



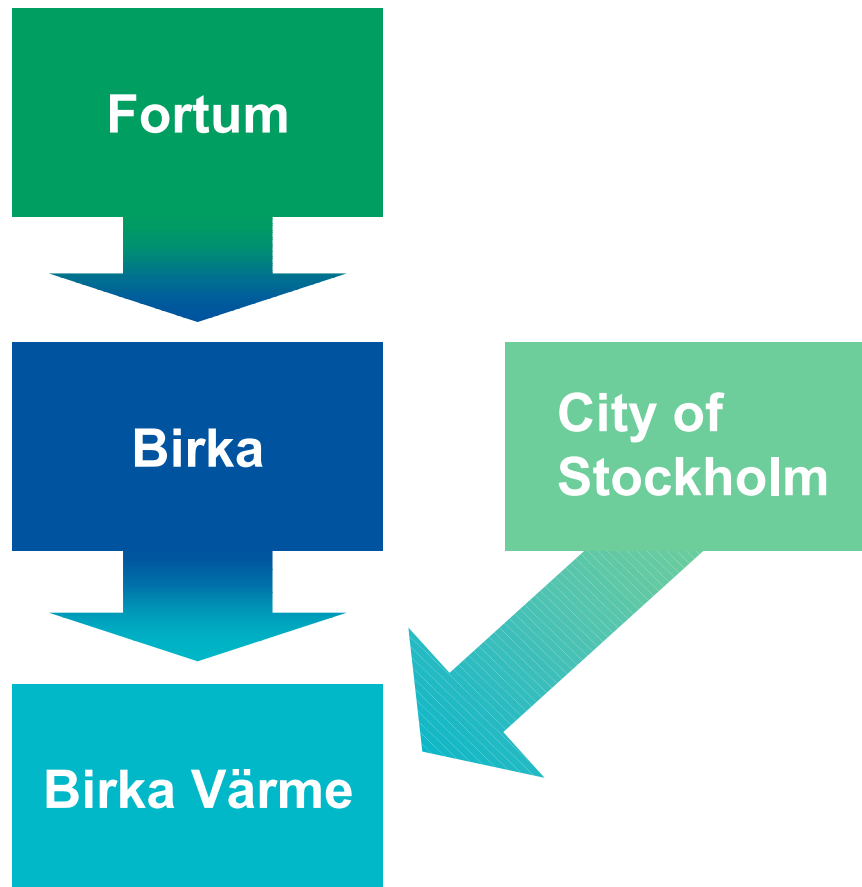
Fortum

Key Step in Delivering Nordic Energy Strategy

Transaction Highlights

- Fortum acquires all of Birka Energi
- €1.5 Bn (SEK14.5 Bn) cash consideration
- City retains 50% economic interest in Birka Värme (Heat Business) and continues successful partnership with Fortum
- Expected close Q1 2002
- Acquisition financed by bank borrowings and non-core divestitures
- Creates potential annual synergies of up to €60 million by 2004
- A key step in delivering Fortum's Nordic energy strategy

Acquisition Summary



- Fortum buys all of Birka Energi
- City of Stockholm retains 50% economic interest in Birka Värme
- Birka Värme remains fully consolidated with the Birka group

Involvement of City of Stockholm

- **City retains 50% economic interest in Birka Värme**
 - Reflects political and economic importance of district heat
- **Equal Board representation in Birka Värme**
 - Fortum/Birka Energi nominates Birka Värme CEO
- **Birka Värme remains fully consolidated with Fortum/Birka Energi group**
 - Enables synergies to be realised
- **Shareholders' agreement until 2015**
 - Corporate governance rules broadly in line with current agreement
 - Birka Värme to be financed by Birka (no new external indebtedness)
 - Birka Värme dividend policy to be based on sound long term financing principles
 - Opportunity for City of Stockholm to exit from 2006

