

Fortum's Annual Report 2014

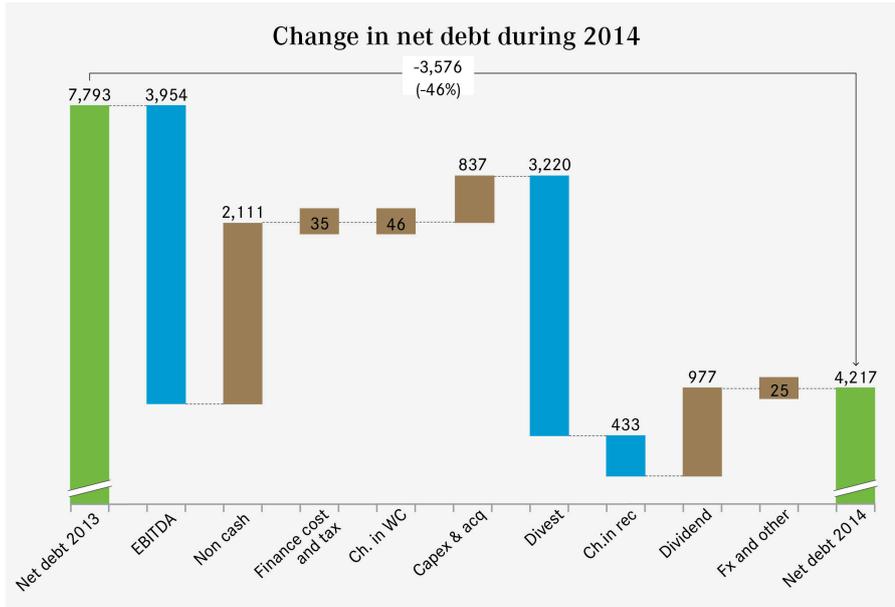
Fortum is an energy company highly committed to sustainability. We strive to respond to the needs of our customers by generating, selling and distributing low-carbon electricity and heat and by offering energy-sector expert services.

Financial position and cash flow

| EUR million | 2014 | 2013 | Change 14/13 |
|--|--------------|--------------|-----------------|
| Interest expense | -256 | -301 | -15% |
| Interest income | 84 | 75 | 12% |
| Fair value gains and losses | -5 | -16 | -69% |
| Other financial expenses | -40 | -47 | -15% |
| Finance costs - net | -217 | -289 | -25% |
| Interest-bearing liabilities ¹⁾ | 6,983 | 9,058 | -23% |
| Less: Liquid funds ²⁾ | 2,766 | 1,265 | 119% |
| Interest-bearing net debt | 4,217 | 7,793 | -46% |
| Interest-bearing net debt without Värme financing | 3,664 | 6,658 | -45% |

1) 2013 includes EUR 20 million presented as asset held for sale.

2) 2013 includes EUR 15 million presented as asset held for sale.



(2013: -944). Cash flow before financing activities, i.e. financing, increased by EUR 3,974 million to EUR 4,578 million (2013: 604).

The proceeds were partially used to pay dividends totalling EUR 977 million in April 2014 as well as payments of interest-bearing debt amounting to EUR 2,079 million. Liquid funds at year-end 2014 were EUR 2,766 million (2013: 1,265).

Assets and capital employed

Total assets decreased by EUR 1,973 million to EUR 21,375 million (2013: 23,348), which includes the decrease of non-current assets, EUR 2,412 million. Translation differences decreased intangible assets, property, plant and equipment as well as participation in associates and joint ventures by EUR 2,015 million and divestments by EUR 433 million.

Assets of the Finnish distribution business, amounting to EUR 1,173 million, were presented as Assets held for sale at the end of 2013. Liquid funds increased by EUR 1,501 million.

Capital employed was EUR 17,918 million (2013: 19,183), a decrease of EUR 1,265 million.

