Fortum Corporation
Financial Statements 2003
5 February 2004

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Strong financial performance by Fortum
- moving towards a new company structure

The year in brief

- Decision to separate and list oil business
- Earnings per share 15% up on previous year, fourth-quarter earnings up by 23%
- Operating profit from ongoing businesses up by EUR 547 million or 67%
- Very strong cash flow EUR 1,577 million
- Major refinancing arrangements
- Firm foothold in Norway and Russia
- Proposed dividend EUR 0.42 per share (EUR 0.31 in 2002), an increase of 36%

Key figures	IV/03	IV/02	2003	2002
Net sales, EUR million	2,837	3,290	11,392	11,148
Operating profit, EUR million	419	391	1,420	1,289
- excluding non-recurring items, EUR million	385	403	1,360	974
Profit before taxes, EUR million	373	318	1,184	1,008
Earnings per share, EUR	0.27	0.22	0.91	0.79
Shareholders' equity per share, EUR			7.55	6.97
Capital employed (at end of period), EUR million			12,704	13,765
Interest-bearing net debt (at end of period), EUR million*)			5,626	5,848
Investments, EUR million			1,136	4,381
Net cash from operating activities, EUR million			1,577	1,351
Return on capital employed, %			11.4	11.1
Return on shareholders' equity, %*)			12.3	10.5
Gearing, %*)			85	80
Average number of employees			13,343	14,053
Average number of shares, 1,000s			846,831	845,642

*) the figure for 2003 includes the impact of the redemption of the preference shares worth EUR 1.2 billion issued by Fortum Capital Ltd

2003 was a successful year for Fortum. The company's financial performance continued to improve: both the operating results and cash flow from operating activities were clearly strengthened. The balance sheet and financing structure were significantly clarified, following an extensive refinancing programme. Net debt was reduced even though the redemption of the Fortum Capital Ltd preference shares worth EUR 1.2 billion previously accounted for as minority interest, was financed with debt.

One of the key financial targets, ROE 12%, was exceeded for the first time.

In September, Fortum decided to commence preparations to separate its oil business into a new company and subsequently to list the company on the Helsinki Stock Exchanges. Fortum also decided to invest approximately EUR 500 million in an upgrade of the Porvoo refinery in order to take advantage of well-established market trends and thereby further improve its competitiveness and profitability. These strategic decisions will enable Fortum to further increase its Nordic utility focus and to continue its active participation in the restructuring of the Nordic power and heat markets.

Fortum's market position was strengthened in its core business area, the Nordic countries and the rest of the Baltic Rim. Important strategic steps were taken in Norway and in north-western Russia when concluding an agreement with E.ON AG on a swap of power assets. In addition, Fortum acquired further shares in Hafslund ASA on the market, thereby increasing its shareholding interest in the company to 34.1%. In December, a decision was taken to participate in the new fifth nuclear power unit in Finland with a 25% share.

The key market drivers - the market price of electricity and the international oil refining margin - were significantly higher than during the previous year. The year was characterised by a deficit in water reservoirs and low hydropower generation resulting in a higher than normal need for thermal power generation. Nordic electricity consumption fell somewhat, mainly due to the milder than normal weather and the price elasticity of demand. However, Fortum was able to increase its market share of sales volumes to 15% of total Nordic consumption. The Brent Complex reference margin was more than double that of the previous year. Fortum´s sales of oil products increased slightly due to increased exports.

The various performance improvement measures contributed to the positive trend in the results. The integration of Birka Energi progressed very well. The synergy benefits achieved during 2003 amounted to approximately EUR 130 million. Thus the target set for 2004, EUR 100 million, was exceeded ahead of schedule.

Net sales and results

October-December

Group net sales stood at EUR 2,837 (EUR 3,290 in October-December 2002) million. The decrease was mainly attributable to the gas and oil businesses.

Group operating profit totalled EUR 419 (391) million. The operating profit from ongoing businesses, that is excluding non-recurring items and discontinuing operations, stood at EUR 385 (339) million, an increase of EUR 46 million compared to the corresponding period in 2002. Earnings per share were EUR 0.27 (0.22).

Despite the significant fall in electricity market prices, the results for the power and heat businesses, excluding non-recurring items, were at the same level as during the corresponding period last year. Markets´ results improved significantly and Oil Refining and Marketing's business was boosted by stronger oil refining margins.

January-December

Group net sales stood at EUR 11,392 million (EUR 11,148 million in 2002).

Net sales by segment

EUR million	2003	2002
Power, Heat and Gas	3,418	3,644
Distribution	688	640
Markets	1,540	1,280
Oil Refining and Marketing	7,192	7,083
Other operations	84	64
Internal invoicing	-1,530	-1,668
Total	11,392	11,043
Discontinuing operations*)	-	105
Group	11,392	11,148

*) internal sales excluded

Group operating profit totalled EUR 1,420 (1,289) million. Operating profit excluding non-recurring items stood at EUR 1,360 (974) million, an increase of EUR 386 million over the 2002 figures. Taking into consideration the impact of discontinuing operations, the rise in operating profit was EUR 547 million. The net amount of non-recurring items was EUR 60 (315) million. Most of the non-recurring items were gains on sales of fixed assets.

