,131 | 713 |
| -of net sales | % | 17.8 | 20.0 | 12.9 | 29.5 | 6.8 |
| Research and development expenditure | M€ | 87 | 92 | 72 | 58 | 53 |
| -of net sales | % | 0.9 | 1.1 | 0.9 | 0.5 | 0.5 |
| | | | | | | |
| Average number of employees | | 17,772 | 19,003 | 17,461 | 16,220 | 14,803 |

| | | 1997 [1] | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|
| SHARE-RELATED DATA | | | | | | |
| Earnings per share (EPS) | euro | 0.45 | 0.27 | 0.41 | 0.55 | 0.57 |
| Cash flow per share | euro | 0.96 | 1.01 | 0.67 | 0.54 | 1.43 |
| Shareholders' equity per share | euro | 5.01 | 5.06 | 6.00 | 6.32 | 6.49 |
| Dividend per share | euro | 0.13 | 0.13 | 0.18 | 0.23 | 0.26 [2] |
| Dividend per earnings | % | 27.7 | 46.3 | 43.4 | 41.9 | 45.6 [2] |
| Dividend yield | % | | 2.5 | 4.0 | 5.3 | 5.5 [2] |
| Price/earnings ratio (P/E) | | | 18.5 | 10.9 | 7.9 | 8.3 |
| Share prices | | | | | | |
| At the end of the period | euro | | 5.03 | 4.50 | 4.35 | 4.75 |
| Average share price | euro | | 5.66 | 4.76 | 4.18 | 4.79 |
| Lowest share price | euro | | 4.86 | 4.24 | 3.50 | 4.05 |
| Highest share price | euro | | 6.05 | 5.80 | 4.94 | 5.70 |
| Market capitalisation at the end of the period | M€ | | 3,949 | 3,532 | 3,456 | 4,017 |
| Trading volumes | | | | | | |
| Number of shares | | | 1,7642,594 | 112,397,961 | 93,900,112 | 134,498,556 |
| In relation to the weighted average number | % | | 2.2 | 14.3 | 11.9 | 16.8 |
| of shares | | 784,782,635 | 784,782,635 | 784,782,635 | 845,608,575 | 845,608,575 |
| Number of shares excluding own shares | | 784,782,635 | 784,782,635 | 784,782,635 | 794,571,055 | 845,608,575 |
| Adjusted average number of shares | | 784,782,635 | 784,782,635 | 784,782,635 | 787,223,036 | 798,346,433 |

[1] Fortum Group's financial information for the reference year 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.

QUARTERLY NET SALES BY BUSINESS OPERATIONS (SEGMENTS)

| M€ | 2001 | 2000 | Q4/01 | Q3/01 | Q2/01 | 2001<br>Q1/01 | Q4/00 | Q3/00 | Q2/00 | 2000<br>Q1/00 |
|---|---|---|---|---|---|---|---|---|---|---|
| Power, Heat and Gas | 2,227 | 1,873 | 645 | 422 | 475 | 685 | 567 | 380 | 395 | 531 |
| Electricity Distribution | 473 | 470 | 135 | 96 | 105 | 137 | 129 | 103 | 106 | 132 |
| Oil Refining and Marketing | 7,223 | 7,807 | 1,636 | 1,863 | 1,772 | 1,952 | 2,219 | 1,984 | 1,923 | 1,681 |
| Oil and Gas Upstream | 408 | 387 | 81 | 106 | 122 | 99 | 139 | 89 | 82 | 77 |
| Fortum Energy Solutions | 603 | 887 | 87 | 150 | 197 | 169 | 284 | 203 | 215 | 185 |
| Other Operations | 95 | 94 | 22 | 31 | 20 | 22 | 26 | 24 | 23 | 21 |
| Internal invoicing | –619 | –904 | –70 | –186 | –188 | –175 | –282 | –222 | –196 | –204 |
| Net sales | 10,410 | 10,614 | 2,536 | 2,482 | 2,503 | 2,889 | 3,082 | 2,561 | 2,548 | 2,423 |

