Fortum

13February 2003

Financial Statements 2002

A good year for Fortum: major strategic moves and significant increase in earnings

The year in brief

- Pre-tax profit of EUR 1,008 million, 44% up on previous year
- Earnings per share of EUR 0.79, 39% up on previous year, despite tax charge of EUR 70 million relating to sale of Norwegian E&P assets in the fourth quarter
- Continued strong net cash from operating activities, EUR 1,351 million
- Significant structural changes to implement the strategy
- Good progress of Birka Energi integration, synergy benefits will exceed target
- Board of Directors proposes a dividend of EUR 0.31 per share (EUR 0.26 in 2001)

Key indicators	**IV/02**	**IV/01**	**2002**	**2001**
Net sales, EUR million	3,290	2,536	11,148	10,410
Operating profit, EUR million	391	171	1,289	914
Profit before taxes, EUR million	318	119	1,008	702
Earnings per share, EUR	0.22	0.08	0.79	0.57
Equity per share, EUR			6.97	6.49
Capital employed (at end of period), EUR million			13,765	11,032
Interest-bearing net debt (at end of period), EUR million			5,846	3,674
Investments, EUR million			4,381	713
Net cash from operating activities, EUR million			1,351	1,145
Cash flow before financing activities, EUR million			-27	844
Return on capital employed, %			11.1	8.7
Return on shareholders' equity, %			10.5	8.3
Gearing, %			80	54
Number of employees (at end of period)			13,670	13,425
Average number of employees			14,053	14,803

During the first half of 2002, Fortum implemented its strategic agenda through major restructuring. Key acquisitions as well as several major divestments in non-core areas were concluded in this period. The single most important transaction was the acquisition in February of the remaining 50% of the former Birka Energi AB, renamed Fortum Power and Heat AB, which strengthened Fortum's market position in the Nordic area. The process to combine the two power and heat businesses started immediately and the new pan-Nordic organisation became effective on 1 July.

During the second half of the year, Fortum focused on delivering on the targets set for the Birka Energi transaction. Progress has been good and the synergy benefits will exceed the set target of EUR 100 million. To further restructure the Group in line with the strategic agenda, the agreement on the divestiture of the Norwegian oil exploration and production assets was signed and the power plant engineering business was reorganised. The fourth quarter was characterised by cold weather and high market prices, and the performance of all major businesses was quite satisfying. Fortum continued to concentrate on cash flow and net debt was further decreased. By year-end, the company's gearing stood at 80%. Taking into account the disposal of the Norwegian E&P assets the pro forma gearing was at the company's target level, under 70%.

In January 2003, Fortum agreed with E.ON AG on a power asset swap. The transactions will substantially strengthen Fortum´s position in its focus area, the Nordic countries and the rest of the Baltic Rim.

Net sales and results

Group net sales stood at EUR 11,148 million (EUR 10,410 million in 2001). The acquisition of the former Birka Energi coupled with higher market prices pushed up the net sales of the Group's power and heat businesses. The average price of crude oil was slightly up on the previous year, and the net sales of the Group's oil businesses were at the same level as a year earlier. Towards the end of the year, prices of both oil and electricity increased markedly.

Net sales by segment

EUR million	2002	2001
Power, Heat and Gas	2,898	2,227
Electricity Distribution	640	473
Fortum Energy Solutions	664	603
Oil Refining and Marketing	7,195	7,223
Oil and Gas Upstream	391	408
Other operations	64	95
Internal invoicing	-704	-619
Group	11,148	10,410

Group operating profit totalled EUR 1,289 (914) million. The operating profit excluding non-recurring items, EUR 974 (890) million, improved by EUR 84 million on the yearly basis. During the fourth quarter, the improvement in 2002 was EUR 193 million on the corresponding period in 2001. The total amount of non-recurring items was EUR 315 (24) million.

Total electricity and heat sales volumes rose but the comparable volumes were down on the previous year mainly due to lower demand for industrial electricity and the exceptionally warm weather conditions during the first three quarters of the year. However, during the last quarter, the electricity volumes rose and there was a significant improvement in the results for the Power, Heat and Gas segment.

The comparable volumes of electricity transmitted in local distribution networks increased and the results for Electricity Distribution were clearly up on the previous year.

The results for Fortum Energy Solutions improved significantly on the previous year.

A restructuring charge of EUR 20 million was included in the fourth quarter results relating to the Birka Energi acquisition.

Lower international refining margins affected the results of Oil Refining and Marketing, but the decrease was offset by inventory gains of EUR 57 (-79) million. Deliveries of petroleum products refined by Fortum increased and the performance of the oil retail business improved compared to the corresponding figures in 2001. Shipping's performance was depressed by low freight rates, which, however, started to increase sharply towards the end of the year. The MTBE plant in Canada was closed for conversion to iso-octane for three months, which had a substantial negative effect on the results of the gasoline component business.

