

Annual Report 2001



Fortum

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Financial Statements 2001
are attached separately.

Investor Information

Annual General Meeting

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

Registrations for the AGM are requested by 4.00 pm, on 19 March 2002. Registrations can be done by telephone on +358 10 452 9460, by fax on +358 10 262 2727, by e-mail to fortum.yhtiokokous@yhteyspalvelut.elisa.fi or by mail to Fortum Corporation, Marjatta Rantiala, POB 1, FIN-00048 FORTUM. Written registrations must arrive before the end of the registration period. Any powers of attorney must be delivered in connection with the registration.

Payment of dividends

The Board of Directors will propose to the AGM that a dividend of EUR 0.26 per share be paid for the financial period 2001. The record date for dividend payment is 3 April, and the suggested dividend payment date is 10 April 2002.

Interim Reports

Interim Report 1 January - 31 March 2002 will be published on 25 April 2002

Interim Report 1 January - 30 June 2002 will be published on 25 July 2002

Interim Report 1 January - 30 September 2002 will be published on 24 October 2002

The Annual Report and Interim Reports are available in Finnish, Swedish and English and can also be read on Fortum's Internet home page at www.fortum.fi in Finnish, and at www.fortum.com in English and Swedish.

Contact information

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

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

Share information for 2001

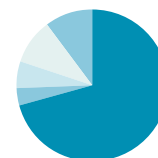
- Highest share price EUR 5.70
- Lowest share price EUR 4.05
- Average share price EUR 4.79
- Total number of shares traded, 134.5 million
- Market capitalisation EUR 4,017 million (31 Dec 2001)

Largest shareholders as of 31 December 2001

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

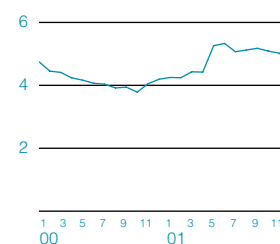
Additional information about shares and shareholders is available on pages 39-42 of the financial statements.

Distribution of ownership
as of 31 December 2001

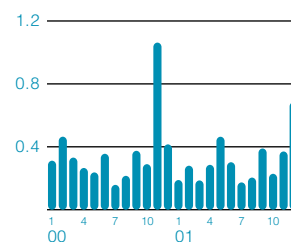


- Finnish State 70.7%
- Financial and insurance institutions 3.7%
- Households 5.7%
- Other Finnish investors 9.7%
- International investors 10.2%

Quotations, EUR
(monthly average)



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



Fortum in Brief

Fortum Corporate Structure

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

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

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

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

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

The Year 2001

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

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

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

Energy Market

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

Nordic consolidation continues

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

Lively electricity trade

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

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

and in Amsterdam in the Netherlands. Fortum trades in electricity in the UK, too.

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

Demand for oil down, natural gas up

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

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

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

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

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

Message from the Chairman



During 2001, a number of strategically important steps were taken at Fortum. The efficiency of the operations was improved and structures were clarified. As regards power, the company progressed in line with its goals, as

the acquisition of Birka Energi AB's shares owned by the City of Stockholm was confirmed at the end of the year. The European Commission has later approved the transaction.

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

The energy dialogue between the EU and Russia has intensified and is progressing towards issues relating to actual business oppor-

tunities. The negotiations on the enlargement of the EU, which are important for the Baltic markets, are reaching a crucial stage. The extent to which and when these arrangements will offer opportunities for new business remains to be seen. Our strategic position in this respect is good, though.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Matti Vuoria'.

Matti Vuoria
Chairman of the Board

President and CEO's Review



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

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

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

Good start to strategy implementation

We can all be satisfied with the results of our determined work. The most important achievement was the agreement to purchase the remaining half of Birka Energi, signed in

November. This transaction is the most important step we have taken so far in implementing our Nordic strategy. Together with Birka Energi we are among the leading companies in all sectors of the power and heat business. Our position provides us with a strong springboard from which to participate in the ongoing restructuring of the Nordic power sector.

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

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

Prerequisites created for developing customerships

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

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

President and CEO's Review continued

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

Results satisfactory, balance sheet strengthened

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

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

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

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

Good starting point

We have proved the credibility of our Nordic strategy and intend to continue on this path. Thanks to the Birka transaction, we now have

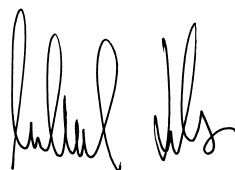
a unique opportunity to create a leading Pan-Nordic energy company. The task will be challenging and success will require considerable effort from all our employees. The preparations made so far convince me that on both sides of the Gulf of Bothnia we have sufficient ability, skill and commitment to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

