



Uniper's 2019 Annual-Results Press Conference

Uniper's Business Performance in FY 2018

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Please check against delivery.



[Speaker: Christopher Delbrück]

Good morning, everyone. Welcome to our annual-results press conference here in Düsseldorf. My colleagues and I are happy to present Uniper's 2018 financial year and its outlook for 2019.

Let's start with one key change in the 2018 financial year: since last June, **Fortum** has been our biggest shareholder. And in February of this year we announced that we intend to restart the discussions with Fortum and to explore together the possibilities of a strategic partnership. At the same time, Klaus Schäfer and I mutually agreed with the Supervisory Board's Executive Committee on the termination of our employment contracts and our appointment as members of the Management Board. We want to pave the way for a successful partnership between Fortum and Uniper but also to ensure an orderly transition. After the exciting years of building our company's foundation, Uniper is now beginning a new chapter of its history. Today is the last time I'll be presenting Uniper to the financial world in this forum. But I'm very proud to have been part of Uniper's success story and am certain that my colleagues and our strong, dedicated team will tackle the



challenges ahead as well. And between now and the end of August, our quarterly reporting and the Annual Shareholders Meetings will doubtless offer opportunities to discuss Uniper and its financial situation.

“Uniper’s success story” is a nice catchword: from a “bad bank” to a “remainders table with potential” to our remarkable value performance and being dubbed a “dividend machine.”

How did we do it? By delivering on our promises:

- We improved our performance, streamlined our organizational setup, and optimized our direct and indirect costs
- We refined our corporate strategy and made it viable for the future
- We improved our balance sheet and rating and optimized our portfolio through selective asset sales
- We adopted an attractive dividend policy with an annual rate of increase
- And we talked with our investors extensively and on a regular basis and, step by step, familiarized them with our core business



- Last but not least, the conclusion of the collective-bargaining negotiations demonstrated that, after the years of restructuring, our employees now have improved prospects, establishing a foundation for all stakeholders to share in Uniper's success.

And after three years of Uniper we can justifiably assert that all of us together – employees and management alike – delivered a great performance. In September 2016 we successfully listed Uniper on the stock market and just three months later were included in the MDAX. A short time later, rating agencies took note of our efforts to strengthen our balance sheet. This was followed by Standard & Poor's giving us a positive outlook and, in 2018, upgrading our rating to BBB with a stable outlook, while Scope gives us a rating of BBB+. Since our listing in 2016, the Uniper share price has increased by about 150 percent. Our market capitalization rose from €3.8 billion to €9.4 billion at the start of this month. We designed a strategy for organic growth and have already taken the first steps toward implementing it.

The performance of our stock price clearly demonstrates investors and the capital market's trust in Uniper's successful



business model. Together, we've proven that Uniper – despite difficult starting conditions, a challenging market environment and unexpected uncertainties – has a firm place in the energy market and a convincing strategy.

2018 was definitely a challenging year. One is tempted to say: yet again. In particular, policy developments in the countries where Uniper operates again kept us on our toes. The formation of governments in Germany and Sweden dragged on. And the unresolved Brexit also created uncertainty. Many questions remain unanswered today.

Seeing our company suddenly at the center of geopolitical issues was a surprising development for us as well. The **Nord Stream 2** pipeline project, which will make an important contribution to the security of Europe's gas supply, was repeatedly the subject of public debate, and the United States continues to threaten sanctions. At the same time, our energy business has extensive business relations with American companies and is active in the U.S. market. A situation like this requires a great deal of finesse and diplomatic skill for one not to get caught between the millstones. We've gained a lot of



experience and been able to solidify our position as a reliable energy company for our business partners.

But 2018 was also the first year after we **communicated our strategy** in December 2017. At our first annual-results press conference three years ago, we promised to ensure Uniper's lasting competitiveness. And that's what we've done and will continue to do. We're systematically implementing our strategy and developing our portfolio with a strong emphasis on gas supply and gas-fired power generation. We therefore believe that we're well prepared for the current financial year and beyond.