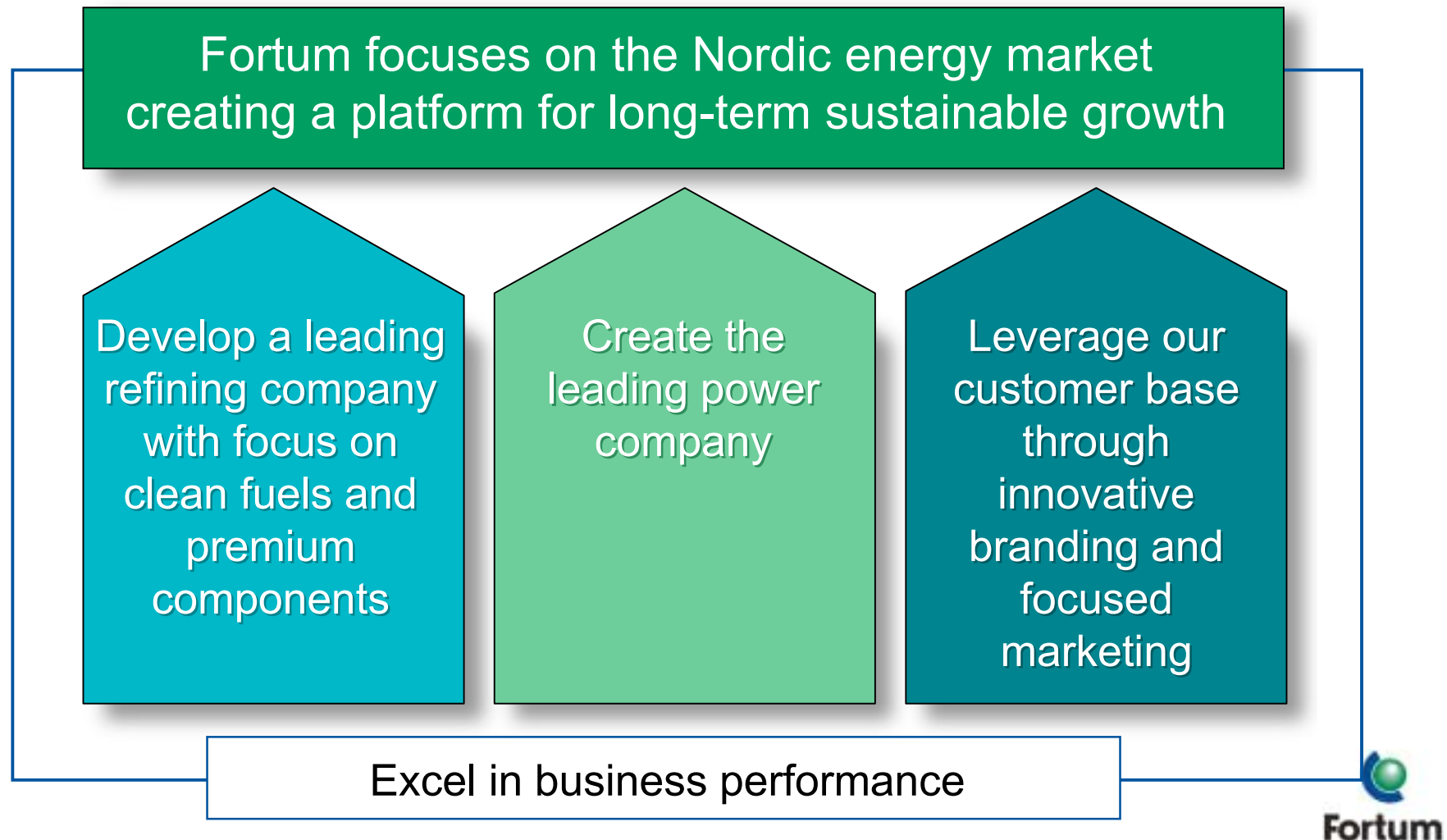
Implementation Timetable

- November 6:
 - Announcement
- December 17:
 - Stockholm City Council approval
- End December:
 - European Commission approval
- Q1 2002:
 - Closing
- 2004:
 - Full integration

Strong Strategic Logic for Acquisition

- **A key step in delivering Fortum's Nordic energy strategy**
 - Management focused on creating value in core businesses
- **Builds scale and critical mass in Nordic power business**
 - Strong position in all key segments
- **Enables benefits from merging operations**
 - Significant synergies and cost savings potential
- **Offers long-term growth opportunities**
 - Low cost generation portfolio should benefit from favourable demand and supply trends
- **Improves balance of energy business**
 - Increases proportion of heat and distribution revenue

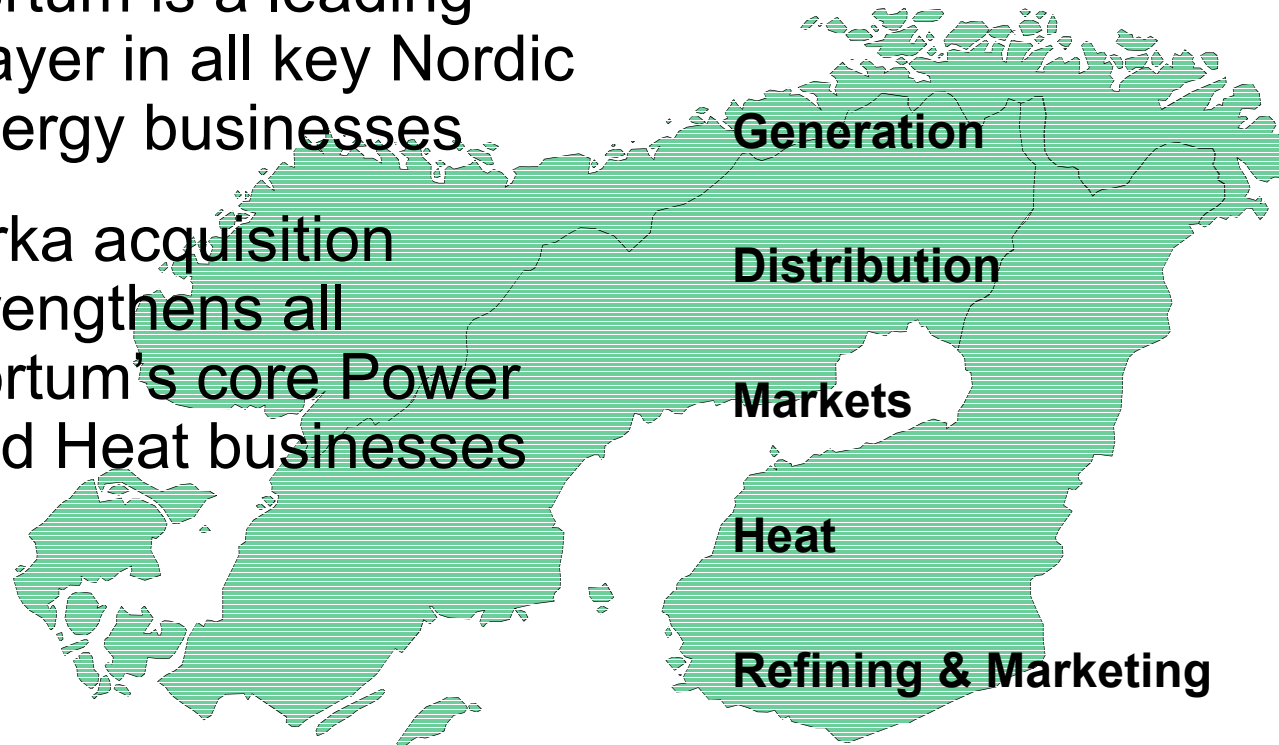
A Key Step in Delivering Fortum's Nordic energy strategy