QUARTERLY OPERATING PROFIT BY BUSINESS OPERATIONS (SEGMENTS)

| M€ | 2001 | 2000 | Q4/01 | Q3/01 | Q2/01 | 2001<br>Q1/01 | Q4/00 | Q3/00 | Q2/00 | 2000<br>Q1/00 |
|---|---|---|---|---|---|---|---|---|---|---|
| Power, Heat and Gas | 367 | 211 | 114 | 41 | 49 | 163 | 63 | 2 | 44 | 102 |
| Electricity Distribution | 135 | 127 | 30 | 24 | 25 | 56 | 34 | 25 | 19 | 49 |
| Oil Refining and Marketing | 242 | 386 | 15 | 78 | 95 | 54 | 108 | 135 | 137 | 6 |
| Oil and Gas Upstream | 196 | 213 | 33 | 46 | 68 | 49 | 84 | 46 | 41 | 42 |
| Fortum Energy Solutions | 13 | –11 | 5 | –1 | 21 | –12 | –5 | –1 | –3 | –2 |
| Other Operations | –40 | –22 | –24 | –2 | –9 | –5 | –5 | –5 | –13 | 1 |
| Eliminations | 1 | 2 | –2 | –1 | 2 | 2 | 4 | –1 | – | –1 |
| Operating profit | 914 | 906 | 171 | 185 | 251 | 307 | 283 | 201 | 225 | 197 |

# Formulae for the key financial indicators

| | | |
|---|---|---|
| Cash and marketable securities | = | Cash and cash equivalents + marketable securities |
| Return on shareholders' equity (%) | = | $100 \times \dfrac{\text{Profit before extraordinary items – taxes}}{\text{(Shareholders' equity + minority interests) average}}$ |
| Return on capital employed (%) | = | $100 \times \dfrac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Capital employed average}}$ |
| Return on net assets (%) | = | $100 \times \dfrac{\text{Operating profit}}{\text{Net assets average}}$ |
| Interest-bearing net debt | = | Interest-bearing debt – cash and marketable securities |
| Gearing (%) | = | $100 \times \dfrac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interests}}$ |
| Equity-to-assets ratio (%) | = | $100 \times \dfrac{\text{Shareholders' equity + minority interests}}{\text{Total assets – advances received}}$ |
| Interest coverage | = | $\dfrac{\text{Operating profit}}{\text{Net interest expenses}}$ |
| Capital employed | = | Total assets – interest-free liabilities – deferred tax liabilities – provisions for liabilities and charges |
| Earnings per share (EPS) | = | $\dfrac{\text{Profit before extraordinary items – taxes on regular business operations – minority interests}}{\text{Adjusted average number of shares during the period}}$ |
| Cash flow per share | = | $\dfrac{\text{Cash from operating activities}}{\text{Adjusted average number of shares during the period}}$ |
| Shareholders' equity per share | = | $\dfrac{\text{Shareholders' equity}}{\text{Adjusted average number of shares at the end of the period}}$ |
| Dividend per share | = | $\dfrac{\text{Dividends for the financial period}}{\text{Adjusted average number of shares during the period}}$ |
| Dividend per earnings (%) | = | $100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$ |
| Dividend yield (%) | = | $100 \times \dfrac{\text{Dividend per share}}{\text{Share price at the end of the period}}$ |
| Price/earnings ratio | = | $\dfrac{\text{Share price at the end of the period}}{\text{Earnings per share}}$ |
| Average share price | = | $\dfrac{\text{Amount traded in euros during the period}}{\text{Adjusted number of shares traded during the period}}$ |
| 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

| M€ | Note | 2001 | 2000 |
|---|---|---|---|
| **Net sales** | 1 | 51 | 51 |
| Other operating income | 2 | 19 | – |
| Depreciation, amortisation and write-downs | 3 | –1 | – |
| Other operating expenses | 4 | –87 | –87 |
| **Operating profit** | | –18 | –36 |
| Financial income and expenses | 5 | 183 | 65 |
| **Profit before extraordinary items** | | 165 | 29 |
| Extraordinary items | | | |
| Group contributions | | 335 | 220 |
| **Profit before appropriations and taxes** | | 500 | 249 |
| Appropriations | 6 | –1 | – |
| Income taxes | 7 | –152 | –74 |
| **Net profit for the period** | | 347 | 175 |

