



# Financial Statements 2015

Fortum Corporation  
3 February 2016

# Disclaimer

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This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Fortum shares

Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser

# IFRS restatement relating to discontinued operations

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Distribution segment has been reclassified as discontinued operations in Q1/2015. As a result, continuing operations and discontinued operations are presented separately for Fortum Group. Comparative period information for 2014 has been restated accordingly

Restated information for the interim periods of 2014 can be found in a stock exchange release published 15 April 2015

# Q4 and FY 2015 Results

Key figures (MEUR)	IV/2015	IV/2014	2015	2014
Sales, continuing operations	964	1,133	3,459	4,088
Comparable EBITDA, continuing operations	315	458	1,102	1,457
Operating profit:				
Continuing operations	38	584	-150	1,296
Discontinued operations	-	66	4,395	2,132
Fortum total	38	650	4,245	3,428
Comparable operating profit:				
Continuing operations	243	370	808	1,085
Discontinued operations	-	67	114	266
Fortum total	243	436	922	1,351
Profit before taxes:				
Continuing operations	20	574	-305	1,232
Discontinued operations	-	65	4,393	2,128
Fortum total	20	639	4,088	3,360
Earnings per share:				
Continuing operations	0.02	0.59	-0.26	1.22
Discontinued operations	0.00	0.05	4.92	2.33
Fortum total	0.02	0.64	4.66	3.55
Net cash from operating activities, continuing operations	332	394	1,228	1,406

# Fortum's performance in 2015

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- Distribution divestment completed in June 2015, EPS effect 4.82 for the year
  - Low electricity prices due to exceptionally 1) high inflow and high hydro power production 2) mild weather 3) increased wind power production 4) low commodity prices
  - Increased cost burden, especially in Swedish nuclear
  - Write-downs and provisions regarding
    - Closure of Oskarshamn nuclear units 1 and 2, in Sweden
    - Cancelled Olkiluoto 4 nuclear power project in Finland
    - Dismantling of Inkoo coal-fired plant in Finland
    - Impairment loss of Fortum's share of Meri-Pori coal-fired plant in Finland
  - New opportunities
    - Decision to participate in the Fennovoima nuclear power plant project in Finland with a 6.6% share
    - Launch of a 10 MW greenfield solar PV plant and successful bid (2016) for 70 MW solar plant in India
    - Decision to build a multifuel CHP plant and to make a public tender offer (2016) for an electricity and gas sales company in Poland
    - Decision to start to build a 35 MW wind farm in Russia
  - The operating profit level (EBIT) for the Russia segment, RUB 18.2 billion, is targeted to be reached during 2017-2018.
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# Market conditions 2015

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## Nordic countries

- Power consumption in the Nordic countries slightly higher than in 2014
- Nordic system spot prices approximately EUR 9 per MWh lower than in 2014; area prices in Finland EUR 6 per MWh lower and in Sweden (SE3) EUR 10 per MWh lower

