



Fortum has signed a bridge financing arrangement with the Finnish state to cover collateral needs in the Nordic power commodity market

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Fortum Corporation has agreed with its majority owner, the Finnish State (ownership 50.76%), on a bridge financing arrangement with which the company aims to ensure access to sufficient liquidity resources if power prices and, with it, collateral requirements continue to rise significantly on the Nordic commodities exchange Nasdaq. Currently, Fortum has sufficient liquid funds to meet the collateral needs. The bridge financing is put in place now in accordance with the schedule and terms set by the Finnish state, but the utilisation of the arrangement is a last resort for Fortum. The arrangement cannot be used to cover collateral needs of Fortum's subsidiary Uniper. Fortum's Nordic power generating subsidiaries Fortum Power and Heat Oy and Fortum Sverige AB are also parties to the arrangement.

The incremental liquidity facility of EUR 2.35 billion is provided by the Finnish state-owned holding company Solidium. The term of the liquidity facility is one year, and it matures in full within one year from signing. The first tranche of a minimum of EUR 350 million must to be drawn latest on 30 September 2022 in order for the arrangement to remain effective thereafter. The last required tranche may be drawn by 31 March 2023. The liquidity facility margin for the first six months is 10% and for the following six months 12%. The liquidity facility is linked to the six-month Euribor. The effective annual interest cost including arrangement and commitment fees and excluding the impact of the below mentioned share issue, for the whole amount and duration, would be 14.2%.

A directed share issue without payment, which entitles Solidium to subscribe up to 8.97 million new ordinary registered shares in Fortum, is a condition subsequent for the drawdown of the liquidity facility. The new shares, amounting to 1% of Fortum's share capital, will be issued without payment after the execution of the share issue. As a consequence, the shares under control of the Finnish state would increase to 51.26% correspondingly diluting the ownership of other shareholders. The directed share issue requires an approval by Fortum's Extraordinary General Meeting (EGM) with a two thirds majority of the shares and votes present. The EGM will only be arranged if the liquidity facility is drawn.

The arrangement also contains restrictions regarding management remuneration. In 2022 and 2023, the fees to be paid to the Board of Directors will not be increased. Members of Fortum's Executive Management team are not paid short- or long-term incentives (STI and LTI programmes) that are accumulated in 2022 and 2023, and their salaries will not be increased during 2022 or 2023.

The arrangement does not include dividend restrictions. Fortum's Board of Directors will take a view on a possible dividend for 2022 in early 2023.

"The ongoing energy crisis in Europe is caused by Russia's decision to use energy as a weapon and it is now also severely affecting Fortum and other Nordic power producers. The uncertainty in the market remains high as we in recent weeks have seen historically high power prices. Last week, however, spot and futures prices and thus collateral requirements

decreased from the highest levels. The arrangement provided by the Finnish state strengthens our liquidity backstop in the midst of the turbulence,” says Fortum’s President and CEO **Markus Rauramo**.

At market close yesterday on 5 September, Fortum’s standalone (excl. Uniper) collaterals tied up on Nasdaq amounted to approximately EUR 3.5 billion. At their highest, the collateral requirements amounted to approximately EUR 5 billion based on closing prices of 26 August 2022.

“Regulatory changes are urgently needed to curb the unreasonably high margining and collateral requirements. The EMIR-regulation that governs commodities trading does not make a difference between financial traders and companies hedging their future power production – both have the same cash collateral requirements. Power companies hedging their own production should be allowed to use their future production as collateral. I am pleased that Finland plans to address this issue at the EU energy ministers’ meeting this week,” Rauramo continues.

Fortum commented on the increased collateral requirements in the Nordic power derivative markets in conjunction with the publication of the company’s half-year report on 25 August 2022, and in a stock exchange release on 29 August 2022.

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Fortum

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