## Balance sheet

| M€ | Note | 2001 | 2000 |
|---|---|---|---|
| ASSETS | | | |
| **Fixed assets and other long-term investments** | 8,9 | | |
| Intangible assets | | 4 | 1 |
| Tangible assets | | 5 | 2 |
| Other long-term investments | | 7,162 | 7,008 |
| | | 7,171 | 7,011 |
| **Current assets** | | | |
| Short-term receivables | 10 | 522 | 525 |
| Investments | 11 | 149 | – |
| Cash and cash equivalents | | 141 | 110 |
| | | 812 | 635 |
| | | 7,983 | 7,646 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| **Shareholders' equity** | 13 | | |
| Share capital | | 2,875 | 2,875 |
| Share premium | | 2,778 | 2,778 |
| Retained earnings | | 270 | 290 |
| Net profit for the period | | 347 | 175 |
| | | 6,270 | 6,118 |
| **Accumulated appropriations** | | | |
| Accumulated depreciation above the plan | | 1 | 1 |
| **Long-term liabilities** | | | |
| Interest-bearing | 14 | 189 | 202 |
| **Short-term liabilities** | 14 | | |
| Interest-bearing | | 1,461 | 1,245 |
| Interest-free | | 62 | 80 |
| | | 1,523 | 1,325 |
| | | 7,983 | 7,646 |

## Cash flow statement

| M€ | Note | 2001 | 2000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before extraordinary items | | 165 | 29 |
| Depreciation, amortisation and write-downs | | 1 | 6 |
| Financial income and expences | | –183 | –65 |
| Divesting activities, net | | –18 | – |
| Operating profit before change in working capital | | –35 | –30 |
| Change in working capital | | | |
| Decrease (+)/increase (–) in interest free trade and other short-term receivables | | 5 | –13 |
| Decrease (–)/increase (+) in interest free liabilities | | –6 | 8 |
| | | –1 | –5 |
| **Cash generated from operations** | | –36 | –35 |
| Interest and other financial expences received, net | | 18 | 9 |
| Dividends received | | 163 | 0 |
| Group contribution received | | 220 | 511 |
| Income taxes paid | | –178 | –153 |
| Realised foreign exchange gains and losses | | –22 | –39 |
| **Net cash from operating activities** | | 165 | 293 |
| **Cash flows from investing activities** | | | |
| Capital expenditures | | –9 | –3 |
| Acquisition of shares in subsidiaries | | – | –50 |
| Investments in shares in associated companies | | –1 | – |
| Investments in other shares | | –1 | –1 |
| Proceeds from sales of shares in subsidiaries net of cash disposed | | 2 | – |
| Proceeds from sales of shares in associated companies | | 47 | – |
| Change in other investments, increase (–), decrease (+) | | –44 | –1,115 |
| **Cash flow from investing activities** | | –6 | –1,169 |
| **Cash flow before financing activities** | | 159 | –876 |
| **Cash flows from financing activities** | | | |
| Payment of (–)/proceeds from (+) short-term borrowings | | 241 | 938 |
| Proceeds from long-term liabilities | | – | 189 |
| Payment of long-term liabilities | | –25 | – |
| Dividends paid | | –195 | –141 |
| Other financing activities | | – | –1 |
| **Cash flow from financing activities** | | 21 | 985 |
| **Net increase (+)/decrease (–) in cash and marketable securities** | | 180 | 109 |
| Cash and marketable securities at the beginning of the period | | 110 | 1 |
| Cash and marketable securities at the end of the period | | 290 | 110 |
| **Net increase (+)/decrease (–) in cash and marketable securities** | | 180 | 109 |

