Deep Dive Russia

Christopher Delbrück – CFO, Uniper SE
Maxim Shirokov – CEO, Unipro PJSC
Ulf Backmeyer – CFO, Unipro PJSC

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Agenda

1. Unipro as part of Uniper Group
2. Unipro portfolio in the market context
3. Strategic development
4. Earnings drivers and prospects
5. Conclusion

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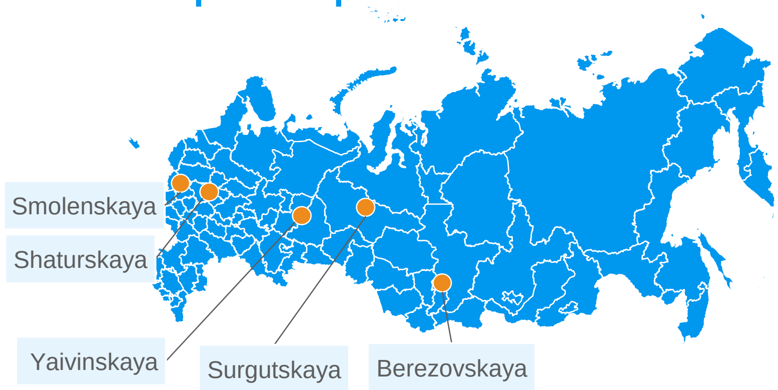
Uniper as a leading energy player in Russia

Russian/Unipro footprint



3rd
largest privately owned generator in Russia[1]

~5%
of Russian electricity production[2]

10.7 GW
installed capacity

~30%
capacity increase since 2010

Key highlights

Unipro

- Acquired by E.ON in 2007 as OGK-4
- 83.7% owned by Uniper SE; 16.3% international shareholder base
- Listed at Moscow Stock exchange
- Since 2016 rebranded as Unipro
- Stable underlying business and successful investment cases

1. Based on installed capacity of privately owned electricity generators as of end 2018 2. Based on production volume in 2016-18

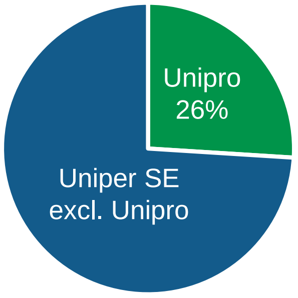
Unipro as a key value contributor to Uniper

Strategic considerations

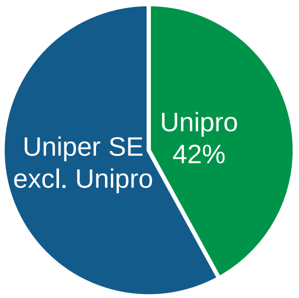
- Efficient and well positioned generation portfolio
- Long-term stable energy system/politics
- Main contribution from stable capacity market scheme with upside elements on electricity market
- Ongoing access of generating companies to the regulator to address concerns
- Uniper/Unipro as a well-established speaking partner in Russian energy policy

Financial considerations

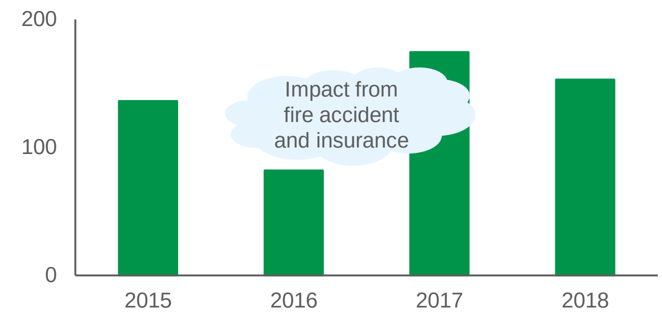
EBITDA 2016-18[1]



Regulated EBITDA, 2016-18[2]



Unipro Dividends received by Uniper, m€



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1. For Uniper SE in 2016: excluding one-off effect from provision release related to Gazprom contract 2. Including quasi-regulated

Russian business delivers predictable earnings

Part of Uniper	• High importance of Russian business for Uniper
Stable business	• Favourable regulation and investor protection • Stability of earnings in local currency terms
Management of currency risk	• Impact of RUB translation risk on reported figures • Hedging of dividends received from Unipro (12 months rolling)
Transparent development	• Clarity and stability of earnings drivers • Reaching new earnings plateau in mid-term

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Stable design of Russian electricity market ensures diversified and stable earnings

