



**Telephone conference for media representatives**

**Uniper's business performance for H1 2021**

**Düsseldorf, August 11, 2021**

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**Please check against delivery.**



Good morning and welcome to today's conference call. Thanks for joining us. I'm pleased that together we can take a look at current developments at Uniper.

But before we turn to the substantive part of today's press conference, I'd like to say a few words about the terrible events and repercussions of the flood disaster that took place a few weeks ago. The floods Germany experienced in July were among the most severe natural disasters in the country's recent history and, sadly, took many lives. On behalf of all Uniper employees, I would like to express our condolences to those who were affected.

At the same time, I'm very impressed by the exemplary willingness of people—including people at our company—to help each other. On behalf of the entire Management Board, I'd like to sincerely thank the many people who helped.

Last quarter, we took further significant steps in implementing our strategy. I'm pleased that we can systematically propel our transformation together with our majority owner Fortum. We're pursuing this transformation in three areas:

- First, Germany and many other European countries have decided to phase out coal. The coal age is coming to an end in Europe. Russia too has signed the Paris Climate Agreement. Uniper's own coal exit has already been arranged for several of our facilities, for example Heyden, Wilhelmshaven, and Scholven. We again increased the pace of our exit. More on this in a moment.
- Second, we need gas as a partner for renewables and for a technology-neutral entry into the hydrogen economy.
  - On the road to a zero-carbon future, we focus on the lowest-emission fuel, whether it's natural gas, hydrogen, or other fuels. If we approach the challenges ahead pragmatically rather than ideologically, it will save the state and society both time and money. Overall, it will increase the prospects for the energy transition to succeed as rapidly as possible, but also to ensure reliability.
  - Just two weeks ago, we laid the foundation stone for Irsching 6, our new gas-fired power plant near Ingolstadt. The plant will be used exclusively for network stabilization. This is a first in Germany and an example of the tasks ahead of us to implement the energy transition swiftly, but with unchanged high security of supply.



- Third, together with Fortum we're expanding our renewables portfolio. We're not only decommissioning fossil capacity, we're also adding renewables capacity. Expanding renewables and simultaneously decarbonizing our gas portfolio will accelerate our decarbonization and our customers'.

So today we'll be looking at Uniper's first-half results for 2021 and also at how we're working with Fortum to propel Uniper's decarbonization.

**Adjusted EBIT** of €580 million was below the prior-year figure of €691 million. The main reason was a price- and volume-driven increase in provisions for carbon allowances relative to the prior-year period. The rationale is that during the course of the year we create provisions, which are based on the current spot price, for our expenditures for each metric ton of carbon emissions. These provisions are recognized in adjusted EBIT. They're mirrored by carbon hedging transactions whose market valuation gains won't be recognized in adjusted EBIT until the end of the year. This effect therefore won't impact adjusted EBIT for the year as a whole. The underlying business is stable.

Earnings at the **European Generation** segment surpassed the prior-year figure. The principal positive factors were the commissioning of Datteln 4 coal-fired power plant in late May 2020 and the return to commercial operations of Irsching 4 and 5 gas-fired generating units in the fourth quarter of 2020. Higher income from the U.K. capacity market also had a positive impact on earnings.

Weaker earnings at our **Global Commodities** segment is principally attributable to the normalization of margins in the gas business after the extraordinarily good prior-year period. This was partially offset by higher earnings from our international commodities portfolio, which benefited from unusual weather conditions in North America and from business activities in Asia.

The decline at our **Russian Power Generation** segment resulted mainly from currency-translation effects. The expiration of long-term capacity payments for two generating units at Shaturuskaya and Yaivinskaya power stations was offset by the recommissioning of Beryozovskaya's unit 3 in May 2021.



The earnings trend for 2021 is generally following the pattern by which the winter quarters (Q1 and Q4) are usually the quarters with strong earnings.

The aforementioned carbon-phasing effect was particularly pronounced in the second quarter relative to the prior-year period due to the sharp increase in carbon prices. If this effect is factored out, adjusted EBIT was at the prior-year level.

First-half **adjusted net income** of €485 million was about €42 million below the prior-year figure of €527 million. The lower percentage decline compared with adjusted EBIT was principally due to the improvement in our economic interest expense. Here, we benefited from the remeasurement of our provisions in response to higher interest rates.