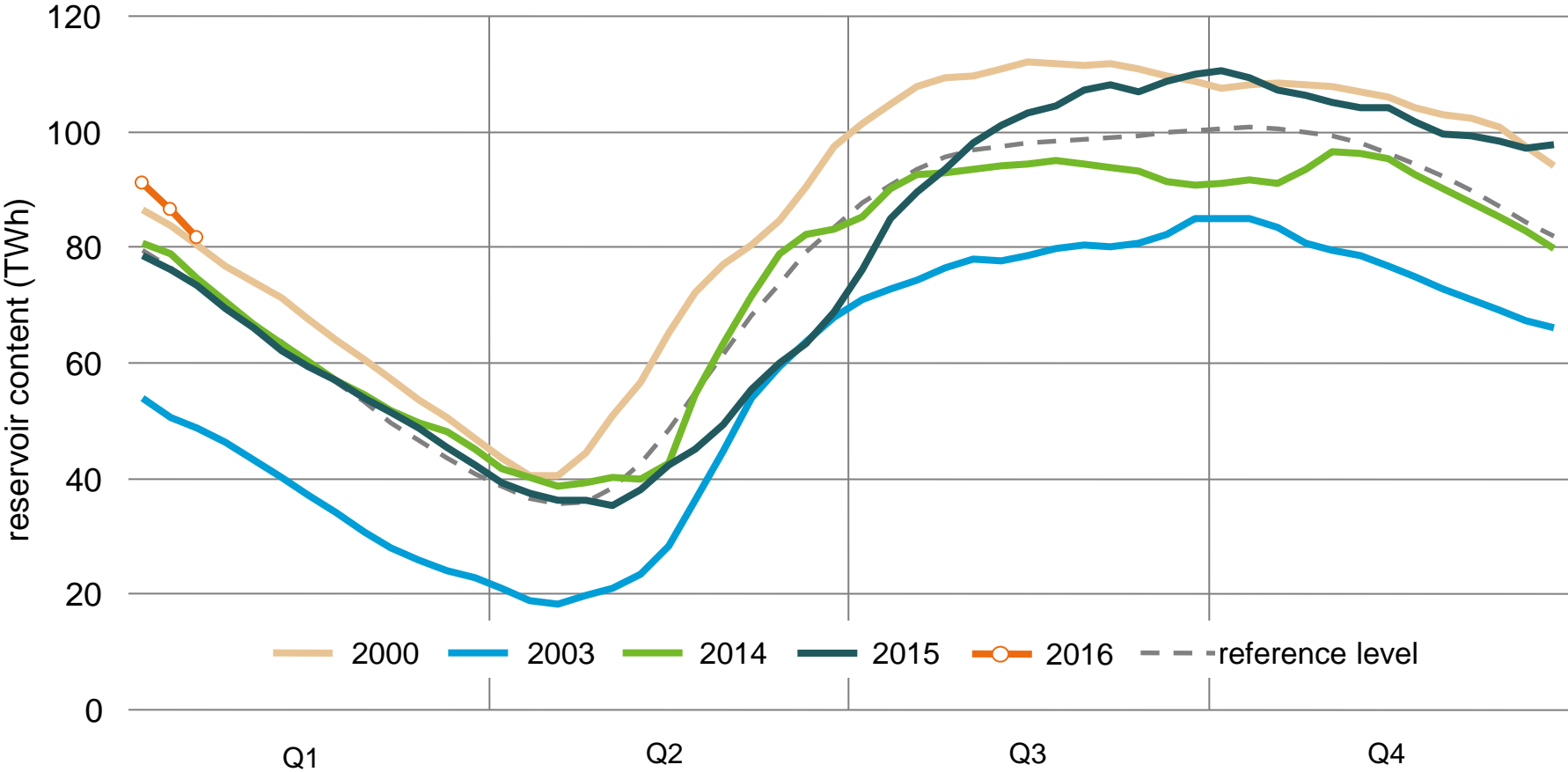
## European business environment and carbon market

- The EU Council formally adopted the European Commission's proposal to create a reserve to hold surplus CO<sub>2</sub> permits under the EU Emissions Trading System
- The proposed Market Stability Reserve will become operational in January 2019
- Paris COP 21 agreement