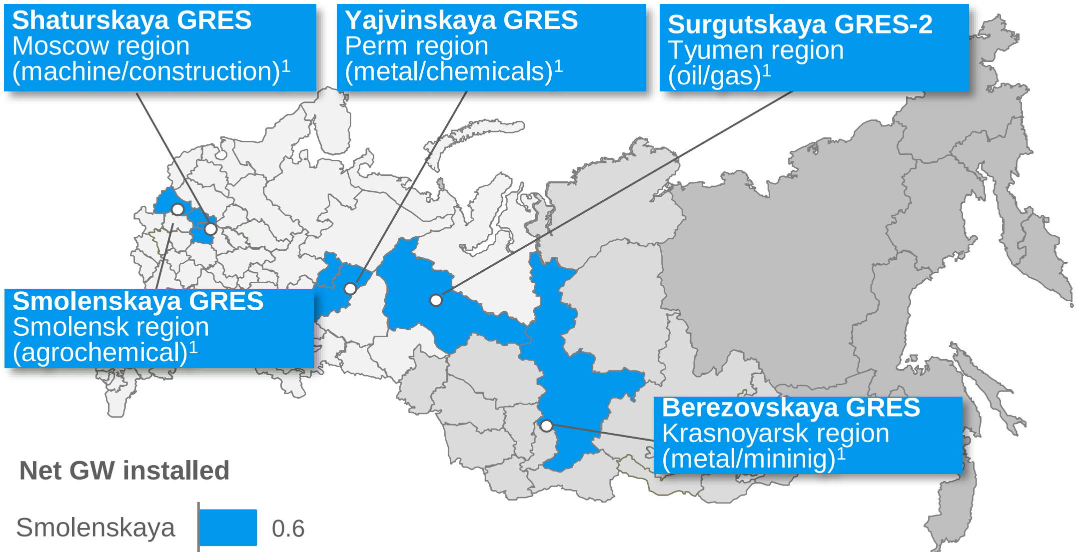
CSA ("new capacity")	**Guaranteed return of 13–14%**	**Capacity mechanisms cover fixed and capital costs**
KOM ("old capacity")	**Auctions designed to cover fixed costs**	
Day Ahead Market	**Marginal cost driven**	**Electricity market favourable for low-cost and efficient assets**
Regulated tariffs	**Indexed based on historical costs**	

Key highlights

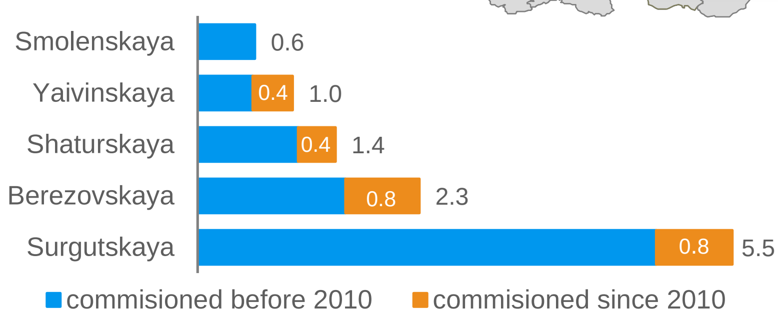
- Diversified earnings streams within reasonable and stable regulatory environment:
  - Privatization program of generation companies concluded in 2008
  - Market liberalized since 2010
  - KOM established in 2010
  - CSA scheme incentivized large scale investment program in 2007-2018
  - Decision taken to extent CSA program to foster investments into sector
- Significant share of regulated earnings

Unipro owns attractive portfolio favourably placed in high demand regions

Asset portfolio



Net GW installed



Key highlights

- Well positioned power plants with high exposure to strong industrialized regions
- Two flagships assets, Surgutskaya and Berezovskaya, in proximity to fuel sources
- One of the youngest steam fleets in Russia and large share of recently built CCGT units

1. Primary power consumer in the respective region

Flagship assets are among the youngest Russian steam generation units

Surgutskaya: 5.4 GW

- Primary power consumer segments: oil & gas
- One of largest thermal power plants in the world in terms of installed capacity
- Uses gas produced in close proximity to the power plant

Key figures	Old capacity	New capacity
Technology / Main fuel	Steam / Gas	CCGT / Gas
COD	1985 – 1988	2011
Net capacity (MW)	4,740	776
Load factor in 2018 (%)	60	76
EBITDA in 2018	8 bn RUB	9 bn RUB

Berezovskaya: 2.4 GW[1]

- Primary power consumer segments: metal & mining
- Major share of lignite is delivered to the plant via two 14-km long open conveyor belts directly from coal deposit
- Region has above average power demand growth

Key figures	Old capacity	New capacity[1]
Technology / Main fuel	Steam / Lignite	Steam / Lignite
COD	1987 – 1991	2015
Net capacity (MW)	1,508	754
Load factor in 2018 (%)	39	N.A.[1]
EBITDA in 2018	4 bn RUB	N.A.[1]

1. Block 3 of Berezovskaya (800 MW) currently not operational after fire incident

Additional contribution from other assets

Shaturskaya (1.4 GW)	Old	New
Technology / Main fuel	Steam / Gas	Steam / CCGT
COD	1971 - 1986	2010
Net capacity (MW)	1,025	383
Load factor in 2018 (%)	25	67
EBITDA in 2018	<1 bn RUB	4 bn RUB

Yaivinskaya (1.0 GW)	Old	New
Technology / Main fuel	Steam / Gas	Steam / CCGT
COD	1971 – 1986	2010
Net capacity (MW)	560	410
Load factor in 2018 (%)	31	75
EBITDA in 2018	<1 bn RUB	5 bn RUB

Smolenskaya (0.6 GW)	Old
Technology / Main fuel	Steam / Gas
COD	1978 - 1985
Net capacity (MW)	585
Load factor 2018 (%)	27.5
EBITDA 2018	<1 bn RUB

