Fortum Corporation
Interim Report
January - March 2004

Fortum

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Interim Report January - March 2004

A good start to the year
- earnings up by nearly 20%

The first quarter in brief

- Operating profit EUR 562 million (+18%) despite weaker market drivers
- Improvement in all segments
- Earnings per share EUR 0.38 (+19%)
- Net debt EUR 5,276 million (EUR -350 million since end 2003), due to strong cash flow
- Ongoing work to separate and list oil businesses

Key figures	**I/04**	**I/03**	**2003**	**Last 12 months (LTM)**
Net sales, EUR million	2,823	3,593	11,392	10,622
Operating profit, EUR million	562	475	1,420	1,507
- excluding non-recurring items, EUR million	529	471	1,360	1,418
Profit before taxes, EUR million	487	410	1,184	1,261
Earnings per share, EUR	0.38	0.32	0.91	0.97
Shareholders' equity per share, EUR	7.50	6.96	7.55	
Capital employed (at end of period), EUR million	12,101	12,309	12,704	
Interest-bearing net debt (at end of period), EUR million*)	5,276	4,624	5,626	
Investments, EUR million	108	112	1,136	1,132
Net cash from operating activities, EUR million	458	344	1,577	
Return on capital employed, %	18.6	15.6	11.4	12.9
Return on shareholders' equity, %*)	20.4	16.5	12.3	12.5
Gearing, %*)	80	63	85	
Average number of employees	13,023	12,733	13,343	
Average number of shares, 1,000s	849,698	845,776	846,831	845,953

*) the figures for 2003 and the first quarter in 2004 include the impact of the redemption of the preference shares worth EUR 1.2 billion issued by Fortum Capital Ltd

During the first three months of the year, Fortum´s financial performance improved compared to the first quarter in 2003. The operating results of all segments were higher than during the corresponding period last year despite significantly lower Nord Pool electricity prices and lower oil refining reference margins compared to the previous year's figures. The good result was due to operational efficiency: utilisation of the flexible power production portfolio, successful hedging, good availability of production units, a high-value oil product slate as well as an improved cost structure. Cash flow from operating activities continued to be healthy. The balance sheet was further strengthened by a EUR 350 million reduction in net debt compared to year-end 2003.

Preparations to separate and list the oil businesses continued.

Fortum continued to divest non-core businesses.

The first quarter was characterised by the relative stability of the Nord Pool power prices, although the average was 46% lower than during the corresponding period in 2003. The international oil refining reference margin was strong, even if the average level was 18% lower than a year ago.

Net sales and results

Group net sales stood at EUR 2,823 million (EUR 3,593 million in January-March 2003). The main reasons for the decrease were the lower market prices for electricity, the Group's exit from gas trading and a weakened US dollar and lower oil trading levels.

Group operating profit totalled EUR 562 (475) million. Operating profit excluding non-recurring items stood at EUR 529 (471) million. The net amount of non-recurring items was EUR 33 (4) million, including a one-time compensation of EUR 29 million from parties in the new nuclear power unit relating to the existing nuclear infrastructure.

The results for Power, Heat and Gas improved compared to the corresponding period last year, despite lower market prices for electricity. This was mainly due to Fortum's flexible production portfolio, successful hedging, internal efficiency improvements and a considerable improvement in Fortum Värme's results.

As a regulated business, Distribution´s results remained stable. Internal efficiency measures enabled a slight improvement in the results.

The results for Markets improved significantly compared to last year. The main enablers were better risk management, improved business processes and cost reductions.

The results for Oil Refining and Marketing reached a record high in spite of a lower international oil refining reference margin and a weaker US dollar than a year ago. This was due to a favourable product slate, competitive feedstocks and excellent availability at the refineries. In addition, Shipping enjoyed high freight rates, especially for crude oil. Due to the slight increase in the price of crude oil, some inventory gains were included in the results.

Profit before taxes was EUR 487 (410) million.

The Group´s net financial expenses were EUR 75 (65) million. The amount includes the interest cost attributable to the debt assumed when redeeming the preference shares issued by Fortum Capital Ltd as well as approximately EUR 10 million representing the net present value of the interest rate differential relating to the prepayment of the private placement bonds issued in the United States in 1992.

Minority interests accounted for EUR 19 (33) million. The decrease is mainly due to the above-mentioned redemption of Fortum Capital's preference shares, accounted for as minority interests before the redemption. The figure for 2004 is mainly attributable to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 147 (107) million. The tax rate according to the income statement was 30.2% (26.1%).

Net profit for the period was EUR 321 (270) million. Earnings per share were EUR 0.38 (0.32). Return on capital employed was 18.6% (15.6%) and return on shareholders´ equity was 20.4% (16.5%).