## Russia

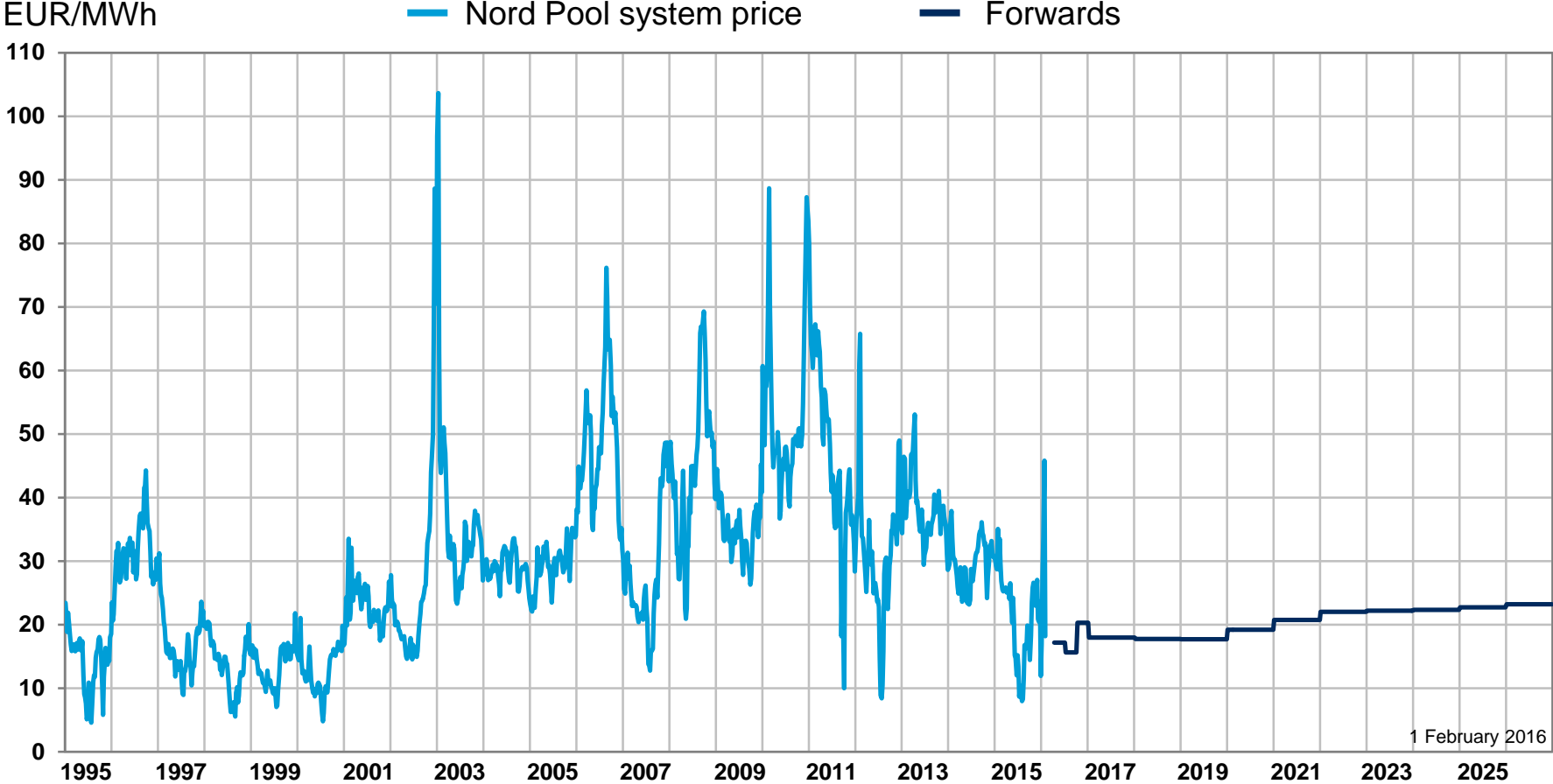
- Power consumption in Fortum's operating area in Russia was slightly lower than in 2014
- Electricity spot price (in RUB) in the Urals hub declined by 4% compared to 2014

