



# Stabilisation package for Fortum's subsidiary Uniper agreed with the German government

FORTUM CORPORATION INSIDE INFORMATION 22 JULY 2022 AT 12.45 EEST

Fortum, its subsidiary Uniper and the German government have agreed on a comprehensive stabilisation package to provide financial relief to Uniper. As Germany's largest importer of natural gas, Uniper has been hit hardest by the curtailments of Russian gas imports, and as a result is under extreme financial pressure.

Uniper's gas trading activities are critical for Germany's energy supply and play an important role for the European energy sector. It is therefore of utmost importance to stabilise Uniper by immediately addressing the company's loss-making and substantial liquidity needs, while at the same time initiating measures to de-risk its gas business model and secure a credit rating to support a path to longer term viability.

The stabilisation package includes three main components:

- The German State will take a 30% equity stake in Uniper SE by subscribing approximately 157 million new ordinary registered shares at nominal value of EUR 1.70 per share against cash consideration of approximately EUR 267 million;
- The German government has committed to make available further capital of up to EUR 7.7 billion against issuance of mandatory convertible instruments, as and if needed, to address potential losses;
- The German state-owned KfW bank will provide Uniper with an additional EUR 7 billion in liquidity support through an increase of its existing credit facility from the current EUR 2 billion to EUR 9 billion.

The German government informs that they intend to introduce a cost absorption mechanism that covers 90% of the losses resulting from higher costs for gas replacement volumes caused by Russian gas curtailments from 1 October. The German government stands ready to provide further support if Uniper's accumulated net operating losses due to continuing gas curtailments exceed an agreed total amount of EUR 7 billion. Such support, if required, is intended to be implemented in a manner that avoids further economic dilution of Uniper's shareholders.

As a consequence of the above agreed measures, Fortum's current stake of approximately 80% in Uniper will be diluted to 56% on the initial equity injection, at which point Fortum will remain Uniper's majority shareholder and will continue to consolidate Uniper as a subsidiary.

Earlier this year, Fortum granted significant financial support comprising shareholder loan and parent company guarantees of EUR 8 billion to Uniper. In consideration of its liquidity support, Fortum will now have the option to convert its existing loan of EUR 4 billion against a portion of maximum 70% of the mandatory convertible instruments

subscribed by the German State. Fortum is consequently in a position to retain its position as the majority shareholder. Fortum's parent company guarantee of EUR 4 billion will remain in place. In the sequence of repayment, the KfW loans rank senior to Fortum's loan.

"We are living through an unprecedented energy crisis that requires robust measures. After intensive but constructive negotiations, we found a solution that in an acceptable way met the interest of all parties involved. We were driven by urgency and the need to protect Europe's security of supply in a time of war. In addition to thanking the German government and our colleagues at Uniper, I would also like to thank the Finnish government for their support in recent weeks," says Fortum's President and CEO **Markus Rauramo**. "For us it is also important that the solution now reached doesn't require additional capital from Fortum beyond the already provided eight billion euros of financial support."

Uniper, with the support of Fortum and the German government, will work on a long-term stable and shareholder value-preserving solution to reform the wholesale gas contract architecture. The parties intend to agree on the solution by the end of 2023.

**Markus Rauramo** continues: "New geopolitical realities have shaken the European energy system to the core, and this determines a new framework for European energy companies. Whilst we have now achieved immediate stabilisation of Uniper, further efforts will be required to create a long-term sustainable basis for the gas business. The agreed solution is a major step in ensuring that Uniper, and consequently also the Fortum Group, return to a stable footing."

The stabilisation package is subject to certain conditions, such as the withdrawal of the law suit by Uniper against The Netherlands under the Energy Charter Treaty (ECT), no dividend payments by Uniper and restrictions on the remuneration of Uniper's Board of Management whilst the stabilisation measures are in place. In addition, the German government will have adequate representation on Uniper's Supervisory Board.

The stabilisation package still requires all applicable regulatory approvals, in particular by the European Commission, the confirmation of the investment grade rating of Uniper by S&P Global Ratings as well as approval by a Uniper Extraordinary General Meeting.

Uniper also published a corporate release on the matter today, which can be found on Uniper's website.

### **Background:**

Fortum acquired Uniper to drive the clean energy transition across Europe and deliver sustainable financial performance. Increasing the Group's CO<sub>2</sub>-free power generation by 60%, the investment was a step-change making Fortum the third-largest CO<sub>2</sub>-free power generator in Europe. In 2021, the Fortum Group achieved its most profitable year on record – with Uniper contributing half of the Group's comparable operating profit.

However, the Russian war against Ukraine and the Russian government's decision to use energy as a weapon has upended energy markets and resulted in Uniper only receiving a fraction of its contracted gas volumes from Gazprom since mid-June. To meet its obligations towards customers and to sustain European security of supply, Uniper was required to buy the gas at a significantly higher spot market price – with severe consequences for Uniper's liquidity, earnings and capital.

Uniper is among the largest importers of natural gas to Europe and plays an essential role in providing security of supply, especially in Germany. Uniper's gas midstream business comprises a portfolio of around 370 TWh of long-term gas supply contracts, of which approximately 200 TWh originate from Russia. In 2021, Germany imported just under 90 billion cubic metres (bcm) of natural gas, with approximately 55% coming from Russia.

Fortum Corporation  
Ingela Ulfves  
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### **News conference for analysts, investors and media**

A combined live webcast/teleconference for media, investors, and analysts will be arranged online today, 22 July at 14:00 EEST (13:00 CET). President and CEO Markus Rauramo will present the stabilisation package, followed by a Q&A session.

Questions for the management can be placed through the webcast question form or by phone.

To ask questions by phone access the teleconference register on the link <http://palvelu.flik.fi/teleconference/?id=1009663>

After the registration to the teleconference you will be provided phone numbers and a conference ID to access the conference. If you wish to ask a question, please dial \*5 on your telephone keypad to enter the queue.

To follow webcast use the link on <https://fortum.videosync.fi/press-conference>

A recording of the webcast as well as the transcript will be published on [www.fortum.com/investors](http://www.fortum.com/investors) after the event.

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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 CO<sub>2</sub>-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.