Owing to increased production volumes in Norway and the gains from the sale of the Omani oil production interests, the results of Oil and Gas Upstream were somewhat up on the previous year despite lower market prices for gas and the divestiture of the Omani assets.

Operating profit by segment

EUR mill.	2002	2001
Power, Heat and Gas	560	367
Electricity Distribution	279	135
Fortum Energy Solutions	37	13
Oil Refining and Marketing	259	242
Oil and Gas Upstream	213	196
Other operations	-64	-40
Eliminations	5	1
Group	1,289	914

Profit before taxes was EUR 1,008 (702) million.

The Group´s net financial expenses were EUR 281 (212) million.

Minority interests accounted for EUR 73 (83) million of the results for the period. These minority interests were mainly attributable to the preference shares issued by Fortum Capital Ltd in 2000 and to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 269 (160) million. A tax charge of EUR 70 million incurred in the fourth quarter due to the divestiture of the Norwegian exploration and production assets.

Net profit for the period was EUR 666 (459) million. Earnings per share were EUR 0.79 (0.57). Return on capital employed was 11.1% (8.7%) and return on shareholders´ equity was 10.5% (8.3%).

As from 1 March 2002, the former Birka Energi has been 100% consolidated into Fortum's figures. Until then, it had been consolidated using the proportionate method on the basis of 50% ownership.

Segment reviews

<u>Power, Heat and Gas</u>

Fortum is the second largest power company in the Nordic countries as well as the leading district heat producer in the region. Fortum owns and manages power and heating plants and has stakes in power and heating plants. Fortum sells electricity and heat generated by these facilities on the Nordic market. Fortum is also active in the gas sector.

EUR million	IV/02	IV/01	2002	2001
Net sales	979	645	2,898	2,227
- electricity sales	566	318	1,588	1,269
- heat sales	223	141	649	464
- other sales	190	186	661	494
Operating profit	241	114	560	367
- excluding non-recurring items	245	98	469	305
Net assets			8,642	5,873
Return on net assets, %			6.9	6.3

Electricity market prices were low during the first eight months of the year but increased sharply towards the end of the year. The full-year average price of electricity on the Nordic power exchange (Nord Pool) was EUR 26.9 (23.1 in 2001) per megawatt-hour (MWh), about 16% higher than in 2001. The rise in the market price of electricity also led to increases in the electricity retail price. Electricity consumption in the Nordic countries decreased by 1.8% to 386 TWh. In Finland, there was an increase in electricity consumption of approximately 2.6% while in Sweden, there was a 1.4% decrease.

Fortum’s electricity sales in the Nordic countries in 2002 amounted to 54.5 (47.1) TWh. Sales in other countries were 4.5 (6.6) TWh. Fortum`s sales represented approximately 14% (12%) of total Nordic electricity consumption in 2002. The average price of electricity sold by Fortum in the Nordic countries was up approximately 10% on the previous year.

Fortum´s electricity generating capacity in the Nordic countries was 11,091 (9,149) MW at the end of the year, while its total capacity was 11,347 (10,223) MW. In the Nordic countries Fortum generated 46.5 (41.0) TWh of electricity, or 12% (11%) of the electricity generated in this market. Hydropower accounted for 18.1 (17.0) TWh, or 39% (41%), and nuclear power some 22.0 (18.7) TWh, or 47% (46%), of Fortum’s own power generation, while the share of thermal power was 14% (13%).

Fortum’s sales of heat in the Nordic countries were 18.1 (15.6) TWh.

Electricity sales by area

TWh	IV/02	IV/01	2002*)	2001*)
Sweden	8.4	5.1	28.0	19.4
Finland	8.0	6.9	26.2	27.6
Other countries	0.5	2.2	4.8	6.7
Total	16.9	14.2	59.0	53.7

Heat sales by area

TWh	IV/02	IV/01	2002*)	2001*)
Sweden	3.6	1.6	8.2	4.7
Finland	2.7	3.1	9.8	10.9
Other countries	0.7	0.5	2.4	1.7
Total	7.0	5.2	20.4	17.3

**) includes 100% of Birka Energi’s figures as from March 2002, 50% prior to this*

During the period from March to December the effect of Birka Energi’s change of ownership on electricity sales and heat volumes was 9.6 TWh and 3.5 TWh respectively.

<u>Electricity distribution</u>

Based on the number of customers, Fortum is the biggest actor in the Nordic distribution market. In Sweden, Finland and Estonia, Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.3 million customers. Fortum’s market share of electricity distribution is 15% in Finland and 20% in Sweden.

EUR million	IV/02	IV/01	2002	2001
Net sales	185	135	640	473
- distribution network transmission	149	105	526	376
- regional network transmission	24	13	80	54
- other sales	12	17	34	43
Operating profit	60	30	279	135
- excluding non-recurring items	59	27	187	120
Net assets			3,200	2,113
Return on net assets, %			9.3	6.2

The integration of the distribution operations of Swedish Birka Energi and Finnish Uudenmaan Sähköverkko was completed in 2002. In Sweden, the first steps were taken towards the creation of a unified price structure.