# Nordic water reservoirs



Source: Nord Pool

# Wholesale price for electricity



Source: Nord Pool, Nasdaq Commodities



# Comparable and reported operating profit

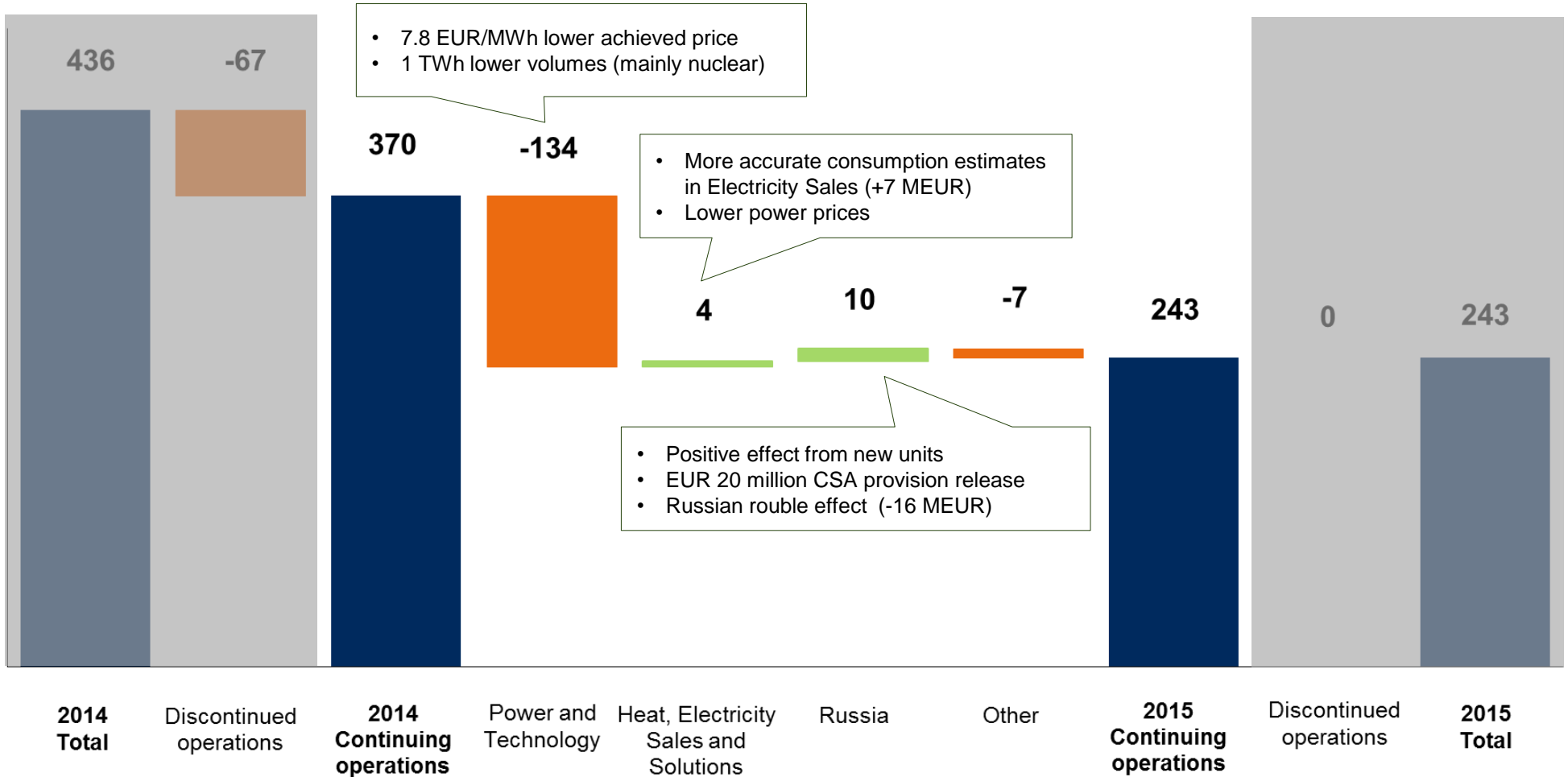
MEUR	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	IV/2015	IV/2014	IV/2015	IV/2014	2015	2014	2015	2014
Power and Technology	142	276	-65	318	561	877	-396	855
Heat, Electricity Sales and Solutions	53	49	54	221	108	104	105	337
Russia	69	59	69	59	201	161	203	161
Other	-21	-14	-21	-14	-63	-57	-62	-58
<b>Total, continuing operations</b>	<b>243</b>	370	<b>38</b>	584	<b>808</b>	1,085	<b>-150</b>	1,296
Discontinued operations	-	67	-	66	114	266	4,395	2,132
<b>Total, Fortum</b>	<b>243</b>	436	<b>38</b>	650	<b>922</b>	1,351	<b>4,245</b>	3,428

Fortum's fourth quarter 2015 operating profit was impacted by items affecting comparability EUR -205 (214) million due to impairments and provisions EUR -119 (0) and by sales gains EUR 1 (238) million as well as fair value changes in derivatives and nuclear fund adjustments EUR -87 (-24) million.

In 2015, operating profit was impacted by EUR -918 (0) million due to impairments and provisions, and by sales gains totalling EUR 22 (305) million as well as fair value changes in derivatives and nuclear fund adjustment EUR -62 (-94) million.