Here are some **specific examples** of what we initiated in 2018:

- In May we expanded our power-to-gas facility in Falkenhagen by adding equipment that produces green methane.
- We decided to build a new gas-fired generating unit at Scholven, our power station with a long and proud tradition, located right in the heart of the Ruhr district.



- In November our Liqvis subsidiary opened another LNG fueling station, near Berlin.
- In December we made decisive progress toward an LNG terminal in Wilhelmshaven: we concluded an agreement with Japan-based Mitsui OSK Lines (MOL) to together pursue the construction of a floating storage and regasification unit (FSRU).
- And, as the icing on the cake, in December TenneT awarded us a contract to build a 300 MW generating unit at Irsching power station to ensure system stability; we're going to call it Irsching 6.

In a moment, my colleague Eckhardt Rümmler will provide you with additional details about these projects, which demonstrate that we're systematically implementing our strategy and diversifying Uniper's sources of earnings.

Another great example of this is a topic that's very important to me personally and where we already set some things in motion last year: our company's digital transformation. We believe that it will give us clear competitive advantages and we want to play an active role in shaping the digital revolution. For



example, our team launched the Enerlytics digital platform, which our customers can use to control and optimize their generation assets. We put our many years of experience as an asset owner and operator into Enerlytics' development and combined proven software in order to create new applications. We're also actively involved in shaping digital change on the sales side: Uniper Digital is a new online platform that provides our key account customers with convenient, uncomplicated, and cost-effective access to the increasingly complex world of energy trading. Customers can use a computer or tablet to access automated energy-management processes, manage their energy procurement, and coordinate energy purchasing and trading. From procurement to delivery: everything is intuitive and takes just a few clicks. And only a short time ago we launched a smart-phone app that gives our customers round-the-clock access to all important information relating to the energy market and even enables them to manage their procurement portfolio with us. These solutions enable our customers to benefit from our experience and also to enjoy the advantages of digitalization.



Before I turn to our most important financial key figures, I'll look briefly at market and price developments. The trend in the 2018 financial year was a step in the right direction.

- **German power prices**, based on the year-ahead price for baseload electricity at the Leipzig Energy Exchange, averaged €45 per megawatt-hour in 2018 and reached highs of €56 per megawatt-hour. This development was driven by a sharp increase in global prices for hard coal and higher prices for carbon allowances. Although carbon prices declined somewhat in the second half of 2018, the trend is upward.
- **Prices for Nordic hydropower** rose as well. The prolonged dry weather supported electricity prices on spot as well as forward markets. Conversely, however, water scarcity resulted in lower hydropower output in both Germany and Sweden, including at Uniper.
- Price levels on the **gas market** were likewise higher in the second half of the year, in part because gas storage facilities had to be refilled after significant withdrawals in the first half of the year.



Around two years ago, no one would've predicted the recent positive trend in power and gas price. As you know, to minimize the risk of price fluctuations we previously hedged the prices for a portion of our generating capacity at lower price levels. Currently, our hedged prices are below market prices, which, on balance, had an adverse impact on earnings in the 2018 financial year as well. Our diversified strategy for our generation fleet, procurement, and marketing makes Uniper very well positioned to benefit from these price developments over the medium term.

In addition, a major component of our strategy is to make our business less exposed to the volatility of market prices. A number of operational and commercial parts of our company successfully implemented projects with a lower market risk. We'll give you a few examples of them today.

I'll turn now to the performance of our most important financial key figures in the 2018 financial year.

A brief summary would be that in 2018 we again kept our word regarding our financial targets and delivered:



- Adjusted EBIT was in line with our forecast
- Adjusted funds from operations were at the prior-year level and at the upper end of our forecast range
- We again plan to pay our shareholders an attractive dividend, one that's even somewhat higher than we forecast at the start of the year
- And, last but not least, we achieved our target of a comfortable investment-grade rating.