Leading Nordic Player in Core Businesses

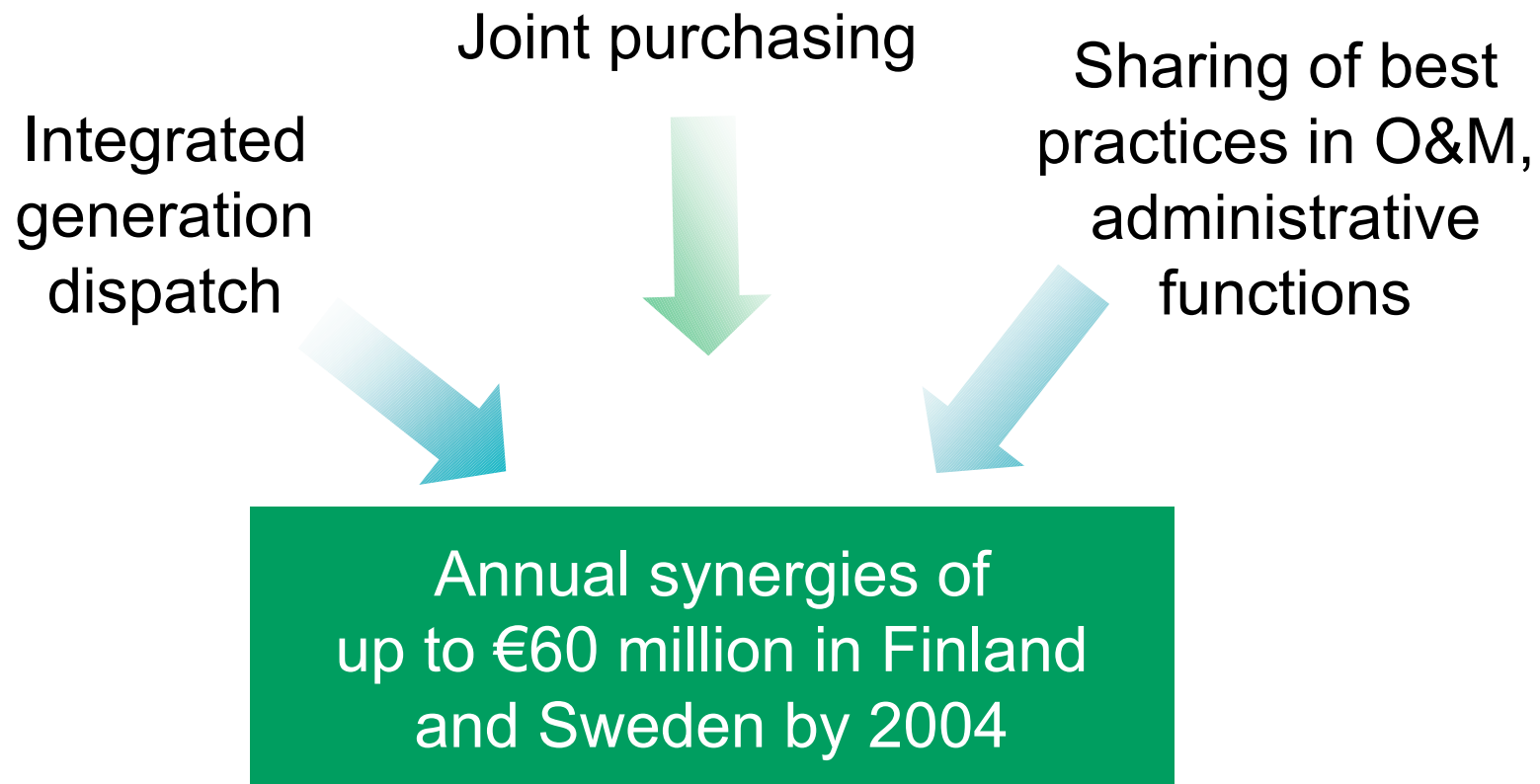
- Fortum is a leading player in all key Nordic energy businesses
- Birka acquisition strengthens all Fortum's core Power and Heat businesses

Fortum's Nordic Market Positions⁽¹⁾



1) Includes 100% of Birka Energi

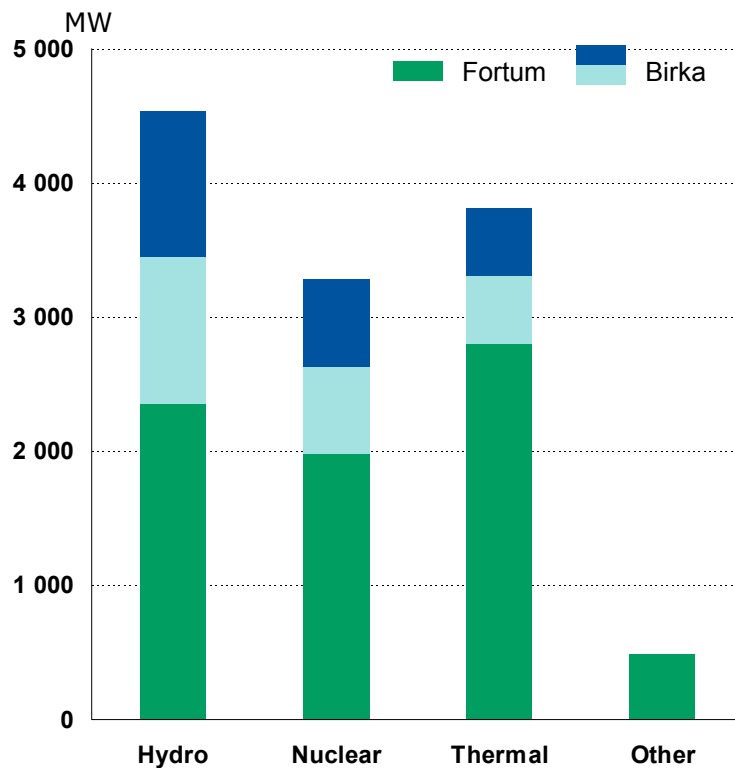
Enables Benefits From Merging Operations