Key highlights

- Primary power consumer segments:
  - Shaturskaya: machine & construction
  - Yaivinskaya: metal & chemical
  - Smolenskaya: agrochemical
- Old capacities kept in the merit order through continuous cost optimization
- Modernization may serve as a game changer and open up significant perspectives through replacement by efficient assets

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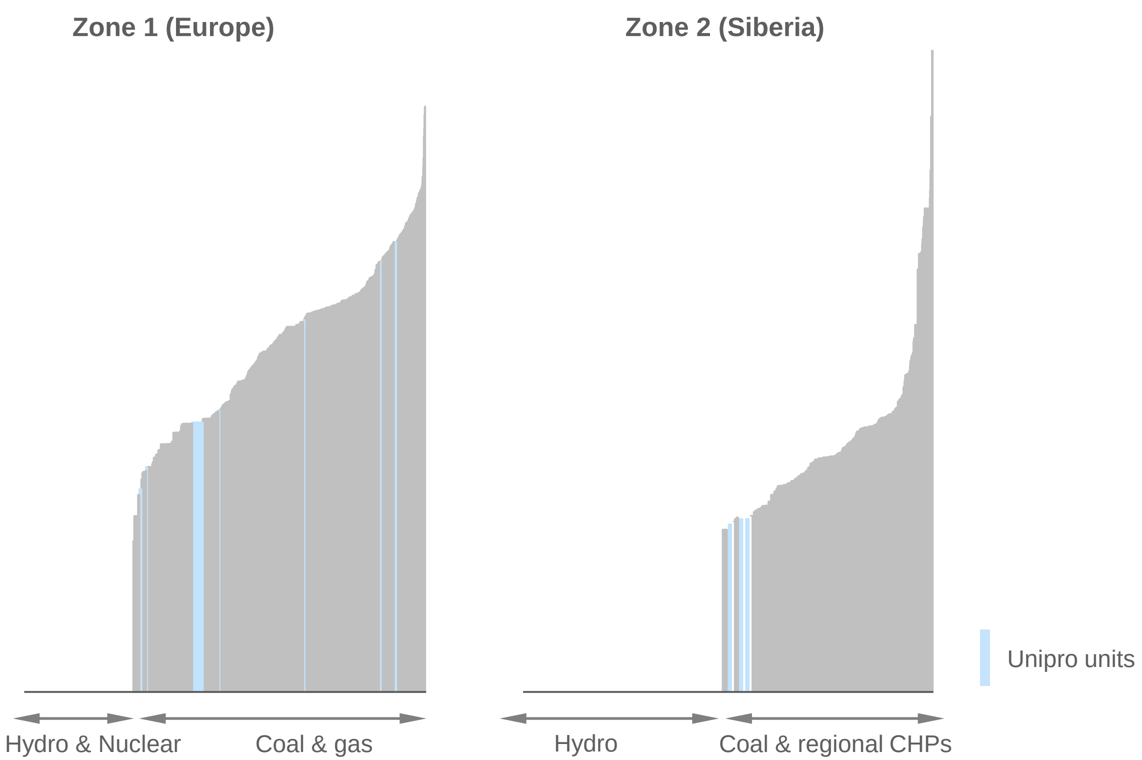
Favourable position of Unipro plants in merit order

Illustrative merit order positioning[1]



Key highlights

- Beneficial efficiency gap between “old" portfolio and average price setting plants in the market
- Load factor of Unipro plants remains continuously above market level
- Pricing zone 1: gas prices as important driver
- Pricing zone 2: fluctuation of production based on hydro balance

1. Illustrative positioning of Unipro units based on internal estimates

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Strategic priorities for Unipro

Legacy Investment	• Recommissioning of Berezovskaya 3 after repair works
Operating excellence	• Ongoing application of operational efficiency and cost savings
Modernization	• Maintenance and enhancement of asset portfolio through modernization
New markets	• Incremental earnings through new business development

Berezovskaya commissioning will lead to substantially enhanced earnings

Project progress:

- Recent milestone: boiler frame installed
- Next steps: installation of boiler furnace, completion of pipe system
- Challenges: extensive fire coating requirement, project complexity with several parallel processes affecting critical path
- **COD expected in Q4 2019**

Financials:

- Project budget:[1] **25bn RUB capex spent so far, 15bn RUB capex to be spent**
- Budget considers capex increase due to extensive fire-coating requirements, limited availability of resources, mitigation of delay risks via increased costs