First-half **operating cash flow** of €346 million surpassed the prior-year figure by €59 million. The increase resulted mainly from the positive development of working capital at the gas business and a higher drawdown of coal inventory. This more than offset the year-on-year decline in operating earnings.

**Economic net debt** rose from about €3 billion at year-end 2020 to just under €3.2 billion owing in particular to the dividend payout. A reduction in provisions for pensions and other obligations, resulting primarily from the increase in actuarial discount rates relative to year-end 2020, had a countervailing effect.

**Cash-effective investments** totaled €341 million in the first half of 2021, significantly above the prior-year level of €279 million. The increase primarily reflects higher growth investments in the Scholven 3 and Irsching 6 new-build projects and network stabilization measures in the United Kingdom. In addition, we recorded higher maintenance investments, primarily in the United Kingdom, the Netherlands, and Hungary.

Based on our expectations for the second half of the year, we can affirm our **earnings outlook**, which we adjusted upward in the first quarter. For the 2021 financial year we expect adjusted EBIT of €800 to €1,050 million and adjusted net income of €650 to €850 million.



We've taken decisive steps since January to transform Uniper into a climate-neutral company. Our coal exit is moving forward apace, and we're taking power plants offline earlier than planned. But, as always, it's complicated.

For example, the German Federal Network Agency decided that Heyden 4, a Uniper power plant in north-central Germany that had successfully ended commercial operations, will have to continue to operate as a reserve power plant until September 30, 2022.

Scholven C, our power plant in Gelsenkirchen, was successful in the most recent decommissioning auction. Now the transmission system operator and the Federal Network Agency will determine whether the power plant is relevant for system stability. Here, too, we moved forward the originally planned closure date.

We'll shut down our coal-fired power plant in Wilhelmshaven in December 2021, as planned. It was selected this past April in the Federal Network Agency's second decommissioning auction for hard-coal-fired power plants.

Uniper was successful in all three of the Federal Network Agency's auctions for ending hard-coal-fired power generation in Germany. This demonstrates that, wherever possible, we want to accelerate our coal exit.

Of course, the progress of our coal exit isn't limited to Germany. Just last week we decided to shut down a 500 MW unit at Ratcliffe-on-Soar, a hard-coal-fired power station in the United Kingdom, two years earlier than prescribed by the British government, which had only recently moved up its hard-coal phaseout timetable by one year. As you can see, if it's possible, we close our coal-fired power plants ahead of schedule as well. Achieving the climate targets we set is our priority as we look ahead to 2035, and we're expediting our coal exit.

This will affect several hundred colleagues just at the sites I've mentioned. Going back years and even decades, they've helped ensure that our energy supply remains secure and affordable. The discussions about climate policies must not forget this.



We still have an obligation to supply society with energy that is secure, affordable, and as clean as possible. In an industrialized country like Germany, the shutdown of generating capacity must not be at the expense of supply security.

That's why Germany will continue to need power plants that are always available and can respond swiftly when there are imbalances in the power system. Irsching 6, our new-build project near Ingolstadt, will be just this kind of reliable power plant. It's the first of its type in Germany to be built exclusively for system stability. Transmission system operator TenneT commissioned the plant, Uniper is building it and will operate it.

Irsching 6 will have a capacity of 300 MW. The Federal Network Agency has stated that Germany needs a total of 1,200 MW of capacity for special network tasks. Despite the rapid transformation of the energy supply, system stability will remain a growing challenge.

In the future, there will be a growing demand for power plants that can be used to secure the power supply. Initially, they will still be fueled by natural gas. But in the future they will be zero-emission, which is something that we're working on.

Uniper is well aware that we need to pick up the pace in reducing our emissions. We're part of the socio-political consensus that supports the energy transition. This is reflected in our commitment to swiftly enter the renewables business. This is in addition to hydropower, which has long been a mainstay in our portfolio.

Together with Fortum, we intend to add about 1.5 to 2 GW of wind and solar capacity to our renewables business by 2025. We plan to begin our first onshore wind projects as early as this year.