The volume of distribution and regional network transmissions totalled 21.2 (15.0) TWh and 20.6 (16.7) TWh respectively. Electricity transmissions via the regional distribution network to customers outside the Group totalled 14.3 (8.4) TWh in Sweden and 6.3 (8.2) TWh in Finland.

Volume of distributed electricity in distribution networks

TWh	IV/02	IV/01	2002*)	2001*)
Sweden	4.9	1.7	14.4	7.7
Finland	1.9	1.3	5.4	4.4
Other countries	0.0	0.8	1.4	2.9
Total	6.8	3.8	21.2	15.0

**) includes 100% of Birka Energi's figures as from March 2002, 50% prior to this*

The Birka Energi acquisition accounts for a 6.4 TWh increase in the volumes transmitted via the distribution networks.

Number of electricity distribution customers by area

	2002	2001
Sweden*)	890,000	450,000
Finland**)	390,000	280,000
Other countries	20,000	180,000
Total	1,300,00	910,000

**) includes 100% of Birka Energi's figures in 2002, 50% in 2001*
***) acquisition of Uudenmaan Sähköverkko Oy in May 2002*

<u>Fortum Energy Solutions (Fortum Service as of 1 January 2003)</u>

Fortum Service's core business is operation and maintenance services for power plants and medium-sized industrial customers. The unit also specialises in combined heat and power technology (CHP) and energy consulting.

EUR million	IV/02	IV/01	2002	2001
Net sales	214	87	664	603
Operating profit	19	5	37	13
- excluding non-recurring items	2	0	11	-8
Net assets			96	236
Return on net assets, %			19.7	5.5

During the year, reorganisation of the unit continued. The restructuring of the power plant engineering business was completed and the shares of Fortum Engineering were sold in January 2003 to Enprima, a new company partly owned by Fortum.

Following the restructuring of the power plant engineering business, the name of the unit was changed to Fortum Service.

The maintenance function expanded its operations to a new customer segment, the chemical industry. Several new maintenance and refurbishment contracts in power plants as well as substation maintenance contracts were secured both in Finland and in Sweden.

Oil Refining and Marketing

Fortum is the biggest refiner in the Nordic countries with a total capacity of some 14 million tonnes per year. Fortum is one of the two biggest suppliers of petroleum products in the Nordic wholesale market. It owns two oil refineries in Finland and a network of service stations and other retail outlets in Finland and the other countries in the Baltic Rim. Fortum also owns and charters tankers and owns oil storage facilities.

EUR million	IV/02	IV/01	2002	2001
Net sales	2,002	1,636	7,195	7,223
Operating profit	38	15	259	242
- excluding non-recurring items	44	77	211	317
Net assets			1,514	1,688
Return on net assets, %			16.3	14.3

The international refining margin in north-western Europe (Brent Complex) was considerably lower than in 2001. The average refining margin for the year was USD 1.0 /bbl (USD 1.9/bbl in 2001). Fortum's premium margin remained strong at about USD 2.0/bbl above the international reference margin.

The price of crude oil fluctuated between USD 20/bbl at the beginning of the year and USD 31/bbl at the end of the year. As a result, inventory gains were EUR 57 (-79) million.

In March 2002, a new unit for producing sulphur-free gasoline at the Naantali refinery was commissioned. As a result of the investments made in 2001 and 2002, Fortum's refineries are now fully converted to production of sulphur-free traffic fuels.

In August, Fortum started production of ethanol-based gasoline at the Porvoo refinery.

The MTBE production plant in Edmonton, Canada, in which Fortum has a 50% holding, was converted into an iso-octane facility. The plant is the first in the world to begin production of iso-octane after conversion. The first deliveries took place in November. All of the iso-octane production at the plant is sold to the Californian market.

The recession in the shipping freight market started in late 2001 and continued into 2002. However, towards the end of the year, there was a significant increase in the freight volumes carried by the safer double-hulled vessels. This trend had a positive impact on Fortum's shipping business.

Fortum's share of the wholesale market for petroleum products in Finland was about 75% (75% in 2001) or 8.0 (7.8) million tonnes, and its share of the retail market was about 39% (40%) or 3.9 (3.8) million tonnes.

Exports from Finland of petroleum products refined by Fortum totalled 5.2 (4.9) million tonnes. Of this, 2.8 million tonnes was motor gasoline and 1.9 million tonnes diesel fuel. Half of the motor gasoline was exported to the European market. Of this, 90% was low-sulphur (sulphur content below 50 ppm) or sulphur-free (sulphur content below 10 ppm). The main markets for sulphur-free gasoline were Germany, the USA and Canada. All diesel exports were low-sulphur or sulphur-free. The main markets for diesel fuel were Sweden, the Netherlands and Germany.