SEGMENT REVIEWS

Power, Heat and Gas

The main business area comprises power and heat generation and sales in the Nordic countries and other parts of the Baltic Rim as well as the provision of operation and maintenance services in the Nordic area and selected international markets. Fortum is the second largest power company in the Nordic countries as well as the leading heat producer in the region.

EUR million	I/04	I/03	2003	LTM
Net sales	890	1,204	3,394	3,080
- electricity sales	511	665	1,853	1,699
- heat sales	286	268	775	793
- other sales	93	271	766	588
Operating profit	335	291	776	820
- excluding non-recurring items	312	292	775	795
Net assets (at end of period)	8,569	8,699	8,850	
Return on net assets, %	15.4	13.3	8.9	9.5

The decrease in net sales was due to the lower prices of electricity and the exit from gas trading.

During the period from January to March, the spot price for electricity on the Nordic power exchange, Nord Pool, remained stable, averaging EUR 28.6 (53.3) per megawatt-hour. The price was about 46% lower than the corresponding figure last year and 16% lower compared to the last quarter of 2003.

At the start of 2004, the Nordic water reservoirs were about 16 TWh below the average but 8 TWh above the corresponding level for 2003. During the first quarter, the water reservoir deficit decreased slightly but snow accumulation was poor leading to a deficit in snow reservoirs. According to preliminary statistics, the Nordic countries consumed 113 (112) TWh electricity during the first quarter, which was 1% more than the previous year.

Fortum´s own power generation in the Nordic countries during the first quarter was 15.2 (14.8) TWh, 13 % (13%) of Nordic electricity consumption.

The average price of electricity sold by Fortum in the Nordic countries was 14% lower than the corresponding figure last year and 7% lower compared to the last quarter of 2003.

Fortum´s total electricity sales volumes amounted to 17.7 (18.0) TWh. Sales volumes in the Nordic countries were 17.3 (17.3) TWh representing approximately 15% (15%) of Nordic electricity consumption during the period. Sales volumes in Power, Heat and Gas amounted to 16.5 (17.9) TWh, of which 16.1 (17.2) TWh was attributable to the Nordic countries.

The business of Fortum Värme in Sweden developed positively owing to a favourable fuel mix and good power plant availability.

In March, Fortum signed a 12-year operation and maintenance contract for a waste facility under construction by Kent Enviropower Limited in the UK.

Own power generation by source, TWh, in the Nordic countries	**I/04**	**I/03**	**2003**	**LTM**
Hydropower	4.7	4.1	16.9	17.5
Nuclear power	7.0	6.7	23.8	24.1
Thermal power	3.5	4.0	10.5	10.0
Total	15.2	14.8	51.2	51.6

Share of own production in the Nordic countries, %	**I/04**	**I/03**	**2003**	**LTM**
Hydropower	31	28	33	34
Nuclear power	46	45	46	47
Thermal power	23	27	21	19
Total	100	100	100	100

Electricity sales by area, TWh	**I/04**	**I/03**	**2003**	**LTM**
Sweden	7.9	8.9	28.2	27.2
Finland*)	8.2	8.3	28.5	28.4
Other countries	0.4	0.7	2.4	2.1
Total	16.5	17.9	59.1	57.7

*) 2003 volumes have been restated due to internal transfer between segments

Heat sales by area, TWh	**I/04**	**I/03**	**2003**	**LTM**
Sweden	4.0	4.0	9.5	9.5
Finland	3.5	3.5	10.3	10.3
Other countries	1.2	0.8	3.9	4.3
Total	8.7	8.3	23.7	24.1

Distribution

Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.4 million customers in Sweden, Finland, Norway and Estonia.

EUR million	**I/04**	**I/03**	**2003**	**LTM**
Net sales	206	199	688	695
- distribution network transmission	174	165	569	578
- regional network transmission	25	27	88	86
- other sales	7	7	31	31
Operating profit	87	81	247	253
- excluding non-recurring items	87	80	227	234
Net assets (at end of period)	3,095	3,179	3,129	
Return on net assets, %	11.2	10.2	7.9	8.1

During the first quarter, the volume of distribution and regional network transmissions totalled 7.0 (6.6) TWh and 5.4 (6.2) TWh respectively.

Electricity transmissions via the regional distribution network to customers outside the Group totalled 4.5 (4.6) TWh in Sweden and 0.9 (1.6) TWh in Finland.

Distribution tariffs remained unchanged during the period under review in all of Fortum's markets.

A new Customer Service Unit providing a uniform interface for all retail sales and distribution customers was formed in cooperation with Fortum Markets as of 1 January 2004.