Total electricity sales volumes remained at the previous year´s level, whereas heat volumes increased slightly. There was a marked improvement in the results for the Power, Heat and Gas segment due to higher electricity prices and improved efficiency of operations. Excluding non-recurring items, the improvement was even bigger.

Distribution´s results were somewhat lower than the previous year due to substantial gains on sales in 2002. Operating profit excluding non-recurring items was up on the previous year´s figures.

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

The oil refining margins were markedly higher than in 2002, which gave a major boost to Oil Refining and Marketing´s results. Shipping enjoyed high freight rates, especially for crude oil. The fleet utilisation rate continued to be high as a result of renewed tonnage and specialist knowledge of arctic conditions. The Oil Retail business also performed well.

Operating profit by segment

EUR mill.	2003	2002
Power, Heat and Gas	780	617
Distribution	247	279
Markets	43	-11
Oil Refining and Marketing	396	253
Other operations	-46	-64
Total	1,420	1,074
Discontinuing operations	-	215
Group	1,420	1,289

Profit before taxes was EUR 1,184 (1,008) million.

The Group´s net financial expenses were EUR 236 (281) million. The positive development is a result of strong cash flow, less debt, the extensive refinancing programme launched in early 2003 and successful interest risk management during the year.

Minority interests accounted for EUR 90 (73) million of the results for the period. These minority interests were mainly attributable to the preference shares issued by Fortum Capital Ltd in 2000 that were redeemed at year end, and to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 325 (269) million. The tax rate according to the income statement was 27.4% (26.7%).

Net profit for the period was EUR 769 (666) million. Earnings per share were EUR 0.91 (0.79). Return on capital employed was 11.4% (11.1%) and return on shareholders´ equity was 12.3% (10.5%).

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

Power, Heat and Gas

The main business area comprises power and heat generation and sales as well as gas operations in the Nordic countries and other parts of the Baltic Rim. Fortum is the second largest power company in the Nordic countries as well as the leading heat producer in the region.

EUR million	**IV/03**	**IV/02**	**2003**	**2002**
Net sales	860	1,234	3,418	3,644
- electricity sales	484	633	1,877	1,661
- heat sales	235	233	775	686
- other sales	141	368	766	1,297
Operating profit	274	284	780	617
- excluding non-recurring items	271	271	779	501
Net assets (at end of period)			8,869	8,748
Return on net assets, %			8.9	7.5

The year was characterised by a deficit in water reservoirs and low hydropower generation resulting in a higher than normal need for thermal power generation. At the beginning of the year, the need for expensive peak load capacity was reflected in high electricity prices. At the end of the year, prices declined due to low consumption caused by milder than normal weather.

According to preliminary statistics, electricity consumption in the Nordic countries decreased by 3% to 378 TWh. Approximately half of the decrease in the consumption was due to the price elasticity of demand, caused by very high market prices in the beginning of the year. The other half was due to the warm weather during the second half of the year.

During the fourth quarter, the average price of electricity in Nord Pool, the Nordic power exchange, was EUR 34.1 (49.7) per megawatt-hour or 31% lower than during the corresponding period in 2002, when the price was exceptionally high. Due to the hedging and somewhat different sales structure, the price of electricity sold by Fortum increased slightly.

The average price of electricity in Nord Pool for the whole year was EUR 36.7 (EUR 26.9 in 2002) per MWh, about 36% higher than in 2002. The corresponding price increase in electricity sold by Fortum was 31%.

Fortum's electricity sales in the Nordic countries totalled 57.1 (54.1) TWh and 2.4 (5.9) TWh in other countries. Fortum's Nordic sales represented approximately 15% (14%) of total Nordic electricity consumption.

Power generation in Fortum's wholly and partly owned power plants totalled 53.2 (52.2) TWh. In the Nordic countries, Fortum generated 51.2 (46.5) TWh of electricity, which represented approximately 14% (12%) of the region's total consumption. At year end, Fortum´s electricity generating capacity in the Nordic countries was 11,186 (11,091) MW, while its total capacity was 11,329 (11,511) MW.

Fortum's total heat generating capacity was 9,688 (9,175) MW, of which 8,015 (7,907) MW was in the Nordic countries. Fortum generated 19.4 (17.8) TWh of heat in its own and partly owned power plants.

Electricity sales by area

TWh	IV/03	IV/02	2003	2002
Sweden*)	7.5	8.4	28.2	28.0
Finland	7.7	7.9	28.9	26.1
Other countries	0.3	0.7	2.4	5.9
Total	15.5	17.0	59.5	60.0

Heat sales by area

TWh	IV/03	IV/02	2003	2002
Sweden*)	3.0	3.6	9.5	8.2
Finland	2.9	2.7	10.3	9.8
Other countries	1.1	1.2	3.9	4.5
Total	7.0	7.5	23.7	22.5

*) The effects of Birka Energi`s change of ownership on electricity and heat sales volumes were 2.4 TWh and 1.4 TWh respectively in 2002.

