Telephone Conference for Media Representatives

Uniper's business performance in Q1 2017

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Statement by:

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Please check against delivery.

Thank you, Astrid. Good morning, everyone. I too would like to welcome you to today's telephone conference.

Almost exactly two months ago at our offices in Düsseldorf's Media Harbor, we reported on Uniper's solid first financial year. We demonstrated in 2016 that we were reliable in meeting all our financial targets and in already delivering on many of the measures we announced. Today I can say that the first quarter of the current financial year continues this performance: **Uniper's operations got off to a stable start in 2017.** We remain highly concentrated as we work at a rapid pace to make our balance sheet strong and our company competitive for the long term.

Alongside the solid development of our key financial figures, which I'll come to in just a moment, one of our most noteworthy successes of the first quarter was certainly the agreement to sell our stake in Yuzhno Russkoye gas field to OMV. Reaching our debt-reduction target early is now within reach. This already made a positive impression on Standard & Poor's, our rating agency. In late April S&P raised the outlook on our rating from stable to positive. I'll provide a few more details on this in

a moment. But let's start by taking a look at our operating earnings.

We generated adjusted EBIT (which is adjusted for non-operating items) of €514 million in the first quarter of 2017, less than the prior-year figure of €871 million. It's important to remember, however, that the prior-year figure includes the positive non-recurring effect of around €400 million resulting from our agreement with Gazprom to adjust the terms of our long-term gas procurement contracts. We also recorded extraordinarily high earnings from our gas optimization activities last year. On the other hand, the impairment charge on Berezovskaya 3, our damaged generating unit in Russia, did not recur in the first quarter of 2017. If all these items are factored out, our first-quarter operating earnings were roughly at the prior-year level. **This gives us a good foundation for the rest of the year and for meeting our forecast.**

Today we therefore affirm the forecast for full-year 2017 that we issued at our annual results press conference in March. We expect our adjusted EBIT for the 2017 financial year to be between €0.9 and €1.2 billion. We also affirm our

intention to increase the dividend for the 2017 financial year by 15 percent.

Before I describe our performance by segment, I'll say a few words about how the capital market currently perceives Uniper.

Uniper has been listed on the Frankfurt Stock Exchange for over half a year and in the MDAX since December. In our many discussions with analysts and investors, we hear repeatedly that there's a growing appreciation for the value of our portfolio and our business. The capital market's understanding of our business has improved a lot since our listing last September. Back then, the market wasn't yet certain that we'd meet our targets, which we of course did. **Today, the market has much more faith in our ability to pay dividends and in the potential of our portfolio,** as is demonstrated by the latest analyst assessments and the continued positive development of our stock price. **The market's deepening trust in our business and financial policy spur us on. We do everything we can to further strengthen our business and to make Uniper fit for the future.** Improving our debt and cost situation swiftly and systematically is an important part of

this effort. **In the spring of 2016 we communicated our action plan. In recent months we reached key milestones of this plan right on schedule.** We'll reach the rest this year just as reliably.

The agreement to sell our stake in Yuzhno Russkoye gas field to OMV was a very important milestone in our effort to optimize our portfolio and reduce our debt. We're currently waiting for the necessary approvals from the Russian authorities. But so far everything is on schedule. As I already mentioned, S&P views the sale favorably. By raising the outlook for our rating from stable to positive, S&P indicates that it expects the successful conclusion of the transaction to significantly improve our economic net debt and thus their rating parameters. This would make it possible for S&P to upgrade our rating from BBB- to BBB. This would be a comfortable investment-grade rating, which is what we continue to aim for. Our reorganization and cost-cutting program is on schedule as well.

We've already made significant progress with the **Nord Stream 2 gas pipeline project.** This enabled us to announce

recently that we and the other European energy companies will help fund the construction of the pipeline. Like the other four European companies (Engie, OMV, Shell, and Wintershall), we've agreed to fund up to €950 million, which is 10 percent of the project's current estimated total cost of €9.5 billion. We're going to provide Nord Stream 2 AG with a long-term financing facility for about 30 percent, or €285 million, of our share of the funding. This will yield us an attractive return. The remaining significantly larger share (roughly 70 percent) of the project's total cost will be covered by a project funding package put together by financial institutions. In addition, we're currently exploring possible arrangements for a partner to be responsible for up to 49 percent of Uniper' share of the funding.

In Uniper's view, Nord Stream 2 is an important project in many respects. It will create an additional transport pathway for gas, thereby increasing the amount of competitive transport capacity available to Germany and Europe. This is urgently necessary in view of Europe's shrinking gas reserves. Nord Stream 2 will be an important element of our diversified gas

procurement portfolio. We believe that, on balance, the project has a very attractive long-term risk-return profile.