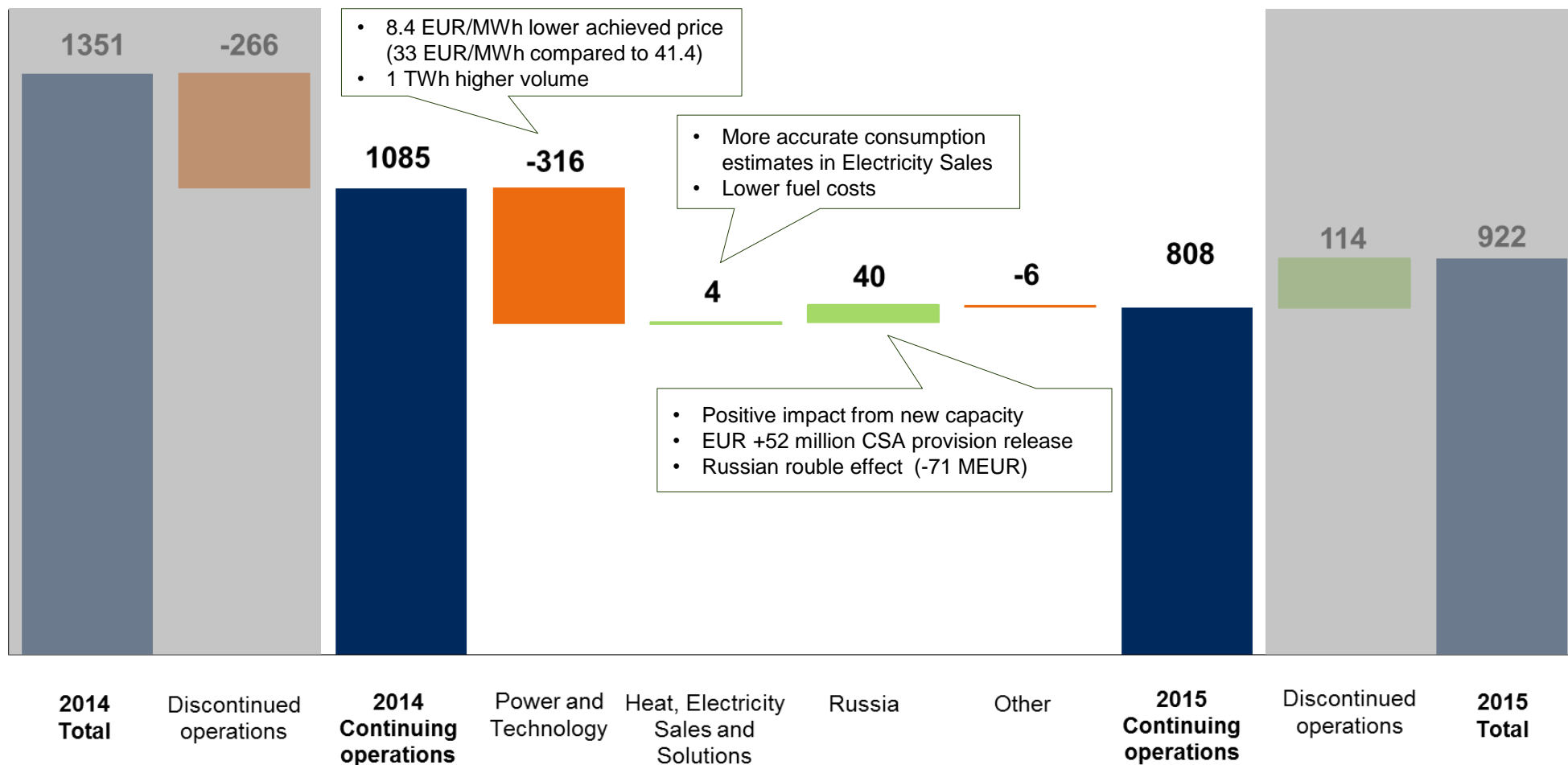
# Q4: Lower electricity prices and volumes burdened result

Comparable operating profit, EUR million



# 2015: Clearly lower achieved power price

Comparable operating profit, EUR million



# Outlook

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## Nordic markets

- Fortum continues to expect that the annual electricity demand growth will be approximately 0.5% on average in the coming years
- Electricity is expected to continue to gain share of total energy consumption

## Russia

- The targeted operating profit (EBIT) level of RUB 18.2 billion in the Russia segment is targeted to be reached during 2017-2018

## Annual capex estimate, excluding potential acquisitions

- 2016 approximately EUR 650 million (maintenance capex approximately EUR 300-350 million)

## Hedging

- 2016 approx. 50% hedge ratio at approx. EUR 33/MWh
- 2017 approx. 20% hedge ratio at approx. EUR 30/MWh