Volume of distributed electricity by area, TWh	**I/04**	**I/03**	**2003**	**LTM**
Sweden*)	4.2	4.6	14.2	13.8
Finland	2.0	2.0	6.2	6.2
Norway	0.7	-	1.3	2.0
Other countries	0.1	0.0	0.2	0.3
Total	7.0	6.6	21.9	22.3

*) The distribution and regional networks in Sweden have been re-classified in the fourth quarter of 2003 resulting in a slight change in distribution volumes.

Number of electricity distribution customers by area, 1,000s	**31.3.2004**	**31.3.2003**	**2003**
Sweden	860	890	855
Finland	400	390	400
Other countries*)	115	20	115
Total	1,375	1,300	1,370

*) Fortum Distribution AS (formerly Østfold Energi Nett AS) is included in the figures as of 1 May 2003.

Markets

The Markets segment focuses on the retail sale of electricity and oil products, mainly heating oil, as well as related services to a total of 1.3 million private and business customers in Sweden, Finland and Norway.

EUR million	**I/04**	**I/03**	**2003**	**LTM**
Net sales	515	687	2,024	1,852
Operating profit	12	-5	47	64
- excluding non–recurring items	12	-5	47	64
Net assets (at end of period)	166	76	35	
Return on net assets, %	47.8	-30.4	61.6	65.0

Sales to other electricity companies have been transferred from Power, Heat and Gas to Markets, which explains the changes in 2003 figures.

At the beginning of the year, average retail electricity prices decreased slightly in Finland, Sweden and Norway. Fortum also reduced its retail prices in these countries.

The prices of oil products rose at the beginning of the year. In January, the volume of heating oil sold was significantly lower than the year before, mainly due to warmer weather and higher prices. In February and March, the volumes sold increased slightly.

During the first quarter, the segment's electricity sales totalled 12.8 (13.5) TWh. The decline was due to warmer weather, a lower industrial utilisation rate and turnover in the customer base. Sales of heating oil stood at 0.3 (0.3) million tonnes. The Markets business unit buys its electricity through Nord Pool. Its oil products are also purchased on market terms.

Fortum substantially increased the sale and marketing of electricity and oil to household customers. In order to improve customer relations, a new Customer Service Unit providing a uniform interface for all retail sales and distribution customers was formed in cooperation with Fortum Distribution as of 1 January 2004.

Oil Refining and Marketing

The activities of Oil Refining and Marketing cover the production, refining and marketing of oil as well as logistics. The main products are traffic fuels and heating oils. Fortum is the leading producer of clean traffic fuels in the Nordic area.

EUR million	**I/04**	**I/03**	**2003**	**LTM**
Net sales	1,682	2,075	7,192	6,799
Operating profit	140	125	396	411
- excluding non–recurring items	130	123	381	388
Net assets (at end of period)	1,478	1,527	1,402	
Return on net assets, %	38.9	32.9	27.0	28.2

The decrease in net sales was for the most part due to a weakened US dollar and lower trading volumes.

The price of crude oil remained high throughout the period under review. The price of Brent crude averaged USD 32.0 (31.5) per barrel. In January-March, inventory gains were EUR 9 (3) million.

During the first quarter, the international refining margin in north-western Europe (Brent Complex) was lower than during the corresponding period last year. The reference margin used by Fortum averaged USD 3.1 (3.8) per barrel. However, Fortum's premium margin on a quarterly basis exceeded even the long-established level of USD 2/bbl.

The high margin was a result of a concerted effort on a number of fronts: the production of high-value products, excellent availability at the refineries, use of competitive raw materials and efficient logistics.

Fortum refined a total of 3.3 (3.2) million tonnes of crude oil and other feedstocks. In Finland, oil product sales amounted to approximately 1.9 (1.9) million tonnes. There were no significant changes in the market shares. Exports accounted for a total of 1.3 (1.2) million tonnes.

Freight rates for crude oil were very high at the beginning of the year because of the ice conditions and the poor availability of ice-class crude vessels. Product freight rates were also robust. A new product tanker was completed and handed over to Fortum in China.

During the first quarter, the average oil production of SeverTEK was 25,127 barrels per day (of which Fortum's share is 50%). The total production will be gradually increased with the aim of reaching full production capacity of 50,000 barrels a day during 2005, somewhat later than planned. Fortum's share of this maximum production corresponds to 10% of Fortum's own needs. SeverTEK is a joint venture owned equally by the Russian company, Lukoil and Fortum.

Work on the EUR 500 million investment to increase the sulphur-free diesel production capacity of the Porvoo refinery continued as planned during the first quarter.

