



**Telephone conference for Media Representatives**

**Uniper's Business Performance in 9M 2019**

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**Statement by:**

Sascha Bibert, CFO, Uniper SE

**Please check against delivery.**



**[Speaker: Sascha Bibert]**

Thanks, Leif. A warm welcome from Düsseldorf from me as well to the presentation of our nine-month numbers.

The most important thing first: the relevant key performance indicators for the first nine months are in line with our expectations. The reinstatement of the U.K. capacity even enables us to raise our earnings forecast for full-year 2019. We now expect our adjusted EBIT to be between €750 and €950 million. Earnings at the midpoint of this range would therefore be at the prior-year level.

Before going into more detail about our numbers, I'd like to provide commentary on the main developments at Uniper.

Our view of performance is holistic and goes beyond profit and loss. For example, around three years ago, the last industrial accident occurred on the construction site of the Datteln 4 power plant. In total, almost 3.5 million hours were now worked on the construction site without an accident at work occurring. We're therefore very proud of our safety performance.

We're also very pleased that, despite eventful times for our team and for management, our employee survey yielded the best results since Uniper's launch. That's hardly something to be taken for granted and demonstrates the enthusiasm that our people bring to their work. We also received a good number of suggestions for improvements, for example in terms of our strategic clarity.

I'm particularly pleased to welcome David Bryson—an experienced, highly competent, and above all universally esteemed colleague—who joined the Management Board at the start of November. He succeeds Eckhart Rümmler, who will remain a member of the Management Board until the end of January 2020 to ensure an orderly handover. The same applies to Keith Martin: the Supervisory Board extended his contract until the end of January as well. This will enable him to continue to support Uniper until a successor is on

board. I'd like to take this opportunity to again express my sincere gratitude to Eckhardt and Keith for continuing alongside us.

We made good progress on the operating side as well:

- We continue to expect Datteln 4, our highly efficient hard-coal-fired power plant, to enter service in the summer of 2020. The pressure test in September was successful. We expect to conduct the first ignition tests of the boiler fire at the end of the year. Network synchronization is planned for the first quarter of next year. We're convinced that the best way to meet emissions targets and maintain supply security is to use technologically advanced, flexible, and low-emission generation technology.
- The conversion of Scholven power station from coal to gas continues to move forward. We now have two partners on board, Sener and MMEC Mannesmann, who will supply important components like the gas turbines and the steam boiler. They're also responsible for installing and commissioning these components. This is an important milestone for Uniper and for ensuring Scholven's viability well into the future.
- As you know, transmission system operator TenneT awarded Uniper a contract to build and operate a gas-fired generating unit at Irsching power station near Ingolstadt. The unit will serve as a special grid facility. Ansaldo, an experienced power-plant builder, is our partner for the project. From 2022 onward, the 300 MW unit will provide a safety cushion for the power supply at times of system stress when conventional power plants have to step in to maintain grid stability. Renewables alone can't ensure a secure power supply 365 days a year. What particularly pleases me—and not only as CFO—about Irsching 6 is that it will deliver secure earnings streams that are unexposed to wholesale prices. It's an excellent example of how we're systematically implementing our corporate strategy.
- The Danish Energy Agency approved the construction of a segment of the Nord Stream 2 pipeline in the Danish economic zone. We anticipated this approval for Nord Stream 2. It reaffirms that this important and sensible project for securing and diversifying Europe's gas supply can swiftly be completed and enter service.

To emphasize once again: we're convinced that gas will play a decisive role in the energy world of the future. This includes conventional natural gas but also—or, at some point, primarily—synthetic, carbon-free methane and hydrogen.

- Russia is moving forward with its plans to modernize its generation fleet. In the most recent round of the auction, which was held in September, Unipro was again successful. Based on the preliminary results, Unipro will modernize an additional 800 MW generating unit. Together with our successes from the first auction held a few months prior to that, we'll be modernizing a total of three gas-fired generating units between 2022 and 2025. The planned investments will total about RUB 10 million, which is roughly €140 million at the current exchange rate. These investments will secure us attractive capacity payments for a period of 16 years.
- The recommissioning of Beryozovskaya 3 remains a complex project. We're doing everything we can for it to reenter service at the end of the first quarter of 2020 so that we can again receive capacity payments for it.