As you know, power-purchase agreements (PPAs) for renewables also play an important role in our renewables business, because they're what makes it possible to plan and finance projects. There's news here as well: Uniper concluded a 15-year PPA with Pattern Energy Group in the United States for up to 219,000 MWh per year from a new wind farm. I'm pleased that this will enhance our ability in the near term to provide customers with wind power to help them meet their decarbonization targets.



But one thing is clear: all the renewables capacity available in the near term won't suffice to meet all the energy needs of our economy and society. Uniper therefore believes that embracing the hydrogen economy pro-actively and, above all, technology-neutrally will be crucial for the energy transition's success. And that's why focusing exclusively on certain technologies like green hydrogen is short-sighted.

Instead, a new technology's carbon-reduction potential should be the decisive factor. To rapidly ramp up a hydrogen economy, all low- and zero-carbon forms of hydrogen should play an equal role. This will place less burden on government budgets and promote faster decarbonization than if we initially limit ourselves to the most expensive and scarce resources.

The energy transition needs to focus more on feasibility and thus more on speed. Hardly any current government climate or economic program doesn't in some way promote the development of a sustainable hydrogen economy to serve as an engine for the future.

This is right and important, because the task now is to work together to ramp up hydrogen production, expand storage capacity, strengthen global trade, and develop suitable solutions for industrial customers.

We need to make hydrogen competitive now. At the beginning of the 20th century, the engine of the world economy was powered by oil. Now hydrogen will lay the foundation for sustainable development. It will create new jobs, propel economic growth, and open up new opportunities to connect value chains and to integrate the different sectors of the economy.

Uniper is pursuing a wide variety of hydrogen initiatives and projects, of which I'd like to mention a few examples:

- We're working with Shell to propel the establishment of a hydrogen economy in Europe. The joint project focuses primarily on transporting renewable electricity from coastal regions and offshore wind farms inland and storing it there.
- In addition, we're developing other decarbonization solutions so that emission-intensive industries like the chemicals industry can become climate-neutral. Our "Air" project was recently awarded €30 million in funding from the Swedish Energy Agency. The project's



objective is to produce sustainable methanol for the chemicals industry. The project has the potential to reduce greenhouse-gas emissions by up to 500,000 metric tons per year.

- We're working with EWE to establish a hydrogen hub in Huntorf in northwest Germany. The facility will produce and store hydrogen and make it available to industrial enterprises and the mobility sector.
- In mid-July we concluded a cooperative arrangement with the HYPOR Duqm project, which aims to produce green hydrogen in Oman and transport it to Europe. Under this partnership, Uniper will join the project team to provide technical services and to negotiate an exclusive purchase agreement for green ammonia.

We're also active in transportation and alternative fuels and are entering into cooperative arrangements to develop green methanol as a maritime fuel so that we can help our customers in this industry reduce their emissions.

In addition, Uniper subsidiary Liqvis GmbH partnered with L.I.T. Cargo GmbH and IVECO Magirus AG to successfully conduct a flagship project to use bio-LNG for heavy-road transport. This demonstrates that LNG-based propulsion can play a key role in the decarbonization of logistics—and that it can even do so on economic terms.

Climate change is the biggest challenge of our age and will have a decisive impact on our social and economic actions. Societies, economies, and companies are equally affected.

Companies that don't have convincing and serious decarbonization targets will lose their license to operate. And without it, no company can create value. Especially not an energy supply company. We don't grant ourselves this license. It can't be bought. We receive the legitimization for it from a variety of social groups whose interests are often mutually conflicting. However, it's clear that climate change is forcing all of us to act quickly.

Uniper's objective is for our power generation business in Europe to be climate-neutral by 2035 and for all of our business operations to be climate-neutral by 2050. Those who are familiar with Uniper, its history, and its portfolio know that that's very ambitious. That's why we have to take action faster than others. And we're serious about it. And we can convince, because we walk the talk:





We'll systematically implement sustainable business models and value creation, and our transformation will reduce our long-term risks. I'm personally convinced that this company will be an important part of the solution. If we don't succeed, 20 years from now we and our business won't exist. Along the way, I very much hope that we'll be able to continue our good and critical dialog with you.

I now look forward to your questions and hand things back to Fabienne Tweleemann.

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