But one thing at a time. As usual, I'll start with the performance of our operating earnings, which we measure with **adjusted EBIT**. The figure of €865 million for the 2018 financial year is within our forecast range but obviously also significantly below the prior-year figure of €1.1 billion. The extent of the decline was largely anticipated and corresponds to the guidance we gave at the nine-month mark. It reflects the already-communicated portfolio changes as well as several structural effects: the absence of the earnings streams from Yuzhno-Russkoye and decommissioned generating units (Maasvlakte 1 and 2, Oskarshamn 1) along with the non-recurrence of the insurance payment for Beryozovskaya 3 we recorded in 2017



as well as adverse currency-translation effects, primarily on the Russian ruble. These items alone total about €600 million.

Adjusted EBIT continued to be adversely affected by persistently low achieved prices for the forward marketing of our generating capacity. In addition, as I mentioned a moment ago, our hydroelectric stations in Germany and Sweden produced less owing to the long dry spell. Following the renegotiation of prices for long-term gas supply contracts, we had to record a risk provision for our global trading business, which also adversely affected our operating earnings.

Income from payments in the U.K. capacity market through the end of the third quarter of 2018 and the already-communicated tax reductions on hydro and nuclear power stations in Sweden had a positive impact on our operating earnings. The same applies to effects resulting from the reversal of provisions and from cost savings. Higher income from optimization activities and the unwinding of hedging transactions in our LNG business also had a positive impact at our trading business.



Uniper recorded a **net loss** of €492 million for full-year 2018. Although the loss is lower than in the prior year, at the end of the day we're obviously not satisfied with this result. What were the reasons for it? The main reasons were the impairment charges we had to record on Datteln 4, Provence 4, and our gas-storage portfolio in Germany. These charges totaled €681 million. In addition, the marking to market of commodity derivatives at the balance-sheet date resulted in an adverse effect of €300 million. However, none of these items is cash-effective, and cash is what's decisive for our dividend policy.

Uniper generated **operating cash flow** of €1.2 billion compared with €1.4 billion in the 2017 financial year. The year-on-year decline is primarily attributable to the reduction in our operating earnings. A smaller reduction in net working capital relative to 2017 also had an adverse impact on our cash flow. Although we began, as is typical, to withdraw gas from storage in the fourth quarter, the amount was less than in the prior year due to the comparably mild weather. The cash inflow from this business was therefore less compared with the prior year. Net working capital was influenced by higher carbon prices as well.



By contrast, a reduction in the utilization of provisions had a positive impact on operating cash flow.

Adjusted funds from operations (adjusted FFO) of €756 million were at the prior-year level. Some of you may wonder how that can be. After all, our adjusted EBIT was significantly lower than in the prior year. Adjusted FFO, which we use to assess the potential dividend payout to our shareholders, isn't affected by the aforementioned seasonal fluctuations in our working capital. From the beginning, our dividend policy has been designed to ensure that funds available for distribution are as predictable as possible. The stable performance of adjusted FFO in 2018 mainly reflects a reduction in the utilization of provisions and positive tax effects.

Our dividend policy is unchanged. It calls for us to pay out to our shareholders at least 75 percent of our adjusted FFO, after maintenance investments. In line with this policy, our performance in the 2018 financial year enables us to propose a dividend payout of €329 million. That's somewhat more than the prospected €310 million we communicated at the end of the third quarter of 2018. Compared with the prior year, this



dividend proposal represents an increase of 22 percent, from 74 to 90 euro cents.

Our **economic net debt** at year-end 2018 rose by about €800 million year on year, from €2.4 billion to €3.2 billion. The following were the primary reasons:

- The sharp increase in commodity prices required us to provide more collateral to back our trading transactions. This reduced our liquid funds by €698 million, about €270 million more than in the prior year.
- A little more than €300 million of the increase is attributable to the initial application of IFRS 16 to the accounting treatment of liabilities under operating leases.
- Furthermore, our provisions for pensions at year-end were about €130 million higher than at the prior-year balance-sheet date.