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

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

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

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

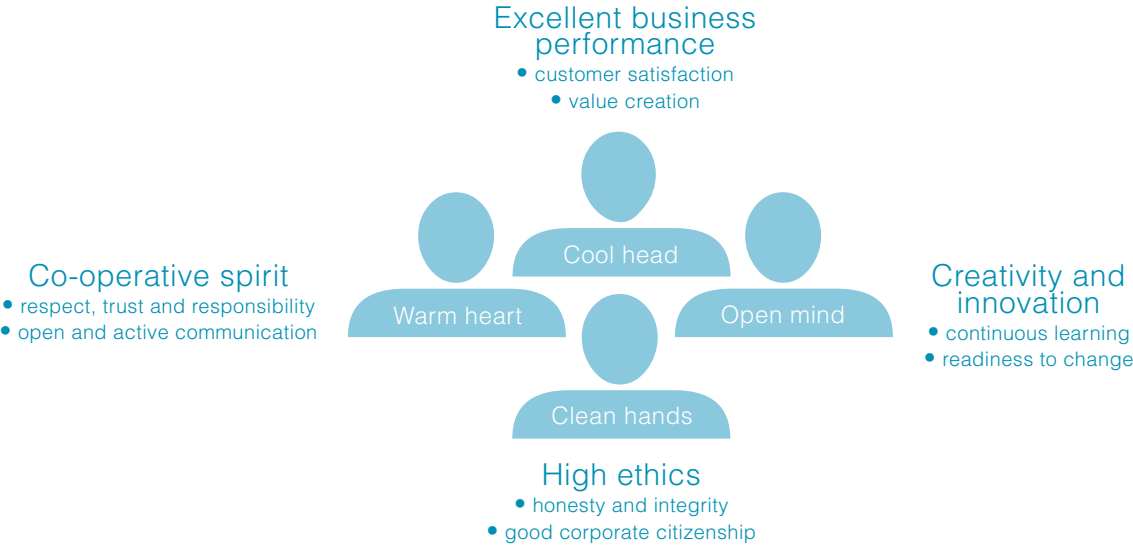


Mikael Lilius
President and CEO

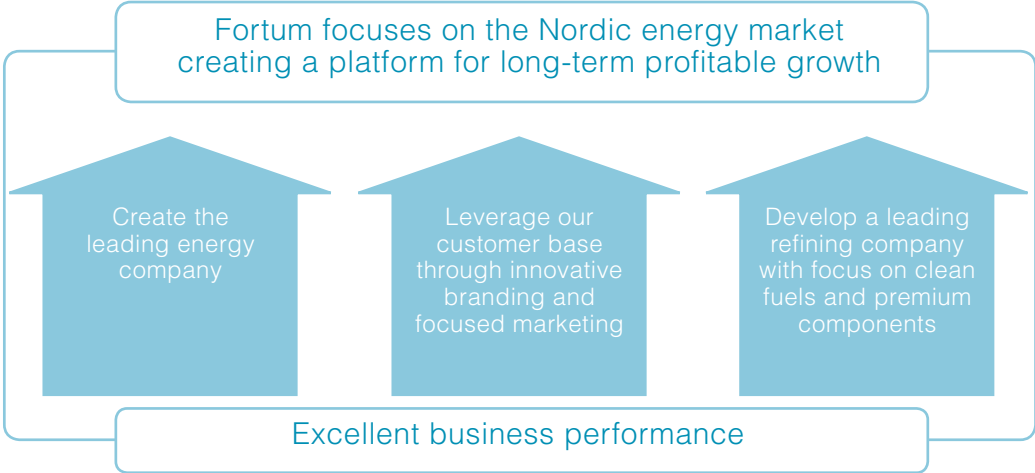
Values and Strategy

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

Fortum's shared values guide our behaviour



Our business plans follow Fortum's strategy



Financial Summary

Market review

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

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

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

Net sales and results

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

Fortum Group's operating profit was EUR 914 (906) million. The rise in the price of electricity in 2001 together with increased production appreciably improved the results for generation and sales. The decline in the crude oil price and the pipeline repair work at the Åsgard gas field decreased the results for Oil and Gas Upstream. The results for Oil Refining and Mar-

keting were substantially reduced on account of the weakening international refining margin, inventory losses and the maintenance shutdown at the Porvoo refinery. The result of the oil businesses declined substantially in the last quarter.

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

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

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

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

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

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

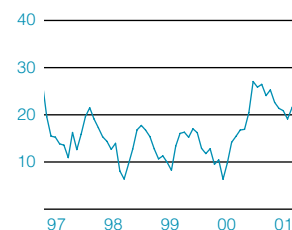
Profit before taxes totalled EUR 702 (623) million.

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

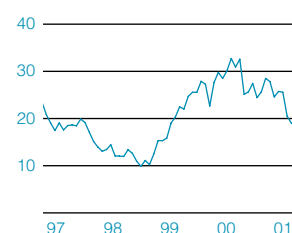
Net profit for the period was EUR 459 (423) million and earnings per share were EUR 0.57 (0.55). Return on capital employed was 8.7% (9.4%) and return on shareholders' equity was 8.3% (8.6%).

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

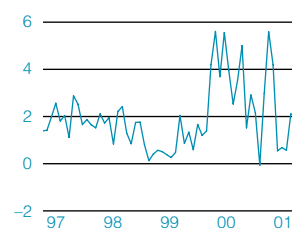
Market price of electricity, Nord Pool
EUR/MWh



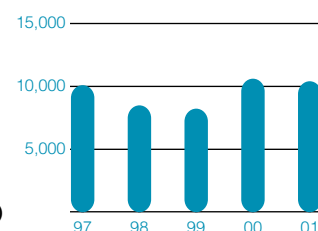
Brent crude price
USD/bbl



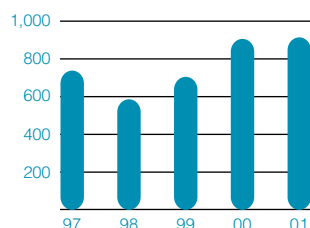
Refining margin in Rotterdam
Brent complex, USD/bbl



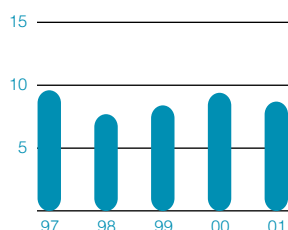
Net sales
EUR mill.