I'll now provide you with a detailed look at our earnings. How did each of our business segments perform in the first quarter?

European Generation's earnings trend in the first quarter of 2017 was relatively robust. Its adjusted EBIT rose slightly (by €7 million) to €226 million, which is roughly at the level of the prior-year figure of €219 million. This segment recorded impairment charges in the prior-year period, whereas its first-quarter earnings this year benefited primarily from a reduction in scheduled depreciation charges and initial cost savings. The return to service of Ringhals 2 nuclear power station in Sweden also had a positive impact on earnings. First-quarter earnings were adversely affected by a weather-driven decline in output at our hydro fleet in Germany and Sweden along with narrower margins at our fossil-fueled assets in the United Kingdom.

Global Commodities' adjusted EBIT decreased by €516 million, from €746 million to €230 million. As anticipated, the decline is chiefly attributable to the fact that our gas business's earning, which were extremely strong in the prior-year period, returned to a normal level. The non-recurrence of the positive one-off Gazprom item and of the extremely high optimization earnings in our gas business was the main reason for the decline in this segment's earnings. On the positive side, earnings from our stake in Yuzhno Russkoye gas field returned to normal. Last year we were allocated less gas owing to contractual reasons. In the first quarter of this year the amount we were allocated and the price level were both higher, which had a positive impact on earnings.

International Power delivered a solid earnings performance and, unlike last year, was not adversely affected by significant one-off items. Its adjusted EBIT rose by €147 million to €92 million compared with -€55 million last year. The primary difference relative to the first quarter of 2016 is that the adverse earnings impact of the fire in the 800-MW unit 3 at Berezovskaya power station in Russia did not recur. We have not yet received the anticipated RUB 20 billion fire insurance

payment. We expect that it will arrive in the second quarter and have a correspondingly positive impact on our adjusted EBIT. In addition, International Power benefited from higher tariff payments for new generating capacity at Shaturskaya and Yaivinskaya, two of our other power stations in Russia. Favorable developments in the ruble exchange rate also had a positive impact on earnings.

Uniper recorded first-quarter **net income** of €751 million. Net income attributable to Uniper shareholders totaled €733 million. The roughly €80 million increase relative to the first quarter of 2016 is principally attributable to the marking to market of derivative financial instruments. We use derivatives in part to hedge our long-term power and gas positions in our trading business. You may remember that marking to market at the balance-sheet date resulted in a significantly negative figure in 2016. This time it was in our favor and enabled is to record a positive earnings effect.

Our first-quarter **operating cash flow before interest and taxes** totaled €919 million and benefited primarily from seasonal effects in our working capital: cold temperatures early

in the year resulted in significant withdrawals from our gas-storage facilities, which improved our cash inflow. I'll note in passing that these facilities represent one of the ways Uniper helps ensure that Germany's gas supply remains secure and reliable during the winter months.

The positive development of our operating cash flow was also one of the main drivers of the further reduction of our **economic net debt,** which declined by €1.2 billion from year-end 2015 to €3.0 billion at March 31, 2017. In and of itself, that's a positive development. But it's important to remember that this figure reflects the situation at the balance-sheet date. In the first quarter we had a variety of temporary or seasonal effects that led to a significant availability of funds. I already mentioned the seasonal effects in our operating cash flow. Another factor was that our investment expenditures were comparatively low in the first quarter, as is typical for the start of the year. Furthermore, the dividend for the 2016 financial year hasn't yet been paid out to Uniper shareholders. In the remainder of the year, these factors will influence our unrestricted funds accordingly. For us to continue to work systematically to further improve Uniper's cash and thus debt

situation independent of balance-sheet-date effects, the successful conclusion of the sale of our stake in Yuzhno Russkoye gas field remains a high priority. As I already stated, so far everything is going according to plan, and we continue to expect the transaction to close by the end of the year at the latest.

Our first-quarter **cash-effective investments** of €140 million were slightly above the prior-year figure of €121 million. €98 million went toward our remaining growth projects, primarily our new coal-fired power plant Datteln 4 and Berezovskaya 3 in Russia. For example, we used some of these funds for Datteln's district-heating pipeline, which will eventually supply heat to 100,000 households in the Ruhr region. We invested €42 million in the first quarter on maintenance and replacement.

Overall, Uniper's first-quarter operating performance was stable, lacked any significant one-off effects, and is fully in line with our expectations. The earnings of our individual segments returned to a level that is typical for our business. This applies in particular to our gas business. As promised, we delivered

swiftly and systematically on our plans to optimize our portfolio and reduce our debt. We intend to continue in this mode during the remainder of the financial year—for the remaining milestones of our action plan as well as for our operating business. Uniper stands for a reliable supply of power and gas to its customers and for a reliable finance strategy. Thanks for listening. I look forward to your questions.