Due to the increase in economic net debt and the reduction in adjusted EBT, Uniper's **debt factor** at year-end 2018 was 2.08, which is slightly higher than our target debt factor of at



most 2.0. Nevertheless, we're still within the range that we need for a comfortable investment-grade rating. This figure reflects Standard & Poor's expectations for Uniper's key figures when, in April 2018, the rating agency upgraded Uniper's rating to BBB with a stable outlook. This rating enables Uniper to operate its businesses, particularly those of the Global Commodities segment, on a lasting basis at reasonable terms. This is having a positive effect on our refinancing as well. One noteworthy achievement: in the third quarter of 2018 we successfully refinanced our €1.8 billion revolving syndicated credit facility at improved terms.

Cash-effective investments totaled €642 million in 2018, below the prior-year level of €843 million. The decline relates to both growth and maintenance investments. We invested €325 million in growth, a decline of about €125 million from the prior year. This is mainly attributable to the situation at Datteln 4 and the completion of Provence 4. Maintenance investments in the 2018 financial year were lower as well. But that's no cause for concern. Our power plants continue to operate safely and reliably. Rather, the decline reflects Uniper's investment discipline and operational excellence.



I'll conclude with the **outlook for our most important key figures** for 2019.

We expect our **adjusted EBIT** to be between **€550 and 850 million**. That's significantly less than in the past two years. Our forecast will make more sense, however, if we remind ourselves of the many uncertainties we'll face in 2019. I will briefly describe the main influencing factors here. One of these is the U.K. capacity market, which was suspended at the end of 2018. We're following these developments very closely. And although there are very positive signals that the U.K. capacity mechanism could be reactivated during the year, in keeping with the principle of prudence we don't want to factor these earnings in the amount of up to €120 million into our forecast. These earnings therefore represent a potential upside relative to the forecast we're releasing today.

- Compared with 2018, the adjusted EBIT expected for 2019 will initially exclude the income from the British capacity market system, which we received up to the third quarter of 2018.



- Furthermore, the absence of positive one-off effects recorded in 2018 and earnings from LNG hedging transactions in 2018 will adversely affect our anticipated adjusted EBIT for 2019.
- In addition, there will be negative currency effects due to a forecasted weaker Russian rouble.
- These effects will be partially offset by higher prices in electricity markets in Europe and increased output from our hydroelectric power plants in Germany and Sweden. As anticipated, the sharp increase in power prices of the past two years will slowly but surely start to materialize in our earnings. Our average achieved prices are up by roughly two euros in Nordic. Furthermore, we expect that hydro volumes will come back to normal levels.

We anticipate 2019 **adjusted funds from operations** of between €650 and €950 million. Adjusted FFO will mainly reflect the performance of adjusted EBIT, although the absence of positive prior-year effects is largely not cash-effective or not relevant for adjusted FFO.



Our dividend proposal for the 2019 financial year will be €390 million. This is in line with our target of increasing the dividend payout to our shareholders by an average of 25 percent per year from the 2016 to the 2020 financial year.

For now, that's all from me. So, I'll hand things over to Eckhardt Rümmler.

[Speaker: Eckhardt Rümmler]

Thank you, Christopher. I too would like to welcome all of you here to Capricorn.

There's already a lot to report about this year as well: about what has already happened in the first few months and about what lies ahead.

I'd like to start off with something that you can actually see very well. If you look across the street, you'll see that our new **Float building** has taken shape. We'll begin moving in at the end of week. After that, Float and Capricorn will bring together



in one location the capabilities of about 2,000 colleagues from our commercial business, the steering of our generation business, and corporate functions. This will simplify information flows and enhance knowledge transfer. In short, we're growing together and will in the future be even better positioned. And that's what set Uniper's portfolio and our strategy apart: deep and mutually complementary technical and commercial expertise. This is where our colleagues will trade a wide range of electricity and gas products worldwide. Where we'll give our customers access to Europe's trading venues and to our broad natural gas portfolio. Where we'll manage our various LNG activities and optimize our entire coal supply chain. And our gas storage business, sales activities, and our entire generation portfolio will also be managed primarily from here. This is the place where we'll ensure a secure supply of power and gas at all times.