## Notes to the financial statements

| M€ | 2001 | 2000 |
|---|---|---|
| **1. Net sales by market area** | | |
| Finland | 51 | 51 |
| **2. Other operating income** | | |
| Gains on the sales of fixed assets | 19 | – |
| **3. Depreciation, amortisation and write-downs** | | |
| Depreciation and amortisation according to the plan | 1 | – |
| **4. Other operating expenses** | | |
| Personnel expenses | | |
| Wages and salaries | 20 | 19 |
| Indirect employee costs | | |
| Pension costs | 4 | 3 |
| Other indirect employee costs | 9 | 7 |
| Other operating expenses | 54 | 58 |
| Total | 87 | 87 |
| Salaries and remunerations | | |
| President and CEO and members of the Board of Directors | 1 | 1 |
| Average number of employees | 377 | 385 |
| **5. Financial income and expenses** | | |
| Income from Group companies | 162 | – |
| Income from associated companies | 1 | 1 |
| Other interest and financial income from Group companies | 85 | 88 |
| Other interest and financial income | 17 | 8 |
| Exchange rate differences | –4 | 64 |
| Interest and other financial expenses to Group companies | –63 | –56 |
| Interest and other financial expenses | –15 | –40 |
| Total | 183 | 65 |
| Total interest income and expenses | | |
| Interest income | 102 | 94 |
| Interest expenses | –77 | –88 |
| Net interest income | 25 | 66 |

| M€ | 2001 | 2000 |
|---|---|---|
| **6. Appropriations** | | |
| Depreciation above the plan | 1 | – |
| **7. Income taxes** | | |
| Taxes on regular business operations | 55 | 10 |
| Taxes on extraordinary items | 97 | 64 |
| Total | 152 | 74 |
| **8. Fixed assets and other long-term investments** | | |
| Intangible assets | | |
| Other long-term expenditure | 4 | 1 |
| Tangible assets | | |
| Machinery and equipments | 3 | 2 |
| Advances paid and construction in progress | 2 | – |
| Total | 5 | 2 |
| Other long-term investments | | |
| Shares in Group companies | 5,801 | 5,802 |
| Receivables from Group companies | 1,327 | 1,162 |
| Shares in associated companies | 5 | 33 |
| Receivables from associated companies | 11 | 9 |
| Other shares and holdings | 3 | 2 |
| Other receivables | 15 | – |
| Total | 7,162 | 7,008 |

### 9. Change in acquisition cost

| Intangible assets | Other long-term expenditure | Total |
|---|---|---|
| Acquisition cost as of 1 Jan 2001 | 1 | 1 |
| Increases | 5 | 5 |
| Decreases | 1 | 1 |
| Acquisition cost as of 31 Dec 2001 | 5 | 5 |
| Accumulated depreciation, amortisation and write-downs as of 1 Jan 2001 | – | – |
| Depreciation and amortisation for the period | 1 | 1 |
| Accumulated depreciation, amortisation and write-downs as of 31 Dec 2001 | 1 | 1 |
| Balance sheet value as of 31 Dec 2001 | 4 | 4 |
| Balance sheet value as of 31 Dec 2000 | 1 | 1 |

| Tangible assets<br>M€ | Machinery and equipment | Advances paid and construction in progres | Total |
|---|---|---|---|
| Acquisition cost as of 1 Jan 2001 | 2 | – | 2 |
| Increases | 2 | 2 | 4 |
| Decreases | – | – | – |
| Acquisition cost as of 31 Dec 2001 | 4 | 2 | 6 |
| Accumulated depreciation, amortisation and write-downs as of 1 Jan 2001 | – | – | – |
| Depreciation and amortisation for the period | 1 | – | 1 |
| Accumulated depreciation, amortisation and write-downs as of 31 Dec 2001 | 1 | – | 1 |
| Balance sheet value as of 31 Dec 2001 | 3 | 2 | 5 |
| Balance sheet value as of 31 Dec 2000 | 2 | – | 2 |

