



Fortum to fully divest Uniper to the German State

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- Since the stabilisation package for Uniper was agreed in July, Uniper's situation has further deteriorated rapidly and significantly; as such, new measures to resolve the situation have been agreed.
- The German State intends to underwrite a EUR 8 billion equity capital increase of Uniper SE at EUR 1.70 per share, with KfW providing further bridge financing as required to Uniper until the capital increase is implemented.
- In connection with the capital injection, the German State intends to buy all of Fortum's shares in Uniper for EUR 1.70 per share, approximately EUR 0.5 billion in total.
- Upon completion of the capital injection and share purchase, the German State will own appr. 98.5% of Uniper.
- As part of the agreement, Fortum's EUR 4 billion loan to Uniper is to be repaid and Fortum is to be released from the EUR 4 billion parent company guarantee.
- On the basis of the agreement, Fortum will deconsolidate Uniper as of the third quarter of 2022 which will have a positive impact on Fortum group's equity.
- The agreed transaction is subject to regulatory clearances and Uniper's Extraordinary General Meeting. Completion is currently expected by year-end.

Fortum, the German government and Uniper have signed a further agreement in principle for a long-term solution that will allow the German State to take full control of Uniper to secure energy supply in Germany. Upon completion, the agreement enables Fortum to divest Uniper and refocus on clean Nordic power generation as its core business. It replaces the initial Uniper stabilisation agreement between the same parties, signed in July 2022.

Since July, the European energy crisis has escalated further and the severity of the situation has made it apparent that the previously agreed stabilisation measures are insufficient and difficult to implement. To date, Uniper has accumulated close to EUR 8.5 billion in gas-related losses and cannot continue to fulfil its role as a critical provider of security of supply as a privately-owned company. The newly found solution therefore involves German State control.

"Under the current circumstances in the European energy markets and recognising the severity of Uniper's situation, the divestment of Uniper is the right step to take, not only for Uniper but also for Fortum. The role of gas in Europe has fundamentally changed since Russia attacked Ukraine, and so has the outlook for a gas-heavy portfolio. As a result, the business case for an integrated group is no longer viable," says Markus Rauramo, CEO and President of Fortum.

Under the agreement, Uniper plans to issue 4.7 billion new ordinary registered shares, which the German State plans to subscribe at a nominal value of EUR 1.70 per share. The German state-owned KfW bank will provide Uniper with additional liquidity support as required until this EUR 8 billion capital increase is completed.

At completion of the capital increase, the German State plans to buy all of Fortum's approximately 293 million shares in Uniper for EUR 1.70 per share, i.e. for a total of EUR 0.5

billion. At that point, change of control clause in the financing agreement will be triggered and the German State will provide the financing for the redemption of Fortum's EUR 4 billion shareholder loan granted to Uniper and the release of the EUR 4 billion parent company guarantee.

The parties have also agreed that Fortum will have a right of first offer in case Uniper intends to divest all or parts of its Swedish hydro and nuclear assets until the end of 2026.

"We made choices in the past that we were truly convinced of at the time, based on the available information, market environment and outlook. In hindsight, some of our strategic choices turned out to become liabilities. We now have to face and mitigate the impact of those decisions. While divesting Uniper will be a painful step for the company, its employees and investors, Fortum will be able to look to the future and will focus on its core Nordic business of CO₂-free electricity and heat as well as sustainable customer solutions," Markus Rauramo says.

Financial effects of the Uniper divestment

As a consequence of the agreement, Fortum will deconsolidate Uniper and report it as discontinued operations in the third quarter 2022 interim report. Fortum's financials for the continuing operations will not include any impacts from Uniper's operations.

In previous quarters, Fortum has recorded significant accumulated losses mainly in the form of provisions and negative fair value adjustments from Uniper, mainly due to the Russian gas curtailment. Further Uniper losses in the third quarter and onwards will thus have no impact on Fortum group's equity as these losses will be offset by the deconsolidation effect. Based on Fortum's balance sheet as of 30 June 2022, the deconsolidation would strengthen Fortum group's equity by approx. EUR 5 billion.

The Uniper-related loss for discontinued operations to be reported in Fortum's third quarter 2022 interim report will include the net loss from Uniper for the first nine months of 2022 and the positive impact from the deconsolidation.

The divestment will negatively impact the parent company Fortum Oyj's equity, however, Fortum has assessed that the equity remains at a sufficient level and does not require additional capital injections.

Following the deconsolidation of Uniper as of the third quarter 2022, Fortum's EUR 4 billion shareholder loan to Uniper, which will be repaid upon completion, will be recorded as a receivable. The EUR 0.5 billion consideration for Fortum's shares in Uniper will be recorded as a short-term receivable until completion of the share transaction.

In connection with the deconsolidation of Uniper and reclassification to discontinued operations, Fortum will restate comparative quarterly information for the full year of 2021 and the first half of 2022. The restated information will be published prior to the publication of the group's third quarter 2022 results on 10 November 2022.

Completion of the agreement

The completion of the agreed transaction remains subject to completion of definite agreements with the German State and Uniper as well as regulatory approvals in several geographies, including Merger Control and State Aid clearances from the European Commission. Completing the capital increase in Uniper by the German State also requires the approval by an Extraordinary General Meeting of Uniper. Completion of the agreed transaction is currently expected by the end of this year.

The completion of the transaction mitigates the risks related to the material uncertainty of Uniper's liquidity and financial situation that also affects Fortum. The financial distress for Uniper or, ultimately, its insolvency, as a result of the failure of the agreed transaction, or otherwise, could be detrimental for Fortum and have serious consequences, not only for

Fortum's financial arrangements, but also for the Nordic and possibly European energy markets.

Key figures of the Uniper segment:

EUR million	I-II/2022	2021
Sales	77,971	105,992
Comparable EBITDA	-177	1,789
Comparable operating profit	-570	1,120
Operating profit	-12,571	-4,901
Comparable net assets (at end of period)	1,173	4,971
Capital expenditure	232	683

Uniper shares are listed on the Frankfurt Stock Exchange. For further information: <https://www.uniper.energy/>

News conference for analysts, investors and media

A combined live webcast/teleconference for analysts, investors and media will be arranged online on 21 September 2022 at 10:00 EEST (9:00 CET). President and CEO Markus Rauramo will present the agreement and the plan to divest Uniper, followed by a Q&A session.

The event can be followed live at <https://fortum.videosync.fi/2022-09-pressconference>.

Questions for the management can be presented by phone. To ask questions, join the teleconference by registering on the following link: <https://call.vsy.io/access-9913>.

After the registration you will be provided with phone numbers and a conference ID to access the conference. To ask a question, press *5 on your telephone keypad to enter the queue.

A recording of the webcast as well as the transcript will be published on www.fortum.com/investors after the event.

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Fortum

Fortum is an energy company driving the change for a cleaner world. Our role is to ensure the security of supply and a fast and reliable transition to a carbon-neutral economy by providing customers and societies with clean energy and sustainable solutions. Fortum's core operation are located in the Nordics and consist of CO₂-free power generation, electricity sales, district heating as well as recycling and waste solutions. Fortum's share is listed on Nasdaq Helsinki.

