

**Fortum agrees to acquire majority in Uniper to improve stability and accelerate realisation of strategy**

FORTUM CORPORATION INSIDE INFORMATION 8 OCTOBER 2019 AT 9.00 EEST

*Release category: Inside Information*

- Fortum enters into agreements with Elliott and Knight Vinke to acquire in excess of 20.5% in Uniper for approximately EUR 2.3 billion, increasing Fortum's share in Uniper to more than 70.5% and the total investment in Uniper to approximately EUR 6.2 billion
- Closing is subject to regulatory approvals in Russia and the United States
- Fortum intends to be represented on Uniper's Supervisory Board commensurate with its ownership without delay
- Fortum seeks strategic and operational alignment between Fortum and Uniper
- Fortum rules out a domination and/or profit and loss transfer agreement or squeeze-out for a period of at least two years
- Fortum offers commitments to Uniper's employees and seeks continued dialogue with employee representatives

Fortum has today entered into agreements to acquire all the shares held by funds managed by Elliott Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"), a total in excess of 20.5%. Fortum will pay approximately EUR 2.3 billion for the combined shareholding, corresponding to EUR 29.93 per share. Upon closing of the transactions, Fortum's share in Uniper will increase to more than 70.5% and the total investment in Uniper to approximately EUR 6.2 billion, representing an average acquisition price of EUR 23.97 per share.

It has been Fortum's preference to agree with Uniper on a joint path forward, yet discussions have each time ended short of actions. Fortum is convinced that this change in Uniper's ownership structure as well as a resolution of the complex relationship between all parties will return stability and put focus solely on the business and the opportunities available to us.

Closing of the transaction is subject to customary regulatory clearances in Russia and the United States, and is expected by the end of the first quarter of 2020. Fortum is in discussions with the Russian state authorities and has made a preparatory filing to the Russian Federal Antimonopoly Service. No further European Commission clearance is required. In 2018, Fortum already received unconditional merger clearance from the Commission.

The transaction will be financed with existing cash resources and committed credit facilities underwritten by Barclays Bank PLC. Fortum is committed to maintaining an investment grade rating post transaction and strengthening its financial profile longer term. This will provide appropriate financial stability and support to the enlarged group. Fortum will fully consolidate Uniper as a subsidiary in its financial statements from closing of the transaction.

"I am pleased that we have today taken this important step to create a leader in the European energy transition. I am convinced that this will create attractive opportunities for both companies and their employees. For Fortum's shareholders this transaction will be earnings accretive. As always, this investment follows our prudent investment criteria to add value reflecting carefully managed risks," says **Pekka Lundmark**, Fortum's President and CEO.

Fortum intends to be represented on Uniper's Supervisory Board commensurate with its ownership without delay. Fortum will discuss with Uniper with the objective of arranging the matter.

In the interest of strengthening the basis for a trustful engagement with Uniper and its employees, Fortum rules out any domination and/or profit and loss transfer agreement (DPLTA) with Uniper or squeeze-out for at least two years.

### **Strategic and operational rationale**

Utilities play a key role in the transition towards a carbon-neutral Europe by decarbonising their energy supply. At the same time, they must ensure that energy is always available at an affordable cost to consumers and industry. When Fortum first announced its investment in Uniper in 2017, Fortum said that together the companies would not only create value for all stakeholders but could also take a leading role in the European energy transition. The portfolios of Fortum and Uniper are synergistic in Sweden and Russia, while the investment in Uniper offers Fortum access to Germany and other continental European markets where the two companies have very little overlapping businesses. Fortum expects to realise attractive returns on its investment in Uniper and wants to continue paying a stable and over time increasing dividend to its shareholders. These strategic grounds remain intact.

The transaction now entered into underlines the long-term nature of Fortum's ownership in Uniper. Most importantly it serves to establish a clear foundation and imperative for strategic and operational alignment and increasing cooperation.

As a responsible and committed parent company, Fortum looks forward to working with Uniper's management team and employees on the creation and implementation of a joint vision. In the rapidly changing and decarbonising European energy sector, the vision must be centred around three cornerstones of Sustainability, Affordability and Security of Supply. Together, Fortum and Uniper will be a European leader that has the scale, competences, and resources to prosper, grow, and lead the energy transition.

"The energy transition will require significant investments in the coming decades not only in renewables, but also in gas, energy storage, and other flexibility solutions to provide security of supply and to decarbonise also industry, transportation, heating, and cooling. We see an ideal match of our complementary competences. With an aggregate EBITDA of approximately EUR 3 billion, Fortum and Uniper will be in a strong position to capture the growth opportunities presented by these changes – provided that we work in full alignment," says Pekka Lundmark.

### **Commitments to Uniper employees**

Fortum recognises that the dedication of Uniper employees is the foundation for the current and future success of the company, and wishes to provide them certainty and stability.

