Telephone Press Conference

Overview of Uniper's business performance 9M/Q3 2016

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Statements by:

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[Speaker: Klaus Schäfer]

Thanks, Constantin. I too would like to welcome you to our telephone conference. We released our half-year results at the end of August, which was just a couple weeks before our listing on the Frankfurt Stock Exchange. Our stock has performed better than many people expected. It started trading on September 12 at about €10 per share and closed last Friday at about €11.50. That's an increase of roughly 15 percent. Our stock has substantially outperformed many other companies in our industry as well as relevant indices such as the MDAX.

This is obviously just a snapshot. But it demonstrates that our senior leadership and employees have gotten Uniper off to a successful start. They worked very hard in what has been a very eventful year. And let's not forget that the Uniper spinoff was one of the largest and most complex transactions in the history of Germany industry. Experts at E.ON, at Uniper, and in joint teams conducted and completed hundreds of projects as swiftly as possible. The huge effort that goes into a transaction like this isn't always apparent from the outside.

Our stock-market debut in September and the year 2016 as a whole will certainly be a milestone in the professional lives of our employees. I'd therefore like to take this opportunity to again express my sincere thanks to everyone who helped make this success possible.

Today we can give you an indication of who owns the roughly 53 percent free float of Uniper stock. At the present time no shareholder owns more than 3 percent, with the exception of E.ON, which owns nearly 47 percent. Preliminary information indicates that institutional investors own about one third of our stock. Less than 10 percent of these institutional investors are based in Germany. This makes Uniper a very international company in terms of both its operations and its ownership. The interest in Uniper stock is spread relatively even across the world's most important financial markets, with significant concentrations in Europe and the United States.

From today's perspective, our relatively high free float and the trend in our stock price so far make it fairly likely that Uniper stock will be included in Deutsche Börse's MDAX. This will require that in both criteria—free-float capitalization and trading volume—Uniper stock reaches at least 45th place in the MDAX. If Deutsche Börse confirms this in early December, Uniper ought to be listed in the MDAX by the end of the year. This would be another tangible success for the work we've done this year and proof of the faith investors have placed in us. It would also provide motivation for us to continue to implement our strategy and the action plan we announced this past spring for improving our competitiveness in what remains a difficult business environment.

In many respects 2016 has been a turbulent year, full of upheaval and significant change. I'll leave aside the developments on the political scene and in society generally and instead confine myself to our market. In the first nine months of the year, energy and commodity prices fluctuated dramatically and in some cases moved in different directions. The price of oil was volatile but remained at low levels. By contrast, global coal prices were at times sharply higher, and in response power prices in Europe recovered sometimes. This has at least temporarily interrupted the persistent downward trend in power prices of the past ten years. Concerns about the availability of some of France's nuclear power stations have caused power prices to spike there. Exorbitant prices have been paid for a megawatt-hour of power. But because this is only the case for individual hours of the day, it provides no incentive to build new power plants or refit existing ones. I continue to believe that the main problem in European power generation isn't a lack of supply but rather a lack of flexibility in matching supply to demand. In any case, France has drawn the right conclusion and in January will introduce a market for dispatchable generating capacity. The French government wants to ensure that enough power plants are available to reliably fill the gap when practically no wind or solar power is available and thus to prevent excessively high prices.

Germany, by contrast, is adopting more interventionist policies to address the problems created by the uncoordinated expansion of generating capacity and network infrastructure. A short time ago, for example, the German Federal Network Agency unilaterally terminated the common electricity market with Austria, which had actually been one of the best

examples of cross-border European cooperation in energy matters. This move sends exactly the wrong signals: isolation instead of cooperation, solutions pursued by individual countries instead of a European internal market. For the energy transformation to succeed and for the energy supply to be both reliable and affordable, we need a system in which a price is paid for the provision of dispatchable generating capacity. Otherwise, the remedies for the physical consequences of interventionist regulations may come at the cost of consumers. As long as this is the case, our regulatory environment will remain difficult.

The slight recovery in the price of baseload power (hydro and nuclear) in Europe shouldn't be overstated. Unfortunately, the spreads between fuel costs and power prices, which are equally important for our generation business, haven't moved very much or has actually moved in the wrong direction. Our power stations continue to face substantial margin pressure.

This is one of the reasons why we announced that we intend to carry out an action plan to reduce our costs and reorganize our company.