## Taxation

- Effective tax rate for 2016 for the Group 19-21%

# Annual General Meeting 2016 and dividend distribution proposal

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- Fortum's Annual General Meeting will be held at 14:00 on Tuesday, 5 April 2016, at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland
- The Board of Directors' dividend proposal EUR 1.10 per share for 2015
- Dividend-related dates planned for 2016
  - Ex-dividend date 6 April 2016
  - Record date for dividend payment 7 April 2016
  - Dividend payment date 14 April 2015

# Fortum's vision and strategy



# Global megatrends shaping the energy sector

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## Climate change and resource efficiency

- Decarbonisation
- Renewables
- Circular economy

## Digitalisation, new technologies

- Competitive solar and wind
- New digitally-enabled solutions
- Storage



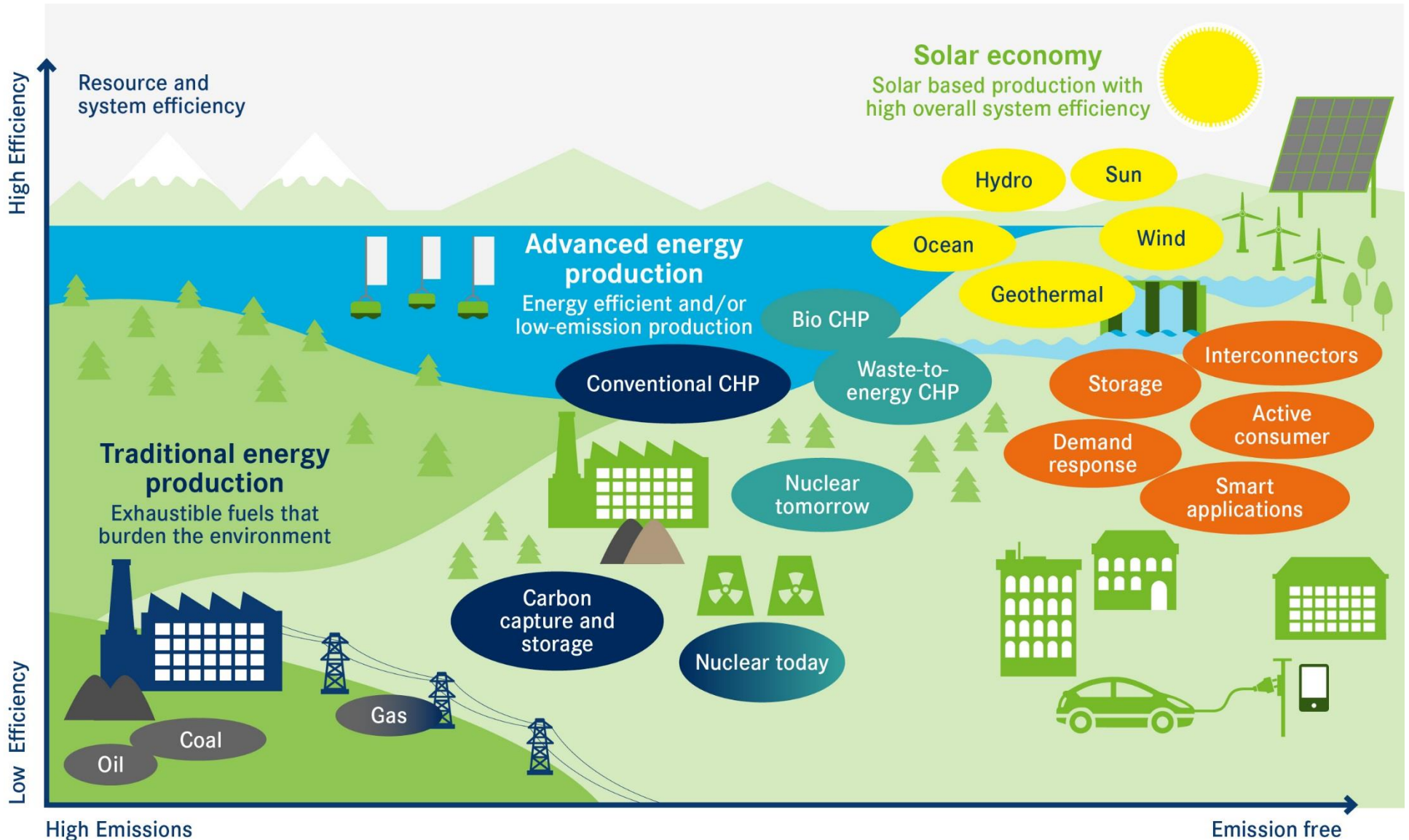
## Urbanisation

- Growth of cities – especially in Asia
- Need for sustainable utility services
- Electrification

