

Strong increase in market prices cause Fortum subsidiary Uniper to raise profit guidance for 2021 and to record major negative accounting effect

FORTUM CORPORATION INSIDE INFORMATION 21 OCTOBER 2021 AT 15:53 EEST

Fortum's subsidiary Uniper SE has today published a stock exchange release ('ad-hoc') with a positive update of its result guidance for 2021. According to Uniper, the increase in the earnings is mainly due to the continuous and strong increase in commodity prices – especially in European gas and power market reflecting mainly a higher contribution from the gas mid-stream business within Uniper's Global Commodities business. The company has also recorded a major negative effect from changes of fair values of non-hedge-accounted derivatives – an accounting effect that will reverse going forward when the contracts go into delivery. Uniper is Fortum's largest reporting segment and thus has a significant impact on Fortum's financial results. Uniper's stock exchange release can be found on the company's website. Based on preliminary figures Uniper updated its result guidance by raising the outlook for the financial year of 2021 for

- Adjusted EBIT to EUR 1,050–1,300 million (previously: EUR 800–1,050 million)
- Adjusted Net Income (ANI) to EUR 850–1,050 million (previously EUR 650–850 million).

In the 'ad hoc' disclosure Uniper states that the company's preliminary adjusted earnings before interest and taxes (Adjusted EBIT) for the nine months of 2021 amounts to approximately EUR 600 million (previous year: EUR 405 million).

The price increase has also resulted in negative effect from changes in fair values of non-hedge-accounted derivatives. Therefore, as part of Uniper's overall non-operating adjustments a negative impact of approximately EUR 7 billion will be recorded by Uniper for its first nine months of 2021.

Uniper is largely hedging its natural asset positions with forward sell contracts. In many cases, the hedge deals are subject to "mark-to-market" accounting under IFRS, while the underlying assets, like power plants, are not. Accordingly, in times of rising commodity prices, Uniper's IFRS Net Income reflects unrealised losses from hedges only, while the offsetting gains on the underlying (hedged) assets are not recognised before delivery. This accounting effect will resolve over time as the contracts go into delivery. Fortum and Uniper adjust this effect in their Alternative Performance Measures (APMs), i.e. Comparable Operating Profit / Adjusted EBIT and Comparable Net Income / Adjusted Net Income, respectively, in order to better reflect the operational performance.

Uniper's consolidated result in Fortum's third quarter results

Fortum fully consolidates Uniper as a subsidiary into its income statement. As part of Fortum Group and as a separate reporting segment, the Uniper segment's preliminary comparable operating profit is expected to amount to approximately EUR 10 million for the third quarter and respectively approximately EUR 540 million for the first nine months of 2021. The negative

effect of Uniper's changes in fair values of non-hedged accounted derivatives is estimated to amount to approximately EUR 6 billion for the third quarter and approximately EUR 7 billion for the first nine months of 2021. These effects will be classified as Items Affecting Comparability in Fortum's income statement.

All figures are preliminary and unaudited.

Uniper will publish its Financial Results January–September 2021 on 5 November 2021.

Fortum will publish its Financial Results January–September 2021 on 12 November 2021.

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Distribution:

Nasdaq Helsinki
Main media
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