Own power generation by source, TWh, in the Nordic countries	IV/03	IV/02	2003	2002
Hydropower	5.0	4.0	16.9	18.1
Nuclear power	6.3	6.4	23.8	22.0
Thermal power	2.8	3.4	10.5	6.4
Total	14.1	13.8	51.2	46.5

Share of own production, %, in the Nordic countries	**IV/03**	**IV/02**	**2003**	**2002**
Hydropower	35	29	33	39
Nuclear power	45	46	46	47
Thermal power	20	25	21	14
Total	100	100	100	100

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	**IV/03**	**IV/02**	**2003**	**2002**
Net sales	186	184	688	640
- distribution network transmission	159	147	569	519
- regional network transmission	19	26	88	87
- other sales	8	11	31	34
Operating profit	58	61	247	279
- excluding non-recurring items	58	60	227	187
Net assets (at end of period)			3,129	3,199
Return on net assets, %			7.9	9.3

Fortum entered the Norwegian market in the spring of 2003 following its acquisition of Østfold Energi Nett AS with some 93,000 customers.

In December, storms and snow caused some power failures in Sweden, Finland and Norway, affecting around 60,000 customers in the south-west of Sweden, 60,000 customers in Finland and 9,000 customers in Norway. The total cost of the interruptions was around EUR 7 million.

During the fourth quarter, the volume of distribution and regional network transmissions totalled 6.5 (6.5) TWh and 5.7 (6.6) TWh respectively.

For the whole year, the volume of distribution and regional network transmissions totalled 21.9 (20.2) TWh and 21.1 (21.7) TWh respectively. Electricity transmissions via the regional distribution network to customers outside the Group totalled 15.8 (15.3) TWh in Sweden and 5.3 (6.3) TWh in Finland.

Volume of distributed electricity by area, TWh	**IV/03**	**IV/02**	**2003**	**2002*)**
Sweden*)	3.9	4.6	14.2	13.4
Finland	1.8	1.8	6.2	5.4
Norway	0.7	0.0	1.3	0.0
Other countries	0.1	0.1	0.2	1.4
Total	6.5	6.5	21.9	20.2

*) The Birka Energi acquisition accounts for a 1.6 TWh increase in the volume transmitted via the distribution networks in 2002. The distribution and regional networks in Sweden have been re-classified resulting in a slight change in the distribution volumes.

Number of electricity distribution customers by area, 1,000s	31.12.2003	31.12.2002
Sweden	855	890
Finland	400	390
Other countries*)	115	20
Total	1,370	1,300

*) 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	IV/03	IV/02	2003	2002
Net sales	408	418	1,540	1,280
Operating profit	21	-19	43	-11
- excluding non–recurring items	21	-19	43	-12
Net assets (at end of period)			16	55
Return on net assets, %			72.0	-11.4

During the fourth quarter, electricity sales totalled 8.7 (9.6) TWh and sales of heating oil stood at 0.3 (0.4) million tonnes.

In 2003, electricity sales totalled 33.5 (33.2) TWh and sales of heating oil amounted to 1.2 (1.3) million tonnes. The Markets business unit buys its electricity and oil products on market terms.

In Norway, the electricity sales business of Østfold Energi Kraftsalg AS was integrated into Fortum Markets. At year end, Fortum had over 83,000 Norwegian electricity customers.

One focus during 2003 was on improvements to customer service and on quality assurance. As a result, both ISO 9001 and ISO 14001 certificates were awarded to Fortum Markets' Nordic organisation.

Together with better cost control, the business processes improvement programme launched in the spring made a major contribution to the turnaround in the unit's results.

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.

EUR million	IV/03	IV/02	2003	2002
Net sales	1,757	1,968	7,192	7,083
Operating profit	78	42	396	253
- excluding non–recurring items	62	48	381	205
Net assets (at end of period)			1,402	1,510
Return on net assets, %			27.0	16.0

The Brent Complex reference refining margin in north-western Europe during the fourth quarter was USD 2.3/bbl (1.9/bbl).

In 2003, refining margins in north-western Europe recovered appreciably compared to the previous year. The reference margin used by Fortum averaged USD 2.7 (1.0) per barrel. Fortum's refining margin remained at around USD 2/bbl higher than this reference margin.

Crude oil prices showed an upward trend in 2003, climbing to a peak of USD 34/bbl early in the year. Prices were more moderate towards the end of the year but nevertheless remained at USD 28–30/bbl. As a result, inventory gains were EUR 13 (57) million.

In September, Fortum decided to invest approximately EUR 500 million in the Porvoo refinery to further enhance the refinery’s competitiveness and financial performance. The investment is scheduled for completion by the end of 2006 and will serve to convert the crude now ending up as heavy fuel oil into sulphur-free diesel fuel. Production of sulphur-free diesel at the refinery will grow by about one million tonnes per year. Fortum currently refines some 4 million tonnes of diesel a year. The investment does not increase the refinery's total refining capacity. Fortum’s both refineries are already fully converted to the production of sulphur-free traffic fuels.

