

📅 TUESDAY, 27/09/2022 - Scope Ratings GmbH

Scope affirms Uniper's BBB- issuer rating and revises the Outlook to Stable

The rating action reflects the expected majority ownership in Uniper by the German government following the amendment of the stabilisation package.

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

Rating action

Scope Ratings GmbH (Scope) has affirmed Uniper SE's BBB- issuer rating and changed the Outlook to Stable from Negative. Concurrently, Scope has affirmed the BBB- senior unsecured debt rating and the S-3 short-term debt rating.

Rating rationale

The expected majority ownership by the German government, which makes Scope more confident about a faster and more straightforward implementation of required stabilisation measures, drives the Outlook change to Stable from Negative. The rating affirmation reflects a largely unchanged view on both the company's standalone credit quality and the rating uplift from its status as a government-related entity following the amendment of the stabilisation package.

On 21 September, the German government, Uniper and Fortum signed an amendment of the stabilisation package for Uniper announced on 22 July 2022. The amendment reflects the further developments including increased curtailments of gas deliveries from Russia since the end of July. For reference, as of 16 September, accumulated curtailment-related losses reached EUR 8.5bn. The stabilisation package now includes a capital increase of EUR 8bn to be exclusively signed by the German government and will lead to a German government ownership stake in Uniper of approximately 93%. Further, the German government shall acquire the Uniper shares currently held by Fortum, which leads to a total ownership stake of around 99% for the German government. The state-owned bank KfW will provide financing to Uniper according to its liquidity needs including a replacement of the current credit line from Fortum, which consists of a EUR 4bn shareholder loan and a EUR 4bn guarantee line. The stabilisation measures continue to be subject, inter alia, to regulatory approvals in various jurisdictions including state-aid and merger control approvals from the European Commission.¹

Scope continues to assess Uniper's standalone credit quality at BB-. While a straight equity injection is more credit supportive compared to the previously expected mandatory convertible instrument, Scope notes that the amended agreement is based on the gas surcharge to pass through 90% of the replacement costs without a backstop solution. Scope believes that Uniper's liquidity remains adequate. This view is primarily based on the EUR 13bn in external funding provided by KfW that can be extended depending on Uniper's liquidity needs, including replacing the EUR 8bn in loans and guarantees provided by Fortum.

With regard to supplementary rating drivers, Scope continues to assess Uniper as a government-related entity applying the Bottom-Up approach according to its Government Related Entities Rating Methodology. Based on the unchanged view of the German government (**rated AAA/Stable by Scope**) having a 'high' capacity and a 'high' willingness to provide support, Scope maintains the rating uplift of three notches of Uniper's standalone credit quality.

Outlook and rating-change drivers

The Stable Outlook reflects Scope's expectation that the already announced and further potential government stabilisation measures will be implemented in a timely fashion and will be sufficient to preserve Uniper's credit quality (i.e. absorb the impact of adverse market conditions).

A negative rating action could be considered if stabilisation measures were not implemented in a timely fashion or were insufficient to preserve the credit quality, e.g. in case of severe operational or liquidity issues. A negative rating action could also be considered if Scope's perception of the potential government support had weakened.

A positive rating action, while remote, could be considered if the risks related to the adverse market environment reduced meaningfully, and Uniper returned to profitability on a sustained basis while Scope maintained its perception of the continued government support.

Long-term and short-term debt ratings

Senior unsecured debt remains rated at BBB-, the level of the issuer rating. Still, Scope notes high complexity and volatility in the capital structure that could alter recovery expectations for senior unsecured debt in the future.

The short-term debt rating is affirmed at S-3. This primarily reflects the deteriorated internal cash generation capacity.

Rating driver references

1. [Agreement on amended stabilisation package](#)

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 15 July 2022; European Utilities Rating Methodology, 17 March 2022; Government Related Entities Rating Methodology, 6 May 2022), are available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on

<https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA):

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>.

Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

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Regulatory disclosures

These Credit Ratings and/or Outlook are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and/or Outlook are UK-endorsed.

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The Credit Ratings/Outlook were first released by Scope Ratings on 16 June 2017. The Credit Ratings/Outlook were last updated on 14 September 2022.

Potential conflicts

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ISSUERS 1