Deliveries of petroleum products refined by Fortum, by product group

1,000 t	2002	2001
Gasoline	4,595	3,823
Diesel	3,619	3,310
Aviation fuel	586	455
Light fuel oil	1,503	1,713
Heavy fuel oil	1,233	1,201
Other	1,504	1,641
Total	13,040	12,143

Deliveries of petroleum products refined by Fortum, by area

1,000 t	2002	2001
Finland	7,845	7,484
Other Nordic countries	1,982	1,991
Baltic countries and Russia	41	45
USA and Canada	1,276	682
Other countries	1,896	1,941
Total	13,040	12,143

Oil and Gas Upstream

Oil and gas exploration and production activities in Fortum were subject to major restructuring. In 2002, production operations were restricted exclusively to Norway. Current activities concentrate on north-western Russia.

EUR million	IV/02	IV/01	2002	2001
Net sales	127	81	391	408
Operating profit	56	33	213	196
- excluding non-recurring items	69	33	159	196
Net assets			934	1,271
Return on net assets, %			19.4	15.4

The average price of North Sea light Brent crude oil was USD 25.0/bbl (USD 24.4/bbl). The average price of crude oil sold by Fortum was USD 25.5/bbl (23.7/bbl), and the corresponding equivalent price of gas was USD 17.6/bbl (19.0/bbl).

In 2002, Fortum divested its oil field assets in Oman and signed an agreement to divest its assets in Norway. The production in Oman is not included in the segment's figures for 2002. Investments in Russian oil and gas fields continued according to plan.

In 2002, Fortum's oil and gas production amounted to 40,800 (40,200) boepd. This was equivalent to an annual output of about 2.0 (2.0) million oil-equivalent tonnes. Natural gas accounted for approximately 28% (18%) of production. The increased natural gas production in Norway offset the fall in output resulting from the divestment in Oman.

The start of oil exploration and production in the South Shapkino oil field in Russia is scheduled for late 2003. The reserves of the South Shapkino oil field, which is 50% owned by Fortum and the Russian company Lukoil, have been estimated at 164 million barrels (over 20 million tonnes).

Fortum Markets

The Fortum Markets unit focuses on the retail sale of electricity and oil products as well as related services. The unit has some 1.3 million business and private customers. In 2002, the emphasis was on improving the quality of service through the development of a cost-effective, customer-oriented approach. The provision of competitive products and services to improve customer satisfaction will continue to be a priority.

The figures for Fortum Markets are included in the figures for Power, Heat and Gas and for Oil Refining and Marketing. The result of retail sales of electricity was slightly negative.

Investments

Investments in fixed assets during the year totalled EUR 4.381 (713) million. The increase was due to the acquisition of 50% of the Swedish energy company Birka Energi's shares. The deal was completed in February 2002. In May, Fortum consolidated its Nordic position further by acquiring the remaining 50% share in the Finnish Elnova Group with its electricity retail sales and distribution businesses.

The modernisation and expansion of a CHP-plant in the Stockholm area started in the autumn. The investment will create additional capacity and shift the emphasis of the fuel mix towards recycled fuels (mainly municipal waste). Annually, the new boiler will replace 70,000 tonnes of fuel oil with recycled fuel.

Shares were acquired in some small heating companies in the Baltic Rim area.

In March, a new unit for producing sulphur-free gasoline at the Naantali refinery was commissioned. At the Porvoo refinery, the first pilot plant for liquefied wood fuel in the Nordic countries began production in May and production of ethanol-based 98-octane gasoline was started in August. Production of the flow-improving additive (FIA) began during the first half of the year.

The MTBE production plant in Edmonton, Canada, in which Fortum has a 50% holding, was converted into an iso-octane facility. Production was gradually phased in during the last quarter of the year.

The tanker fleet renewal continued, new Neste stations were opened in the Baltic Rim countries and in Russia. The investment to start up oil production in Russia continued according to plan.

Divestments

In line with its strategy, Fortum sold its shares in Fortum Energie GmbH and the Afferde combined heat and power plant in Germany, the Regional Power Generators Limited in the UK, the Thai subsidiary Laem Chabang Power Company Limited, as well as its shareholding in Espoon Sähkö Oyj in Finland.

The restructuring of the power plant engineering business was completed in January 2003.

In February 2002, Fortum divested its interests in the oil fields in Oman. The deal was completed in June. The Norwegian oil and gas reserves were sold in November. The parties have received all the necessary approvals and the transaction will be finalised in early March 2003.

Minor divestments include diesel stations in Sweden, real estate and ships.

Financing

In early 2002, Fortum's net debt increased substantially following the acquisition of Birka Energi. During the year, however, net debt was reduced considerably. Year-end net debt stood at EUR 5,846 million (EUR 3,674 million in 2001) and gearing was 80% (54%). The Group's net financing expenses for 2002 were EUR 281 (212) million.

