Uniper SE
Germany, Utilities

SCOPE BBB+ STABLE

Corporate profile

Uniper SE ('Uniper' or 'the company') is a major European power and gas company with a wide reach across the different segments of its industry. The company was spun off from E.ON SE in September 2016. Uniper operates a diversified generation portfolio of more than 27 GWp in major European markets (Germany, Sweden and the UK, among others) as well as an 11 GWp thermal generation portfolio in Russia. The company is also a major player in commodity supply, i.e. gas, electricity, coal and LNG, serving a wide range of industrial customers.

Ratings

Corporate Rating	BBB+
Outlook	Stable
Senior Unsecured Debt Rating	BBB+
Short-Term Rating	S-2

Rating rationale

Scope Ratings assigns a corporate issuer rating of BBB+ to Germany-based Uniper SE. The Outlook is Stable. Scope also assigns an S-2 short-term rating. The senior unsecured debt under the debt issuance programme is rated BBB+.

The first-time ratings reflect Scope's view on Uniper's diversified business mix of regulated and non-regulated utility segments and strong financial risk profile, to which management is committed through a conservative financial policy.

Scope regards the company's business risk profile to be driven by its dominant position among the top 10 power generators in major western European markets combined with its strong position within different service territories in Russia. While the company's high exposure to commodity trading, particularly to gas, weighs on its overall margins compared to those of other European utilities, its credit quality is supported by its wide outreach within gas trading in Germany, covering almost half of the country's needs. Nevertheless, Scope regards the company's cash flow to be strongly influenced by the industry-inherent volatility in gas trading, the achievable pricing for outright power generation in major European markets, and its significant exposure to the Russian rouble. In light of the energy transition, i.e. decarbonisation and decentralisation, Scope regards Uniper's shift of its business mix towards regulated and quasi-regulated segments (such as capacity remuneration), as well as shrinking results from volatile merchant segments (gas exploration), as gradually strengthening its business risk profile.

Uniper's financial risk profile strongly supports the overall issuer rating. The company has strongly deleveraged over the last two years, helped by solid operating cash flows, fairly restricted investment needs and asset disposals. Scope highlights that the envisaged proceeds from the Yuzhno Russkoye disposal, EUR 1.7bn to be received by the end of 2017, will further reduce leverage. Despite Scope's expectations about weaker operating cash flows which are predominantly driven by lower power prices and the sale of the E&P business, the company will not require significant external financing, thanks to comparatively limited maintenance and dedicated growth capex over the next 2.5 years, and a dividend payout linked to free operating cash flows.

Analyst

Sebastian Zank, CFA
+49 30 27891 225
s.zank@scoperatings.com

Back-up Analyst

Olaf Tölke
+49 69 6677389 11
o.toelke@scoperatings.com

Related Research // Methodology

Rating Methodology: Corporate Ratings, January 2017

European Utilities, January 2017

European Integrated Utilities: From Headwinds to Tailwinds, September 2016

German Municipal Utilities: Fair to Cloudy Credit Conditions, October 2016

Scope Ratings AG

Headquarters

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

Bloomberg: SCOP

Current and expected key credit metrics signal a strong financial position as indicated by a Scope-adjusted leverage of comfortably below 2.0x (Scope-adjusted debt/EBITDA 2016: 1.7x; 2017E: 0.9x; 2018E: 0.6x) and an EBITDA/interest cover of well above 10.0x. However, Scope's assessment of Uniper's financial risk profile is based on a Scope-adjusted leverage of between 1.5-1.7x in the mid-term as Uniper may use the significant cash cushion from the sale of Yuzhno Russkoye to exploit investment opportunities. In light of Scope's leverage expectations for 2018/19E the company would have a theoretical headroom on additional debt of significantly more than EUR 1bn before reaching our assumption on a leverage between 1.5-1.7x.

S-2 short-term rating

The assigned S-2 short-term rating reflects Uniper's sound liquidity profile. While Scope highlights the company's operating strength with expected positive free cash flows over the next few years, Uniper's liquidity also comprises a EUR 2bn debt issuance programme (EUR 1.5bn unused), a EUR 1bn commercial paper programme and committed undrawn credit facilities of EUR 2.5bn. The company's new financial structure after the spin-off from E.ON SE has strongly reduced refinancing needs over the next few years. Scope expects Uniper to comfortably refinance upcoming debt maturities through internal cash sources.

Outlook

The Stable Outlook reflects Scope's expectations that Uniper will retain its strong financial risk profile, by aligning leverage to its announced target of comfortably below 2.0x (using Uniper's definition of economic net debt/EBITDA). The envisaged disposal of its stake in the Russian gas field Yuzhno Russkoye at the end of 2017 will give Uniper comfortable headroom for further investments and a further growth of Uniper's dividend payouts from Scope's perspective, without threatening the company's leverage guidance. Moreover, Scope's Stable Outlook incorporates further stabilisation of the business risk profile, through a gradually higher share of regulated and quasi-regulated infrastructure activities.