SeverTEK, a joint venture equally owned by Fortum and Lukoil, commenced oil production in the South Shapkino oil field in north-west Russia in mid-July. At year end, the total daily production rates were some 24,000 barrels per day (approx. 1 million tonnes per year). The planned maximum production rate of 50,000 barrels per day (of which Fortum’s share is 25,000 barrels per day) is expected to be reached towards the end of 2004. Fortum’s share in the proven and commercial reserves of this oil field is estimated at about 82 million barrels.

The harsh ice conditions in the Gulf of Finland in 2003 significantly increased the level of freight rates. In the second and third quarters, freight rates stayed at around the average level, but rose again sharply towards the end of the year. Fortum's fleet availability and utilisation rate remained at a good level throughout the year.

Exports of oil products refined by Fortum in Finland amounted to 5.5 (5.2) million tonnes, of which gasolines accounted for 2.8 million tonnes and diesel fuels for 2 million tonnes.

Deliveries of petroleum products refined by Fortum by product group

1,000 t	**2003**	**2002**
Gasoline	4,434	4,595
Diesel	3,886	3,619
Aviation fuel	611	586
Light fuel oil	1,474	1,503
Heavy fuel oil	1,314	1,233
Other	1,672	1,504
Total	13,391	13,040

Deliveries of petroleum products refined by Fortum by area

1,000 t	**2003**	**2002**
Finland	7,889	7,845
Other Nordic countries	1,921	1,982
Baltic countries and Russia	62	41
USA and Canada	1,252	1,276
Other countries	2,267	1,896
Total	13,391	13,040

Business development and restructuring

In January 2003, Fortum and E.ON AG agreed on a swap of power assets. Fortum acquired assets in Norway and north-western Russia and sold some non-core assets in Ireland, Germany and southern Sweden. Transactions relating to this agreement were completed by the end of June.

The disposal of the Norwegian E&P assets was completed in March. In June, Fortum divested its retail gas sales operations and later in the year closed down its gas trading operations in the UK.

In September, Fortum announced that it will commence preparations to separate its oil business into a new company and to have the new company listed on the Helsinki Stock Exchanges. The new company will comprise all of Fortum's existing oil business with its refining, marketing, shipping and oil production activities.

This strategic decision will enable Fortum to further increase its Nordic utility focus and to continue to participate actively in the restructuring of the Nordic power and heat markets. It will also improve the competitive position and commercial prospects of the oil business and create two leading Nordic companies with strong competitive positions in their respective markets.

Investments and divestments

Fortum acquired 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 acquired all the shares in Østfold Energi Nett AS, Østfold Energi Kraftsalg AS and Østfold Energi Entreprenor AS with a total of 83,000 electricity sales and 93,000 distribution customers, and 49% of Fredrikstads Energi AS with 77,000 customers. After some further acquisitions from the market, Fortum owned 34.1% of the share capital in Hafslund at the end of the year. The total acquisition cost of the Hafslund shares was approximately EUR 280 million.

Fortum acquired a further 9.5% of the shares in OAO Lenenergo, the largest utility company in north-west Russia with some 1.3 million electricity customers and a production capacity of 14 TWh of electricity and 26.3 TWh of heat. Fortum owned 15.9% of the share capital and 18.6% of the voting rights at the end of 2003.

Fortum sold its power plants in Burghausen, Germany and Edenderry, Ireland to E.ON AG. E.ON also acquired the shares and business of an electricity distribution company in southern Sweden with some 43,000 customers.

Fortum acquired 60% of shares in Tartu Energia, the Estonian heating company, and 73% of shares in the Polish district heating company DZT.

The modernisation and expansion of a CHP plant in the Stockholm area continued through 2003. 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.

The tanker fleet renewal continued, and new retail outlets were opened in the Baltic States, Poland and in Russia.

Investments in fixed assets during the year totalled EUR 1,136 (4,381) million. Investments excluding acquisitions were EUR 550 (649) million.

The listing of the oil businesses will facilitate a EUR 500 million investment in additional sulphur-free diesel production capacity at the Porvoo refinery. While the total production capacity will remain unchanged, the refinery will be able to significantly increase the production of high-margin products by utilising more Russian crudes, for example, which are competitively available as Porvoo is adjacent to established Russian crude oil export routes to the Western markets. The annual production of sulphur-free diesel at the refinery will grow by about one million tonnes and will be mainly replacing heavy fuel oil production. Fortum expects to increase its refining margin by at least USD 1/bbl and thus achieve an attractive return on investment.

The high expected return from the upgrade investment is driven by the Porvoo refinery’s ability to produce more high-margin, environmentally benign products from less expensive crude oil. The demand for these products is rapidly growing in Fortum’s key markets. 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. Fortum will also give a shareholders' loan of EUR 45 million.

Fortum has a call option during the first quarter of 2005 to purchase all of the shares of E.ON Finland Oyj (formerly Espoon Sähkö Oyj) owned by E.ON at the time of the exercise of the call option.