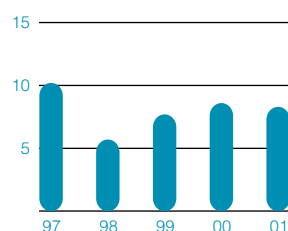
Operating profit EUR mill.



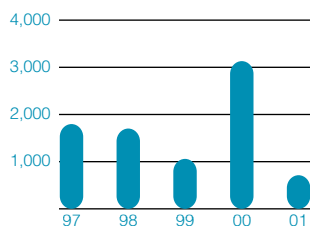
Return on capital employed %



Return on shareholders' equity %



Investments EUR mill.



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

Production and sales

Power, Heat and Gas

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

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

Electricity sales by area

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

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

Heat sales by area

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

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

Electricity Distribution

At the beginning of July, Fortum harmonised the structure of its electricity distribution pricing in Finland and raised prices. Our distribu-

tion networks transmitted a total of 15.0 (15.0) TWh of electricity and our regional networks a total of 16.0 (14.0) TWh.

Electricity distribution in distribution networks, by area

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

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

Oil Refining and Marketing

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

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

Deliveries of petroleum products refined by Fortum, by product group

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

Oil and Gas Upstream

In 2001, we produced an average of 40,200 (34,200) oil-equivalent barrels of oil and gas a day – about 2.0 (1.7) million tonnes a year. Of this, slightly less than one fifth was accounted for by natural gas, its production following

Financial Summary

the production start at the Åsgard field amounting to 2.6 (1.0) million oil-equivalent barrels. During the year we decided to concentrate oil and gas production in Northern Europe and to divest our field interests in Oman.

Financing and financial position

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

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

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

Investments and divestments

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

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

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

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

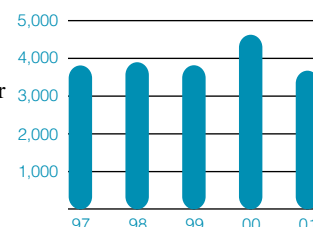
Key sensitivities in 2002

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

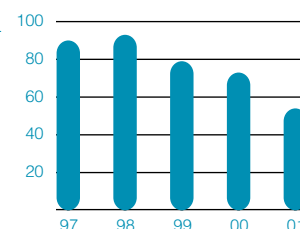
The figures include hedging

¹⁾ effect is not linear, in the Nordic countries, Birka 100%

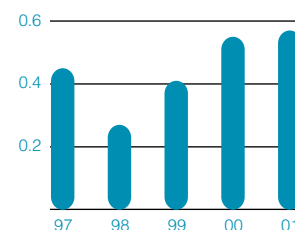
Interest-bearing net debt
EUR mill.



Gearing
%



Earnings per share
EUR

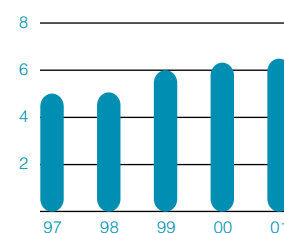


Key figures by segment

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

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

Shareholders' equity
per share
EUR



Acquisition of Birka Energi AB

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

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

Pro forma income statement 1 Jan - 31 Dec 2001

(unaudited), EUR million

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

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

Pro forma key figures 31 Dec 2001 (unaudited)

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

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

Pro forma balance sheet 31 Dec 2001 (unaudited), EUR million

	Fortum Group	Birka Energi Group (50%)	Adjust- ments ³⁾	Fortum pro forma
Assets				
Fixed assets and other long-term investments	11,328	3,558	536	15,422
Current assets				
Inventories and receivables	2,364	282	-4	2,642
Cash and cash equivalents	602	29	108	739
Total	2,966	311	104	3,381
Total	14,294	3,869	640	18,803

Shareholders' equity and liabilities

Shareholders' equity	5,485	1,290	-1,290	5,485
Minority interests	1,270	53	108	1,431
Interest-bearing				
liabilities	4,276	1,739	1,781	7,796
Interest-free liabilities	3,263	787	41	4,091
Total	14,294	3,869	640	18,803

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

Pro forma information by segment 1 Jan - 31 Dec 2001

(unaudited), EUR million

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

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

Fortum volume and capacity data 2001 incl. Birka 100 %

	Nordic countries	Total
Power generation capacity (MW)	11,551	12,625
Electricity generation		
Output (TWh)	52.1	57.7
Electricity sales (TWh)	58.5	65.1
Heat generation capacity (MW)	7,854	8,581
District heat sales (TWh)	14.2	14.5
Process steam sales (TWh)	6.0	7.5
Distribution customers ('000)	1,177	1,357
Retail customers ('000)	1,154	1,326

Power, Heat and Gas
Birka Energi
Electricity Distribution



Power and Heat

Fortum carries on its power, heat and gas operations mainly in the Nordic countries. The primary businesses are generation and sales of power, heat, cold energy and

process steam, electricity distribution as well as energy and portfolio management services. We also have holdings in natural gas companies.

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

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



Market price of electricity nearly doubled in the Nordic countries

Hydropower generation in the Nordic countries was 9% higher than average, although 22 TWh less than the previous year. The supply of hydropower in Norway decreased significantly.

Sweden, on the other hand, had fairly heavy rainfall throughout the year. At the end of 2001, the water reservoirs in the Nordic countries were slightly lower than average and there was somewhat less snow than usual. Approximately 55% of electricity in the region was generated by hydropower, some 24% by nuclear power, 20% by thermal power and 1% by wind power.

