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**FORTUM'S FINANCIAL STATEMENTS 2000****Operating profit up by nearly 30%, earnings per share improved by 34%**

Group net sales, at EUR 11,026 million, increased by 34%. Operating profit, at EUR 906 million, increased by 29%. Comparable operating profit was more than 50% better than in the previous year. Profit before extraordinary items improved by 28% to EUR 633 million. Earnings per share, at EUR 0.55, improved by 34%.

- The high price of crude oil improved the results for oil production.
- The results for oil refining were good as a result of our strong refining margin.
- The low market price of electricity had an adverse effect on the results for electricity generation and sales.
- Electricity generation capacity, at more than 10,000 MW at year-end, increased as a result of acquisitions.
- Natural gas production began at the Åsgard field in Norway in October.
- Mikael Lilius became President and CEO on 1 September 2000.
- The Board of Directors will propose to the annual general meeting, planned to be held on 4 April 2001, that the dividend will be EUR 0.23 per share.

	IV/00	IV/99	2000	1999
<b>Key figures</b>				
Net sales, EUR million	3,294	2,344	11,026	8,232
Operating profit, EUR million	283	183	906	705
Profit before extraordinary items, EUR million	219	127	633	494
Earnings per share, EUR	0.16	0.11	0.55	0.41
Equity per share, EUR			6.32	6.00
Capital employed (at end of period), EUR million			11,365	9,425
Interest-bearing net debt (at end of period), EUR million			4,626	3,818
Investments, EUR million			3,131	1,059
Cash flow from operating activities, EUR million			424	524
Return on capital employed, %			9.4	8.4
Return on shareholders' equity, %			8.6	7.7
Gearing, %			73	79
Average number of employees			16,220	17,461

**Net sales and results of the Group**

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

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

<i>Net sales by segment</i> EUR million	2000	1999	Change-%
Oil and Gas Upstream 1)	945	366	158
Oil Refining and Marketing 2)	7,759	5,064	53
Power and Heat Generation and Sales	1,760	1,443	22
Electricity Distribution	467	347	35
Service	356	290	23
Engineering	585	479	22
Other operations	94	137	-31
Internal invoicing	-940	-717	31
Total	11,026	7,409	49
Discontinued operations	-	823	
Group	11,026	8,232	34
1) Includes natural gas trading and retail sales	558	136	
2) Includes oil trading	1,117	783	

### **Comparable operating profit improved by 52%**

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

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

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

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

The poor results of Engineering were attributable to certain loss-making projects of Power Plant Engineering. The other Engineering units were profitable.

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

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

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

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

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

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

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

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

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

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

### Oil and Gas Upstream

Our most important area in oil and gas exploration and production is Norway, but we also have operations in Oman and Russia. In addition, we are involved in gas pipeline projects and have interests in gas companies in the Baltic Rim and in the UK.

	IV/00	IV/99	2000	1999
Net sales, EUR million	414	163	945	366
Operating profit, EUR million	87	40	218	82
Identifiable assets, EUR million			1,284	1,138

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

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

### Oil Refining and Marketing

We own two oil refineries in Finland, a network of service stations and retail outlets in Finland and elsewhere in the Baltic Rim, as well as business operations in lubricants, base oils, components and LPG. For logistics, we use our own and time-chartered tankers as well as terminals.

	IV/00	IV/99	2000	1999
Net sales, EUR million	2,209	1,602	7,759	5,064
Operating profit, EUR million	108	49	382	182
Identifiable assets, EUR million			1,838	1,609

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

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

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

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

(1,000 t)	IV/00	IV/99	2000	1999
Gasoline	998	1,020	3,941	4,186
Diesel	834	750	3,246	2,666
Aviation fuel	174	226	786	1,005
Light fuel oil	517	633	1,843	2,249
Heavy fuel oil	306	296	1,133	1,003
Other	343	332	1,360	1,380
Total	3,172	3,257	12,309	12,489

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

(1,000 t)	IV/00	IV/99	2000	1999
Finland	1,924	2,051	7,423	7,713
Other Nordic countries	505	520	2,142	2,163
Baltic countries and Russia	64	134	153	417
USA and Canada	287	0	1,029	777
Other countries	392	552	1,562	1,419
Total	3,172	3,257	12,309	12,489

## Power and Heat Generation and Sales

Fortum is the second-largest power generation company in the Nordic countries and, as a heat producer, is the leading company in the Nordic countries. Our operations are most extensive in Finland and Sweden, but we also operate in continental Europe, the UK, Ireland and South-East Asia.

	IV/00	IV/99	2000	1999
Net sales, EUR million	514	405	1,760	1,443
- Electricity sales	299	275	1,170	1,037
- Heat sales	121	103	411	360
Operating profit, EUR million	63	60	211	236
Identifiable assets, EUR million			6,193	4,852

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

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

### *Electricity sales by area*

(TWh)	IV/00	IV/99	2000	1999
Nordic countries, total	13.7	11.2	45.3	41.6
- Sweden*	5.6	3.0	16.9	12.0
- Finland	8.1	9.3	28.4	29.6
Germany	1.1	0.2	3.9	0.2
UK	0.4	0.5	1.9	2.0
Estonia	0.1	0.1	0.2	0.1
Total	15.3	12.0	51.3	43.9

\* includes 50% of Birka Energi's electricity sales

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

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

### *Heat sales by area*

(TWh)	IV/00	IV/99	2000	1999
Sweden*	1.2	1.3	4.1	3.8
Finland	2.9	3.6	11.5	11.9
Other countries	0.3	0	0.7	0.0
Total	4.4	4.9	16.3	15.7

\* includes 50% of Birka Energi's heat sales

## Electricity Distribution

Fortum distributes electricity to 900,000 customers through its networks in Sweden, Finland, Germany, and Estonia.