## Active customers

- Customers make conscious choices
- Decentralised production
- Demand response

# Transition towards Solar Economy is ongoing





# Fortum – Forerunner in clean energy

## MEGATRENDS

Climate change  
Urbanisation  
Active customers  
Digitalisation, new technologies



## MISSION

We provide customers with energy solutions that improve present and future life, and we deliver excellent shareholder value.

## STRATEGY



Drive productivity and industry transformation



Create solutions for sustainable cities



Grow in solar and wind



Build new energy ventures

## MUST-WIN-BATTLES

Put the customer in the centre

Establish a culture of speed and agility

Digitalise our business for maximum scalability

Create value from market volatility

Drive competitive markets and fair regulation

# Create solutions for sustainable cities



Multiple solutions for a city or gradual entries with specific solutions

## Cities' challenges

**High emissions from inefficient heating/cooling and electricity production**



**Inefficient use of energy**



**Growing waste amounts, unsustainable landfills**



**Traffic pollution and noise**



## Fortum's solutions

**Clean, efficient and reliable energy:** utilising local fuels (waste, bio) and excess heat (e.g. data centres, sewage water); CHP and heat only solutions

**Integrated retail solutions:** electricity and heat combined with service and solution offering for customers (e.g. smart home energy solutions, demand-response aggregation, solar kits, heat pumps)

**Waste-to-energy and waste treatment solutions** – aligned with the circular economy

**E-mobility:** smart charging solutions for electric vehicles

In current home markets and wider Europe – possibilities in Asia to be investigated

# Successful implementation of the strategy: Fortum in the 2020s

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- Benchmark in productivity, internationally recognised and valued know-how
- Significant fleet of sustainable and efficient hydropower enabling a decarbonised energy system
- Strong position in providing modern energy and waste solutions to a number of cities and urban areas
- Sizeable and growing solar and wind portfolio in favourable locations
- Recognised forerunner in providing modern, innovative energy solutions to customers
- Driver in energy start-up eco-system
- Excellent shareholder value

# Long-term financial targets

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The updated financial targets give guidance of Fortum's view on the company's long-term value creation potential, its new growth strategy and business activities.

**The updated, long-term over-the-cycle financial targets are:**

**Return on capital employed (ROCE) at least 10%**

**Comparable net debt to EBITDA around 2.5 times**

## Fortum has a strong financial position

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MEUR	2015	2014	Target
Comparable EBITDA, continuing operations	1,102	1,457	
Comparable EBITDA, total Fortum	1,265	1,873	
Interest-bearing net debt, total Fortum	-2,195	4,217	
<b>Comparable net debt/EBITDA, total Fortum</b>	-1.7	2.3	<b>~2.5</b>
<b>ROCE % Return on capital employed, total Fortum</b>	22.7	19.5	<b>At least 10%</b>