Creates Long-Term Growth Opportunities

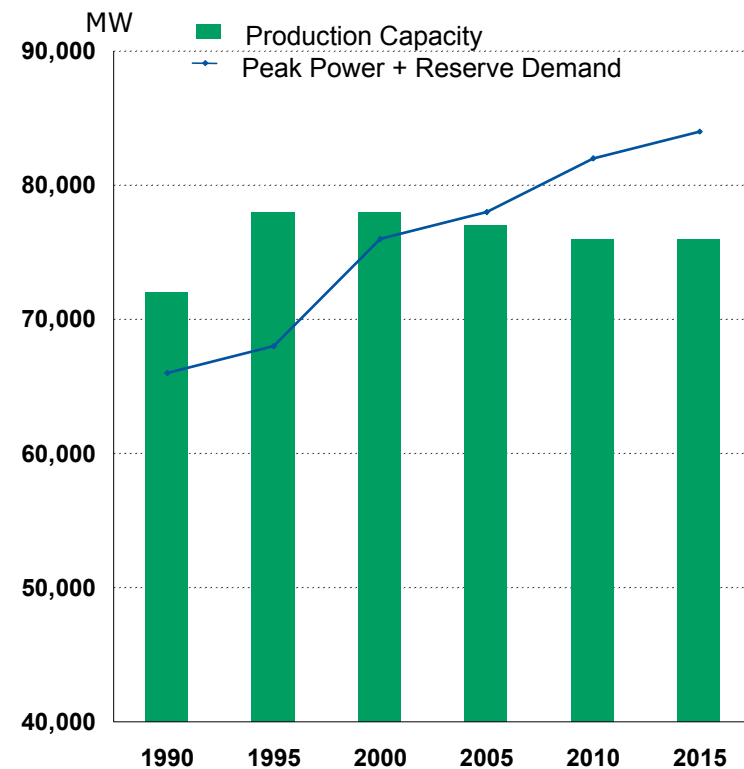
Fortum Generation Portfolio

- Expands Fortum's portfolio of low cost generation capacity



Nordic Supply/Demand Trends

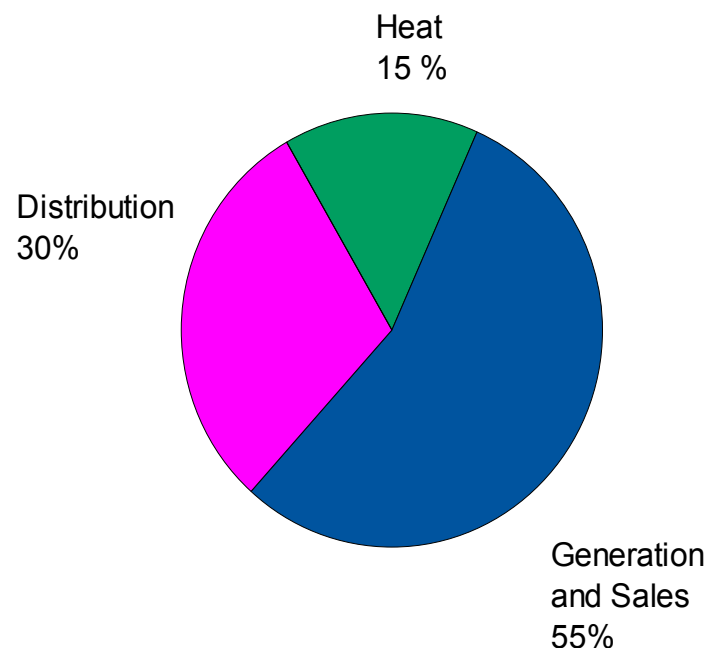
- Favourable environment: rising demand, constrained supply