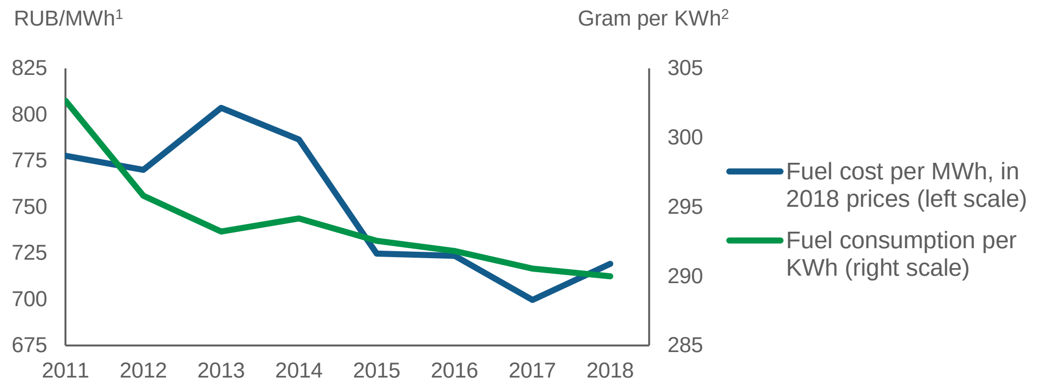
Near-term upsides:

Expectations for 2020	Expectations for 2021-24
↑ First full year back online	↑ Improved availability
↓ Unavailability discount	↑ CSA uplift
↓ Bond yields adjustment	? Bond yields adjustment
EBITDA ~1 bn RUB / month	**EBITDA ~1.4 bn RUB / month** ± bond yields adjustment

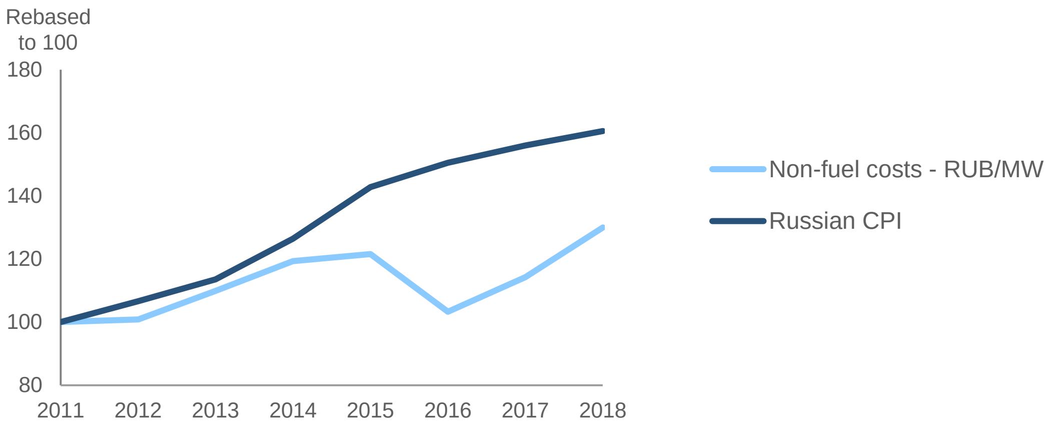
1. As of 31th December 2018

Competitive advantage from efficient cost management

Improving fuel cost efficiency



Successful management of non-fuel costs



Key highlights

Fuel costs

- Surgutskaya and Berezovskaya with low variable costs based on local sourcing
- Increasing fuel efficiency over last years due to growing share of CCGT units
- Periodical renegotiation of fuel contracts
- Modernization program opening further opportunities to increase fuel efficiency

Non-fuel costs

- Growth of non-fuel costs below inflation
- Efficient management of bad debt
- Lean management and optimized overhead
- Streamlined maintenance measures

1. Fuel costs rebased to 2018 prices using Russian inflation data for 2011-2018
2. Specific fuel consumption measured in grams of refernce fuel per KWh

Modernization framework provides basis for further earnings stability in the next decade

Today: "light" modernization
overhaul of equipment

First tender in Spring 2019

- Focus on smaller projects:
  capex mostly below 3bn RUB per project
- Like-for-like modernization: from steam to steam
- Returns: compensation of repairs
- Localization requirements can be easily fulfilled

Milestones

- 2nd April: deadline for bid submission
- End of April: publication of preliminary results

Maintenance investments

Tomorrow: "deep" modernization
change of cycle

Next tenders in Autumn 2019-2025

- Larger projects:
  capex above 10bn RUB per project
- Change of technology: from steam to CCGT
- Returns: significant earnings contribution
- Localisation to be clarified (e.g. production of CCGT turbines in Russia)

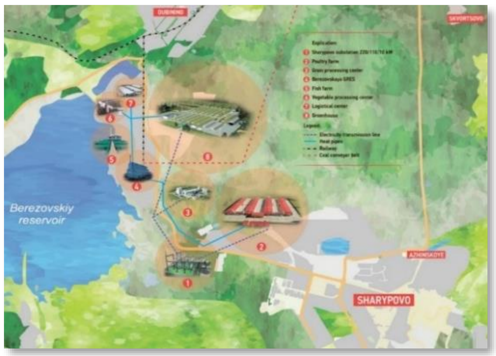
Asset management strategy by Unipro

- Options to be analysed per generation unit:
- Business as usual
- Modernization
- Decommissioning in early 2020s
- Opportunistic approach: flexibility to spread program participation across several years

New growth investments

New markets enable incremental earning enhancement

Industrial customer solutions



- Attraction of industrial heat and steam consumers
- Playing competitive advantages of existing Unipro sites