## Investments

| | Shares in Group companies | Receivables from Group companies | Shares in associated companies | Receivables from associated companies | Other shares and holdings | Other receivables | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost as of 1 January | 5,802 | 1,162 | 33 | 9 | 2 | – | 7,008 |
| Increases | – | 635 | 1 | 2 | 1 | 15 | 654 |
| Decreases | 1 | 470 | 29 | – | – | – | 500 |
| Acquisition cost as of 31 December | 5,801 | 1,327 | 5 | 11 | 3 | 15 | 7,162 |
| Balance sheet value as of 31 Dec 2001 | 5,801 | 1,327 | 5 | 11 | 3 | 15 | 7,162 |
| Balance sheet value as of 31 Dec 2000 | 5,802 | 1,162 | 33 | 9 | 2 | – | 7,008 |

| M€ | 2001 | 2000 |
|---|---|---|

## 10. Short-term receivables

| | 2001 | 2000 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | 7 | 16 |
| Other receivables | 368 | 406 |
| Accrued income and prepaid expenses | 13 | 12 |
| Total | 388 | 434 |
| Receivables from associated companies | | |
| Accrued income and prepaid expenses | 2 | 1 |
| Total | 2 | 1 |
| Other receivables | 7 | – |
| Accrued income and prepaid expenses | 125 | 90 |
| Total | 522 | 525 |

## 11. Investments

| | 2001 | 2000 |
|---|---|---|
| Market value | 149 | |
| Book value | 149 | |
| Difference | – | |

| M€ | 2001 | 2000 |
|---|---|---|

## 12. Pension commitments to corporate management

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

## 13. Changes in shareholders' equity

| | 2001 | 2000 |
|---|---|---|
| Share capital as of 1 January | 2,875 | 2,640 |
| Scrip issue | – | 28 |
| Share issue | – | 207 |
| Share capital as of 31 December | 2,875 | 2,875 |
| Share premium as of 1 January | 2,778 | 2,780 |
| Scrip issue | – | – 28 |
| Increase in share premium | – | 26 |
| Share premium as of 31 December | 2,778 | 2,778 |
| Retained earnings as of 1 January | 465 | 432 |
| Dividends paid | – 194 | – 141 |
| Other distribution | – 1 | – 1 |
| Net profit for the period | 347 | 175 |
| Retained earnings as of 31 December | 617 | 465 |
| Distributable funds as of 31 December | 617 | 465 |

| M€ | 2001 | 2000 |
|---|---|---|
| **14. Liabilities** | | |
| Long-term liabilities | | |
| Convertible bonds | – | 4 |
| Loans from financial institutions | 181 | 189 |
| Other long-term liabilities to Group companies | 8 | 9 |
| Total | 189 | 202 |
| of which interest-bearing | 189 | 202 |
| | | |
| Short-term liabilities | | |
| Bonds | – | 3 |
| Convertible bonds | 4 | |
| Loans from financial institutions | 8 | 563 |
| Trade payables | 3 | 2 |
| Liabilities to Group companies | | |
| Trade payables | 8 | 9 |
| Bonds | – | 13 |
| Other liabilities | 1,446 | 652 |
| Accruals and deferred income | 4 | 6 |
| Total | 1,458 | 680 |
| Liabilities to associated companies | | |
| Other liabilities | 3 | 1 |
| Total | 3 | 1 |
| Other short-term liabilities | 4 | 50 |
| Accruals and deferred income | 43 | 26 |
| Total | 1,523 | 1,325 |
| of which interest-bearing | 1,461 | 1,245 |
| | | |
| Interest-bearing and interest-free liabilities | | |
| Interest-bearing liabilities | 1,650 | 1,447 |
| Interest-free liabilities | 62 | 80 |
| Total | 1,712 | 1,527 |