The market price of electricity in the Nordic countries nearly doubled as a result of the decline in hydropower generation compared with the previous year and growth in consumption. The system price of the Nord Pool power exchange was on average EUR 23.2 (12.8) per MWh. The selling prices for end customers, too, increased in all the Nordic countries.

The market price of electricity was nevertheless still appreciably below the costs for new production capacity.

Electricity transmission trends in Europe

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

Power, Heat and Gas



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

More hydropower and biofuels in power generation

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

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

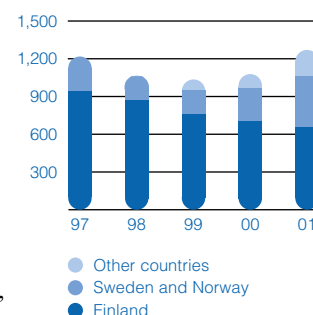
Hydropower accounted for 17.0 (16.8) TWh, or about 37% (40%) and nuclear power some 20.7 (18.3) TWh, or 45% (43%) of our power generation. Other energy sources were natural gas, coal, biomass, peat, oil, and wind power.

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

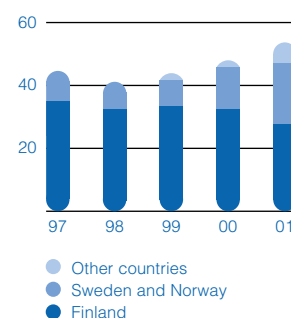
Electricity sales grew in the Nordic countries

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

Net sales of electricity by area
EUR million

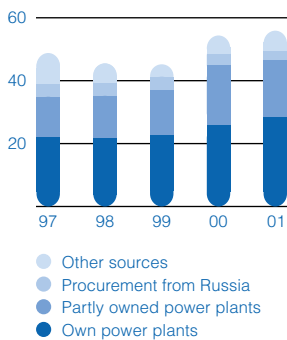


Electricity sales by area
TWh

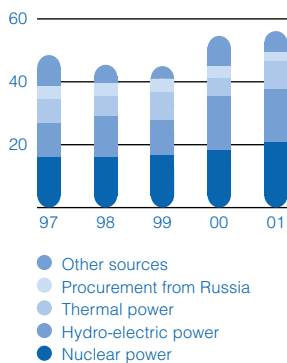


Key figures	2001	2000
Net sales, EUR mill.	2,227	1,873
Electricity sales, EUR mill.	1,269	1,170
Heat sales, EUR mill.	464	411
Operating profit, EUR mill.	367	211
Identifiable assets, EUR mill.	5,873	6,050
RONA, %	6.2	3.9
Investments, EUR mill.	197	2,282
Average number of employees	2,920	2,938

Electricity procurement by procurement source TWh



Electricity procurement by energy type TWh



Electricity sales by area

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

¹⁾ includes 50% of Birka Energi's electricity sales

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

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

Heat generation increased

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

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

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

Additional gas needed

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

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

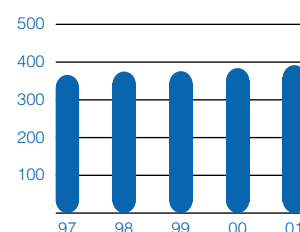
R&D focused on low-emission production

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

Electricity consumption in the Nordic countries

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

Electricity consumption in the Nordic countries TWh



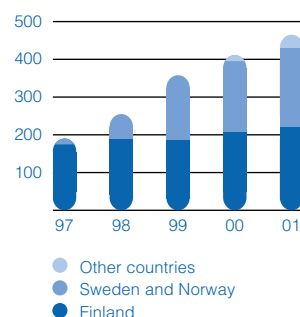
Power and heat generation capacity as of 31 December 2001

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

Power generation capacity in the Nordic countries 9,149 MW

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

Net sales of heat EUR mill.

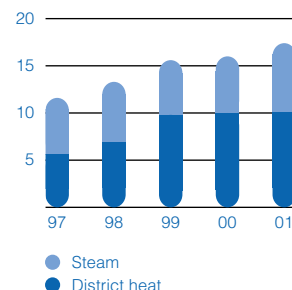


Electricity generation capacity in other countries totalled 1,074 MW; 578 MW of shares in Germany; 488 MW of shares in the UK and Ireland and 8 MW in the Baltic countries.

Heat generation capacity in the Nordic countries 5,435 MW

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

District heat and steam sales TWh



Heat generation capacity in other countries totalled 727 MW.

Birka Energi



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

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

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

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

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

It used 4,803 (4,452) MW of electricity generation capacity.

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

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

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

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

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

Electricity Distribution



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

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

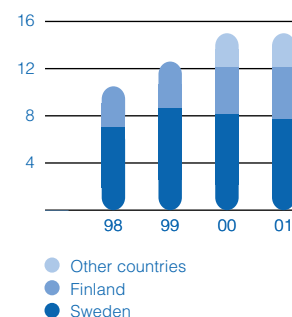
Fortum harmonised the structure of its electricity distribution pricing and raised prices in Finland at the beginning of July 2001. Price increases for regional network transmission will become effective at the start of the next agreement period, as a rule as from January 1, 2002.