Project example: Berezovskaya

- Concept of agro-industrial park: greenhouses, poultry farm, deep processing of grain
- Unipro serves as project facilitator and supplier without significant capex contribution
- Potential for significant increase in power and heat consumption
- Enhancing local business climate

Energy Services

- Offering energy audit and consulting services
- Project opportunities in CIS countries (Kazakhstan, Uzbekistan, Georgia, Azerbaijan, Kyrgyzstan

Project example: major mining company in Kazakhstan

- Carried out survey of three power plants
- Development of measures to improve efficiency, industrial safety and environmental protection
- Payment by the customer on the cost plus basis

Strong and sustainable portfolio for the next decade

Assets

- Well positioned and optimized portfolio

Stability

- Robust regulatory framework
- Continuing stability through predictable earnings

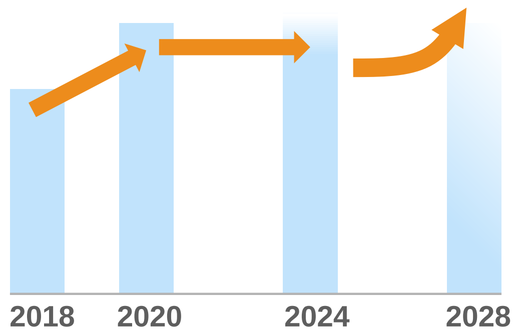
Perspectives

- Modernization to stabilise income after actual CSAs

Contribution for Uniper

- Russian business it set to maintain sustainable earnings over the next decade

Prospective EBITDA profile



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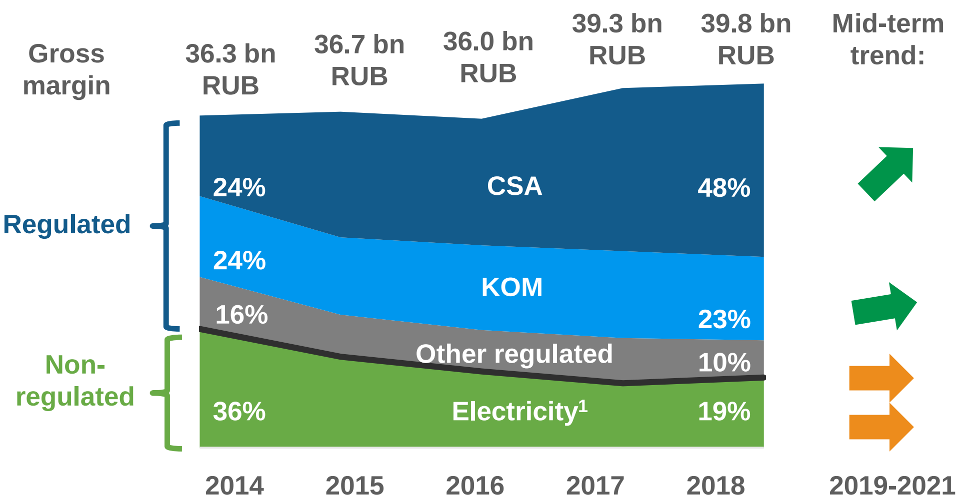
Earnings stream has transparent structure with increasing share of regulated income

Elements of earnings stream



- **Recent trend:** guaranteed income from CSA replacing volatile electricity earnings
- **Medium-term trend:** further increase of regulated earnings due to increase of KOM tariffs and recommissioning of Berezovskaya

Key highlights

Balanced earnings mix

- Diverse remuneration schemes
- More than 80% of gross margin based on regulated earnings

Regulated earnings: increasing share

- CSA increasing from tariff uplift
- KOM stable over last years
- Regulated contracts attached to part of old capacities

Non-regulated earnings

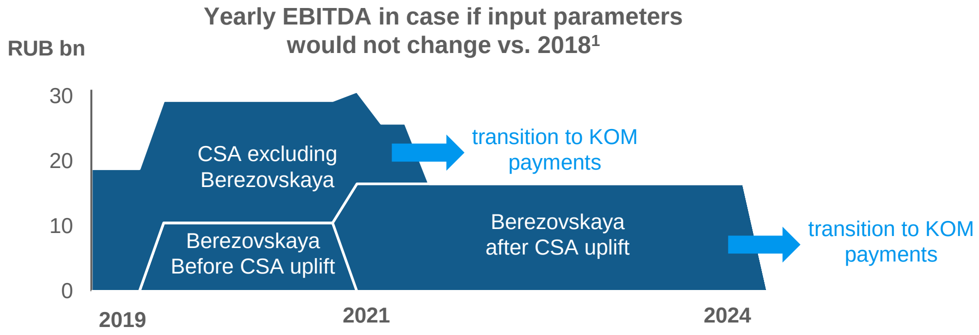
- Earnings from day ahead market reaching trough point with high potential for increase