In October 2002, Fortum applied to two leading international credit rating agencies for corporate long-term credit ratings. Standard & Poor's assigned Fortum Oyj a BBB+ (stable) rating while Moody's rated it Baa2 (positive). At the same time, they confirmed the long-term credit rating of Fortum Power and Heat AB (formerly Birka Energi AB) as BBB+ and Baa1 (stable).

Fortum did not conclude any new significant long-term financing arrangements in 2002. A large proportion of the EUR 1.2 billion loan taken out in February 2002 to finance the Birka deal was paid off during the year using proceeds from the disposal of assets and in January 2003, the remaining part of the loan was paid off in full.

Group liquidity remained good. Year-end cash and marketable securities totalled EUR 592 million. In addition, the Group had a total of approximately EUR 1,772 million in undrawn credit facilities. Of this, approximately EUR 700 million short-term facilities were signed in December. Also in December, Fortum Oyj concluded agreements for a commercial paper programme worth SEK 5,000 million, which, together with the Finnish programme worth EUR 500 million, will cover the Group's short-term financing needs.

The average interest rate of loans after hedging was 5.2% at year end.

Shares and share capital

A total of 148,380 shares relating to Fortum Corporation's 1999 bond loan with warrants issued to employees were subscribed for and entered into the trade register between 17 May and 31 December 2002. A total of 3,000 shares relating to Fortum Corporation's 1999 share option programme for key employees were subscribed for and entered into the trade register between 1 October and 31 December 2002.

After the increase, Fortum Corporation´s share capital is EUR 2,875,583,847 and the total number of shares is 845,759,955. Fortum Corporation's share capital increased by a total of EUR 514,692.

A total of 251.2 million shares were traded for a total of EUR 1,475 million during 2002. The highest quotation was EUR 6.52 (3 May), the lowest EUR 4.75 (2 January), and the middle-market quotation EUR 5.87. The closing quotation on 30 December was EUR 6.25.

Personnel

In 2002, the Fortum Group employed an average of 14,053 (14,803) people. The divestment of Transmission Engineering in 2001 together with the major part of the German power businesses in 2002 accounted for most of the decrease. By contrast, the acquisition of the remaining 50% of Birka Energi increased the number of personnel by 1,758. At the end of the year, the number of employees totalled 13,670 (13,425). The number of employees in the parent company Fortum Corporation at year end totalled 310 (340) people.

Group management

Mr Christian Lundberg was appointed to head Fortum Markets and member of the Corporate Executive Committee as of 1 February 2003.

Events after the period under review

On 31 January 2003, Fortum and E.ON AG agreed on an asset swap with an aggregate value of EUR 770 million. The value of assets to be acquired by Fortum is EUR 460 million. The value of assets to be sold is EUR 310 million, leading to a balancing consideration of EUR 150 million. The transactions will substantially strengthen Fortum´s position in its focus area, the Nordic countries and the rest of the Baltic Rim.

Fortum is to acquire 21.4% of the shares in Hafslund ASA, the second biggest electricity company in Norway with 600,000 electricity sales customers, 550,000 distribution customers and about 3 TWh of hydropower production. In addition, Fortum is to acquire all the shares in Ostfold Energi Nett AS, Ostfold Energi Kraftsalg AS and Ostfold Energi Entreprenor AS with a total of 95,000 electricity sales and distribution customers, and 49% of Fredrikstads Energi AS with 80,000 customers. The Norwegian acquisitions also include some other minority holdings.

Fortum will acquire a further 9.5% of the shares in AO Lenenergo, the largest utility company in north-western Russia with some 1.3 million electricity customers and a production capacity of 14 TWh of electricity and 26.3 TWh of heat. As a result, Fortum´s share in Lenenergo will rise to 15.9%.

As part of the deal, Fortum will sell its power plants in Burghausen, Germany and Edenderry, Ireland to E.ON. E.ON will also acquire the shares and business of an electricity distribution company in southern Sweden with some 43,000 customers.

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, the exchange rates of the US dollar and the Swedish krona.

According to general market information, electricity consumption in the Nordic countries is predicted to increase by about 1–2% each year over the next couple of years. During 2002, the average spot price for electricity was EUR 26.9 per megawatt-hour on the Nordic electricity market, or 16% higher than the corresponding figure in 2001. In January 2003, the spot price has been averaging EUR 71.7 per megawatt-hour. At the end of January, the hydro reservoirs in the Nordic countries were approximately 25 TWh below average. The 31 January electricity forwards indicated a return to more moderate price levels.

The synergy benefits generated by the creation of a pan-Nordic power and heat business following the acquisition of the remaining 50% of the former Birka Energi will exceed the target of EUR 100 million a year as of 2004.