Our objective is to reduce our controllable costs by about €0.4 billion, from a baseline of €2.3 billion in 2015 to €1.9 billion per year. We intend to achieve about half of this reduction target by the end of this year. We're currently conducting a companywide program to give Uniper a new, lean, and efficient organizational setup. This will enable us to achieve savings by setting clear priorities and eliminating duplicate functions. One of the consequences of this is that roughly one fourth of the senior management positions in administrative roles will be eliminated. Next year we intend to focus on reducing our cost of materials in areas like procurement and IT. The plant closures we've already announced—such as Maasvlakte 1 and 2 in Rotterdam and Oskarshamm 1 nuclear power station in Sweden—will also help reduce our cost basis.

Alongside cost reductions, we announced that we would take clear steps to optimize our portfolio and reduce our investments. Our objective is for our debt factor—which is our economic net debt divided by our EBITDA — to be well below 2. We still intend to complete at least €2 billion of divestments by the end of next year. And we've imposed strict

discipline with regard to our expenditures and investments. Our investments in the first nine months of 2016 were almost one third below the prior-year figure. We've now achieved a good balance between maintenance and growth investments. We invested a bit more than €500 million in the first nine months of 2016. Just over €270 million of that went toward growth investments, about €240 million toward maintenance investments.

Building Datteln 4, our new combined heat and power plant in Germany, and repairing the fire damage to Berezov 3 in Russia are currently our key growth projects. When completed, both projects will provide us with reliable revenue and earnings streams well into the future. Our focus now is to bring them online. In addition, we're currently exploring very carefully how we can continue to support the Nord Stream 2 project.

After we complete these major capital investments, for the foreseeable future we have no specific plans for new growth projects of a similar dimension. However, we recently concluded cooperative arrangements with companies in India and the United Arab Emirates. These arrangements are good examples of how we can achieve growth in smaller increments. In early September we entered into a joint venture with India Power Corporation to work together in providing power-plant services which include operating entire power plants. The aim is to use our expertise to provide services that create value for new customers. In mid-October we signed a declaration of intent with Sharjah National Oil Corporation to deliver liquefied natural gas to Sharjah and certain other emirates located in the North of the UAE. Both cooperative arrangements involve comparatively little investment and therefore pose only limited risks. Initially, our primary export will be our expertise, some of which is a scarce good in some parts of the world. Both arrangements also enable Uniper to do what we do everywhere we operate: help ensure a reliable supply of energy to markets and customers. We do this by providing power, gas, or related services, in India or the Middle East just as we do in Germany and other countries. For example, we're working with BP in Lingen in north-central Germany to leverage our knowledge of innovative power-to-gas (P2G) technology, in which renewable energy runs equipment that transforms water into hydrogen. Here, the hydrogen will be used for fuel production. This project will enable us to make an important contribution toward integrating renewables into the power system and avoiding greenhouse-gas emissions.

As you can see, Uniper is doing its homework swiftly and diligently. It remains crucial for us to achieve sufficient financial flexibility by year-end 2017 to enable us to navigate markets adroitly and assuredly, even when the conditions there are difficult. We're aiming for a comfortable investment-grade rating, which will enable us to remain attractive for investors and enterprise partners well into the future. A company whose mission is providing customers with a reliable supply of energy needs to maintain a solid foundation and sufficient flexibility at all times. At the same time, we're identifying new projects that will enable us to leverage Uniper's experience and technological expertise to create value for our customers and enterprise partners.

We'll turn now to our nine-month results. Overall, there are no surprises relative to our half-year numbers. Our operating results were again decent and compare well with our prior-year performance. My colleague Christopher Delbrück will now provide you with the details.

[Speaker: Christopher Delbrück]

Thanks, Klaus. Good morning, everyone. I too would like to welcome you to today's telephone conference. I'll be providing you with detailed commentary on our nine-month numbers, primarily on our key earnings figures, cash flow, and economic net debt. I'll conclude by giving you our first outlook for full-year 2016 for several key financial figures.

Uniper's **operating business** continued its solid earnings performance. Our nine-month **adjusted EBITDA** rose by €0.6 billion year on year to €1.8 billion. Our **adjusted EBIT** improved by €0.7 billion to €1.3 billion. Both figures are adjusted to exclude nonoperating items.