Changes ahead for regulatory regimes and legislation

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

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

Electricity distribution in distribution networks TWh



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

Number of electricity distribution customers, by area

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

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

Volume of distributed electricity, by area

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

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

Fortum's electricity distribution business

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

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

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

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

Autumn storms impeded electricity distribution

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

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

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

Fortum's two refineries are located in Finland. The Porvoo refinery is one of the most versatile and efficient in Europe. Its main products are environmentally benign traffic fuels. The Naantali refinery increasingly produces special products, such as bitumens, solvents, small-engine gasoline, special gasoline for racing and almost sulphur-free light fuel oil. Fortum concentrates oil and gas production in Norway and Russia. Gas accounts for one fifth of total production. Our own oil production accounts for about one fifth of the needs of our own refineries.

Fortum sells petroleum products and related services to drivers through its own network of Neste service stations, unmanned A24 stations and diesel fuel outlets. Fortum Markets sells



fuel oil products to customers in industry and the heating and municipal sectors. Fortum has almost 500,000 service station customers with loyalty cards and some 300,000 other petroleum product customers.

Fluctuating raw material prices, moderate price development of petroleum products

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

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

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

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



Oil Refining and Marketing



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

Demand for environmentally benign products

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

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

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

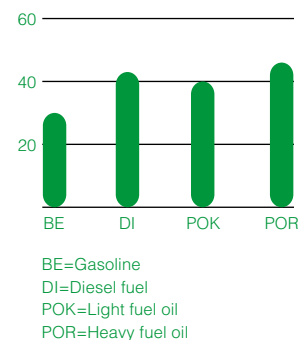
Trading operations in both oil and LPG supported the Group's oil and LPG supplies and overseas exports of petroleum products.

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

Neste service stations competitive

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

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



Key figures

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

Sales of petroleum products in Finland

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

Deliveries of petroleum products refined by Fortum, by product group

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

the shops were leased to a non-Group company.

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

Investment in refining increases environmentally benign products

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

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

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

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

Oil spills at the refineries

Two oil spills occurred at the refineries at the end of the year. In December at the Naantali refinery, some 300 m³ of water containing oil leaked into the soil and then into the sea due to human error. The spill also spread outside the refinery area.

At the turn of the year at the Porvoo refinery, a pipeline between the harbour and the underground storage was frozen and some 500 m³ of diesel oil leaked into the terrain, and a part of it into the sea. Thanks to oil booms, the oil did not spread outside the dock basin.

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

Tightening demands change the composition of traffic fuels

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

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

Deliveries of petroleum products refined by Fortum, by area

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

Fortum's refineries are located in Porvoo and Naantali

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

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

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

Quality base oils and lubricants

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

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

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

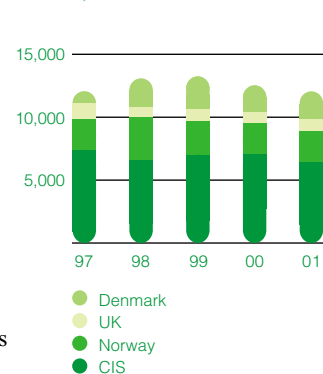
Good utilisation of shipping

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

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

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

Supply of crude oil and feedstocks to the refineries



Refinery production

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

Tanker fleet at the end of 2001:

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

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

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

Fortum continues to renew its tonnage

Fortum is acquiring new vessels, selling its existing tonnage and restructuring its vessel ownership. The aim is to reduce the age of the fleet so as to be better able to respond to the needs of the future. Last year agreements were made for the building of two 14,000 dwt and two 25,000 dwt product tankers which will be

delivered in the second half of 2003. At least two of the new tankers will be on long-term bareboat charter. We have also commissioned two ice-breaking crude oil tankers, 106,000 dwt, and two escort tugs, all of which will be completed during 2002. We sold two tankers during the year, one of which was leased back.

Fortum's oil technology throughout the world

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

Neste service station network in 2001

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

Oil and Gas Upstream



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

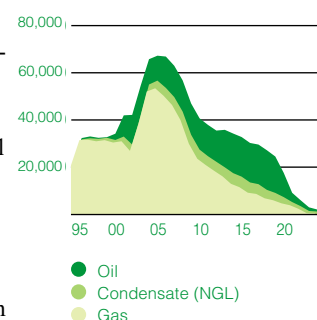
Reserves and production increased

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

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

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

Production forecast vintages (boe/day)



Key figures

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

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

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

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

²⁾ Sold at the beginning of 2002

Problems in gas production at Åsgard

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

Oil production at Brage and Heidrun continued as planned. In March, Fortum's Norwegian subsidiary, Fortum Petroleum AS, acquired a 30% interest in three new concessions in the North Sea. The successful exploration programme of the previous year was followed up

by success in the Norwegian Barents Sea in October, where more oil reserves were confirmed in the appraisal wells of the Goliath deposit. During production testing, 4,300 barrels of oil a day were extracted from the well. Fortum has a 15% interest in this field, which will possibly be developed.

Divesting interests in Oman

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

Production in Russia likely to start in 2003

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

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

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

Other business units Fortum Energy Solutions (FES)



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

plant signed. In October a joint venture was established to construct a 40 MW industrial power plant at Liaohe in northern China. We also sold our minority share in the Hin Krut power plant in Thailand.

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

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

BioMAC launched

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

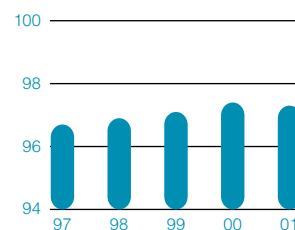
Maintenance means partnership

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

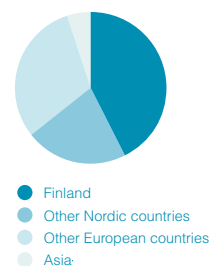
Laser coating methods and technology have been improved and the market for these products has expanded in industry and the power plant sector. The new facilities for the laser coating unit were taken into use in Kokkola.