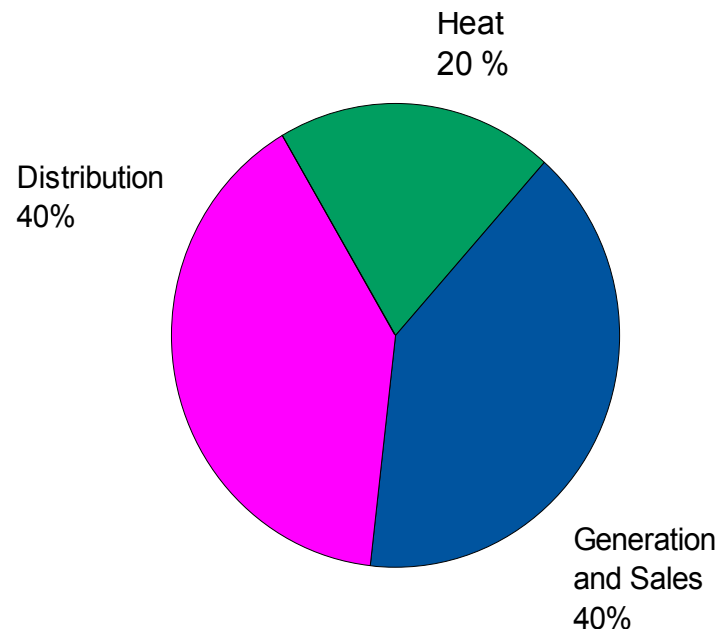
Source: Finergy

Increases Contribution of Stable Heat and Distribution

Pre-Acquisition Contribution to Power and Heat (50% Birka) ⁽¹⁾



Pro-forma Contribution to Power & Heat (100% Birka) ⁽¹⁾

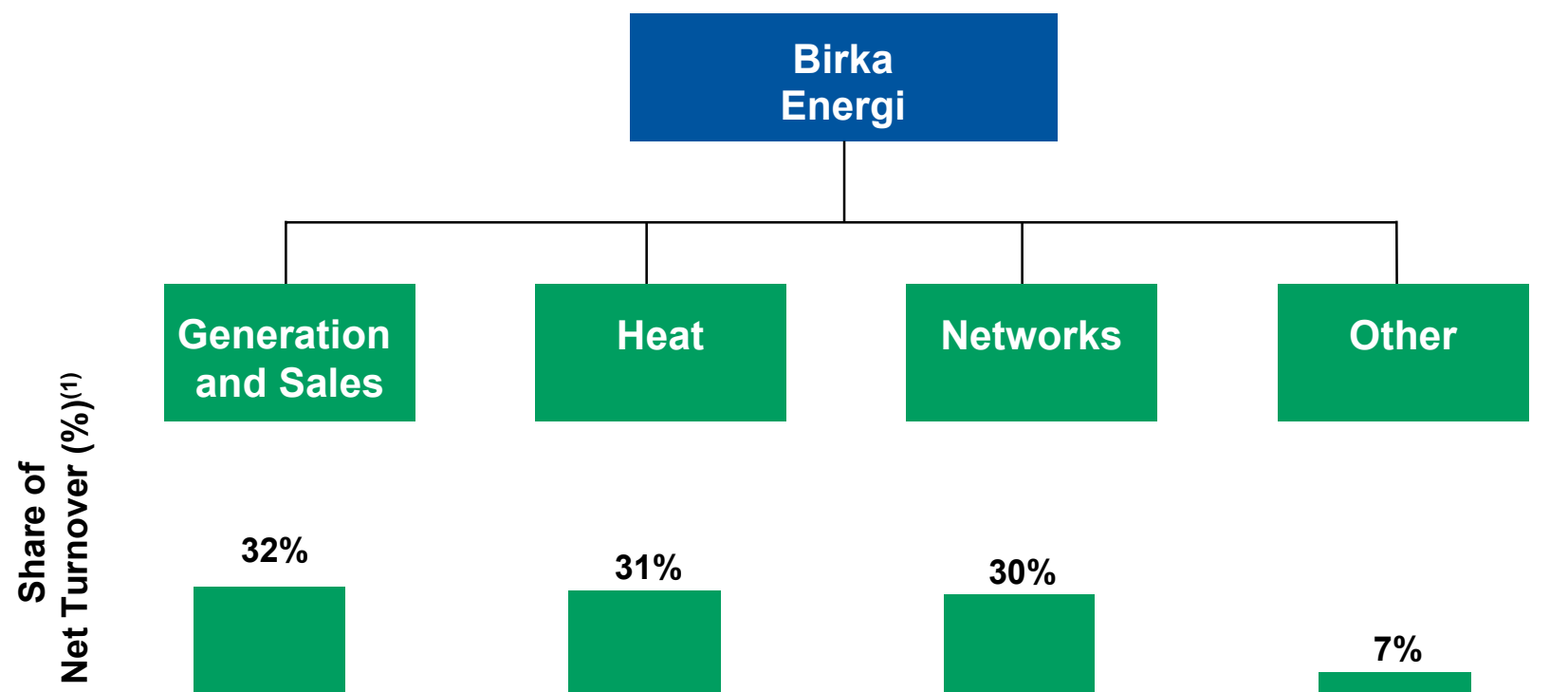


1) Based on pro-forma breakdown of Power & Heat operating profit



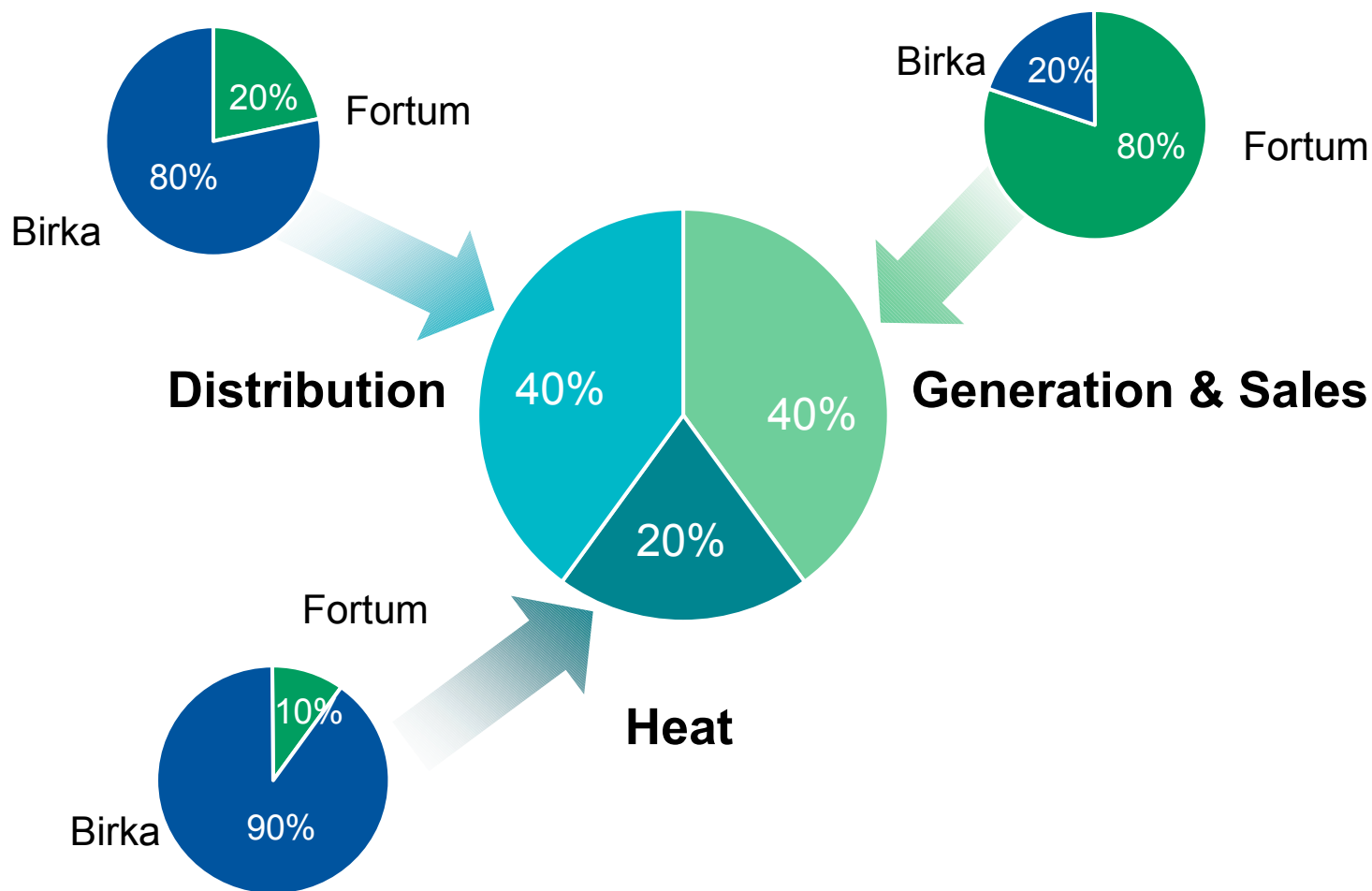
Overview of Birka and Position of Fortum Group

Birka: Third Largest Swedish Utility



1) Based on Birka Energi net turnover for 12 months to 30 September, 2001

Birka and Fortum - A Powerful Combination ⁽¹⁾

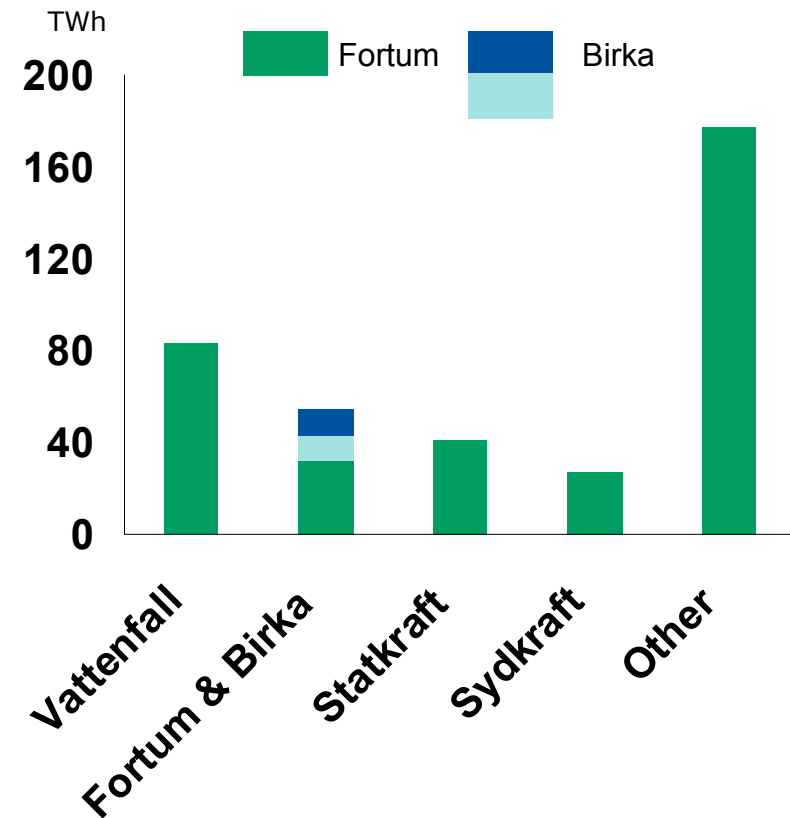


1) Based on pro-forma breakdown of Power & Heat operating profit

Leading Nordic Power Generator

- Consolidates #2 position in fragmented Nordic market
 - 11.2 GW of capacity
- Birka generated 21.5 TWh of electricity in 2000
 - 12.4 TWh hydro
 - 8.2 TWh nuclear
 - 0.9 TWh thermal