The positive performance of our operating business continued to be driven by our strong gas business. The two main positive factors were the agreement we reached with Gazprom in the first quarter to adjust the terms of our long-term gas procurement contracts and strong earnings from our optimization activities. These factors more than offset the adverse impact of price and volume effects at our European Generation segment and the reduction

in the book value of Berezov 3 generating unit in Russia at our International Power segment. I'll turn now to our results by segment.

European Generation's adjusted EBITDA of €0.6 billion was €174 million below the prior-year figure due to the already-mentioned items. This segment recorded adjusted EBIT of €153 million compared with €263 million in the prior-year period. Main reasons for this development were again significantly lower achieved power prices and lower power sales volume. In general the third quarter encompasses much of the summer, when power and gas consumption is generally lower. This, in turn, reduces the sales volume of our owned generation. The adverse items were partially offset by operational improvements, which included a higher availability factor at the nuclear power stations Uniper operates in Sweden. The commissioning of Maasvlakte 3, our new generating unit in the Netherlands, was another positive factor.

Nine-month adjusted EBITDA at our **Global Commodities** segment rose by €936 million year on year to €1.4 billion. This segment recorded adjusted EBIT of €1.3 billion, up from €320 million in the prior-year period. The main reason for this improvement was the release of provisions relating to long-term gas procurement contracts with Gazprom; the released provisions are recorded in earnings. This segment also benefited from substantially higher optimization earnings in the gas business. Nine-month earnings from Yuzno Russkoye gas field were adversely affected by low price levels and a previously planned reduction in the output allocated to Uniper this financial year. The reduction serves as a one-time correction for overproduction and over-deliveries from Yuzno Russkoye from 2009 to 2015.

International Power's nine-month adjusted EBITDA declined by €128 million to €53 million. This segment's earnings were adversely affected by a damage-related reduction in the book value of the 754 MW unit 3 at Berezov power station stemming from the fire this past February. This quarter we received the first insurance payment of RUB 6 billion, which is about €84 million.

Although our operating results are encouraging, Uniper recorded a **net loss** of €4.2 billion for the first nine months of 2016. As stated at the release of our first-half results, the loss is

entirely attributable to nonrecurring items that are not cash-effective. These items consist primarily of impairment charges on coal-fired generation and gas-storage assets in Europe and a provision for contingent losses, likewise in the gas-storage business. The marking to market of derivative financial instruments, which we use to hedge our forward power and gas positions, was another negative factor. Our net loss for the third quarter alone was €348 million. It is almost entirely attributable to the marking to market of derivative financial instruments. We recorded no impairment charges in the third quarter.

At the nine-month mark, we can report that we made further progress in improving the stability of our balance sheet. Our nine-month **operating cash flow** increased by almost 30 percent year on year to roughly €2.4 billion, primarily because positive changes in working capital more than offset the significant payment to Gazprom we made in the second quarter.

Our nine-month **economic net debt** benefited from our strong operating cash flow and from the sale of our stake in Nord Stream I to E.ON Beteiligungen GmbH in March of this year. Our economic net debt stood at €3.6 billion at September 30, 2016.

I'd like to remind you that this was the figure at the end of the third quarter. If we factor in the investments already budgeted for the fourth quarter, our economic net debt at year-end could be somewhat higher. Nevertheless, we expect it to be considerably below the pro forma figure of €4.7 billion for January 1, 2016.

We **invested** about €500 million in the first three quarters of this year, about €180 million less than in the prior-year period. Our maintenance investments declined the most, falling from €454 million in the prior-year period to €239 million this year. We invested €271 million in our existing growth projects (in particular, Datteln 4, Maasvlakte 3, and Provence 4), about €30 million more than in the prior-year period.

I'd like to conclude by providing you with our forecast for full-year 2016 for several key financial figures. We expect our adjusted EBITDA to be between €1.9 and €2.1 billion.

We expect our CAPEX to be between €0.75 to €0.85 billion. Our intention to propose a dividend of €200 million, or 55 cents per share, is unchanged.

Our nine-month numbers are fully in line with our expectations. Our progress in reducing our debt is particularly pleasing. It demonstrates that our efforts to stabilize our balance sheet are working. We'll continue to invest very selectively and to maintain strict cost discipline so that we can give Uniper a robust balance sheet for the long term. With that I'll hand things back to Constantin.