The international refining margin in north-western Europe (Brent Complex) was considerably lower than in 2001 and averaged USD 1.0/bbl (USD 1.9/bbl in 2001). During the fourth quarter, it averaged USD 1.9/bbl (USD 0.9/bbl). In January 2003, the international refining margin averaged USD 1.6/bbl. For several years, the international Brent Complex refining margin has averaged USD 1.5 – 2.0/bbl. Management expects Fortum's premium margin to remain at the strong levels of previous years. During 2003, the refining volumes are expected to be normal with no major maintenance shutdowns planned.

The average price for Brent crude oil was USD 25.0/bbl in 2002. In January 2003, the price has been averaging USD 31.3/bbl while the International Petroleum Exchange's Brent futures for the remainder of 2003 were on average USD 28.4/bbl in January. The price of crude oil has an impact on the results of Oil Refining and Marketing through inventory gains and losses.

Due to the divestitures of the oil and gas production assets in Oman and Norway, there will be no own production in the first half of 2003. Preparations for the start of oil production in late 2003 at the South Shapkino oil field in north-western Russia is continuing as planned.

In 2002, the average euro exchange rate against the US dollar and the Swedish crona was 0.9419 and 9,1442 respectively. At the end of December, the exchange rates were 1.0487 and 9,1528 respectively.

The last few years were characterised by major restructuring. By February 2003, Fortum had agreed on transactions covering strategically important assets worth EUR 6.5 billion euros and divested non-core assets worth EUR 2.5 billion. Fortum will now focus on achieving the targets set, delivering a strong cash flow and controlling the balance sheet.

Dividend distribution proposal

The Group's non-restricted equity and distributable equity as of 31 December 2002 amounted to EUR 2,810 million. The parent company's distributable equity as of 31 December 2002 stood at EUR 900 million.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation should pay a dividend of EUR 0.31 per share for 2002, totalling EUR 262.2 million. The Annual General Meeting will be held on 27 March at 3.00 pm at Finland Hall in Helsinki.

Espoo, 12 February 2003
Fortum Corporation
Board of Directors

Further information:
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The figures have been audited.

Distribution:
Helsinki Exchanges
Key media
www.fortum.com

Information on the financial statement release, the company's new reporting structure (segments) as of 2003 and the sensitivity analysis is available on Fortum's website at: www.fortum.com/investors

FORTUM GROUP

JANUARY-DECEMBER 2002
Audited

CONSOLIDATED INCOME STATEMENT

MEUR	Q4/02	Q4/01	2002	2001
Net sales	**3 290**	2 536	**11 148**	10 410
Share of profits of associated companies	**15**	9	**31**	36
Other operating income	**34**	21	**370**	203
Depreciation, amortisation and write-downs	**-206**	-209	**-694**	-623
Other operating expenses	**-2 742**	-2 186	**-9 566**	-9 112
Operating profit	**391**	171	**1 289**	914
Financial income and expenses	**-73**	-52	**-281**	-212
Profit before taxes	**318**	119	**1 008**	702
Income taxes	**-111**	-33	**-269**	-160
Minority interests	**-23**	-20	**-73**	-83
Net profit for the period	**184**	66	**666**	459
Earnings per share, EUR	**0.22**	0.08	**0.79**	0.57
Fully diluted earnings per share	**0.21**	0.08	**0.78**	0.57
Average number of shares, 1,000 shares			**845 642**	798 346
Diluted adjusted average number of shares, 1 000 shares			**851 482**	799 308

CONSOLIDATED BALANCE SHEET

MEUR	Dec 31 2002	Dec 31 2001
ASSETS		
Fixed assets and other long-term investments	**14 837**	11 373
Current assets		
Inventories	**504**	598
Receivables	**2 027**	1 721
Cash and cash equivalents	**592**	602
Total	**3 123**	2 921
Total	**17 960**	14 294
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**2 876**	2 875
Other equity	**3 020**	2 610
Total	**5 896**	5 485
Minority interests	**1 432**	1 270
Provisions for liabilities and charges	**133**	144
Deferred tax liabilities	**1 866**	1 122
Long-term liabilities	**4 699**	3 516
Short-term liabilities	**3 934**	2 757
Total	**17 960**	14 294
Equity per share, EUR	**6.97**	6.49
Number of shares, 1,000 shares	**845 776**	845 609

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CASH FLOW STATEMENT

MEUR	Dec 31 2002	Dec 31 2001
Net cash from operating activities	**1 351**	1 145
Capital expenditures	**-2 420**	-708
Proceeds from sales of fixed assets	**1 009**	438
Change in other investments	**33**	-31
Cash flow before financing activities	**-27**	844
Net change in loans	**209**	-643
Dividends paid	**-220**	-183
Other financing items	**30**	147
Net cash from financing activities	**19**	-679
Net increase (+)/decrease (-) in cash and marketable securities	**-8**	165

KEY RATIOS

	Dec 31 2002	Dec 31 2001
Interest-bearing net debt, MEUR	**5 846**	3 674
Investments, MEUR	**4 381**	713
Cash flow from operating activities	**1 351**	1 145
Cash flow before financing activities	**-27**	844
Average number of employees	**14 053**	14 803
Return on capital employed, %	**11.1**	8.7
Return on shareholders' equity, %	**10.5**	8.3
Gearing, % 1)	**80**	54
Equity-to-assets ratio, %	**41**	48

1) Gearing is defined as interest-bearing net debt over shareholders' equity plus minority interest.
This minority interest includes the preference shares amounting to EUR 1.2 billion, carrying fixed income dividend of 6.7 percent, issued by Fortum Capital Ltd.