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

Operation-time energy availability of power plants %



Net sales by destination country EUR mill.



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

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

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

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

Accomplished and new energy projects

In July the 100 MW gas power plant at Laem Chabang in Thailand was completed and an operation and maintenance agreement with the power

Other business units

Fortum Markets

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

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

Restructuring underway in the Nordic countries

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

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

Wide range of products and services

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

Sales network, Contact Centre and online services

Account Managers are at the service of Fortum Markets' business customers. The Contact

Centre offers its telephone services to households and small enterprises. Via the Internet's online services, customers can place heating oil and electricity product orders, check their invoicing information and monitor their purchases.

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

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

Fortum Markets consists of three units

- Private Customers

Sales and marketing of electricity and petroleum products and related services to households and farms. Total sales amounted to 4.0 TWh, 0.37 million tonnes.

- Business Customers

Electricity and petroleum products and related services to the process industry, manufacturing industry as well as service and property companies. Total sales amounted to 14.3 TWh, 1.30 million tonnes.

- Customer Services

Customer, invoicing and data management services to the above units and to our other business units in Fortum.

Human Resources



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

A year of changes and development projects

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

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

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

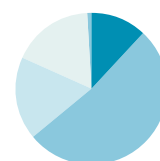
Human resources development secures the future

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

Number of employees by country as of 31 Dec.

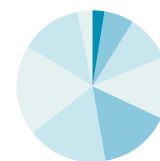
	2001	2000
Finland	7,922	9,360
Sweden	2,172	2,110
Germany	622	664
Estonia	488	575
Hungary	333	422
Norway	41	408
Russia	344	366
USA	284	288
UK	204	238
Other European countries	312	333
Other countries outside Europe	134	80
Total	12,856	14,844

Levels of education



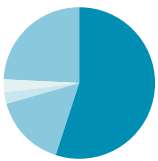
- Compulsory (0-9 years)
- Vocational (9-12 years)
- College (12-15 years)
- University (15 years)
- Doctorate

Age distribution



- under 25 years
- 25-29 years
- 30-34 years
- 35-39 years
- 40-44 years
- 45-49 years
- 50-54 years
- 55-59 years
- 60- years

Fields of education



- Technical or natural sciences
- Commercial or law
- Social sciences or humanities
- Logistics and transports
- Other

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

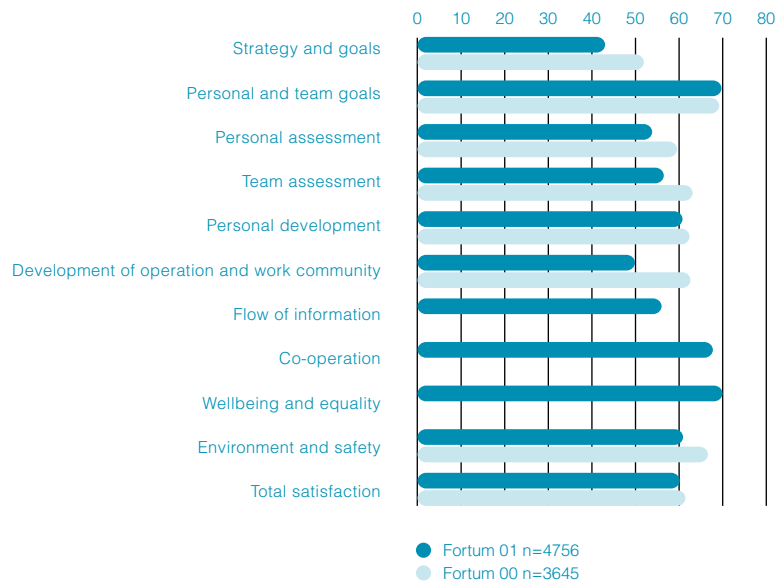
In order to improve supervisory and business skills and to strengthen the Group's joint management practice, a development plan for management and experts was drawn up. The first programmes, Fortum Challenger and Fortum Forward, will start up in 2002. Our aim is to engage about 500 employees in these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

Employee satisfaction measured in the spring

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

Wellbeing and equality received highest ratings

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



Number of permanent employees by segment as of 31 Dec 2001

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

Incentive and bonus systems establish their place

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

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

Employee fitness for work programme enhances wellbeing

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

New structure enabled task changes

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

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

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

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

Environment, Health and Safety (EHS)



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

Turning the climate change into business opportunities

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

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

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

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

Fortum and Vapo are investigating the production of liquefied wood fuel that is suitable

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

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

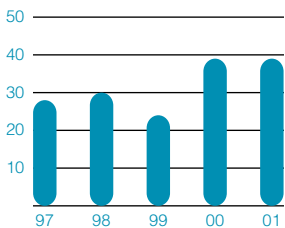
In 2001 we participated actively in the European wide green certificate trading pilot project (RECS). Our first transactions in green certificate trading involved two Dutch companies. These provided us with useful experience in contract making and in auditing the production plants.

Continued high demand for environmentally benign traffic fuels

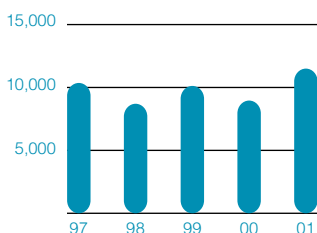
Our aim is to provide our customers with high-quality, environmentally benign products and services. With this aim, we have carried out conscientious R&D into traffic fuels for well over a decade. Today, we are a leading producer of environmentally benign traffic fuels in Europe.