| M€ | 2001 | 2000 |
|---|---|---|
| Short-term accruals and deferred income | | |
| Interests | 18 | 21 |
| Other short-term accruals and deferred income | 30 | 11 |
| Total | 48 | 32 |
| | | |
| Maturity of long-term liabilities | | |
| Year | | |
| 2002 | 13 | |
| 2003 | 3 | |
| 2004 | 4 | |
| 2005 | 177 | |
| 2006 and later | 5 | |
| Total | 202 | |

## 15. Bonds, debentures and other notes

| Issuing year | Maturity year | 2001 | 2000 |
|---|---|---|---|
| 1994 FIM-loan | 2001 | – | 3 |

## 16. Contingent liabilities

| | 2001 | 2000 |
|---|---|---|
| Undertakings on behalf of Group companies | | |
| Guarantees | 238 | 72 |
| Other contingent liabilities | – | 71 |
| Total | 238 | 143 |
| | | |
| Undertakings on behalf of associated companies | | |
| Guarantees | 153 | 140 |
| | | |
| Contingent liabilities total | 391 | 283 |

Derivatives

| M€ | 2001 | | | 2000 | | |
|---|---|---|---|---|---|---|
| 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 | 1,781 | 31 | 40 | 1,656 | 8 | 16 |
| Forward foreign exchange contracts [1), 2)] | 4,570 | – 16 | – | 4,349 | 17 | – |
| Currency swaps | 1,565 | 121 | – 1 | 1,577 | 69 | – 1 |
| Purchased currency options | 239 | – 4 | – | 155 | 1 | – |
| Written currency options | 239 | 4 | – | 155 | – 1 | – |

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

# Shares and shareholders

## Share capital in 2001

During 2001, there were no changes in the share capital of Fortum Corporation. By the end of the year, a total of 845,608,575 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 2001, 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 2001, 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 1998–2001

| | 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 | – | 784,782,635 | 28,441,677 | 2,668,260,959 |
| Rights issue 30 Sept 2000 | 60,825,940 | 845,608,575 | 206,808,196 | 2,875,069,155 |
| Share capital on 31 Dec 2001 | | 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 2001

| Shareholder | No. of shares 1,000 | Holding % |
|---|---|---|
| Finnish State | 598,196,606 | 70.74 |
| Social Insurance Institution | 16,753,696 | 1.98 |
| Ilmarinen Mutual Pension Insurance Company | 8,996,600 | 1.06 |
| Varma-Sampo Mutual Pension Insurance Company | 6,863,000 | 0.81 |
| The town of Kurikka | 6,203,500 | 0.73 |
| Fortum Pension Foundation | 5,034,952 | 0.60 |
| Pohjola Non-Life Insurance Company Limited | 3,700,000 | 0.44 |
| Suomi Mutual Life Assurance Company | 3,150,000 | 0.37 |
| Tapiola Mutual Pension Insurance Company | 3,146,176 | 0.37 |
| LEL Employment Pension Fund | 2,891,383 | 0.34 |
| Nominee registrations | 85,481,721 | 10.11 |
| Other shareholders in total | 105,190,941 | 12.45 |
| Total number of shares | 845,608,575 | 100.00 |