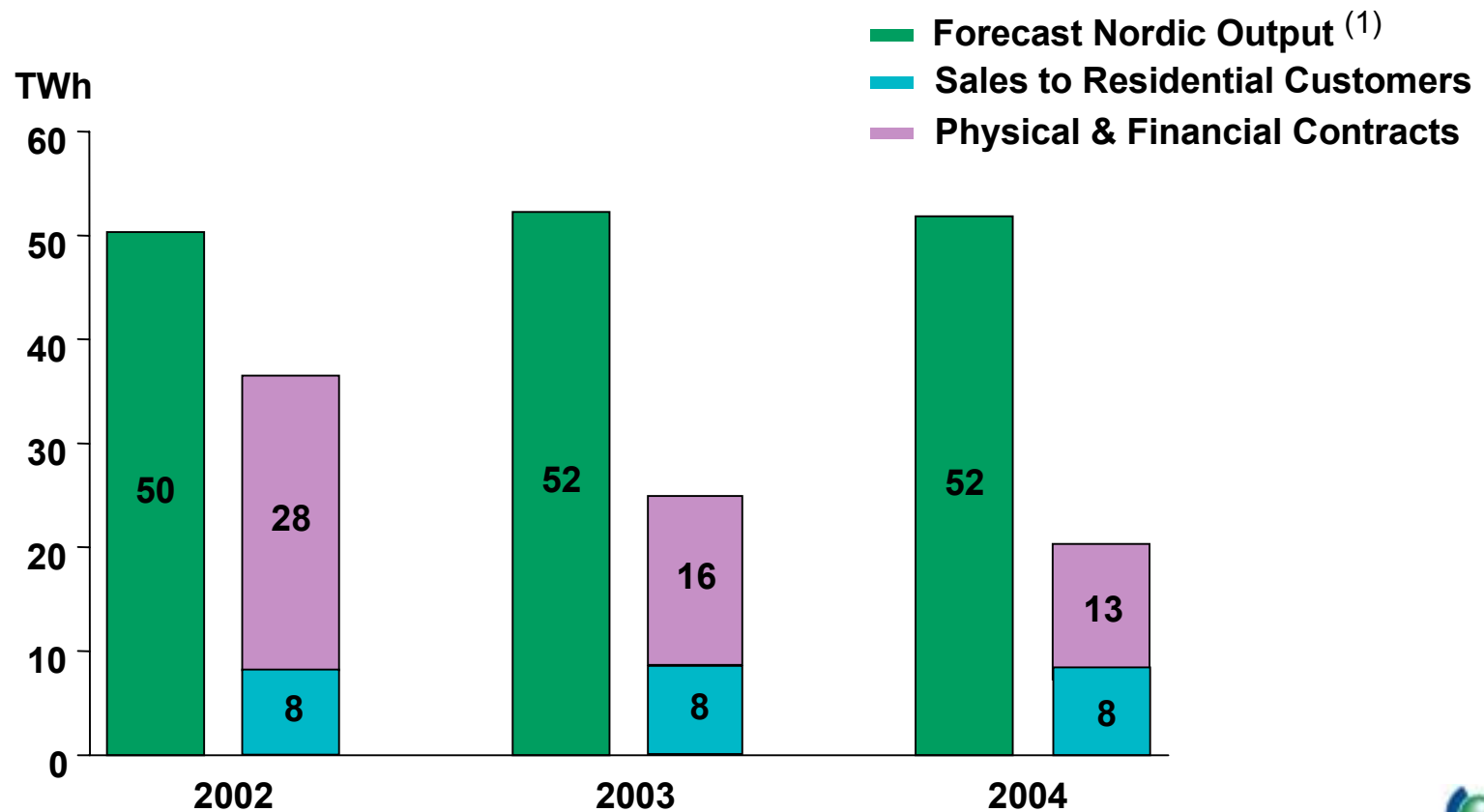
Nordic Power Generation



Source: Company Reports

Contracting Strategy Hedges Generation

- 72% of estimated combined 2002 Nordic generation hedged by retail customers and commercial contracts



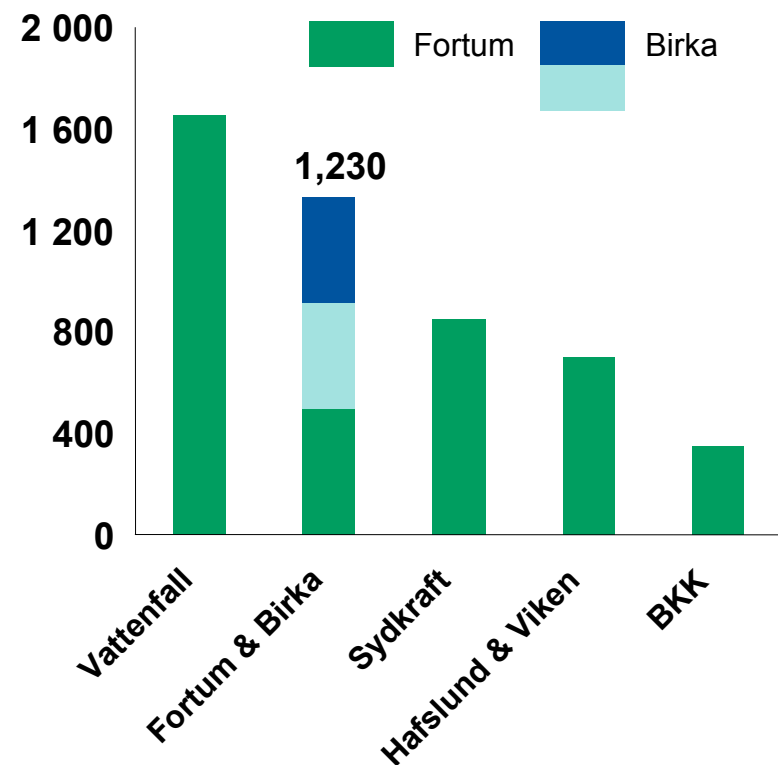
1) Includes 100% of Birka

2) Excludes Fortum's non-Nordic generation

Leading Nordic Electricity Retailer

- 0.8 million Swedish and 0.4 million Finnish customers
- 10% Nordic market share
- Retail customers provide additional hedge for generation