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

Share of renewables in electricity generation %



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



Climate issue shapes business environment

Great strides were made in the International Climate Convention during the year. The EU took an assertive role and started the preparations for the ratification of the Kyoto Protocol in summer 2002, even though the United States has so far opted to stay out of the process.

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

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

More resources for improving safety

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

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

Our lost workday injury frequency represents a good Finnish average in terms of safety. We still have some way to go to match inter-

national high-performing companies, however. Greater effort will be needed to improve safety if we are to catch up and reach our own objective. In 2001, the Corporate Executive Committee approved our safety principles, which specify the criteria and objectives of the high-level safety culture that the company aims to develop.

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

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

Increases in production and emissions

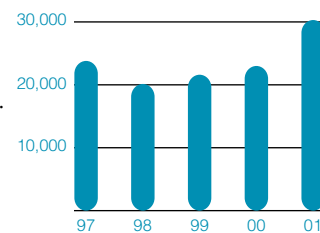
Our carbon dioxide, nitrogen oxide and sulphur dioxide emissions increased clearly compared with the previous year. This was due, among other things, to the increased production with fossil fuels in connection with the start-up of the new power plants at Edenderry, Grangemouth, Burghausen and Laem Chabang.

Up-to-date environmental technology

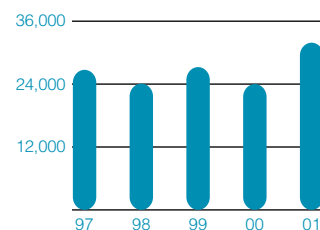
Our EHS investments amounted to some EUR 44 (47) million, and the operating expenses totalled EUR 58 (55) million. These included costs related to our air pollution control, soil protection, effluent treatment, waste management and fire abatement, process and occupational safety activities and occupational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

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

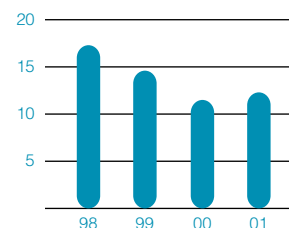
Sulphur dioxide emissions into the air
tonnes/year



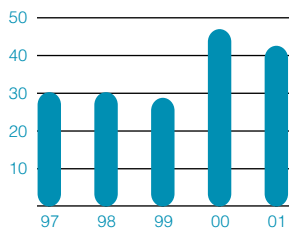
Nitrogen oxide emissions into the air
tonnes/year



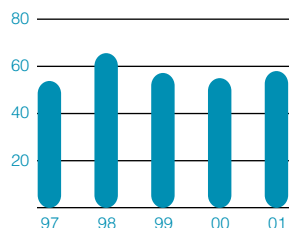
Lost workday injuries
injuries/million hours worked



EHS investments
EUR mill. /year



EHS operating costs
EUR mill. /year



Importance of renewable energy production and biofuels increases

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

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

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

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

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

EHS risks and liabilities under control

We have evaluated the environmental liabilities related to our past actions and made the necessary provisions, in line with our accounting principles, for any future remedial cost relating to environmental damage. The management is not aware of any cases that would have a material impact on our financial position.

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

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

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

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

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

Corporate Governance

Fortum complies with the Finnish Companies Act and the guidelines on the administration of publicly listed companies, issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. We also observe the Guidelines for Insiders issued by the Helsinki Exchanges. In addition to a register of persons obliged to declare insider holdings, as required under the Securities Markets Act, we maintain a more extensive insider list, which is kept in the insider register system of the Finnish Central Securities Depository.

The decision-making bodies running the Group's administration and operations are the annual general meeting, Supervisory Board, Board of Directors and the President and Chief Executive Officer.

Annual General Meeting

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

Supervisory Board

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

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

Members of the Supervisory Board:

Ben Zyskowicz, born 1954, Member of Parliament (MP), Deputy Chairman of the Supervisory Board

Henrik Aminoff, born 1945, BSc (Econ),

Assistant Director, M-real, Paper Group

Tuija Brax, born 1965, MP

Kaarina Dromberg, born 1942, MP

Klaus Hellberg, born 1945, MP

Rakel Hiltunen, born 1940, MP

Harri Holkeri, born 1937, Counsellor of State

Jorma Huuhtanen, born 1945, Director General

Mikko Immonen, born 1950, MP

Kyösti Karjula, born 1952, MP

Tanja Karpela, born 1970, MP

Jouko K. Leskinen, born 1943, Master of Laws

Leena Luhtanen, born 1941, MP

Pertti Mäki-Hakola, born 1951, MP

Matti Vanhanen, born 1955, MP

Sirkka Vilkamo, born 1951, Industrial Counsellor, Ministry of Trade and Industry

Employee representatives:

Satu Laiterä, managers and professionals

Tapio Lamminen, workers

Pentti Paajanen, workers

Edvard Trebs, clerical personnel

Board of Directors

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

The Board of Directors is responsible for the administration of the Group and for ensuring that the business complies with the relevant rules and regulations, Fortum's Articles of Association, and the instructions given by the annual general meeting and the Supervisory Board.

The Board of Directors is responsible for the company's strategic development and for supervising and steering the business. It also decides on the Group's key operating principles; confirms the company's annual operating plan, annual financial statements and interim reports; decides on major investments; confirms the company's ethical values and operating principles and oversees their implementation; appoints deputies and the immediate subordinates to the President and CEO, and decides on their remuneration; confirms the Corporate Executive Committee and the Group's organisational and operating structure at top management level; and defines the company's dividend policy.