And so that it always stays that way, I'd like to turn straight to a topic that, as you know, is very important to me personally: **occupational health and safety**. None of our successes would've been possible without the great teams at our construction sites, at our power stations, in our projects, and in



our corporate functions. Our employees' well-being is of the utmost importance to us. We're therefore very proud that *Handelsblatt* business newspaper and the IAS Foundation named us the company with the best health maintenance in Germany's energy industry. In addition, in 2018 we had 14 percent fewer occupational accidents than in the previous year – 57 incidents compared with 66 – even though we have several major construction sites. Our efforts in this area have paid off, but we don't intend to rest on our accomplishments. Because every workplace accident is one too many. But we're on the right track and motivated to expand our offerings for our employees in this area as well.

But let's turn to 2019, which began with some very good news for Uniper. In January of this year we announced publicly that in December transmission system operator TenneT had awarded us a contract to build a new gas-fired generating unit at **Irsching** power station near Ingolstadt. The unit, which will have a capacity of 300 megawatt, will serve as a special grid facility from 2022 onward. Its role will be to provide a safety cushion by supplying power at times of system stress. Being awarded this project is great news for all the colleagues who



worked on it for a long time. It's also an important signal to the colleagues at Irsching that things are going to continue in the future. We've had years of sometimes very sobering discussions about Irsching's other technologically advanced generating units, whose continued operation still depends on government support and is therefore uncertain. This clear and positive decision was therefore particularly important for Irsching.

In January we sent another positive signal, this time regarding our LNG activities. As Christopher Delbrück just said, since last year we've been the initiator and driver of a collaborative international effort to build an **LNG import terminal** on Germany's North Sea coast in **Wilhelmshaven**. After paving the way together with partners like Japan-based Mitsui O.S.K. Lines and Titan LNG of the Netherlands, we recently concluded a Heads of Agreement with U.S.-based ExxonMobil Corporation for a long-term booking of a considerable portion of the terminal's regasification capacity. The Wilhelmshaven project is therefore making steady progress.



This year has had another important milestone as well. In late January, Germany's Commission for Growth, Structural Change, and Employment (known as the **Coal Commission** for short) reached agreement and presented its final report. What the members of the Coal Commission accomplished – namely, working together constructively to reach a compromise – deserves respect. A coal phaseout in Germany would profoundly affect a large number of people in federal states that differ in terms of their starting point, regions, companies (those affected directly and indirectly), industry, and trade unions. As such, it was clear from the outset that no solution would please everyone. The coal phaseout plan presented six weeks ago is therefore all the more remarkable.

It's now important for the German federal government to implement the coal compromise as quickly as possible by transposing it into legislation. Otherwise, there's a danger that the hard-won compromise will be lost in endless debate or that segments of the public will distance themselves from it. Germany needs to maintain the momentum of agreement. But this is also important for Uniper to be able to continue our business. To put it quite clearly: as the Management Board



member responsible for conventional generation, I get asked by employees at our power stations almost every day what their future holds. They have the right to know how long policymakers have decided that their jobs will last. That's why it's important for the German federal government to act swiftly and find a solution in consultation with the companies involved, as the Coal Commission proposes.

One issue is particularly important to me in this regard: the Coal Commission's report included the proposal for negotiations to take place regarding compensation for "coal-fired power plants currently under construction." This formulation obviously refers to Datteln 4. Barbara Praetorius, one of the commission's chairpersons, confirmed this indirectly at the press conference. I consider it absurd from an energy- and climate-policy standpoint to prevent Germany's most technologically advanced power plant from entering service and instead allowing older and significantly more carbon-intensive plants to continue to operate. Regardless of this, we've always said that we want to play a constructive role in the energy transition if the policy environment makes sense. The ultimate decision is a different matter. But it's important for



us to be consulted soon instead of just being talked about. Because every day about 500 people work with commitment, passion, and under significant pressure to make Datteln 4 operational, and the project is making good progress.

But what's happening in the interim? Although we're directly affected, we're not the only ones to have noted this passage in the commission's report. For the past six weeks we've received an increasing number of enquiries from contractors, customers, and investors about whether we intend to move forward with Datteln and whether this even makes sense.