Nordic Electricity Customers

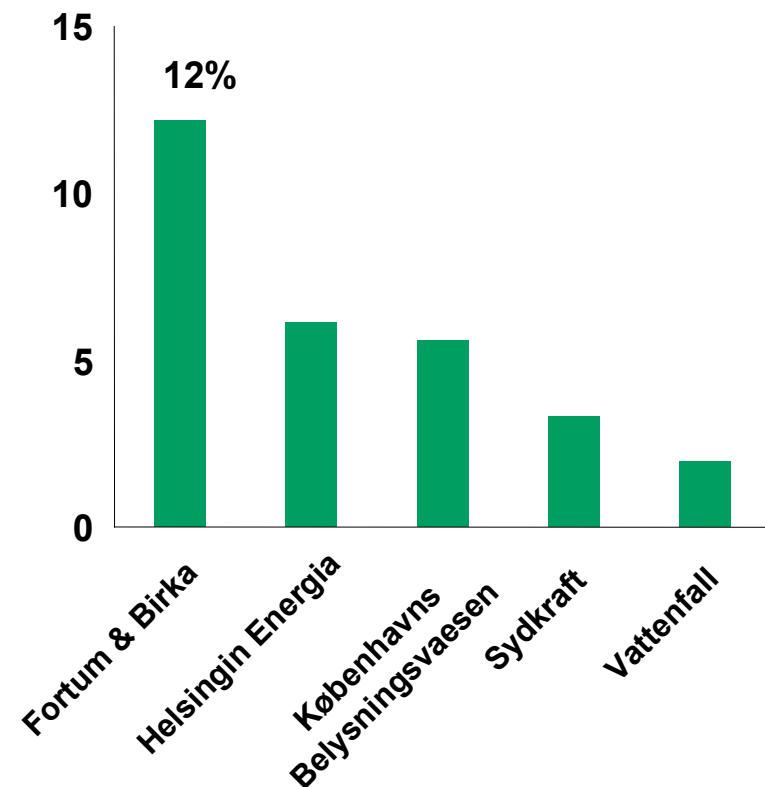


Source: Company Reports

Leader in Nordic Heat Sector

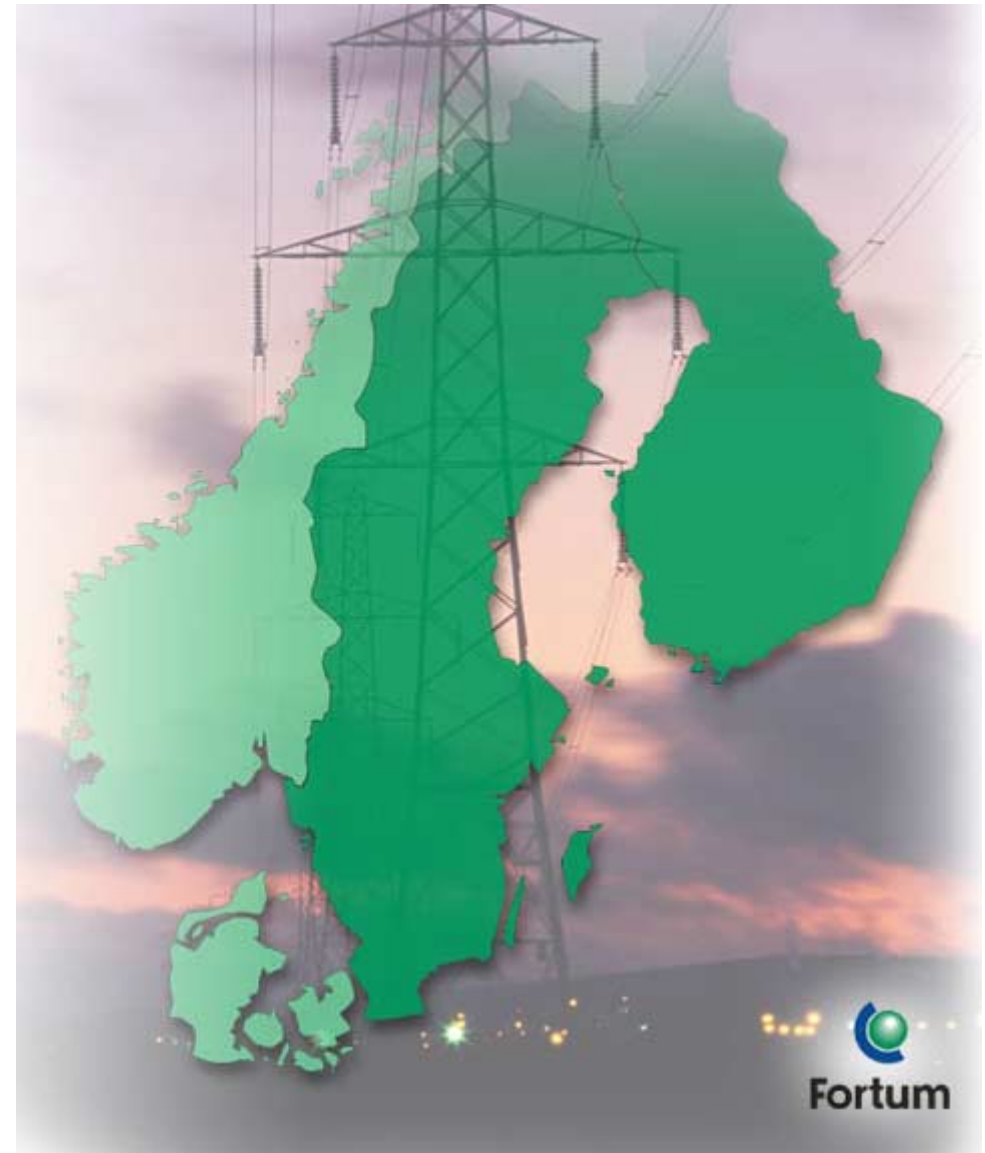
- Fortum is #1 Nordic generator and supplier of district heat and process steam
- Birka heating network serves 6,800 customers mainly in Stockholm area
- Provides anchor of stable revenues to Fortum Group