But now for our numbers. I'll start with our key performance indicators and the operational developments behind them and then conclude with our full-year outlook.

Our nine-month **adjusted EBIT** of €203 million was €183 million below the prior-year figure of €386 million. We anticipated most of the reasons for this decline, and they're likely familiar to you from our previous quarterly presentations. They include the non-recurrence of a number of positive one-off items recorded in 2018 and the absence of earnings from the U.K. capacity market.

High power prices and output enabled our hydro and nuclear power stations to earn more, which had a positive impact on earnings, as did the improvement at our gas business and our business in Russia. This shows that our operating business is performing well.

It's also worth noting that the third quarter is typically the weakest of the financial year. One of the reasons is that conventional power plants are used less during the summer due to the high availability of renewables. That's why we again used the third quarter in particular for planned maintenance of our power plants. There's of course also less demand for gas in the summer.



The positive performance of our **net income** continued in the third quarter. We recorded nine-month net income of €1,056 million. The increase relative to the prior-year period, in which we had a net loss of €521 million, is chiefly attributable to positive effects from the marking to market of the commodity derivatives that we use to shield our power and gas business from price fluctuations.

Our **operating cash flow** of minus €277 million was significantly below the prior-year figure of €89 million. This weak performance relative to the prior-year period was mainly because the increase in working capital came earlier in the year and was, on balance, higher. The situation is therefore similar to the one at the end of six months. Our gas storage inventory is particularly noteworthy. At the end of October, Germany's gas storage facilities were 98 percent full. Depending on temperatures, we expect inventory levels to decline in the months ahead.

I'll turn now to Uniper's current **debt situation**. As you know, to provide even more transparency, we've adjusted this figure slightly since the start of the 2019 financial year. Since this time, our economic net debt includes the receivables from future transactions we make to hedge our trading transactions.

Our economic net debt at September 30, 2019, increased by about €1.1 billion to €3.6 billion.

The two main reasons for the rise in our debt are the aforementioned increase in working capital and a roughly €400 million increase in provisions for pensions due to interest-rate adjustments. The decline in interest-rate levels during the third quarter alone led to a further significant increase in provisions for pensions.

Our **cash-effective investments** of €401 million were slightly above the prior-year level. We invested €223 million in our existing growth projects and €178 million in maintenance. Growth investments went mainly toward Datteln 4 in Germany and Beryozovskaya 3 in Russia. Most of the maintenance investments went toward our hydro and fossil-fueled power plants.



The sale of our remaining stake in Eneva of Brazil, our stake in OLT Offshore LNG Toscana, and our business in France had a positive impact but wasn't enough to offset the negative factors. We anticipate that stronger cash flow will significantly reduce our debt by the end of the year.

I'll turn now to our **outlook** for the 2019 financial year. An anticipated strong fourth quarter and the reinstatement of the U.K. capacity market—with retroactive compensation—enables us to raise our earnings forecast. We now expect our adjusted EBIT to be between €750 and €950 million. We originally planned for our adjusted EBIT to be between €550 and €850 million.

What gives us this confidence for the next quarter? A decision by the European Court of Justice in the fall of 2018 suspended the U.K. capacity market. We anticipated roughly €150 million in additional EBIT for 2019 financial year but until now hadn't included it in our full-year forecast. The reinstatement of the capacity market enables us to make claims for back payments from October 2018 onward, which will have a positive impact on our 2019 earnings.

In addition, we expect the positive performance of our hydro and nuclear power stations and our gas business to continue in the fourth quarter.

In addition, we expect positive effects in the fourth quarter - as in 2018 - resulting from the hedging of CO2 certificates.

Our dividend policy continues to be to pay out 75 to 100 percent of adjusted funds from operations. To increase transparency, we have also translated this policy into an average annual increase of 25 percent over the period 2016 to 2020. Our planned dividend proposal for 2019 remains roughly €390 million. In addition, based on the assumptions for the remainder of the year, we see a possibility for an increased dividend proposal for 2019.



Despite a continued volatile market environment and many challenges in the energy world, Uniper reported solid results for the first nine months of the year. We also raised our forecast.

It certainly hasn't escaped your notice that my remarks didn't mention Fortum, our majority shareholder. There's a simple reason for this: at the present time there are no new developments - we are still in constructive talks. That's why I can be so brief on this matter.

I now look forward to your questions.

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