These enquiries are readily understandable. But our answer is just as simple and straightforward: barring indications to the contrary, we'll continue to work hard to bring the power plant online. Because Datteln 4 is also of great significance for our corporate planning. Regardless of that, to be honest I'm not at all sure the German federal government at all intends to broach the issue of Datteln or follow the commission's recommendation for it. Because one thing is clear: in view of this project's enormous investments and contractual obligations, substantial negotiations would be required, including with the customers that have contracted energy from



the plant. I therefore appeal to the German federal government: if Datteln 4 is part of its coal-phaseout plans, then it should speak to us immediately to prevent this issue as well from causing collateral damage to employees, customers, investors, and our company as a whole.

If, however, the coal compromise is successful – and I still assume that it will be – then perhaps it will also point the way for our European neighbors. What the Coal Commission alone has already achieved for Germany has not yet been achieved by other countries that want to end coal-fired power generation: namely, a dialogue that results in specific proposals that attempt to consider all interest groups. Countries like the Netherlands and France have long stated that they want to phase out coal. But so far they haven't said how they intend to do it.

The Coal Commission also addressed in detail with Germany's future energy supply. It came to a conclusion that for us wasn't surprising. If Germany's transition to a predominantly renewable energy system is to succeed and if the country intends to phase out both nuclear and coal-fired power



generation simultaneously and in the near future, then gas will be a key energy source, at least for a transitional period.

We agree. And we know gas. Our various activities along the gas value chain make us one of the most important companies in Europe's gas market. This market will continue to be very active in the decades ahead and offer growth potential. Why? Because of a number of interrelated factors. First, gas will play an increasingly important role in tomorrow's energy world as an energy source with particularly low carbon emissions. If Europe wants to achieve ambitious climate targets, gas must become one of the key factors. Indeed, the phaseout of coal-fired and nuclear power generation will likely to increase Europe's gas demand compared with today. At the same time, Western Europe's gas production is declining significantly. Germany has produced less natural gas every year since 1999. Domestic production will dry up completely in the foreseeable future. In addition, production at Groningen gas field in the Netherlands will be curtailed owing to concerns about earthquakes. The Dutch government plans to close the gas field entirely by 2030. At the moment, we therefore assume that over the next twenty years Europe will have to



close a gas import gap of 150 billion cubic meters per year in order to meet future demand. That's more than the consumption of Germany and the Netherlands in a single year. Europe needs to respond to these countervailing trends in order to ensure the security of its gas supply. In short, Europe needs to import more gas.

LNG, however, can only provide part of the imports needed to fill the supply gap. LNG doesn't have the geographic limitations of **pipeline gas** and therefore it mainly follows price signals from Asia's growing markets and can only be lured to Europe in winter at a premium – and only when it's available. A bidding war for every LNG tanker can't be Germany and Europe's only option, particularly because this would inevitably lead to high costs for industrial customers and consumers. That's why Russian pipeline gas – which is secure, inexpensive, and also reliable for the long term – is the best option. We're confident that when **Nord Stream 2** becomes operational at the end of this year it will help further diversify Europe's gas procurement.



That topic puts me squarely in the middle of our future business. Society has to tackle three main challenges in the decades ahead.

- 1) Transition to a primarily decarbonized energy world.
- 2) At the same time, lastingly ensure a reliable, uninterrupted energy supply for households and industrial enterprises. In view of Germany's looming phaseout of nuclear energy and the ambitious coal phaseout plans in several European countries, this will be a huge task.
- 3) And above all, as already mentioned, embrace digitalization. No company, no industry can ignore this issue. The pacemakers will shape the future in this area.

Uniper is addressing these challenges and will do its part to make the energy transition a success. At the same time, we're preparing our company for the future by responding to the changing needs of our customers and the societies in which we operate.

Christopher Delbrück has already explained the course we've set for digitalization, so I'll turn now to the other two topics.



Our **decarbonization** activities are based on a variety of approaches.