Nordic District Heating Market Share



Significant Distribution Player in Finland and Sweden

- Acquisition adds Birka's network operations, delivering 30 TWh of electricity
- 900,000 distribution connections in Sweden and 280,000 in Finland
- Fortum now connects 9% of Nordic electricity customers





Financial Impact

Consideration

	€ Million ⁽¹⁾	SEK Bn
● Consideration breakdown		
– Cash for 50% of Birka Equity	1,514	14.5
– Additional Consolidated Net Debt and Existing Minority Interest ⁽²⁾	1,839	17.6
– Book Value of New Minority Interest in Birka Värme	104	1.0
– Aggregate Value for 50% of Birka	3,457	33.1
● Adjusted LTM EBITDA ⁽²⁾ ⁽³⁾	576	5.5
– 50% of LTM EBITDA	288	2.8
● Implied EBITDA multiple		
– Excluding synergies	12.0x	
– Including synergies	9.9x	

1) Exchange rate of €0.1044/SEK as of 31 October 2001

2) Adjusted to Fortum's accounting standard

3) 12 months to 30 September, 2001

Acquisition Funding

Bank Borrowings

- New bridge facility to cover equity acquisition cost
- Existing Birka bonds to remain outstanding

Restructuring

- Completed divestments
 - Humber
 - Budapesti Erőmű
- Divestments in process
 - UK power assets
 - Omani exploration and production assets
- Divestments of some German businesses

Possible access to capital markets in due course

Financial Impact

- Expected earnings and cash flow enhancement in 2003
- Pro-forma Fortum LTM EBITDA: +18% ⁽¹⁾
- Pro forma EBITDA interest cover: ~4.8x ⁽¹⁾
- Pro forma gearing: ~107% ⁽²⁾
- ~€375 million of goodwill, amortised over 20 years

1) 12 months to 30 September, 2001

2) Net financial debt over shareholders' equity plus minority interest, at 30 September, 2001

Appendix: Pro Forma Financials

Pro Forma Fortum Income Statement

(€ million)	Fortum	Birka (50%)	Adjustments ⁽¹⁾	Fortum Pro forma
12 months to 30 September, 2001⁽²⁾				
● Revenue	10,956	681	-	11,637
● EBITDA	1,594	261	28	1,883
● EBIT	1,026	154	7	1,187
● Net Interest Expense	(224)	(96)	(73)	(393)
● Net Income	519	53	(65)	507
● EBITDA / Net Interest (x)	7.1x	2.7x	-	4.8x
			-	
● Employees ⁽³⁾	15,237	1,748		16,985

1) Transaction impact (goodwill amortization (€19 million), interest expense, minority interest in Birka Värme) and adjustments of Birka financials to Fortum's accounting standards

2) Exchange rate of €0.1044/SEK as of 31 October 2001

3) Average number of employees for 9 months to 30 September, 2001



Pro Forma Fortum Balance Sheet

(€ billion)	Fortum	Birka (50%)	Adjustments ⁽¹⁾	Fortum Pro forma
As of 30 September 2001⁽²⁾				
● Net Financial Debt	3.8	1.5	1.8	7.1
● Shareholders' Equity	5.2	1.3	(1.3)	5.2
● Total Assets	13.8	3.7	0.6	18.2
● Gearing ⁽³⁾	58%	117%	-	107%

1) Transaction impact (goodwill, minority interest in Birka Värme) and adjustment of Birka financials to Fortum's accounting standards

2) Exchange rate of €0.1044/SEK as of 31 October 2001

3) Net financial debt over shareholders' equity plus minority interest

Pro Forma Fortum Operating Statistics

	Q3 2001 ⁽¹⁾
● Power Generation Capacity (MW)	12,107
● Electricity Generation Output (TWh) (LTM) ⁽²⁾	59.0
● Electricity Sales (TWh) (LTM) ⁽²⁾	67.3
● Heat Generation Capacity (MW)	8,418
● Heat Sales (TWh) (LTM) ⁽²⁾	21.6
● Distribution Customers ('000)	1,360
● Retail Customers ('000)	1,426

1) Includes all Nordic, Baltic Rim and other international businesses

2) 12 months to 30 September, 2001

Transaction Structure - Financing Flow

- As part of consideration, the City of Stockholm will receive a 50% economic interest in Birka Värme in the form of preference shares⁽¹⁾
- Key steps are as follows:
 - I) Birka Värme will be leveraged with intra-group loans
 - II) Once levered, Birka Värme will issue preference shares to Fortum for SEK 1 Bn in cash
 - III) Fortum will give these preference shares to City of Stockholm as part of the consideration for Birka Energi
 - IV) Birka Värme will upstream SEK 1 Bn up to Birka Energi
 - V) Net result is Birka Värme will have SEK 13.7 Bn of net financial debt, primarily intra-group loans

1) Preference shares' rights to dividends are identical to rights of ordinary shareholders

Transaction Structure

Benefits of Preference Share Structure

- Maintains Birka Värme as an integral part of Birka Group
 - Fully consolidated
 - Group contribution allowed
 - Management nominated by Birka Energi/Fortum
- Integrated Financing
 - No new external debt in Birka Värme
 - Access to Birka Värme cash flow
 - Intra group debt repayment
 - Sound dividend policy
 - Interest rate on intra-group loans to be based on Birka Energi's actual cost of debt
- SEK 1 Bn additional cash in Birka Energi

Pro Forma Birka Energi Financials

	Birka	Adjustments	Birka Pro forma
Profit & Loss (12 months to 30 September, 2001⁽²⁾)			
● EBITDA (SEK Bn)	5.0	-	5.0
● Net Interest Expense (SEK Bn)	1.84	-	1.80
● Gearing ⁽³⁾	117%	-	108%
● EBITDA/Net Interest Expense	2.7x	-	2.8x
Balance Sheet (As of 30 September, 2001)			
● Net Financial Debt (SEK Bn)	29.2	(1.0)	28.2
● Shareholders' Equity (SEK Bn)	24.1	-	24.1
● Minority Interests (SEK Bn)	1.0	1.0 ⁽¹⁾	2.0

1) Minority interest from City of Stockholm ownership of Birka Värme

2) Exchange rate of €0.1044/SEK as of 31 October 2001

3) Net financial debt over shareholders' equity plus minority interest