
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.

13 Finance costs - net

EUR million	Note	2014	2013
Interest expense			
Borrowings		-303	-361
Other interest expense		0	-1
Capitalised borrowing costs	19	47	60
Total		-256	-301
Interest income			
Loan receivables and deposits		82	72
Other interest income		2	3
Total		84	75
Fair value gains and losses on financial instruments			
Fair value change of interest rate derivatives not getting hedge accounting status	Z	-13	-16
Fair value change of hedging derivatives in fair value hedge relationship		67	25
Fair value change of hedged items in fair value hedge relationship		-66	-24
Rate difference on forward contracts		8	-1
Total		-5	-16
Exchange gains and losses			
Loans and receivables	Z	-574	-214
Cross currency interest rate derivatives	Z	39	19
Foreign currency derivatives	Z	536	195
Interest income on share of State Nuclear Waste Management Fund	30	11	9
Unwinding of discount on nuclear provisions	30	-43	-35
Unwinding of discount on other provisions	31, 32	-7	-16
Other financial income		2	2
Other financial expenses		-5	-7
Total		-40	-47
Finance costs - net		-217	-289

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and currency swaps and forward points on forward foreign exchange contracts hedging loans and receivables.

Further information can be found in the Notes mentioned in the table.

Interest income includes EUR 31 million (2013: 29) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 27 million (2013: 33) from Fortum Värme and EUR 19 million (2013: 6) from deposits.

Fair value gains and losses on financial instruments include change in clean price of interest rate and cross currency swaps not getting hedge accounting and fair value changes of interest rate derivatives in hedge relationship and hedged items. Accrued interest on these derivatives is entered in interest expenses of borrowings. Fair value gains and losses include also rate difference from forward contracts hedging loans and receivables without hedge accounting.

Exchange gains and losses includes exchange rate differences arising from valuation of foreign currency loans and receivables and exchange rate differences from forward foreign exchange contracts and interest rate and currency swaps.

Fair value changes on interest rate and currency derivatives

EUR million	2014	2013
Interest rate and cross currency swaps		
Interest expenses on borrowings	6	18
Exchange rate difference from derivatives	39	19
Rate difference in fair value gains and losses on financial instruments ¹⁾	54	9
Total fair value change of interest rate derivatives in finance costs - net	99	46
Forward foreign exchange contracts		
Interest expenses on borrowings	-80	-89
Exchange rate difference from derivatives	536	195
Rate difference in fair value gains and losses on financial instruments	8	-1
Total fair value change of currency derivatives in finance costs - net	464	105
Total fair value change of interest and currency derivatives in finance costs - net	563	151

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR -13 million (2013: -16) and fair value change of hedging derivatives in fair value hedge relationship EUR 67 million (2013: 25), totalling EUR 54 million (2013: 9).