First and foremost, we designed a strategic sustainability plan and set ambitious targets that we intend to reach in the next three years. We aim to address issues relating to our employees' well-being, to strengthen our compliance culture, and to shield our company from corruption. In addition, we thought very carefully about how we can do more to protect the earth's climate and to improve the environmental compatibility of our business. You'll find more detailed information about this and other Uniper activities in the Non-financial Report, which is part of our Annual Report and begins on page 90.

Uniper has reduced its total carbon emissions by 20 percent since 2016 and by fully 60 percent since 2010. Our direct carbon emissions from the combustion of gas and coal to produce power and heat totaled 59.1 million metric tons in 2018, about 4 million metric tons less than in 2017. Our group-wide carbon intensity target for 2020 is to emit an average of 500 grams of carbon dioxide per kilowatt-hour. We averaged



499 grams in 2018, which puts us right on course to achieve this target.

In addition, we decided to make decarbonization the main focus of our innovation efforts. We set a target of implementing at least 20 decarbonization projects by 2020. Another objective is to promote low-carbon fuels for energy generation.

For example, Maasvlakte, our coal-fired power plant in Rotterdam, already ranks among the world's most efficient and thus environmentally compatible coal-fired power plants. Starting this year, Maasvlakte will cofire biomass that meets the strictest sustainability standards. We're currently conducting tests with the aim of beginning cofiring by the end of the first quarter of this year. This will make an important contribution to the achievement of the Netherlands' climate targets and also significantly reduce Maasvlakte's carbon emissions.

At the same time, we're exploring new technologies, alternative fuels, and carbon recycling. We're constantly looking for new technologies and ideas that we can use to



develop scalable business models that fit Uniper's DNA. We're hard at work on a variety of projects to advance them to the pilot stage.

A good example of this is **hydrogen**, whose role in the energy industry, it must be said, has so far been rather subordinate. The sharp rise in volatile renewables output has increased the need for storage and transport capacity. Our solution is green hydrogen. What's that? I'll explain it very briefly. Power-to-gas plants use renewable electricity to power electrolysis equipment that produces hydrogen. In short, they convert renewable electrical energy into chemical energy. And we're pioneers in this field: our power-to-gas pilot plants have been producing green hydrogen for more than five years. This green fuel also makes it possible for renewable power to be used in industry, transport and, when green hydrogen is injected into the gas pipeline system, in the heating market as well. At the same time, we're giving renewables access to the immense energy storage capacity of Germany's nationwide gas infrastructure. I don't think we can emphasize this enough: Germany already has a well-developed and reliable gas network. The fact that in the future this network may be used



not only for transport, but also for feeding in surplus renewable power that otherwise may have gone unused, today makes this existing infrastructure a viable storage facility for renewable sources on a smaller scale. But with significant potential for expansion. Using an existing infrastructure is always cheaper and always makes more macroeconomic sense than building a new one. And, of course, this will make renewables a bit more reliable and less dependent on their geographical availability. These are the reasons why we've included hydrogen in Uniper's long-term strategy and plan to further expand our presence in this market.

The addition of a methanization unit to our power-to-gas plant in Falkenhagen, which Christopher Delbrück already mentioned, is another step in this direction. It now enables us to produce synthetic methane, also known as green gas, which we've been injecting into the local gas pipeline system since the beginning of this year. Being one of the first operators of a pilot-size production unit has enabled us to demonstrate that the entire power-to-gas process is technically viable.



In addition, hydrogen is an indispensable element for a variety of industrial processes, such as ammonia and methanol synthesis, and for metallurgy. Here, too, we're exploring where we can leverage our expertise. I'm sure that a year from now at the latest I'll be able to report to you on many more projects.

I'll turn now to **security of supply**. We have a long tradition of devoting ourselves to this issue. But we're also constantly developing new solutions for the future.