Financing

Fortum's net debt decreased by EUR 222 million during 2003 even though the EUR 1.2 billion preference shares issued by Fortum Capital Limited accounted for as a minority interest in the Group’s financial statements were refinanced by debt. At year end, net debt stood at EUR 5.626 million (EUR 5.848 million in 2002) and the gearing ratio was

85% (80%). A comparable gearing number, in which the Fortum Capital Ltd preference shares have been taken into account as debt, would have been 115% at the end of 2002, as disclosed in the Interim Report for January-September 2003.

The Group's net financing expenses for 2003 were EUR 236 (281) million.

During 2003, Fortum successfully completed several significant financing transactions in accordance with its refinancing plan aimed at clarifying the Group's financing structure and decreasing its long-term cost of funding. In February, Fortum Oyj established a SEK 7 billion Swedish Medium Term Note Programme and in June issued SEK 1.5 billion of bonds under the programme. In July, Fortum Oyj established a EUR 4 billion Euro Medium Term Note (EMTN) Programme and made a EUR 1 billion debt issue under the programme in November. The funds raised by the issue were used in December to redeem the above-mentioned preference shares. Also in November, Fortum Oyj successfully completed an offer made to holders of approximately EUR 1.3 billion of bonds issued by Fortum Power and Heat AB to exchange their bonds for new bonds issued under the Fortum Oyj EMTN Programme.

Group liquidity remained good. At year end, cash and marketable securities totalled EUR 439 (592) million. The Group also had a total of approximately EUR 1,600 million available under undrawn credit facilities. In addition to the unused overdraft facilities, this included EUR 400 million of bilateral short term credit facilities renewed in December and EUR 1 billion which was undrawn under Fortum Oyj's EUR 1.2 billion syndicated bank facility signed in April.

Fortum Oyj 's credit ratings at year end were at the same level as at year end 2002. Standard & Poor's long term credit rating for Fortum Oyj was BBB+ (stable) and Moody's Baa2 (positive outlook).

At year end, the average interest rate of loans after hedging was 4.2%.

Shares and share capital

A total of 270.3 million Fortum shares were traded for a total of EUR 1,876 million during 2003. The highest quotation was EUR 8.75 (12 December), the lowest EUR 5.66 (20 May), and the average quotation EUR 6.94. The closing quotation on 30 December was EUR 8.18.

A total of 5.4 million warrants relating to Fortum Corporation’s 1999 bond loan to employees were traded for a total of EUR 16.6 million. The average quotation was EUR 3.08 and the closing quotation on 30 December was EUR 4.13. A total of 159,520 shares were subscribed for and entered into the trade register in 2003. In addition, a total of 16,004 shares were subscribed for but not entered into the trade register before the year end.

A total of 10,131 warrants relating to Fortum Corporation’s 1999 share option programme for key employees were traded for a total of EUR 16.5 million. The average quotation was EUR 1,629 and the closing quotation on 30 December was EUR 2,650. A total of 2,913,000 shares were subscribed for and entered into the trade register in 2003. In addition, a total of 965,000 shares were subscribed for but not entered into the trade register before the year end.

After these subscriptions, Fortum Corporation´s share capital is EUR 2,886,030,415 and the total number of registered shares is 848,832,475. Fortum Corporation’s share capital increased by a total of EUR 10,446,568.

At year end, the Finnish State´s holding in Fortum was 60.5%. The proportion of international shareholders stood at 22.2%.

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.

Long-term incentive schemes

In addition to the above arrangements, Fortum currently has two share option programmes for key employees, issued in 2001 and 2002 respectively. At the end of 2003, both option schemes covered some 350 persons. The proportion of shares subscribed for under these share option schemes is a maximum of 4.5% of Fortum´s present share capital and voting rights.

In 2003, Fortum launched a new Performance Share Arrangement for key employees. The potential reward will be based on the performance of the Group, its business units and the individual manager as well as appreciation of the Fortum share. In the first stage the new arrangement concerns some 190 managers.

Fortum estimates that 0.1% to 0.3% of the outstanding Fortum shares that is 1,000,000 to 2,500,000 shares, will be allocated under each individual plan. The shares will be bought on the market and thus there will be no dilution effect. This arrangement is intended to replace other possible long-term incentive schemes for senior management.

Group personnel

In 2003, the Fortum Group employed an average of 13,343 (14,053) people. The reduction is mainly attributable to combining of the businesses of Birka Energi and Fortum as well as to the formation of the new associated company Enprima at the beginning of 2003. At year end, the number of employees totalled 13,046 (13,670), of which 12,649 (13,118) were permanent employees. The number of employees in the parent company, Fortum Corporation, at year end totalled 581 (310).

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

Early February, Fortum made an agreement on the purchase of additional shares of OAO Lenenergo, by which Fortum´s ownership of the share capital and the voting rights would increase by 5.1% to 21.0%, and by 2.1% to 20.7% respectively. The transaction is subject to the approval by Russian competition authorities, as Fortum's ownership in Lenenergo would exceed 20%.

According to its strategy, Fortum has taken further steps in divesting 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, to the management group of the company.