NET SALES BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	Q4/02	Q4/01	2002	2001
Power, Heat and Gas	**979**	645	**2 898**	2 227
Electricity Distribution	**185**	135	**640**	473
Fortum Energy Solutions	**214**	87	**664**	603
Oil Refining and Marketing	**2 002**	1 636	**7 195**	7 223
Oil and Gas Upstream	**127**	81	**391**	408
Other operations	**19**	22	**64**	95
Eliminations	**-236**	-70	**-704**	-619
Total	**3 290**	2 536	**11 148**	10 410

OPERATING PROFIT BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	Q4/02	Q4/01	2002	2001
Power, Heat and Gas	**241**	114	**560**	367
Electricity Distribution	**60**	30	**279**	135
Fortum Energy Solutions	**19**	5	**37**	13
Oil Refining and Marketing	**38**	15	**259**	242
Oil and Gas Upstream	**56**	33	**213**	196
Other operations	**-27**	-24	**-64**	-40
Eliminations	**4**	-2	**5**	1
Total	**391**	171	**1 289**	914

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SIGNIFICANT NON-RECURRING ITEMS IN OPERATING PROFIT BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	Q4/02	Q4/01	2002	2001
Power, Heat and Gas	**-4**	16	**91**	62
Electricity Distribution	**1**	3	**92**	15
Fortum Energy Solutions	**17**	5	**26**	21
Oil Refining and Marketing	**-6**	-62	**48**	-75
Oil and Gas Upstream	**-13**	-	**54**	-
Other operations and eliminations	**-7**	-1	**4**	1
Total	**-12**	-39	**315**	24

DEPRECIATION, AMORTISATION AND WRITE-DOWNS BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	Q4/02	Q4/01	2002	2001
Power, Heat and Gas	**64**	102	**246**	232
Electricity Distribution	**33**	33	**147**	121
Fortum Energy Solutions	**4**	4	**19**	18
Oil Refining and Marketing	**53**	36	**155**	140
Oil and Gas Upstream	**42**	31	**112**	102
Other operations and eliminations	**10**	3	**15**	10
Total	**206**	209	**694**	623

INVESTMENTS BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	Q4/02	Q4/01	2002	2001
Power, Heat and Gas	**93**	84	**2 701**	197
Electricity Distribution	**62**	41	**1 394**	100
Fortum Energy Solutions	**-**	3	**27**	80
Oil Refining and Marketing	**68**	62	**177**	224
Oil and Gas Upstream	**34**	33	**75**	90
Other operations and eliminations	**4**	7	**7**	22
Total	**261**	230	**4 381**	713

NET ASSETS BY BUSINESS OPERATIONS (SEGMENTS)

MEUR		Dec 31 2002	Dec 31 2001
Power, Heat and Gas	2)	**8 642**	5 873
Electricity Distribution	2)	**3 200**	2 113
Fortum Energy Solutions		**96**	236
Oil Refining and Marketing		**1 514**	1 688
Oil and Gas Upstream		**934**	1 271
Other operations and eliminations		**83**	154
Total		**14 469**	11 335

2) Net assets include deferred tax liabilities due to the allocated goodwill: EUR 502 mill. December 31, 2002, and EUR 175 mill. December 31, 2001 in Power, Heat and Gas segment; and EUR 344 mill. December 31, 2002 EUR 240 mill. December 31, 2001 in Electricity Distribution.

RETURN ON NET ASSETS BY BUSINESS OPERATIONS (SEGMENTS) 3)

%	Dec 31 2002	Dec 31 2001
Power, Heat and Gas	**6.9**	6.3
Electricity Distribution	**9.3**	6.2
Fortum Energy Solutions	**19.7**	5.5
Oil Refining and Marketing	**16.3**	14.3
Oil and Gas Upstream	**19.4**	15.4

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

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CONTINGENT LIABILITIES

MEUR	Dec 31 2002	Dec 31 2001
Contingent liabilities		
On own behalf		
For debt		
Pledges	**553**	239
Real estate mortgages	**237**	144
Company mortgages	**32**	8
Other mortgages	**26**	52
For other commitments		
Pledges	**7**	-
Real estate mortgages	**55**	56
Company mortgages	**1**	3
Other mortgages	**-**	11
Sale and leaseback	**15**	18
Other contingent liabilities	**474**	462
Total	**1 400**	993
On behalf of associated companies		
Pledges	**9**	4
Guarantees	**345**	177
Other contingent liabilities	**184**	352
Total	**538**	533
On behalf of others		
Guarantees	**4**	65
Other contingent liabilities	**4**	4
Total	**8**	69
Total	**1 946**	1 595
Operating lease liabilities		
Due within a year	**58**	80
Due after a year	**91**	97
Total	**149**	177
Finance leases have been recognised as assets and liabilities.		
Liability for nuclear waste disposal	**545**	515
Share of reserves in the Nuclear Waste Disposal Fund	**-535**	-505
Liabilities in the balance sheet 4)	**10**	10

4) 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.