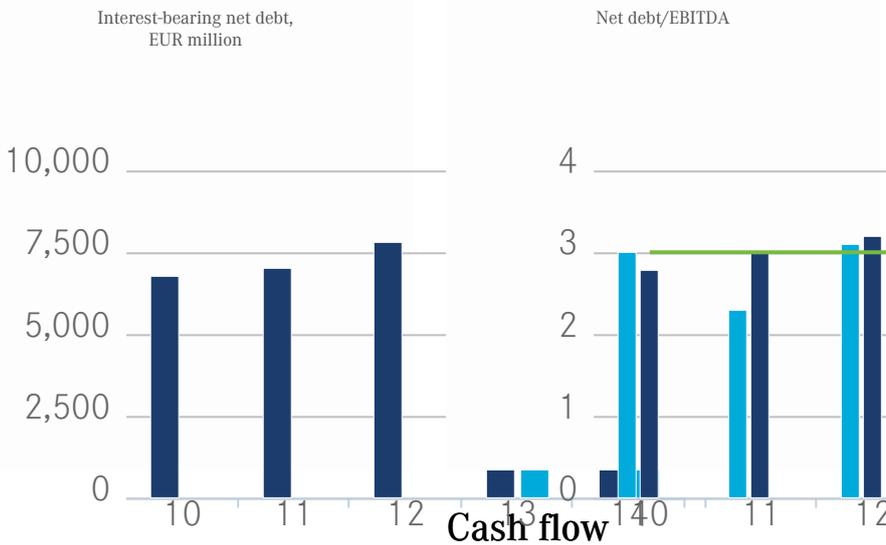
For further information, see [Note 9 Assets held for sale](#).

Equity Total equity was EUR 10,935 million (2013: 10,122), of which equity attributable to owners of the parent company totalled EUR 10,864 million (2013: 10,024). The increase in equity attributable to owners of the parent company totalled EUR 840 million and was mainly from the net profit of EUR 3,154 million for the period, offset by translation differences of EUR -1,320 million and paid dividends of EUR 977 million.

Financing

Net debt decreased during 2014 by EUR 3,576 million to EUR 4,217 million (2013: 7,793). Net debt without Värme financing was EUR 3,664 million (2013: 6,658).

At the end of December 2014, the Group's liquid funds totalled EUR 2,766 million (2013: 1,265). Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 134 million (2013: 113). In addition to the liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn



Interest-bearing net debt, EUR million
 Interest-bearing net debt without Värme financing, EUR million
 Net debt/EBITDA
 Cash flow

In 2014, total net cash from operating activities increased by EUR 2,111 million to EUR 4,578 million (2013: 1,548), mainly due to the EUR 500 million positive impact of realised foreign exchange differences, which were offset by changes in working capital of EUR -125 million. Realised foreign exchange gains and losses of EUR 352 million (2013: 52) were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Capital expenditures decreased by EUR 236 million to EUR 768 million (2013: 1,004). Proceeds from divestments of shares totalled EUR 3,062 million (2013: 122), mainly from the divestment of the Finnish distribution business and Gasum shares (Note 8). Proceeds from interest-bearing receivables included EUR 534 million paid by Fortum Värme. Total net cash used in investing activities was positive EUR 2,816 million

committed credit facilities.

The Group's net financial expenses in 2014 were EUR 217 million (2013: 289). Net financial expenses include changes in the fair value of financial instruments of EUR -5 million (2013: -16).

Fortum Corporation's long-term credit rating with both S&P and Fitch remained unchanged during 2014 and is A- (negative outlook).

Key figures

At year-end 2014, net debt to EBITDA was

1.1 (3.7 at year-end 2013) and comparable net debt to EBITDA 2.3 (2013: 3.9). Fortum is currently financing Fortum Värme, and these loans, EUR 553 million (2013: 1,135), are presented as interest-bearing loan receivables in Fortum's balance sheet.

However, the aim is to refinance the loans during 2015. If these loans are deducted from the net debt, the last-twelve-months comparable net debt to EBITDA is 2.0 (2013: 3.4).

Gearing was 39% (2013: 77%) and the equity-

to-assets ratio 51% (2013: 43%). Equity per share was EUR 12.23 (2013: 11.28). Return on capital employed totalled 19.5% (2013: 9.0%) and return on shareholders' equity 30.0% (2013: 12.0%). Both return on capital employed and return on equity were positively affected by the capital gain from the divestment of the Finnish electricity distribution business as well as the divestment of the Norwegian electricity distribution and heat businesses.