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. 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 considering 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 2003, the average spot price for electricity was EUR 36.7 per megawatt-hour on the Nordic electricity market, or 36% higher than the corresponding figure in 2002. At the beginning of February, the deficit in water reservoirs was 15 TWh. In January, the spot price was at the level of EUR 29 per megawatt-hour. The electricity forwards for February-May 2004 were in the range of EUR 27-28 per MWh, and for the rest of 2004 in the range of EUR 26-27 per MWh. For the next 12 months Fortum's hedging level for electricity sales is approximately 60%.

The annual synergy benefits generated by the creation of a pan-Nordic power and heat business totalled some EUR 130 million already in 2003. Additional performance improvement potential has been identified in the whole Group and the work to capture it has started.

The continuous operations of the power and heat businesses usually result in a significantly better performance in the first and last quarter of the year than in the second and third quarter.

The oil refining reference margin in north-western Europe (Brent Complex) was considerably higher than in 2002 averaging USD 2.7/bbl (USD 1.0/bbl in 2002). During the fourth quarter, it averaged USD 2.3/bbl (USD 1.9/bbl). In January 2004, the refining reference margin averaged USD 3.1/bbl. For several years, the international refining reference margin has averaged USD 1.5 – 2.0/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 28.8/bbl in 2003. In January 2004, the price averaged USD 31.2/bbl while the International Petroleum Exchange’s Brent futures for the balance of the year 2004 was USD 28.3/bbl at the end of January. The price of crude oil has an impact on the results of Oil Refining and Marketing through inventory gains and losses.

SeverTEK, a joint venture equally owned by Lukoil and Fortum, started oil production at the South Shapkino oil field in north-western Russia in 2003. Production will gradually be increased and full capacity, 50,000 bbl/d (Fortum´s share 25,000 bbl/d), is estimated to be reached by the end of 2004. Fortum's 50% share of SeverTEK's results are consolidated using the equity method.

The refining margins and shipping freights are exposed to the 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.

In 2003, the average euro exchange rates against the US dollar and the Swedish crona were 1.1346 and 9.1430 respectively. At the end of December, the exchange rates were 1.263 and 9.080 respectively.

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

During 2003, many strategic measures were brought to conclusion and the company's financial performance was most satisfactory. Fortum has the prerequisites to excel and efforts will be focused on improving its future performance in all key areas. Considering the current market outlook, the company's hedging positions and the continuing efficiency improvements, Fortum is well-positioned for another good year.

Dividend distribution proposal

The Group’s non-restricted equity and distributable equity as of 31 December 2003 amounted to EUR 3 479 million. The parent company’s distributable equity as of 31 December 2003 stood at EUR 1 381 million.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation should pay a dividend of EUR 0.42 per share for 2003, totalling EUR 357 million.

The Annual General Meeting will be held on 25 March at 1.00 pm at Finlandia Hall in Helsinki.

Espoo, 4 February 2004
Fortum Corporation
Board of Directors

Further information:
Mikael Lilius, President and CEO, tel. +358 10 452 9100
Juha Laaksonen, CFO, tel. +358 10 452 4519

The figures have been audited.

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

Publication of results in 2004:
Interim Report 1 January - 31 March 2004 will be published on 22 April 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

Distribution:
Helsinki Exchanges
Key media
www.fortum.com

Information on the financial statement release and the sensitivity analysis is available on Fortum's website at: www.fortum.com/investors

FORTUM GROUP

JANUARY-DECEMBER 2003

Audited

CONSOLIDATED INCOME STATEMENT

MEUR	Q4/03	Q4/02	2 003	2002
Net sales	**2 837**	3 290	**11 392**	11 148
Share of profits of associated companies	**12**	15	**41**	31
Other operating income	**56**	34	**151**	370
Depreciation, amortisation and write-downs	**-143**	-206	**-538**	-694
Other operating expenses	**-2 343**	-2 742	**-9 626**	-9 566
Operating profit	**419**	391	**1 420**	1 289
Financial income and expenses	**-46**	-73	**-236**	-281
Profit before taxes	**373**	318	**1 184**	1 008
Income taxes	**-113**	-111	**-325**	-269
Minority interests	**-33**	-23	**-90**	-73
Net profit for the period	**227**	184	**769**	666
Earnings per share, EUR	**0.27**	0.22	**0.91**	0.79
Fully diluted earnings per share	**0.26**	0.21	**0.90**	0.78
Average number of shares, 1,000 shares			**846 831**	845 642
Diluted adjusted average number of shares, 1 000 shares			**858 732**	851 482

CONSOLIDATED BALANCE SHEET

MEUR	Dec 31 2003	Dec 31 2002
ASSETS		
Fixed assets and other long-term investments	**14 172**	14 837
Current assets		
Inventories	**551**	504
Receivables	**1 400**	2 027
Cash and cash equivalents	**439**	592
Total	**2 390**	3 123
Total	**16 562**	17 960
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**2 886**	2 876
Other equity	**3 520**	3 020
Total	**6 406**	5 896
Minority interests	**232**	1 432
Provisions for liabilities and charges	**207**	233
Deferred tax liabilities	**1 843**	1 866
Long-term liabilities	**5 186**	4 599
Short-term liabilities	**2 688**	3 934
Total	**16 562**	17 960
Equity per share, EUR	**7.55**	6.97
Number of shares, 1,000 shares	**848 832**	845 776