## Distribution of ownership of shares as of 31 December 2001

| No. of shares | No. of share-holders | % of share-holders | No. of shares | % of share capital |
|---|---|---|---|---|
| 1– 100 | 2,783 | 5.22 | 186,740 | 0.02 |
| 101 – 500 | 21,677 | 40.67 | 5,777,696 | 0.68 |
| 501 – 1,000 | 16,343 | 30.66 | 10,554,853 | 1.25 |
| 1,001 – 10,000 | 11,873 | 22.27 | 29,172,317 | 3.45 |
| 10,001 – 100,000 | 523 | 0.98 | 13,422,917 | 1.59 |
| 100,001 – 1,000,000 | 82 | 0.15 | 28,370,610 | 3.36 |
| 1,000,001 – 10,000,000 | 19 | 0.04 | 62,678,535 | 7.41 |
| over 10,000,000 | 3 | 0.01 | 695,358,711 | 82.23 |
| | 53,303 | 100.00 | 845,522,379 | 99.99 |
| Unregistered/uncleared transactions as of 31 December 2001 | | | 86,196 | 0.01 |
| Total | | | 845,608,575 | 100.00 |
| of which nominee registrations | | | 85,481,721 | 10.11 |

## Distribution of ownership of shares by owner category as of 31 December 2001

| Owner category | % of owners | % of share capital |
|---|---|---|
| Private non-financial corporations | 2.65 | 0.93 |
| Public non-financial corporations | 0.02 | 0.03 |
| Financial and insurance institutions | 0.24 | 3.71 |
| General government | 0.16 | 78.60 |
| Non-profit organisations | 0.54 | 0.79 |
| Households | 95.52 | 5.73 |
| Outside Finland and nominee registrations | 0.87 | 10.20 |
| Unregistered/uncleared | | 0.01 |
| Total | 100.00 | 100.00 |

### State ownership

At the beginning of 2001, the Finnish State owned 70.74% of the company's shares, while its share of the voting rights was 75.29%, as the shares owned by Fortum Power and Heat Oy did not carry any voting rights. At the end of the year, the Finnish State's ownership of both the shares and voting rights was 70.74%.

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.

### Sales of own shares

Fortum Power and Heat Oy, a wholly-owned subsidiary of Fortum Corporation, sold its entire holding of 51,037,520 shares in Fortum Corporation through transactions executed on the Helsinki Exchanges on 4 December 2001. The shares represented 6.04% of the company's shares outstanding, and have a nominal value of EUR 173,527,568. The shares were placed at EUR 4.65 per share, raising total proceeds of EUR 237 million. Fortum Power and Heat Oy had obtained possession of the shares in September 2000 in connection with the merger of Länsivoima Oyj.

## Management holdings and stock options

On 31 December 2001, 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 9,086 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 950 of stock options from 1999, which entitle them to a subscription of a total of 950,000 Fortum Corporation shares on certain conditions, and a total of 900,000 of stock options from 2001, which entitle them to a subscription of a total of 900,000 stock options in Fortum Corporation shares on certain conditions.

## Bond loan with warrants to employees and management stock option scheme

We have three incentive systems tied to the share. Two of these were launched in 1999 and one in 2001.

### *Management stock option scheme (1999)*

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 and 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 2001, 117 people were members of this scheme, with a total of 11,910 stock options.

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 2002–30 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. In spring 2001, Fortum's Board of Directors decided to close the 1999 option scheme. Therefore, unsubscribed stock options under the scheme will no longer be distributed to the employees.

### *Bond loan with warrants to employees (1999)*

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 EUR 168.19 (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 2001, the bond loan amounted to EUR 3.6 million. As a result of the subscriptions relating to the bond loan with warrants to employees, Fortum's share capital may be increased by a maximum of EUR 22.1 million, or 6.5 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 4.62. The shares subscribed for entitle the holder to distribution of a dividend for the accounting period during which the shares will be subscribed for.

### *Stock option scheme to key employees (2001)*

The stock option programme for Fortum's key employees comprises 24 million warrants, 8 million of which will be marked with the symbol 2001A, 8 million with 2001B and 8 million with 2001C. With the fulfilment of the terms of subscription, the warrants entitle to subscription of a maximum of 24 million Fortum Corporation shares. The warrants can be exchanged for shares constituting a maximum of 2.7% of the company's present shares and voting rights. As a result of subscriptions made as part of this stock option scheme to key employees, Fortum's share capital may rise, in total, by a maximum of EUR 81.6 million. At the end of 2001, the stock option scheme covered 358 people with a total of 13,287,500 warrants. The warrants were divided as follows: 5,475,000 of warrant 2001A, 7,812,500 of warrant 2001B, and 0 of warrant 2001C.