I'll start with Datteln 4 and Berezovskaya 3, our big power-plant construction projects in Germany and Russia, which, when completed, will make an important contribution to ensuring the security of the energy supply. Last May as part of our financial communications for the first quarter we announced that boiler damage will delay **Datteln 4's** entry into service until to the summer of 2020. At the time of the damage, we swiftly initiated the necessary repairs and the replacement of the boiler walls. Every day, hundreds of employees work very hard to complete the project, which is making good progress and is on schedule.



Work on **Berezovskaya 3** power plant in Russia is making good progress as well. Construction is at a decisive phase. The next step will be to install the pipelines in the boiler. We expect Berezovskaya 3 to enter service in the fourth quarter of this year.

We intend to modernize older plants in Russia as well. In March 2018 the government of the Russian Federation adopted a **modernization program** for about 40 gigawatts of older power generating capacity. The program will be based on Capacity Supply Agreements (CSAs), which are already in use and provide guaranteed returns. The law for the program took effect at the start of 2019. Consequently, the auction for capacity supply for 2022 to 2024 can be held in the first half of 2019. Uniper has decided to participate in this auction in order to help modernize Russia's ageing generation fleet and also to earn stable revenues from capacity payments.

Security of supply, however, is about more than a reliable supply of electricity or gas. Our industrial customers in particular also depend on other products that are vitally important for industrial production. Because industrial



processes differ considerably by sector and the specific situation of each facility also plays an important role, customers increasingly ask us for individually tailored solutions. We'll therefore continue to sharpen our profile and significantly expand our role as a service provider for our customers. For this purpose, we've assembled a team of experts: our new **Industrial Customer Solutions** division will design solutions for supplying industrial customers with energy products. Our focus is on long-term partnerships with existing and new industrial customers.

First, we're trying to enhance our existing power stations to serve the specific needs of the industrial customers located in the vicinity. A good example of this is the aforementioned project at **Scholven**. We're also talking with customers located near **Staudinger** and working on plans for this facility's future prospects. Many people might not know that power stations often do much more than generate electricity. Many of our power plants are the centerpiece of an industrial cluster and supply nearby industrial customers with a variety of generation by-products that they need for their production.



Second, we're of course looking for new customers that can benefit from our expertise and our commitment to customer service. This will be the new team's main task in the months and years ahead.

To put our activities into perspective, the project recently launched at Scholven, the modernization program in Russia, and Irsching 6 (which will also promote supply security) will by themselves involve investments of roughly €500 million over the next several years. This is certainly a good indication that we're systematically implementing our strategy and making our company fit for the future.

Before we take your questions in a moment, I'd like to say a few words about **Fortum**. Just over four weeks ago, we announced that we would like to give the relationship with Fortum, our biggest shareholder, a fresh, constructive start. Since Fortum's takeover offer in July 2017, the relationship between the two companies has been difficult. Fortum has been our biggest shareholder since last June, and we want to look ahead. Our task is now therefore to clarify how we want to work together strategically and operationally. Admittedly, both



sides had a different idea of what the relationship could look like. But both sides agree that the discussions will have no predetermined outcome and no taboos. We're starting with a blank sheet of paper.

Today I can't yet tell you what will emerge from the discussions. But three years ago Uniper was considered a "bad bank" and yet became a success story. We're proud of that. And so we're also entering this process with confidence. Our organizational setup, our expertise, and our corporate culture will play a big role in it. We're talking to our biggest shareholder as equals, and that's important.

Keith Martin and I have taken on the task of leading and managing this process. We take this task very seriously and will do everything we can to work with Fortum to find ways to create added value for our employees, our shareholders, and our customers.

Our course for 2019 is therefore to continue to concentrate our work on implementing our strategy and moving our business



forward. And we will continue to focus on the right trends and attractive markets.

We achieved a lot last year and were able to take positive steps toward 2019. The trust of our shareholders, employees, and customers has shown that the Uniper model is the right one for us. And that's why in the future we'll continue to deliver on our promises and tackle the challenges ahead.

I'd be happy if you continue to accompany Uniper on its exciting journey into the energy world of the future. But for now, we look forward to your questions and hope to see you again in the near future at our next Annual Shareholders Meeting. Thanks for listening.

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