The Executive Chairman of the Board, together with the President and CEO, prepares matters relating to the Group's strategy, development of corporate structure, and co-operation projects for the Board of Directors.

The Board of Directors has appointed an audit committee, and a nomination and compensation committee. The members of these committees are all non-executives. The audit committee monitors the company's financial statements, interim reports and auditors' reports, and monitors and assesses the Fortum-wide internal supervision system and internal auditing. The audit committee is chaired by Birgitta Kantola and the members are Hans von Uthmann and Erkki Virtanen.

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

President and CEO

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

Salary, remuneration and shareholdings

The salary and remuneration of members of the Supervisory Board and the Board of Directors for 2001 totalled EUR 541 thousand. The Executive Chairman of the Board and the President and CEO are paid performance bonuses, in addition to their salary and fringe benefits, the size of which is dependent on the Group's financial performance and success in reaching its goals. The bonus may not exceed 30% of the person's annual salary.

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

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

Auditing

The internal auditing function, which reports to the audit committee appointed by the Board of Directors and the President and CEO, assures that we operate in compliance with the relevant rules and regulations as well as with the Group's operating principles. The function also ensures that the company's risk management is arranged in the best possible manner.

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

Bonus and incentive systems

The management and stock option scheme, and a bond loan with warrants targeted at personnel, support the achievement of our long-term goals. More details are in the official financial statements on pages 41–42.

An annual bonus and incentive system, designed to support the achievement of our short-term goals is employed throughout the Group. The criteria used in determining the size of the bonus are confirmed annually by the Board of Directors on the recommendation of the nomination and compensation committee. The criteria on the basis of which the employees' progress in reaching their personal goals are recognised, are mutually agreed by the employee and his/her superior in an annual performance and appraisal discussion. The criteria are approved by the person to whom the superior reports.

The Fortum Personnel Fund (for Finnish employees only) has operated since 2000. The criteria for the fund's annual bonuses are determined by the Board of Directors.

Shares and stock options as of 31 December 2001

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

¹⁾ Number of shares included in stock options

Board of Directors on 31 December 2001



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

Matti Vuoria, Master of Laws, born 1951, Executive Chairman.

Mr Vuoria is a director of a number of companies, including Danisco A/S and The European Renaissance Fund Limited, and is Chairman of Solidium Oy.

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

Birgitta Kantola, Master of Laws, born 1948, Group Executive Vice President. In the period from 1995 to 2000 Ms Kantola was Vice President and CFO of International Finance Corporation (Washington D.C.). Today she is a director of Vasakronan AB and Akademiska Hus AB.



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

Olli-Pekka Kallasvuo, Master of Laws, born 1953. Mr Kallasvuo is Executive Vice President, Chief Financial Officer and a member of Nokia Group Executive Board. He is Chairman of a number of companies, including Sampo plc, Nextrom Holding S.A. (Switzerland), Nokian Tyres plc and F-Secure Oyj. During the period from 1991 to 1996 he was a Board member and Chairman of Helsinki Stock Exchange Ltd.

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

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

Group Management



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

Corporate Executive Committee

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

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

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

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

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

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

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

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

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

Other Management 15 February 2002

Power and Heat sector
President Tapio Kuula
Generation, Pekka Päätiläinen
Power Portfolio Management and Trading, Timo Karttinen

Heat, Risto Riekkö
Distribution, Tapio Lehtisalo
Gas, Bo Lindfors
Birka Energi, Tomas Bruce

Oil sector

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

Fortum Energy Solutions

President Eero Auranne

Fortum Markets

President Kari Huopalahti

Corporate Staff

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

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FIN-00100 Helsinki
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D. Carnegie AB Finland Branch

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POB 727
FIN-00131 Helsinki
Finland

Conventum Securites Limited

tel. int. +358 9 231 231
POB 359
FIN-00101 Helsinki
Finland

Credit Agricole Indosuez Cheuvreux Nordic AB

tel. int. +358 9 696 991
POB 688
FIN-00101 Helsinki

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5 Appold Street
London EC2A 2DA
U.K.

Dresdner Kleinwort Wasserstein Securities

tel. int. +44 171 623 8000
POB 560
London EC3P 3DB
U.K.

Deutsche Bank AG, Helsinki Branch

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POB 650
FIN-00101 Helsinki
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Enskilda Securities AB

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FIN-00101 Helsinki
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Evli Bank Plc

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FIN-00101 Helsinki
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Handelsbanken Securities

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London EC2M 7HA
U.K.

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tel. int. +44 171 425 8000
25 Cabot Square, Canary Wharf
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U.K.

UBS Warburg

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

Glossary

Barrel (bbl)

A crude oil barrel; 159 litres

1 MW

megawatt = 1,000 kilowatts (kW) = 1,000,000 watts (W)

Unit of power. The power of a normal incandescent lamp is 25 to 100 W.

1 TWh

terawatt-hour = 1,000 gigawatt-hours (GWh) = 1,000,000 megawatt-hours (MWh) = 1,000,000,000 kilowatt-hours (kWh)

Unit of energy. An incandescent lamp of 100 watts consumes 0.1 kWh of energy an hour.

BioMAC

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

EHVI

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

FIA

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

NExCC

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

NExTAME and NExETHERS

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

NExOCTANE

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

PAO

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

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