Stability with growth optionality

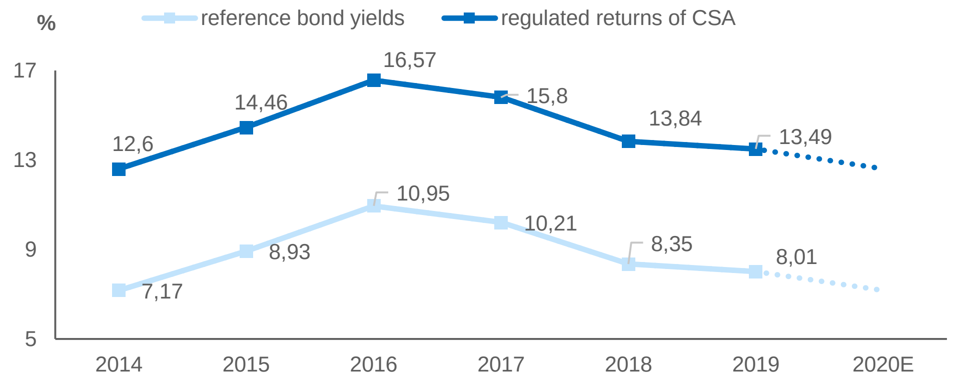
1. Includes Gross margin from Electricity, Heat and Other income

CSA earnings to provide attractive guaranteed returns in the mid term perspective

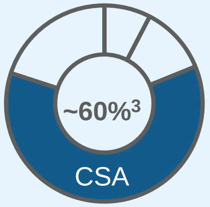
CSA units: expected profitability



Reference bond yields[2] and CSA returns



Key factors for CSA



Fixed factor

- CSA uplift: ~50% increase in last 4 years of tariff

Variable factors

- Major factor - bond yields
  - 1% increase of reference rates leads to increase of CSA tariff by ~3-5%
  - Protection for increasing finance costs
- Minor factor - coefficient for day ahead market (CDAM)
  - Opposite effect to electricity earnings
- Until end 2020: unavailability discount at Berezovskaya 3

1. Using bond yield and coefficient for day ahead market (CDAM) as in 2018; further CSA payments are possible from modernization program (also called "CSA-2") 2. Reference bond yields are returns of pre-defined government bonds in the previous calendar year 3. Expected share at gross margin in 2020

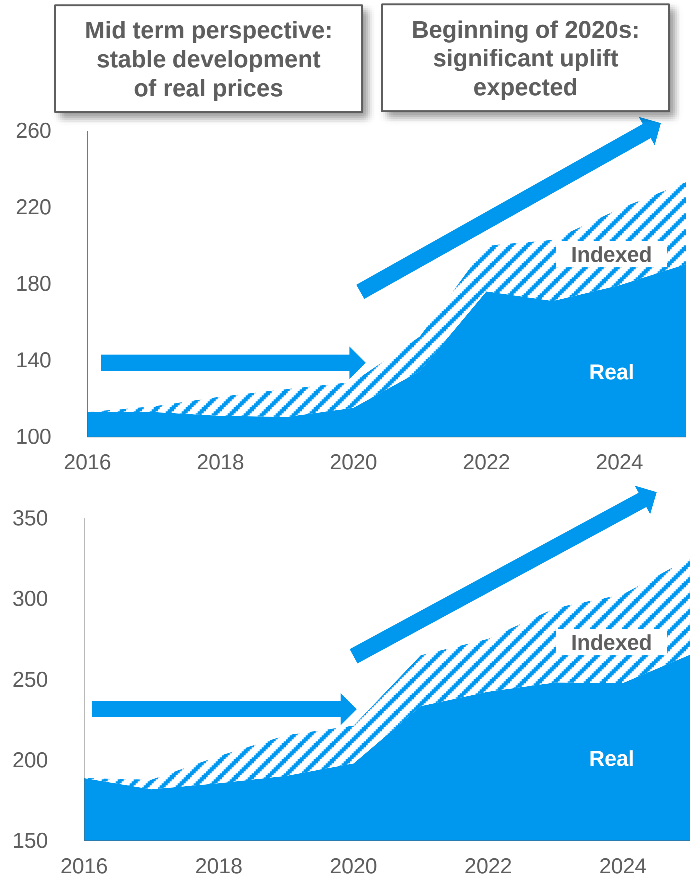
Significant boost of KOM earnings to be realised in the next years

KOM prices: (expected) development until 2025[1]

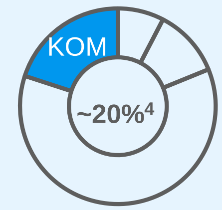
(kRUB/MW/month)

Zone 1 (Europe)

Zone 2 (Siberia)



Key factors for KOM earnings



Current scheme

- Established in 2010, possible for all capacities which not subject to CSA[3]
- Based on yearly auctions