Fortum acknowledges the integrity of existing employee rights and is committed to protecting the interests of Uniper employees. Fortum will honour existing shop and collective bargaining agreements (Betriebsvereinbarungen / Tarifverträge) and similar agreements as well as the employers' collective bargaining jurisdiction and the existing level of co-determination in the Supervisory Board. Additionally, Fortum will not cause Uniper to implement compulsory redundancies as a result of the transaction nor to relocate its corporate seat away from Düsseldorf. Fortum intends to discuss the detailed content and the duration of these commitments with Uniper and its employee representatives as soon as possible.

"I understand the recent concerns of the Uniper employees and will ensure that Fortum will be a strong and dependable owner that provides Uniper and its employees with attractive prospects. I am convinced

that together we can use the combined skills and resources of Uniper and Fortum to create interesting opportunities for our employees,” Pekka Lundmark concludes.

### Combined key financials

Combined key financials are presented for illustrative purposes only and they do not include possible impacts from aligning differences in accounting principles, effects from co-owned power companies, or eliminations of sales, purchases, receivables, and payables between the Groups.

The financial information in the table below is derived from and based on Fortum's Half-year Financial Report January-June 2019 and Financials 2018 as well as Uniper's Half-year Interim Report 2019 and Annual Report 2018.

EUR million	Fortum LTM Q2 2019	Uniper LTM Q2 2019	Impact from transaction <sup>4)</sup>	Combined LTM Q2 2019
Sales	5,404	78,928		84,332
Comparable EBITDA <sup>1)</sup>	1,621	1,260		2,881
Capex <sup>2)</sup>	715	638		1,353
Interest-bearing liabilities, 30 June 2019 <sup>3)</sup>	6,719	1,570	2,253	10,542
Liquid funds, 30 June 2019 <sup>3)</sup>	1,297	717		2,014
Interest-bearing net debt, 30 June 2019 <sup>3)</sup>	5,422	853	2,253	8,528
Number of employees, 30 June 2019	8,383	11,962		20,345

- 1) Comparable EBITDA is based on Fortum's Comparable EBITDA and Uniper's Adjusted EBITDA as defined in Fortum and Uniper's financial statements. No impact from the assumed transaction has been included.
- 2) Capex is based on Fortum's reported Capex and Uniper's reported Investments.
- 3) Fortum's interest-bearing liabilities and liquid funds as defined in Fortum's financial statements. Uniper's Interest-bearing liabilities include 'Financial liabilities and liabilities from leases' as defined in Uniper's financial statements excluding 'Margining liabilities' amounting to EUR 1,002 million. Liquid funds as defined in Uniper's financial statements. Please see further information regarding Fortum's Net debt and Uniper's Net financial position and Economic net debt in their respective financial statements.

- 4) 'Impact from transaction' is based on the acquisition of approximately 20.5% of Uniper's outstanding share capital at a price of EUR 29.93 per share.

**Fortum Corporation**

Ingela Ulfves, Vice President, Investor Relations and Financial Communications

**Further information:**

Investors and analysts:

Ingela Ulfves, VP, IR and Financial Communications tel. +358 40 515 1531

Måns Holmberg, Manager, IR and Financial Communications tel. +358 44 518 1518

Rauno Tiihonen, Manager, Investor Relations, tel. +358 10 453 6150

Media:

Pauliina Vuosio, VP, Communications, Project Office tel. +358 50 453 2383

**Joint news conference for investors, analysts, and the media:**

An international teleconference for institutional investors and analysts as well as the media will be arranged today Tuesday 8 October 2019 at 11:00 EEST / 10:00 CEST. The participants will have a possibility to present questions in a Q&A session.

To participate in the teleconference, please dial:

Standard International Access +44(0)203 003 2666

USA +1 212 999 6659

Germany +49 (0)30 3002 90612

Finland +358 (0)9 2319 5437

### **About Uniper**

Uniper is a global energy company that generates, trades and markets energy on a large scale. The company employs around 11,000 people in more than 40 countries. Uniper operates power plants in Europe and Russia, with a total generating capacity of around 34 gigawatts, and it runs an extensive energy trading business. Uniper also has sizeable natural gas storage sites in Germany, Austria and the UK, which play an important role in ensuring a secure and flexible gas supply. Furthermore, the company develops energy storage solutions to support renewable energies. In 2018, Uniper's sales totaled EUR 78.2 billion and adjusted EBITDA was EUR 1.5 billion. Uniper is listed on the Frankfurt stock exchange (Börse Frankfurt). [www.uniper.energy](http://www.uniper.energy)

### **About Fortum**

Fortum is a leading clean-energy company that provides its customers with electricity, heating and cooling as well as smart solutions to improve resource efficiency. We want to engage our customers and society to join the change for a cleaner world. We employ some 8,000 professionals in the Nordic and Baltic countries, Russia, Poland and India. In 2018, our sales were EUR 5.2 billion and 57% of our electricity generation was CO2 free. Fortum's share is listed on Nasdaq Helsinki. [www.fortum.com](http://www.fortum.com)