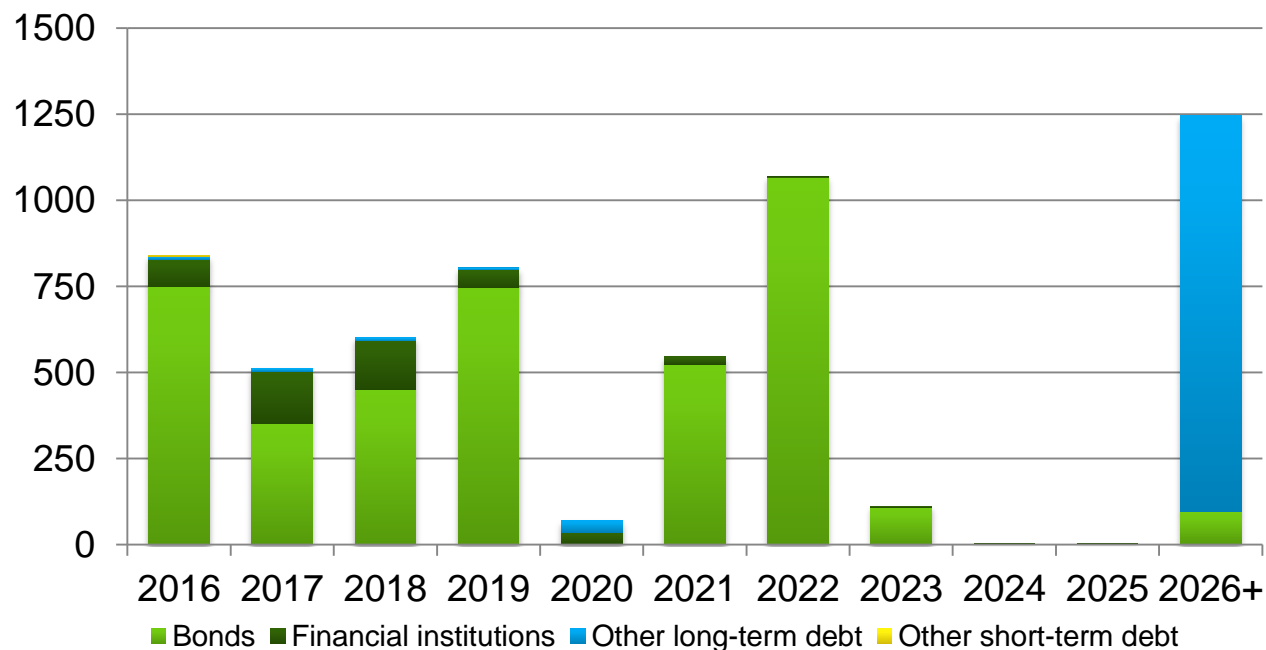
**Liquid funds totalled EUR 8.2 billion**  
**Committed credit lines total EUR 2.2 billion**

# Cash flow statement

MEUR	IV/2015	IV/2014	2015	2014
<b>Cash from operating activities:</b>				
Realised FX gains/losses	43	136	292	352
Other funds from operations	320	399	907	1,096
Change in working capital	-31	-141	29	-42
Cash from operating activities, cont. operations	332	394	1,228	1,406
Cash from operating activities, discontinued operations	0	58	154	356
<b>Cash from operating activities, total Fortum</b>	<b>331</b>	<b>452</b>	<b>1,381</b>	<b>1,762</b>
<b>Cash used in investing activities:</b>				
Paid capital expenditures	-180	-200	-527	-622
Proceeds from divestments	2	384	55	499
Other investment activities	143	-1	437	364
Total investing activities, continuing operations	-35	183	-35	241
Total investing activities, discontinued operations	-	-44	6,303	2,574
Cash used in investing activities, total Fortum	-35	139	6,268	2,816
Cash flow before financing activities, total Fortum	296	591	7,650	4,578

# Debt portfolio and average interest rate at the balance sheet date 31 December 2015

Maturity profile



- Total interest-bearing debt EUR 6,007 million
  - Average interest 3.7% (2014: 3.7%)
  - Portfolio mainly in EUR and SEK with average interest cost 2.6% (2014: 2.9%)
  - EUR 641 million (2014: 681) swapped to RUB, average interest cost including cost for hedging 12.8% (2014: 11.3%)

In addition Fortum has received EUR 202 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

# Fortum targets to lower the fixed cost base of existing operations by EUR 100 million

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- Target is to reduce the fixed cost base by EUR 100 million in current operations by the end of 2017. This is a natural continuation to the cost savings completed in 2013-14
- Our industry is facing significant pressures from the persistently demanding business environment, including low commodity prices.
  - Continuous cost improvement in our existing operations is a must
  - We will further streamline our organisation
  - Improve our operational efficiency
  - Put more focus on procurement



# Conclusion - Forerunner in clean energy

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- Fortum's strategy targets growth and continued profitability with a strong focus on clean energy, customers and shareholder value creation
  
- We will
  - Drive productivity and industry transformation
  - Create solutions for sustainable cities
  - Grow in solar and wind
  - Build new energy ventures



For further information:  
[www.fortum.com/investors](http://www.fortum.com/investors)