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Derivatives

Interest and currency derivates

MEUR	Dec 31 2002 Contract or notional value	Dec 31 2002 Fair value	Dec 31 2002 Not recognised as an income	Dec 31 2001 Contract or notional value	Dec 31 2001 Fair value	Dec 31 2001 Not recognised as an income
Forward rate agreements	**2 950**	**-2**	**-2**	5 026	-2	-2
Interest rate swaps	**6 898**	**21**	**34**	5 545	-14	25
Forward foreign exchange contracts 5)	**5 626**	**63**	**30**	4 830	-27	-13
Currency swaps	**2 334**	**227**	**60**	3 180	312	35
Purchased currency options	**248**	**9**	**11**	163	-4	-4
Written currency options	**66**	**1**	**1**	76	-	-

5) 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
	1000 bbl	**MEUR**	**MEUR**	1000 bbl	MEUR	MEUR
Sales contracts	**10 697**	**-11**	**-11**	7 090	-1	-1
Purchase contracts	**12 170**	**13**	**13**	4 525	1	1
Purchased options	**-**	**-**	**-**	5 400	-1	-1
Written options	**-**	**-**	**-**	900	1	1

Electricity derivatives	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	TWh	**MEUR**	**MEUR**	TWh	MEUR	MEUR
Sales contracts	**94**	**-2 065**	**-1 406**	72	-65	-34
Purchase contracts	**78**	**1 709**	**1 051**	69	81	50
Purchased options	**2**	**1**	**-1**	3	-1	-1
Written options	**6**	**3**	**6**	1	2	2

Natural gas derivates	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	Mill.th.	**MEUR**	**MEUR**	Mill.th.	MEUR	MEUR
Sales contracts	**4 072**	**127**	**127**	1 719	-30	-30
Purchase contracts	**3 773**	**-115**	**-115**	1 746	31	31
Purchased options	**1 287**	**-7**	**-7**	145	1	1
Written options	**1 335**	**-**	**-**	241	-1	-1

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.

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QUARTERLY NET SALES BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	2 002	Q4/02	Q3/02	Q2/02	Q1/02	2001	Q4/01	Q3/01	Q2/01	Q1/01
Power, Heat and Gas	**2 898**	**979**	**547**	**619**	**753**	2 227	645	422	475	685
Electricity Distribution	**640**	**185**	**138**	**155**	**162**	473	135	96	105	137
Fortum Energy Solutions	**664**	**214**	**159**	**153**	**138**	603	87	150	197	169
Oil Refining and Marketing	**7 195**	**2 002**	**1 821**	**1 812**	**1 560**	7 223	1 636	1 863	1 772	1 952
Oil and Gas Upstream	**391**	**127**	**84**	**107**	**73**	408	81	106	122	99
Other operations	**64**	**19**	**15**	**16**	**14**	95	22	31	20	22
Internal invoicing	**-704**	**-236**	**-159**	**-180**	**-129**	-619	-70	-186	-188	-175
Total	**11 148**	**3 290**	**2 605**	**2 682**	**2 571**	10 410	2 536	2 482	2 503	2 889

QUARTERLY OPERATING PROFIT BY BUSINESS OPERATIONS (SEGMENTS)

MEUR	2 002	Q4/02	Q3/02	Q2/02	Q1/02	2001	Q4/01	Q3/01	Q2/01	Q1/01
Power, Heat and Gas	**560**	**241**	**22**	**149**	**148**	367	114	41	49	163
Electricity Distribution	**279**	**60**	**34**	**72**	**113**	135	30	24	25	56
Fortum Energy Solutions	**37**	**19**	**7**	**10**	**1**	13	5	-1	21	-12
Oil Refining and Marketing	**259**	**38**	**85**	**78**	**58**	242	15	78	95	54
Oil and Gas Upstream	**213**	**56**	**18**	**121**	**18**	196	33	46	68	49
Other operations	**-64**	**-27**	**-18**	**-8**	**-11**	-40	-24	-2	-9	-5
Eliminations	**5**	**4**	**1**	**-**	**-**	1	-2	-1	2	2
Total	**1 289**	**391**	**149**	**422**	**327**	914	171	185	251	307