	IV/00	IV/99	2000	1999
Net sales, EUR million	129	98	467	347
Operating profit, EUR million	34	38	127	115
Identifiable assets, EUR million			2,263	1,851

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

### *Electricity distribution in distribution networks, by area*

(TWh)	IV/00	IV/99	2000	1999
Sweden*	2.3	3.0	8.1	8.6
Finland	1.1	1.2	4.0	4.0
Other countries	0.7	0.0	2.9	0.0
Total	4.1	4.2	15.0	12.6

\* includes 50% of Birka Energi's electricity distribution

### *Number of electricity distribution customers by area*

	31 Dec 2000	31 Dec 1999
Sweden*	438,000	444,000
Finland	282,000	278,000
Other countries	182,000	21,000
Total	902,000	743,000

\* includes 50% of Birka Energi's customers

## Service

Service offers operation and maintenance services for power plant owners, and maintenance services for the process industry. In addition to Finland and Sweden, we have operations in Central Europe and South-East Asia.

	IV/00	IV/99	2000	1999
Net sales, EUR million	122	94	356	290
Operating profit, EUR million	8	10	12	12
Identifiable assets, EUR million			31	42

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

## Engineering

Engineering specialises in turnkey contracts for energy generation and transmission systems, deliveries for oil refining and chemical industries, railway electrification, and communications networks.

IV/00	IV/99	2000	1999
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Net sales, EUR million	177	185	585	479
Operating profit, EUR million	-16	12	-21	12
Identifiable assets, EUR million			81	37

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

### **Significant financing arrangements, liquidity continued to be good**

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

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

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

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

### **Most significant investments made in electricity generation**

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

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

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

### **Corporate reorganisation in power generation**

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

## **Share capital increased in connection with Länsivoima merger**

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

Fortum Power and Heat Oy, Fortum Corporation's wholly-owned subsidiary, was the largest shareholder of Länsivoima Oyj. In the merger, Fortum Power and Heat Oy received 51,037,520 Fortum Corporation shares to the total nominal value of EUR 173,527,568, which is 6.04% of Fortum Corporation shares, share capital and voting rights. Currently these shares do not carry any voting rights. At the same time, the Finnish State's shareholding decreased from 75.38% to 69.96%. At the year-end, the Finnish State's holding stood at 70.74%.

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

## **Number of employees almost unchanged**

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

## **Development of business operations**

Mikael Lilius, President and CEO comments, "Following our strategic review, which we began in the autumn, we selected the Nordic countries and the rest of the Baltic Rim as our geographic focus for our core businesses. In the electricity business, we particularly aim at participating in the Nordic restructuring, and have already expressed our interest in negotiating for the acquisition of all the shares of Birka Energi AB. We also foresee restructuring in oil refining and marketing, in which we intend to be an active player. Our strong niche position in this business provides us with an excellent base from which to create added value. "

During the year, we decided to focus our electricity generation on the Nordic countries and elsewhere in the Baltic Rim, and to divest our power plants in the UK, Ireland and Hungary. In December 2000, an agreement was reached on the sale of our company in Hungary.

In order to improve our capital structure, we used a minority investment arrangement to finance the power assets contract which we signed with Stora Enso. For the same reason, we divested significant production assets in Finland. Thanks to these actions, our economic flexibility improved.

We redirected the operations of the Engineering sector. We decided to divest Transmission Engineering and started to restructure Power Plant Engineering. In the R&D unit, which supports the power and heat business, we initiated a significant reorganisation to focus with increasing determination on our key expertise, and to organise research and development closer to the business.

We aim to use specific financial targets to influence the choices made in our business units. To determine the desired financial targets, we assessed indicators used in our industry. Based on these factors and on market outlook, we confirmed our targeted return on equity (ROE) and return on capital



employed (ROCE) at 12%. In September, we launched a Group-wide performance improvement programme to improve our productivity by 5-10% each year and to achieve these financial targets within the next few years.

At the beginning of 2001, we established a new sector, Fortum Markets, to develop our customerships in the Nordic countries. This business provides our industrial customers with energy products, and small-scale entrepreneurs and private customers with a wide range of products and services. Fortum Markets is continuing the work started at Energy House and includes e-commerce services, in which we are a forerunner.

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

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

### **Short-term outlook**

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

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

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

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

**Proposal for the distribution of dividends**

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

The Board of Directors will propose to the annual general meeting, which is planned to be held on 4 April 2001, that Fortum Corporation should pay a dividend of EUR 0.23 per share for 2000, making a total of EUR 194 million.

Fortum Corporation

**APPENDICES:**

Figures of the financial statements

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