



**Telephone conference for media representatives**

**Uniper's business performance for H1 2022**

**Düsseldorf, August 17, 2022**

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**Please check against delivery.**



Hello everyone.

A warm welcome from me as well to our press call for our results for the first six months of 2022.

Our last press conference, on July 22, was just four weeks ago.

At it, we presented to you the stabilization package for Uniper that was agreed on with the German federal government and Fortum. I'd therefore like to briefly outline:

- what has happened since,
- where we stand today, and
- how developments since the beginning of the war in Ukraine are reflected in our numbers.

Afterward I'll be happy to answer your questions.

I'll start with the following preliminary remark:

For the time being, we're unable to issue a forecast for our financial performance in the remainder of this year. Too much depends on how gas deliveries and energy markets develop. Europe's energy supply situation is far from easing, and the gas supply will remain extremely challenging this winter. This makes our business environment and business expectations almost impossible to assess.

Since mid-June, Gazprom has gradually reduced its gas deliveries to us. Since July 22, we've only been receiving about 20% of the amount that was contractually agreed on and ordered by us. By the way, most of our contracts with Gazprom



stipulate the Waidhaus transfer point on the German-Czech border as the place of delivery. Gazprom therefore has a number of transport routes at its disposal to supply us with the volumes to which we are contractually entitled.

Gazprom contends to us that this is due to force majeure. Just like the German federal government, we too assume that Gazprom, if it wanted to, could considerably increase its gas deliveries through Nord Stream 1. Gazprom is also not currently using any alternative transport routes to deliver more gas, although to our knowledge this would be equally possible. Nor does Gazprom itself provide us with any replacement volumes at the Waidhaus delivery point that Gazprom itself could purchase on the spot markets.

This leaves us with the option of procuring our own replacements in order to supply our customers with agreed volumes at agreed prices. To date, Uniper has fulfilled all its own supply contracts with our customers in full. So far, we have not passed on our procurement problem to our customers. And we have every intention of continuing to do so, if the gas industry and political situation allow.

It is very difficult to predict, by the way, whether full deliveries will be resumed in the near future. We do not consider it impossible that the situation will remain as it currently is for the time being.

As already said, despite these reduced deliveries, Uniper has fully supplied its customers at agreed-on prices. However,



we've had to replace a significant portion of the amount supplied to our customers with gas procured elsewhere, typically on spot gas markets and at prices that are currently very high.

Gas prices have reached record levels on European trading markets and are now many times higher than they were 18 months ago. Both the actual tightening of gas imports and political uncertainties continue to put tremendous upward pressure on prices.

This constellation has had a correspondingly adverse impact on our liquidity and earnings. Our gas business with Russia has been making a loss on a daily basis since June 14, 2022. Depending on current gas prices and the amount we need to procure, our daily losses are in a broad range and sometime surpass €100 million.

By the end of June, losses of 400 million euros had already built up and to date losses of 3.8 billion euros have piled up. There is no end in sight to this development. For globally active foreign oil and gas companies, such losses might be bearable. In Germany, on the other hand, there is not a single energy company that such a development would not bring to its knees.

We should therefore keep one thing in mind in these times of war in Ukraine: We at Uniper have de facto become a pawn in this conflict.

Prices no longer respond to supply and demand on the energy markets but are an expression of concerns about the reliability of energy supply. They reflect the expectation of a permanent



disruption in supply relations. Russia is not a reliable supplier; rather, Russia is purposefully using a shortage of gas supplies to challenge the unity of the West.

The rising cost of gas procurement, not least the surcharge just passed, will hit companies and citizens hard in the coming months. At Uniper, this situation has brought us to the brink of insolvency, even though the majority of our businesses are profitable. However, the losses from gas replacement procurement are so high that the other business areas cannot even come close to offsetting this.

The agreement in principle of July 22 with the German federal government and Fortum is therefore a key milestone for stabilizing Uniper and thus Germany's gas supply.

In view of the further deterioration of the underlying conditions, we've been working in recent weeks on the structure and specifications of this agreement.