As of 1 April, a new Components business unit was formed in the oil sector to meet the growing demand in the components markets. Fortum supplies lubricant and traffic fuel components and develops biocomponents.

Deliveries of oil products refined by Fortum by product group

1,000 t	**I/04**	**I/03**	**2003**	**LTM**
Gasoline	976	1,088	4,434	4,322
Diesel	892	796	3,886	3,983
Aviation fuel	151	120	611	642
Light fuel oil	397	423	1,474	1,448
Heavy fuel oil	429	386	1,314	1,357
Other	374	342	1,672	1,704
Total	3,219	3,155	13,391	13,455

Deliveries of oil products refined by Fortum by area

1,000 t	**I/04**	**I/03**	**2003**	**LTM**
Finland	1,940	1,929	7,889	7,900
Other Nordic countries	448	434	1,921	1,935
Baltic countries and Russia	23	8	62	77
USA and Canada	356	384	1,252	1,224
Other countries	452	400	2,267	2,319
Total	3,219	3,155	13,391	13,455

Business development and restructuring

Preparations continued to separate the oil businesses into a new company and to have the new company listed on the Helsinki Exchanges. The new company will comprise all of Fortum´s existing oil business with its refining, marketing, shipping and oil production activities. The new business structure of the Oil sector, as of 1 April 2004, consists of four business units: Oil Refining, Oil Retail, Shipping and Components.

Investments and divestments

Investments in fixed assets during the first quarter totalled EUR 108 (112) million.

Work on the EUR 500 million investment to increase the sulphur-free diesel production capacity of the Porvoo refinery continued as planned during the first quarter. The estimated cost for 2004 is somewhat above EUR 100 million. The investment is expected to be completed by the end of 2006.

Fortum will participate in the new fifth nuclear power plant unit in Finland with a share of approximately 25%. Thus Fortum´s investment as an equity share will be EUR 180 million during 2004 - 2009, entitling it to approximately 400 MW of the plant´s capacity. During the first quarter, Fortum also provided a shareholders' loan of EUR 45 million.

In February, Fortum secured an agreement on the purchase of additional shares in the Russian company, OAO Lenenergo, by which Fortum´s ownership of the share capital and the voting rights would increase to 21.0%, and to 20.7% respectively. The transaction is subject to the approval of the Russian competition authorities, as Fortum´s ownership in Lenenergo would exceed 20%.

Fortum has taken further steps to divest non-core businesses: the Flow Improver Agent (FIA), a specialty chemicals business, was sold to M-I Finland Oy, an affiliate of M-I LLC, headquartered in Texas, USA and a contract was signed to divest the engineering business in Hungary, ETV-Eröterv Rt, to the management group of the company.

Financing

Fortum´s net debt decreased by EUR 350 million and stood at EUR 5,276 million (EUR 5,626 million at year end) and the gearing ratio was 80% (85% at year end).

The Group's net financing expenses were EUR 75 (65) million. One reason for the increase was the redemption of the preference shares issued by Fortum Capital Ltd in 2000, which was financed with debt in December 2003. The other reason was that Fortum´s subsidiary, Fortum Finance BV, used its option to prepay USD 73 million private placement bonds (originally due in 2007) issued in the United States markets in 1992. The prepayment on 31 March 2004 further clarified Fortum´s financing structure and rationalised the management of the Group´s currency risk exposure. The prepayment premium paid to the investors in accordance with the terms of the bonds was USD 12.9 million (EUR 10.5 million) which amount has been booked as an interest expense in the first quarter results. This premium was compensation for the difference between the fixed interest rate of the prepaid bonds and the current substantially lower interest rate level.

Moody's credit rating was upgraded to Baa1 (stable) on 13 February 2004. Standard & Poor's long-term credit rating for Fortum Corporation was restated at BBB+ (stable).

Shares and share capital

A total of 16,004 Fortum Corporation shares were subscribed for with the share warrants relating to Fortum Corporation´s 1999 warrant bond to employees, while a total of 965,000 shares were subscribed for with the share warrants relating to Fortum Corporation´s 1999 management share option scheme. These shares were entered into the trade register on 12 February 2004. The increase in the share capital resulting from the share subscriptions was EUR 3,335,413.60. After the increase, Fortum Corporation´s share capital is EUR 2,889,365,828.60 and the total number of shares is 849,813,479.

Currently, the Board of Directors has no unused authorisations from the General Meeting of shareholders to issue convertible loans or bonds with warrants, issue new shares or acquire the company´s own shares.

Annual General Meeting

At the Annual General Meeting held on 25 March 2004, a dividend of EUR 0.42 (0.31) per share was approved.