First upsides started to realise

- Upwards trend of last auction in 2017
- Increase of indexation

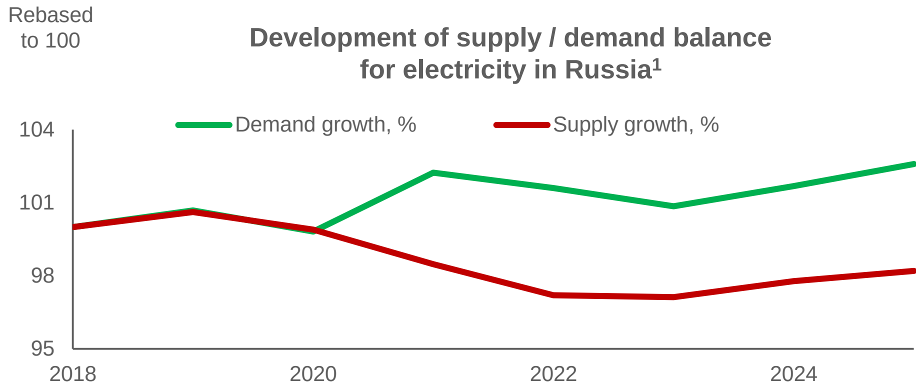
Further upsides from updated regulation

- Auction horizon prolonged up to 6 years
- Shift of demand curve upwards to ensure security of supply during modernization: **+15% for 2022-23, +20% for 2024-25**
- Further effects of market tightness

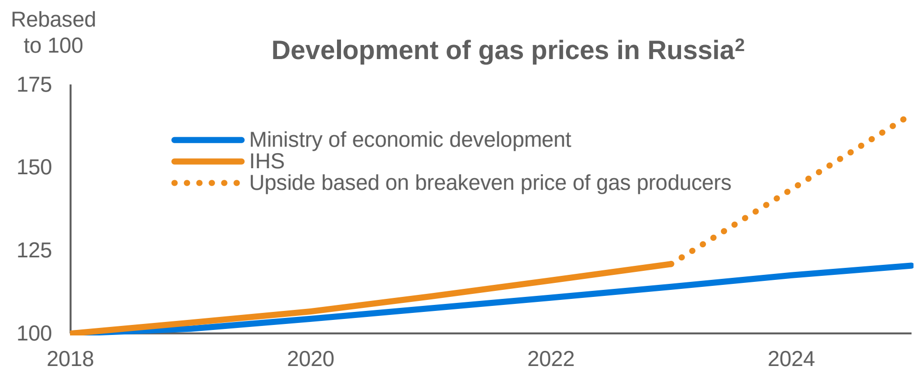
1. Source: internal estimates considering upward shift of the demand curve: +15% for 2022-23, +20% for 2024-25 2. indexed prices consider CPIs forecast as expected based on internal estimates 3. Special treatment for capacities under regulated contracts 4. Expected share at gross margin in 2020

Electricity earnings add upside optionality on top of regulated returns

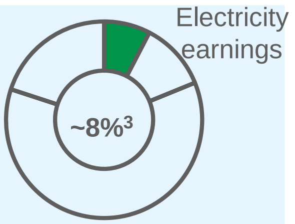
Potential upside from higher generation volumes



Potential upside from growing gas prices as main driver



Key factors for electricity earnings



Mid-term driver: supply-demand balance

- GDP growth driving electricity consumption
- 40 GW to be timewise offline for modernization

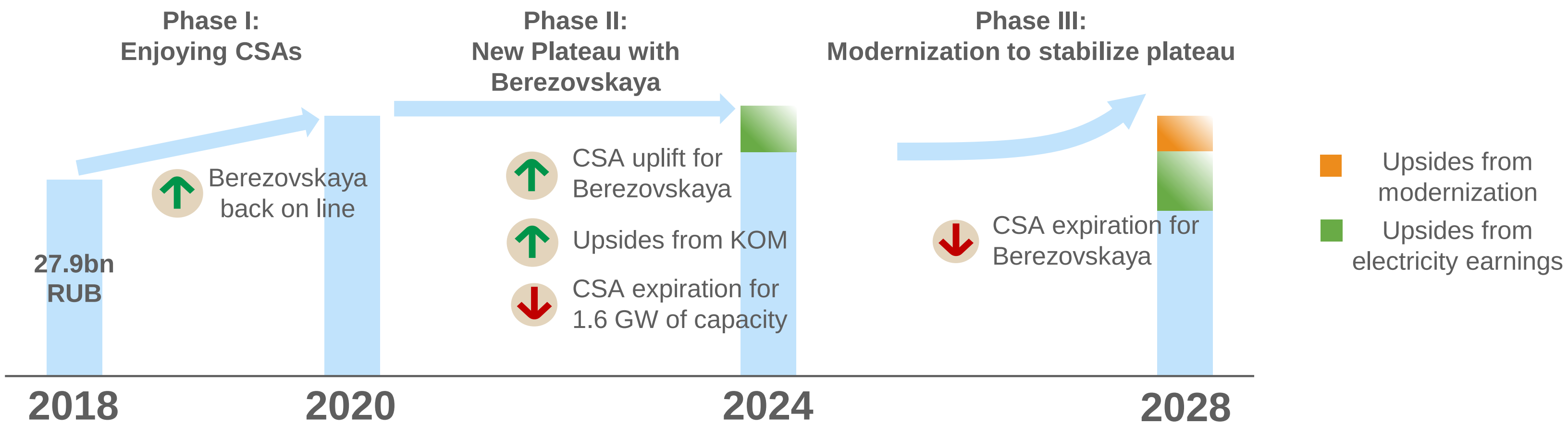
Long-term driver: gas prices

- Gas prices expected to rise above inflation
- Increasing investments needs of gas suppliers as major bullish factor
- Competitive advantage of Unipro to benefit from rising electricity prices:
  - Load factor and fuel efficiency above average market levels
  - Attractive conditions of fuel procurement