FORTUM GROUP

JANUARY-DECEMBER 2003

Audited

CASH FLOW STATEMENT

MEUR	Dec 31 2003	Dec 31 2002
Net cash from operating activities	**1 577**	1 351
Capital expenditures	**-550**	-649
Acquisition of shares	**-570**	-1 771
Proceeds from sales of fixed assets	**142**	120
Proceeds from sales of shares	**1 227**	889
Change in other investments	**-67**	33
Cash flow before financing activities	**1 759**	-27
Net change in loans	**-399**	209
Dividends paid	**-264**	-220
Other financing items *	**-1 245**	30
Net cash from financing activities	**-1 908**	19
Net increase (+)/decrease (-) in cash and marketable securities	**-149**	-8

***** In 2003 includes the redemption of Fortum Capital Ltd preference shares -1 200 million euros

KEY RATIOS

	Dec 31 2003	Dec 31 2002
Capital employed, MEUR	**12 704**	13 765
Interest-bearing net debt, MEUR	**5 626**	5 848
Investments, MEUR	**1 136**	4 381
Return on capital employed, %	**11.4**	11.1
Return on shareholders' equity, %	**12.3**	10.5
Interest coverage	**5.8**	4.7
FFO / interest-bearing net debt, % 1)	**33.2**	28.1
Gearing, %	**85**	80
Equity-to-assets ratio, %	**40**	41
Average number of employees	**13 343**	14 053

1) FFO = Net cash from operating activities before changes in working capital

NET SALES BY SEGMENTS

MEUR	Q4/03	Q4/02	2003	2002
Power, Heat and Gas	**860**	1 234	**3 418**	3 644
Distribution	**186**	184	**688**	640
Markets	**408**	418	**1 540**	1 280
Oil Refining and Marketing	**1 757**	1 968	**7 192**	7 083
Other Operations	**23**	19	**84**	64
Eliminations	**-397**	-567	**-1 530**	-1 668
Total	**2 837**	3 256	**11 392**	11 043
Discontinuing operations*)	**-**	34	**-**	105
Total	**2 837**	3 290	**11 392**	11 148

*) Internal sales excluded

OPERATING PROFIT BY SEGMENTS

MEUR	Q4/03	Q4/02	2003	2002
Power, Heat and Gas	**274**	284	**780**	617
Distribution	**58**	61	**247**	279
Markets	**21**	-19	**43**	-11
Oil Refining and Marketing	**78**	42	**396**	253
Other Operations	**-12**	-27	**-46**	-64
Eliminations	**-**	-1	**-**	-
Total	**419**	340	**1 420**	1 074
Discontinuing operations	**-**	51	**-**	215
Total	**419**	391	**1 420**	1 289

FORTUM GROUP

JANUARY-DECEMBER 2003

Audited

NON-RECURRING ITEMS IN OPERATING PROFIT BY SEGMENTS

MEUR	Q4/03	Q4/02	2003	2002
Power, Heat and Gas	**3**	13	**1**	116
Distribution	**-**	1	**20**	92
Markets	**-**	-	**-**	1
Oil Refining and Marketing	**16**	-6	**15**	48
Other Operations	**15**	-7	**24**	4
Total	**34**	1	**60**	261
Discontinuing operations	**-**	-13	**-**	54
Total	**34**	-12	**60**	315

DEPRECIATION, AMORTISATION AND WRITE-DOWNS BY SEGMENTS

MEUR	Q4/03	Q4/02	2003	2002
Power, Heat and Gas	**60**	59	**231**	236
Distribution	**33**	34	**143**	147
Markets	**4**	6	**16**	25
Oil Refining and Marketing	**40**	51	**131**	152
Other Operations	**6**	14	**17**	22
Eliminations	**-**	-	**-**	-
Total	**143**	164	**538**	582
Discontinuing operations	**-**	42	**-**	112
Total	**143**	206	**538**	694

INVESTMENTS BY SEGMENTS

MEUR	Q4/03	Q4/02	2003	2002
Power, Heat and Gas	**80**	92	**545**	2 619
Distribution	**98**	62	**339**	1 394
Markets	**2**	-	**28**	109
Oil Refining and Marketing	**59**	68	**202**	177
Other Operations	**8**	4	**22**	7
Total	**247**	226	**1 136**	4 306
Discontinuing operations	**-**	34	**-**	75
Total	**247**	260	**1 136**	4 381

NET ASSETS BY SEGMENTS

MEUR	Dec 31 2003	Dec 31 2002
Power, Heat and Gas	**8 869**	8 748
Distribution	**3 129**	3 199
Markets	**16**	55
Oil Refining and Marketing	**1 402**	1 510
Other Operations	**95**	30
Total	**13 511**	13 542
Discontinuing operations	**-**	927
Total	**13 511**	14 469

RETURN ON NET ASSETS BY SEGMENTS 2)