The following persons were re-appointed as members of the Supervisory Board: Satu Hassi, Klaus Hellberg, Rakel Hiltunen, Jorma Huuhtanen, Mikko Immonen, Kimmo Kalela, Juha Mikkilä and Ben Zyskowicz, and Lasse Hautala, Timo Kalli, Kimmo Kiljunen and Jari Koskinen were elected as new members. Timo Kalli was elected as Chairman and Klaus Hellberg as Deputy Chairman of the Supervisory Board.

The following persons were re-elected to the Board of Directors according to the new Articles of Association: Peter Fagernäs (Chairman), Heikki Pentti (Deputy Chairman), Birgitta Kantola, Lasse Kurkilahti, Antti Lagerroos and Erkki Virtanen. Birgitta Johansson-Hedberg was elected as a new member.

Authorised Public Accountants, PricewaterhouseCoopers Oy, were re-elected as auditors with Juha Tuomala, Authorised Public Accountant, having the principal responsibility.

Group personnel

The average number of employees in the Group during the period from January to March was 13,023 (12,733). The number of employees at the end of the period was 13,029 (12,645).

Group management

Mr Risto Rinne was appointed President, Oil Sector and member of the Corporate Executive Committee as of 15 January 2004.

Events after the period under review

Fortum Teknik & Miljö AB, a company specialising in energy consulting, was sold to the Swedish company, Ångpanneföreningen.

Fortum and Jacobs Engineering Group Inc., based in California, USA, announced a letter of intent which enables Jacobs to purchase an ownership position in Fortum's Neste Engineering operations.

Outlook

The key market drivers influencing Fortum´s performance are the market price of electricity and the international oil refining margin. Other important market drivers are the price of crude oil, and the exchange rates of the US dollar and the Swedish krona. During 2005, emissions trading may become a new key market driver.

During the past five years, the volume of Fortum´s CO_2-free power generation has increased from 30 TWh to 41 TWh. Its share was 78% of Fortum´s power generation in 2003. With this production portfolio, Fortum is in a good position with regard to the possible impacts of emissions trading.

According to general market information, electricity consumption in the Nordic countries is predicted to increase by about 1% a year over the next few years. During the first quarter, the average spot price for electricity was EUR 28.6 (53.3) per megawatt-hour on the Nordic electricity market. At the beginning of April, the Nordic water reservoirs were about 14 TWh below the average and 6 TWh above the corresponding level for 2003. During the first part of April, the spot price has been at the level of EUR 29 per megawatt-hour while the electricity price in the forward market for the remainder of 2004 has been in the range of EUR 29-31 per megawatt-hour. For the next 12 months, Fortum's hedging level for electricity sales is approximately 60%.

The oil market fundamentals are developing according to Fortum's assumptions: the consumption of clean traffic fuels is increasing and the demand for heavy fuel oil is decreasing making the complex refineries even more competitive. In addition, Fortum’s position along the new export routes for Russian crude oil gives it a clear advantage. These developments are in line with Fortum's profitability assumptions for the ongoing Porvoo refinery upgrade investment and establish a good starting point for the future listing of the oil businesses.

The oil refining reference margin in north-western Europe (Brent Complex) averaged USD 3.1 (3.8) /bbl during the first quarter. During the first half of April, the average reference margin strengthened and exceeded USD 5/bbl. Fortum’s premium margin is expected to remain at the strong levels of previous years. No major maintenance shutdowns are planned at the refineries during 2004.

The average price for Brent crude oil was USD 32.0 (31.5) /bbl during the first quarter. During the first half of April 2004, the price has been averaging USD 32.9/bbl while the International Petroleum Exchange’s Brent futures for the remainder of 2004 have been averaging USD 31.8/bbl. The price of crude oil has an impact on the results of Oil Refining and Marketing through inventory gains and losses.

The refining margins and shipping freights are exposed to USD exchange rate volatility and therefore a weakened US dollar will have a negative impact on the profitability of the oil business. However, this impact is mitigated because of the forward hedging policy of the estimated US dollar sales margins.

During the first quarter, the fixing euro exchange rates against the US dollar and the Swedish crona were on average 1.241 (1.075) and 9.191 (9.197) respectively. At the end of March, the exchange rates were 1.222 (1.090) and 9.258 (9.261) respectively.

Preparations for listing the oil businesses continued during the first quarter, aiming at readiness towards the end of the year. The timing of the planned initial public offering will depend on market conditions, however.

Due to seasonal reasons, the continuous operations of the power and heat businesses usually result in a significantly better financial performance in the first and last quarters of the year than in the second and third quarters.

The strong first quarter, the current market fundamentals and the company's hedging positions strengthen management's confidence in 2004 as another good year for Fortum.