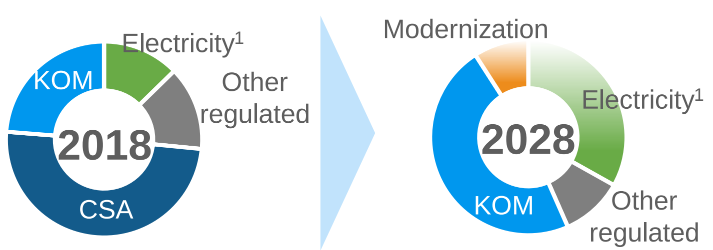
1. Based on estimated development of supply and demand for capacity in zone 1 and zone 2, sources: System operator (until 2021), internal estimates (after 2021) 2. Sources: IHS, Ministry of Economic Development, internal estimates 3. Expected share at gross margin in 2020

High level of earnings predictability until mid of next decade

EBITDA development



Gross margin split

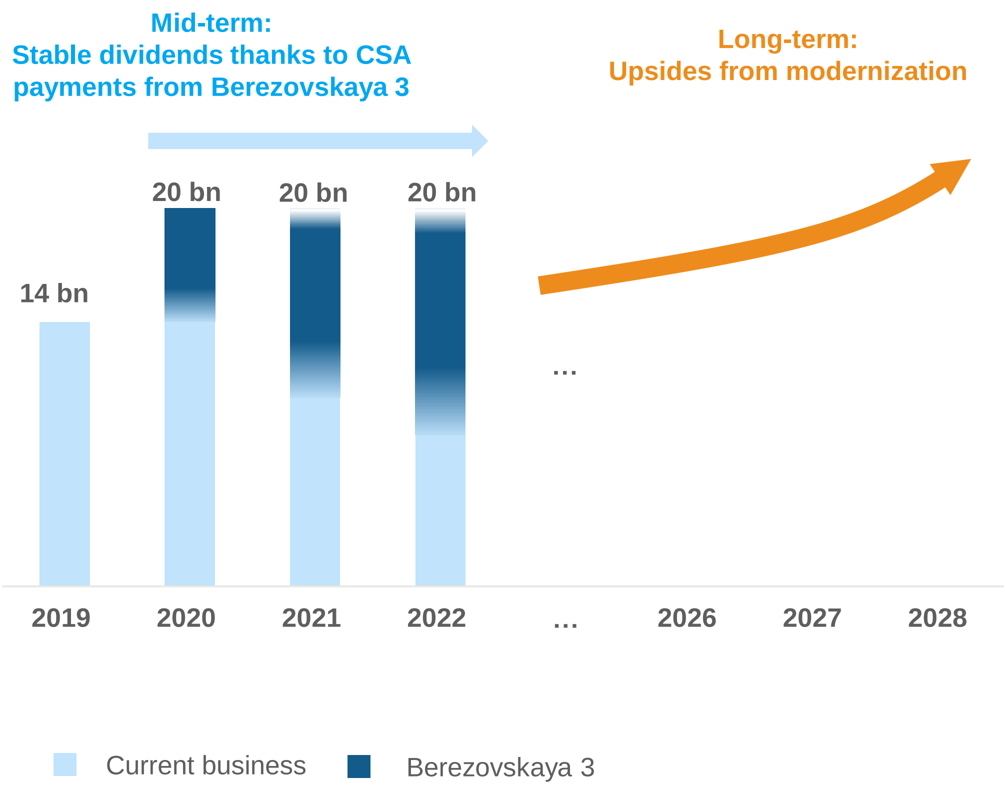


Key highlights

- Attractive cash stream from CSA earnings until 2024
- Increasing KOM payments to partly outweigh CSA expiration
- Upsides from electricity earnings and from modernization potential to minimize earnings cliff in mid 2020s

1. Includes Gross margin from Electricity, Heat and Other income

New dividend policy considering expected earnings profile



Key highlights

General principles

- Dividend commitment until 2022
- Update every two years
- Payments twice per year
- Development until 2028 depends on modernization

Limitations

- Considered: operational risks
- Not considered: project risks of Berezovskaya unit 3

Leverage

- Interim debt financing for modernization

Key elements of the earnings story

Transparent income streams	• Profitability based on transparent earnings drivers
Downside protection	• Increasing share of regulated earnings
Filling the gap	• Mitigation of earnings dip due to upsides in 2020s
Dividend	• Predictable earnings for a sustainable dividend stream

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Long term sustainable profit contribution

Market

- 5th largest power market in the world[1]
- Transparency and long-term stability of regulatory framework

Portfolio

- Key part of Uniper generating portfolio
- More than 80% of earnings are regulated

Perspectives

- Modernization framework
- Upsides mitigating expiration of CSAs

Value

- Modernize portfolio
- Sustainable dividend contribution

1. Based on capacity installed in 2017

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