The subscription price for warrant 2001A shall be the trade-volume weighted average quotation of the Fortum Corporation share on the Helsinki Exchanges between 1 April 2001 and 31 March 2005, for warrant 2001B the trade-volume weighted average quotation of the Fortum Corporation share on the Helsinki Exchanges between 1 October 2001 and 30 September 2005, and for warrant 2001C the trade-volume weighted average quotation of the Fortum Corporation share on the Helsinki Exchanges between 1 April 2002 and 31 March 2006.

The development of the Fortum Corporation share is compared to a European utilities index. The subscription price of the warrants is decreased by twice the percentage by which the appreciation of the Fortum Corporation share price will exceed the appreciation of the comparison index during the period for determination of the subscription price, as well as by the amount of the cash dividends distributed during the period for determination of the subscription price.

The above determined share subscription price shall nevertheless always amount to at least the trade-volume weighted average quotation of the Fortum Corporation share on the Helsinki Exchanges between 1 April and 30 April 2001 (EUR 4.47). The subscription price is decreased by the amount of the cash dividend distributed after the beginning of the period for determination of the subscription price but before the date of the share subscription.

The subscription period will be staggered, beginning on 15 October 2005, 15 January 2006 and 15 April 2006, and ending for all warrants on 1 May 2007. The subscription period, however, does not begin with any warrants unless the share quotation of the Fortum Corporation share during calendar years 2001–2004 has developed at least as well as the European utilities index, and unless the average profit per share for four successive years, after 31 December 2000, is 105% of the average profit per share for the financial years 1998–2000, rectified of exceptional entries.

## 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 issue convertible bond loans or bonds with warrants, increase the company's share capital or acquire for the company's own shares.

## Quotation and trading or shares

The highest quotation of Fortum Corporation's shares on the Helsinki Exchanges in 2001 was EUR 5.70, the lowest EUR 4.05, and the middle-market quotation EUR 4.79. The closing quotation on the last trading day of the year was EUR 4.75.

A total of 134.5 million shares for a total of EUR 644.7 million was traded during 2001. Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the year, was EUR 4,017 million.

# Proposal for the distribution of retained earnings

The Group's non-restricted equity and distributable equity as of 31 December 2001 amounted to EUR 2,503 million. The parent company's distributable equity as of 31 December 2001 stood at EUR 617,432,554.99.

The Board of Directors proposes that Fortum Corporation should pay a dividend of EUR 0.26 per share, totalling EUR 219,858,229.50. The rest of the distributable equity will be carried over to retained earnings.

Espoo, 13 February 2002

Matti Vuoria
Birgitta Kantola
Antti Lagerroos
Erkki Virtanen

Heikki Pentti
Lasse Kurkilahti
Hans von Uthmann

Mikael Lilius
President and CEO

# Auditors' report

To the shareholders of Fortum Corporation

We have audited the accounting, the financial statements and the corporate governance of Fortum Corporation for the period from 1 January to 31 December 2001. 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.

Espoo, 13 February 2002

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, 26 February 2002

Ben Zyskowicz

| | | |
|---|---|---|
| Henrik Aminoff | Tuija Brax | Kaarina Dromberg |
| Klaus Hellberg | Rakel Hiltunen | Harri Holkeri |
| Jorma Huuhtanen | Mikko Immonen | Kyösti Karjula |
| Tanja Karpela | Jouko K. Leskinen | Leena Luhtanen |
| Pertti Mäki-Hakola | Matti Vanhanen | Sirkka Vilkamo |