Espoo, 22 April 2004
Fortum Corporation
Board of Directors

The figures have not been audited.

Fortum will adopt the International Financial Reporting Standards (IFRS/IAS) as of 2005.

Publication of results in 2004:
Interim Report 1 January - 30 June 2004 will be published on 28 July 2004
Interim Report 1 January - 30 September 2004 will be published on 21 October 2004

FORTUM GROUP

JANUARY-MARCH 2004

Interim financial statements are unaudited

CONSOLIDATED INCOME STATEMENT

MEUR	Q1/04	Q1/03	2003	Last twelve months
Net sales	**2 823**	3 593	11 392	10 622
Share of profits of associated companies	**10**	11	41	40
Other operating income	**49**	13	151	187
Materials and services	**-1 873**	-2 678	-8 054	-7 249
Personnel expenses	**-172**	-183	-654	-643
Depreciation, amortisation and write-downs	**-121**	-133	-538	-526
Other operating expenses	**-154**	-148	-918	-924
Operating profit	**562**	475	1 420	1 507
Financial income and expenses	**-75**	-65	-236	-246
Profit before taxes	**487**	410	1 184	1 261
Income taxes	**-147**	-107	-325	-365
Minority interests	**-19**	-33	-90	-76
Net profit for the period	**321**	270	769	820
Earnings per share, EUR	**0.38**	0.32	0.91	0.97
Fully diluted earnings per share, EUR	**0.37**	0.32	0.90	
Average number of shares, 1,000 shares	**849 698**	845 776	846 831	845 953
Diluted adjusted average number of shares, 1 000 sha	**867 344**	853 684	858 732	

CONSOLIDATED BALANCE SHEET

MEUR	Mar 31 2004	Mar 31 2003	Dec 31 2003
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	**156**	165	146
Property, plant and equipment	**11 446**	11 541	11 632
Other long-term investments	**1 776**	1 434	1 762
Other interest-bearing long-term investments	**673**	534	632
Total	**14 051**	13 674	14 172
Current assets			
Inventories	**580**	536	551
Trade receivables	**1 049**	1 096	951
Short-term receivables	**427**	842	449
Cash and cash equivalents	**203**	339	439
Total	**2 259**	2 813	2 390
Total	**16 310**	16 487	16 562
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	**2 889**	2 876	2 886
Other equity	**3 487**	3 008	3 520
Total	**6 376**	5 884	6 406
Minority interests	**245**	1 461	232
Provisions for liabilities and charges	**210**	99	207
Deferred tax liabilities	**1 862**	1 798	1 843
Liabilities			
Long term liabilities			
Interest-bearing	**4 235**	3 536	4 840
Interest free	**345**	452	346
Short term liabilities			
Interest-bearing	**1 245**	1 428	1 225
Interest free	**1 792**	1 829	1 463
Total	**16 310**	16 487	16 562
Equity per share, EUR	**7.50**	6.96	7.55
Number of shares, 1,000 shares	**849 813**	845 776	848 832

CHANGE IN SHAREHOLDERS' EQUITY

MEUR	Jan-Mar 31 2004	Jan-Mar 31	Dec 31 2003
Shareholders' equity, 1 January	**6 406**	5 897	5 897
Stock options exercised	**-**	-	22
Dividend	**-357**	-262	-262
Translation differencies	**6**	-21	-20
Net earnings for the period	**321**	270	769
Total	**6 376**	5 884	6 406

FORTUM GROUP

JANUARY-MARCH 2004

Interim financial statements are unaudited

CASH FLOW STATEMENT

MEUR	**Mar 31 2004**	Mar 31 2003	Dec 31 2003
Net cash from operating activities	**458**	344	1 577
Capital expenditures	**-108**	-83	-550
Acquisition of shares	**-**	-29	-570
Proceeds from sales of fixed assets	**14**	63	142
Proceeds from sales of shares	**1**	933	1 227
Change in other investments	**-51**	1	-67
Cash flow before financing activities	**314**	1 229	1 759
Net change in loans	**-549**	-1 480	-399
Dividends paid	**-**	-	-264
Other financing items *	**-2**	-1	-1 245
Net cash from financing activities	**-551**	-1 481	-1 908
Net increase (+)/decrease (-) in cash and marketable securities	**-237**	-252	-149

*** I**ncludes the redemption of Fortum Capital Ltd preference shares -1 200 million euros in December 2003

KEY RATIOS

	Mar 31 2004	Mar 31 2003	Dec 31 2003	Last twelve months
Capital employed, MEUR	**12 101**	12 309	12 704	
Interest-bearing net debt, MEUR	**5 276**	4 624	5 626	
Investments, MEUR	**108**	112	1 136	1 132
Return on capital employed, %	**18.6**	15.6	11.4	12.9
Return on shareholders' equity, %	**20.4**	16.5	12.3	12.5
Interest coverage	**7.6**	7.1	5.8	6.0
FFO / interest-bearing net debt, % 1)	**46.5**	43.5	26.1	
Gearing, %	**80**	63	85	
Equity-to-assets ratio, %	**41**	45	40	
Average number of employees	**13 023**	12 733	13 343	

1) FFO = Funds from operations

Comparison figures include the effect of the redemption of Fortum Capital Ltd preference shares in December 2003.