1. The German federal government's credit assistance directly benefits our liquidity. The last few weeks have demonstrated that it was urgently necessary. So far, we've had to utilize about 5 billion euros of the KfW credit line totaling 9 billion euros. Our high liquidity needs are due primarily to purchases to replace reduced gas deliveries from Russia and to higher market prices. These developments determine our liquidity needs.
2. Section 26 of Germany's Energy Security Law was amended to include a temporary surcharge, which has been in effect since August 9. From October onward, about 90 percent of the increased costs caused by



reduced gas deliveries from Russia will be spread over many shoulders. The surcharge is therefore important to avoid even greater disruptions on energy markets.

3. There has been progress for Uniper's rating as well. On July 29, rating agency Standard & Poor's affirmed Uniper's investment-grade rating. Due to the stabilization measures, it classifies Uniper as a "government-related entity." Our rating is an important factor, especially for our trading business. Uniper's highly volatile market environment is reflected in the fact that the rating has a negative outlook.

Our priority currently is to implement the agreement with the German federal government and Fortum. This is the first step and the foundation for everything else. What's in the immediate future?

1. The agreement must be reviewed and approved at the European level.
2. After that, Uniper will hold an extraordinary General Meeting, hopefully this fall.
3. Only after the General Meeting's approval can the corporate-law elements of the agreement be implemented. But today we already have access to the expanded KfW credit line.

It's clear that Uniper will restructure its gas portfolio, especially its long-term gas contracts with Gazprom. We're already working on it.



At the same time, we remain a key player and partner of the European government in securing the energy supply. The following examples illustrate this:

- **Gas storage facilities:** Uniper's gas storage facilities store about one fourth of Germany's natural gas, making us the country's largest operator of gas storage facilities.
- **Gas-supply diversification:** Our imports to Germany also include pipeline gas from Norway, the Netherlands, and Azerbaijan as well as LNG by ship. We're Germany's largest LNG trader—last year we traded over 350 cargoes—and are interlinked with all commodity markets worldwide.
- When completed, our **LNG terminal in Wilhelmshaven** will be able to import nearly one tenth of Germany's annual LNG needs. Everyone involved is making the work on this terminal a top priority. The objective is for it to enter service this winter.
- At the same time, we're moving forward with our plans to **import hydrogen/ammonia** at the same location and build an electrolysis unit to produce green hydrogen at the same location.
- In addition, our power business has numerous **power plants** that reliably supply energy. The German Federal Network Agency has classified many of them as "system-critical."

Let's briefly look at our key earnings indicators after the first six months of the financial year. They of course reflect the situation we've had on gas markets for the past several months.



Our main performance indicators—**adjusted EBIT** of –€564 million and **adjusted net income** of – €359 million—were both significantly below the prior-year period. It’s already apparent for the first half of 2022 that our earnings are being impacted—alongside other effects—primarily by reduced gas deliveries from Russia.

Our **operating cash flow** and thus our economic net debt also reflect the significant adverse impact of reduced gas deliveries from Russia.

The **IFRS net result** amounts to a loss of more than €12 billion. Slightly more than half of it (€6.5 billion) is related to anticipated future impact from gas curtailments. Additionally, the IFRS net result reflects impairments of total €2.7 billion allocated to Nord Stream 2 loan and goodwills of the segments Global Commodities and Russian Power Generation. The remaining part is related to fair value valuation of hedge derivatives, which will be later on offset by positive gains on the underlying assets.

I’d like to take this opportunity to emphasize that our business delivered an overall solid operating performance. For example, our first-half power output in Europe was at a level similar to the prior-year period, despite restrictions on the output of Maasvlakte power plant in the Netherlands to further reduce its carbons emissions and the sale of Schkopau power plant in October of last year.

As stated, the volatile environment doesn’t permit a specific earnings forecast for the current financial year. We expect significantly negative earnings, in particular owing to the reduction in gas deliveries from Russia. We expect an



earnings improvement in 2023 and aim to leave the loss zone beginning in 2024.

But our message is that the stabilization package of late July means that we've taken the first step. This gives us stability for the months ahead. We must now succeed in restructuring our portfolio of strong assets and contracts. The Uniper team is working very hard on this, and the other issues mentioned.

I'd now welcome your questions and will hand things over to the moderator for the Q&A session.

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