

Rating object

Fortum Oyj
Long Term Local Currency Senior Unsecured Issues

Rating incl. outlook / watch

BBB / Watch NEW
BBB / Watch NEW

The present monitoring is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Fortum Oyj	04.03.2022	04.03.2022	Until withdrawal of the rating
Long Term Local Currency Senior Unsecured Issues	04.03.2022	04.03.2022	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has affirmed the unsolicited corporate issuer rating of Fortum Oyj, as well as the unsolicited corporate issue rating at **BBB** and placed them on **Watch NEW** (watch negative). The rating action reflects the imposed sanctions on the Russian Federation by countries worldwide following its decision to invade Ukraine, as well as increased liquidity risks amid higher volatility in gas prices.

At this point in time it is difficult to assess the exact economic implications the war in Ukraine and the imposed sanctions on the Russian Federation will have on Fortum's unsolicited corporate issuer and issue rating. The Group has high exposure to the Russian economy, as approximately 20% of Fortum's operating profit, adjusted by non-recurring events, is generated in Russia. We believe that the current situation, as well as possible future sanctions creates a higher degree of uncertainty around income and cash flow generation in Russia. As well as negative implications following the devaluation of the Ruble. In addition, Russian generating assets and the exposure to the Nord Stream 2 pipeline come to a carrying book value of approximately EUR 5.5 billion. Given the current situation, we estimate that it is not unlikely that there might be significant fair value changes to Fortum's Russian assets.

The current situation also increased volatility of energy prices, which might lead to increased liquidity risks as the Group has a high degree of exposure to increasing margin requirements of its derivatives as underlying energy prices fluctuate. Uniper announced on 4 January 2022 that it was forced to take on additional financing measures to cover the additional cash needs due to higher margin requirements from its derivative instruments. In light of this fact, Fortum made an intra-group financing credit facility of EUR 8 billion available for Uniper. Uniper also arranged a further EUR 2 billion credit facility with the KfW, to provide its liquidity position with some additional headroom. The margin requirements will be returned to Uniper, when the underlying positions go into delivery, or when prices normalize.

The Group also has, through Uniper, a high degree of exposure to long-term gas deliveries, of which approximately half comes from Russia. A sudden disruption in gas supply would have significant consequences to Fortum, but is at this point difficult to assess. Currently all of Fortum's facilities are operative and the situation continues to evolve rapidly. In our review process, we will continue to monitor the imposed sanctions on the Russian Federation, the counter-sanctions implemented on the European Union and the impact this might have on the Russian generating assets, energy prices as well as the potential disruption in gas deliveries.

Primary key rating drivers:

- Imposed sanctions on Russian Federation by various countries creates uncertainty around Fortum's Russian operations
- Increased tensions between the European Union and the Russian Federation increases volatility in energy prices and heightens Fortum's liquidity risk
- Potential disruption of Russian gas supply will have significant consequences to Fortum's operations.

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Fortum Oyj we have not identified any ESG factor with significant influence.

Please see our ESG analysis in the rating update published on 28 January 2022, which is available on our website.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Regarding our best and worst case scenarios, please refer to our rating update published on 28 January 2022. Please note that these expectations consider a normalized operating environment for Fortum and, given current geopolitical tensions in Europe, it may significantly deviate from the company's future results.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Fortum Oyj	Initialrating	11.04.2019	www.creditreform-rating.de	15.10.2019	BBB+ /stable
LT LC SU Issues, issued by Fortum Oyj	Initialrating	11.04.2019	www.creditreform-rating.de	15.10.2019	BBB+ /stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG’s default rates are available in the credit rating methodologies disclosed on the website.

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