NET SALES BY SEGMENTS

MEUR	**Q1/04**	Q1/03	2003	Last twelve months
Power, Heat and Gas	**890**	1 204	3 394	3 080
Distribution	**206**	199	688	695
Markets	**515**	687	2 024	1 852
Oil Refining and Marketing	**1 682**	2 075	7 192	6 799
Other Operations	**18**	20	84	82
Eliminations	**-487**	-592	-1 990	-1 885
Total	**2 823**	3 593	11 392	10 622

OPERATING PROFIT BY SEGMENTS

MEUR	**Q1/04**	Q1/03	2003	Last twelve months
Power, Heat and Gas	**335**	291	776	820
Distribution	**87**	81	247	253
Markets	**12**	-5	47	64
Oil Refining and Marketing	**140**	125	396	411
Other Operations	**-12**	-17	-46	-41
Total	**562**	475	1 420	1 507

FORTUM GROUP

JANUARY-MARCH 2004

Interim financial statements are unaudited

NON-RECURRING ITEMS IN OPERATING PROFIT BY SEGMENTS

MEUR	Q1/04	Q1/03	2003	Last twelve months
Power, Heat and Gas	**23**	-1	1	25
Distribution	**-**	1	20	19
Markets	**-**	-	-	-
Oil Refining and Marketing	**10**	2	15	23
Other Operations	**0**	2	24	22
Total	**33**	4	60	89

DEPRECIATION, AMORTISATION AND WRITE-DOWNS BY SEGMENTS

MEUR	Q1/04	Q1/03	2003	Last twelve months
Power, Heat and Gas	**56**	58	231	229
Distribution	**33**	37	143	139
Markets	**4**	4	16	16
Oil Refining and Marketing	**27**	30	131	128
Other Operations	**1**	4	17	14
Total	**121**	133	538	526

INVESTMENTS BY SEGMENTS

MEUR	Q1/04	Q1/03	2003	Last twelve months
Power, Heat and Gas	**38**	53	545	530
Distribution	**14**	23	339	330
Markets	**2**	-	28	30
Oil Refining and Marketing	**50**	32	202	220
Other Operations	**4**	4	22	22
Total	**108**	112	1 136	1 132

NET ASSETS BY SEGMENTS

MEUR	Mar 31 2004	Mar 31 2003	Dec 31 2003
Power, Heat and Gas	**8 569**	8 699	8 850
Distribution	**3 095**	3 179	3 129
Markets	**166**	76	35
Oil Refining and Marketing	**1 478**	1 527	1 402
Other Operations	**121**	126	95
Total	**13 429**	13 607	13 511

RETURN ON NET ASSETS BY SEGMENTS 2)

%	Mar 31 2004	Mar 31 2004 *)	Mar 31 2003	Mar 31 2003 *)	Dec 31 2003	Dec 31 2003 *)	Last twelve months	Last twelve months *)
Power, Heat and Gas	**15.4**	**14.3**	13,3	13,4	8.9	8.9	9.5	9.2
Distribution	**11.2**	**11.2**	10,2	10,0	7.9	7.2	8.1	7.5
Markets	**47.8**	**47.8**	-30,4	-30,4	61.6	61.1	65.0	64.6
Oil Refining and Marketing	**38.9**	**36.1**	32,9	32,4	27.0	26.0	28.2	26.6

2) Return on net assets, % = Operating profit/average net assets

*) Non-recurring items deducted from operating profit

CONTINGENT LIABILITIES

MEUR	Mar 31 2004	Mar 31 2003	Dec 31 2003
Contingent liabilities			
On own behalf			
For debt			
Pledges	**161**	492	149
Real estate mortgages	**91**	235	91
Company mortgages	**-**	7	-
Other mortgages	**-**	26	-
For other commitments			
Real estate mortgages	**55**	55	55
Pledges, company and other mortgages	**-**	2	-
Sale and leaseback	**8**	9	8
Other contingent liabilities	**101**	94	101
Total	**416**	920	404
On behalf of associated companies			
Pledges and real estate mortgages	**12**	9	12
Guarantees	**478**	721	562
Other contingent liabilities	**182**	184	182
Total	**672**	914	756
On behalf of others			
Guarantees	**16**	5	15
Other contingent liabilities	**6**	9	7
Total	**22**	14	22
Total	**1 110**	1 848	1 182
Operating lease liabilities			
Due within a year	**75**	62	75
Due after a year	**103**	133	103
Total	**178**	195	178
Liability for nuclear waste disposal	**570**	516	570
Share of reserves in the Nuclear Waste Disposal Fund	**-560**	-506	-560
Liabilities in the balance sheet 3)	**10**	10	10

