



S&P Global Ratings places Fortum's BBB long-term rating on Credit Watch Negative

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S&P Global Ratings (S&P) has today placed Fortum's and its subsidiary Uniper's long-term BBB ratings on CreditWatch Negative. Since 2018, Fortum and Uniper have had the investment-grade rating of BBB from S&P.

The underlying reasons for the CreditWatch Negative are severe geopolitical tensions and uncertainty following Russia's attack on Ukraine and the risk of possible curtailments of gas supplies from Russia. Uniper's gas midstream business comprises a portfolio of approximately 370 TWh of long-term gas supply contracts, of which approximately half is sourced from Russia.

According to S&P, given the size of Uniper's gas trading operations, the possible market price exposure in a curtailment situation is difficult to quantify due to extremely volatile gas prices and unknowns regarding potential government intervention to mitigate such risks. However, it is Fortum's and Uniper's understanding that in case of significant interruptions of Russian gas flows to Germany, a state of emergency under the German legal framework would be triggered. In such a case, the German regulator Federal Network Agency (BNetzA) would step in as the emergency authority for demand-side steering, in coordination with and monitored by EU authorities. In such scenarios we would expect Uniper to be released from the obligation to procure substituting gas volumes in the market.

Further, S&P believes that Fortum will be unable to transfer earnings outside of Russia. While in the short term this is the situation, it is unclear how this will develop going forward. On the other hand, S&P notes Fortum Group's good operating and financial performance in 2021, strongly supported by high commodity prices, which could mitigate an abrupt stop in contribution of the Russian operations, at least in the short term. In 2021, the Group's Russian operations corresponded to approximately 20% of Fortum's comparable operating profit.

The rating agency also views Fortum's consolidated liquidity as 'adequate' (earlier: 'strong') while it notes that Fortum continues to have access to capital markets and sound relations with its relationship banks.

S&P aims to resolve the CreditWatch in the coming months, depending on the evolution of market and geopolitical conditions.

Fortum's key objective is to have a solid investment-grade rating of at least BBB to preserve financial flexibility and good access to capital markets. Fortum Group currently has access to almost EUR 6 billion undrawn of short term revolving credit facilities. At the end of 2021, Fortum's financial net debt-to-comparable EBITDA ratio was at 0.2 times, clearly below the target level of <2.0 times.

Link:

[S&P Global Rating Fortum and Uniper credit watch neg 14 March 2022](#)

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Fortum

Fortum and Uniper form a European energy group committed to enabling a successful transition to carbon neutrality for everyone. Our 50 gigawatts of power generating capacity, substantial gas import and storage operations, and our global energy trading business enable us to provide Europe and other regions with a reliable supply of low-carbon energy. We are already Europe's third largest producer of CO₂-free electricity, and our growth businesses focus on clean power, low-carbon energy, and the infrastructure for tomorrow's hydrogen economy. In addition, we design solutions that help companies and cities reduce their environmental footprint. Our 20,000 professionals and operations in 40 countries give us the skills, resources, and reach to empower the energy evolution toward a cleaner world.
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