%	Dec 31 2003	Dec 31 2003 *)	Dec 31 2002	Dec 31 2002 *)
Power, Heat and Gas	**8.9**	**8.9**	7.5	6.1
Distribution	**7.9**	**7.2**	9.3	6.2
Markets	**72.0**	**71.3**	-11.4	-12.4
Oil Refining and Marketing	**27.0**	**26.0**	16.0	13.0

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

*) Non-recurring items deducted from operating profit

FORTUM GROUP

JANUARY-DECEMBER 2003

Audited

CONTINGENT LIABILITIES

MEUR	Dec 31 2003	Dec 31 2002
Contingent liabilities		
On own behalf		
For debt		
Pledges	**149**	553
Real estate mortgages	**91**	237
Company mortgages	**-**	32
Other mortgages	**-**	26
For other commitments		
Real estate mortgages	**55**	55
Pledges, company and other mortgages	**-**	8
Sale and leaseback	**8**	15
Other contingent liabilities	**101**	474
Total	**404**	1 400
On behalf of associated companies		
Pledges and real estate mortgages	**12**	9
Guarantees	**562**	345
Other contingent liabilities	**182**	184
Total	**756**	538
On behalf of others		
Guarantees	**15**	4
Other contingent liabilities	**7**	4
Total	**22**	8
Total	**1 182**	1 946
Operating lease liabilities		
Due within a year	**75**	58
Due after a year	**103**	91
Total	**178**	149
Liability for nuclear waste disposal	**570**	545
Share of reserves in the Nuclear Waste Disposal Fund	**-560**	-535
Liabilities in the balance sheet 3)	**10**	10

3) Mortgaged bearer papers as security

In addition to toher 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.

Derivatives	**Dec 31 2003**			Dec 31 2002		
Interest and currency derivates **MEUR**	**Contract or notional value**	**Fair value**	**Not recognised as an income**	Contract or notional value	Fair value	Not recognised as an income
Forward rate agreements	**330**	**-**	**-**	2 950	-2	-2
Interest rate swaps	**4 253**	**-97**	**-69**	6 898	21	34
Forward foreign exchange contracts 4)	**8 396**	**129**	**49**	5 626	63	30
Currency swaps	**333**	**-3**	**1**	2 334	227	60
Purchased currency options	**-**	**-**	**-**	248	9	11
Written currency options	**-**	**-**	**-**	66	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
	1000 bbl	**MEUR**	**MEUR**	1000 bbl	MEUR	MEUR
Sales contracts	**22 304**	**-11**	**-11**	10 697	-11	-11
Purchase contracts	**37 239**	**14**	**14**	12 170	13	13
Purchased options	**150**	**-**	**-**	-	-	-
Written options	**600**	**-**	**-**	-	-	-

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	**58**	**-100**	**-65**	94	-2 065	-1 406
Purchase contracts	**50**	**136**	**101**	78	1 709	1 051
Purchased options	**-**	**-**	**-**	2	1	-1
Written options	**-**	**-**	**-**	6	3	6

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	**8**	**-**	**-**	4 072	127	127
Purchase contracts	**8**	**-**	**-**	3 773	-115	-115
Purchased options	**-**	**-**	**-**	1 287	-7	-7
Written options	**-**	**-**	**-**	1 335	-	-

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-DECEMBER 2003
Audited

QUARTERLY NET SALES BY SEGMENTS

MEUR	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02	Q1/02
Power, Heat and Gas	**860**	**626**	**718**	**1 214**	1 234	694	783	933
Distribution	**186**	**143**	**160**	**199**	184	138	156	162
Markets	**408**	**329**	**327**	**476**	418	286	270	306
Oil Refining and Marketing	**1 757**	**1 717**	**1 643**	**2 075**	1 968	1 794	1 790	1 531
Other Operations	**23**	**22**	**19**	**20**	19	15	16	14
Eliminations	**-397**	**-310**	**-432**	**-391**	-567	-344	-356	-401
Total	**2 837**	**2 527**	**2 435**	**3 593**	3 256	2 583	2 659	2 545
Discontinuing operations	**-**	**-**	**-**	**-**	34	22	23	26
Total	**2 837**	**2 527**	**2 435**	**3 593**	3 290	2 605	2 682	2 571

QUARTERLY OPERATING PROFIT BY SEGMENTS

MEUR	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02	Q1/02
Power, Heat and Gas	**274**	**77**	**136**	**293**	284	28	156	149
Distribution	**58**	**47**	**61**	**81**	61	34	72	113
Markets	**21**	**14**	**15**	**-7**	-19	2	4	2
Oil Refining and Marketing	**78**	**118**	**75**	**125**	42	76	79	57
Other Operations	**-11**	**-16**	**-2**	**-17**	-27	-17	-10	-12
Eliminations	**-**	**-1**	**-**	**-**	-1	1	1	-1
Total	**420**	**239**	**285**	**475**	340	124	302	308
Discontinuing operations	**-**	**-**	**-**	**-**	51	25	120	19
Total	**420**	**239**	**285**	**475**	391	149	422	327