3) Mortgaged bearer papers as security

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.

FORTUM GROUP

JANUARY-MARCH 2004

Interim financial statements are unaudited

Derivatives

Interest and currency derivates MEUR	**Mar 31 2004** Contract or notional value	**Mar 31 2004** Fair value	**Mar 31 2004** Not recognised as an income	Mar 31 2003 Contract or notional value	Mar 31 2003 Fair value	Mar 31 2003 Not recognised as an income	Dec 31 2003 Contract or notional value	Dec 31 2003 Fair value	Dec 31 2003 Not recognised as an income
Forward rate agreements	**324**	**-**	**-**	1 863	-2	-2	330	-	-
Interest rate swaps	**4 178**	**-104**	**-66**	6 836	-18	40	4 253	-97	-69
Forward foreign exchange contracts 4)	**7 946**	**86**	**7**	5 440	50	39	8 396	129	49
Currency swaps	**339**	**8**	**3**	2 325	243	62	333	-3	1
Purchased currency options	**425**	**-5**	**-5**	100	8	8	-	-	-
Written currency options	**425**	**-4**	**-4**	46	1	1	-	-	-

4) Incl. also contracts used for equity hedging

Oil futures and forward instruments	**Volume**	**Fair value**	**Not recognised as an income**	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	1000 bbl	**MEUR**	**MEUR**	1000 bbl	MEUR	MEUR	1000 bbl	MEUR	MEUR
Sales contracts	**30 596**	**1**	**1**	17 800	1	1	22 304	-11	-11
Purchase contracts	**33 712**	**9**	**9**	14 868	-1	-1	37 239	14	14
Purchased options	**3 650**	**-**	**-**	1 100	-	-	150	-	-
Written options	**2 598**	**-**	**-**	850	1	1	600	-	-

Electricity derivatives	**Volume**	**Fair value**	**Not recognised as an income**	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	TWh	**MEUR**	**MEUR**	TWh	MEUR	MEUR	TWh	MEUR	MEUR
Sales contracts	**66**	**-198**	**-92**	82	-277	-205	58	-100	-65
Purchase contracts	**42**	**194**	**86**	68	239	168	50	136	101
Purchased options	**-**	**-**	**-**	2	-	1	-	-	-
Written options	**-**	**-**	**-**	4	-	-1	-	-	-

Natural gas derivates	**Volume**	**Fair value**	**Not recognised as an income**	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	Mill.th.	**MEUR**	**MEUR**	Mill.th.	MEUR	MEUR	Mill.th.	MEUR	MEUR
Sales contracts	**-**	**-**	**-**	3 590	7	7	8	-	-
Purchase contracts	**-**	**-**	**-**	3 271	-3	-3	8	-	-
Purchased options	**-**	**-**	**-**	1 378	-7	-7	-	-	-
Written options	**-**	**-**	**-**	1 202	5	5	-	-	-

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 amounts also include unsettled closed positions. Derivative contracts are mainly used to manage the group's currency, interest rate and price risk.

FORTUM GROUP

JANUARY-MARCH 2004
Interim financial statements are unaudited

QUARTERLY NET SALES BY SEGMENTS

MEUR	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Power, Heat and Gas	**890**	852	622	716	1 204
Distribution	**206**	186	143	160	199
Markets	**515**	525	406	406	687
Oil Refining and Marketing	**1 682**	1 757	1 717	1 643	2 075
Other Operations	**18**	23	22	19	20
Eliminations	**-487**	-506	-383	-509	-592
Total	**2 823**	2 837	2 527	2 435	3 593

QUARTERLY OPERATING PROFIT BY SEGMENTS

MEUR	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Power, Heat and Gas	**335**	273	76	136	291
Distribution	**87**	58	47	61	81
Markets	**12**	22	15	15	-5
Oil Refining and Marketing	**140**	78	118	75	125
Other Operations	**-12**	-11	-16	-2	-17
Eliminations	**-**	-	-1	1	-
Total	**562**	420	239	286	475