A rating upgrade could be warranted if Uniper were to keep its already very low leverage below 1.0x (Scope-adjusted debt/EBITDA) over a longer period, which could result from investment headroom not being utilised.

A negative rating action could be required if leverage exceeded a Scope-adjusted debt/EBITDA of 1.8x on a sustainable basis, due to a persistence of low achievable wholesale prices in power generation or low commodity prices in the trading business or large debt-financed acquisitions.

Rating drivers

Positive	Negative
• Ongoing shift towards more cash flow from regulated and quasi-regulated activities, which can partly offset the volatility from non-regulated activities	• Overall business risk profile significantly weaker than the financial risk profile
• Dominant player in European power and gas supply	• Blended industry risks at BB+ primarily driven by strong dependence on cyclical business in non-regulated power generation and commodity trading
• Strong diversification regarding markets, technologies, and some integration across the power utilities' value chain, thereby limiting the incremental effect of underperformance in particular business segments	• Cash flow volatility stemming from still-high exposure to merchant business risks
• Well-shielded market position in the regulated Russian power market	• Profitability strongly impacted by external non-controllable effects and overall margin dilution by high share of trading business
• Strong financial risk profile following deleveraging efforts, supported by the conservative financial policy and comfortable liquidity profile	• Significant exposure to the volatile Russian rouble

Rating-change drivers

Positive	Negative
• Further stabilisation of business risk profile and maintenance of a Scope-adjusted debt/EBITDA of below 1.0x for a prolonged period	• Deterioration of Uniper's financial risk profile above a Scope-adjusted debt/EBITDA of above 1.8x

Table 1 – Financial overview*

For underlying assumptions on Scope's adjustments and financial projections please refer to pages 10/11

			Scope estimates		
Scope credit ratios	**2015**	**2016**	**2017E**	**2018E**	**2019E**
EBITDA/interest cover (x)	6.3	7.3	>10.0	>10.0	>10.0
Scope-adjusted debt/EBITDA (mid-point)	4.5	1.7	0.9	0.6	0.6
Free cash flow/Scope-adjusted debt (mid-point)	6%	49%	159%	70%	63%
Liquidity			>200%	>200%	>200%
Scope-adjusted EBITDA	**EUR m**		**EUR bn**		
EBITDA	1,717	2,122	1.6-1.7	1.5-1.6	1.3-1.4
Operating lease payment in respective year	1,321	83	0.1	0.1	0.1
Scope-adjusted EBITDA	3,038	2,205	1.7-1.8	1.6-1.7	1.4-1.5
Cash flows	**EUR m**		**EUR bn**		
Operating cash flow	1,465	2,184	1.6-1.7	1.5-1.6	1.3-1.4
Investing cash flow (net)	610	328	minus 0.7-0.8	0.8-0.9	0.8-0.9
Dividends to external shareholders	42	44	0.2	0.2	0.2-0.3
Discretionary cash flow	813	1,812	2.1-2.3	0.4-0.6	0.1-0.3
Scope-adjusted debt	**EUR m**		**EUR bn**		
Gross financial debt	12,847	2,870	2.0	1.5	1.5
Deduct: margining positions (Scope approach)	525	312	0.3	0.3	0.3
Deduct: cash, cash equivalents	360	341	1.6-1.8	1.5-1.9	1.6-2.2
Cash not accessible	1	10	-	-	-
Add: pension adjustment (Scope approach)	398	393	0.4	0.4	0.4
Add: operating lease obligations (Scope approach)	406	386	0.3	0.3	0.3
Add: asset retirement obligations (Scope approach)	771	811	0.8	0.8	0.8
Scope-adjusted debt (SaD)	13,538	3,817	1.4-1.6	0.8-1.2	0.6-1.1

* Limited comparability between past and expected financial items given Uniper's new financial structure after the spin-off from E.ON SE.

Source: Uniper, Scope expectations

Business risk profile

Scope's analysis of a utility's business risk profile is split into two parts: i) industry risk, and ii) competitive position. The latter includes our assessment of market position, diversification, and operating profitability.

Industry risk

Blended industry risk at BB+

Uniper's segments expose it to different industry fundamentals. Therefore, Scope's analysis incorporates a blended industry risk profile, based on the differing characteristics and EBITDA provisions of each segment. A blended industry risk of BB+ results from applying a normalised segment split of 50% for European Generation, 30% for Global Commodities, and 20% for International Power. The split is based on each segment's assumed recurring EBITDA contribution. While the exposure to non-regulated power generation drives up overall industry risk, through the exposure to merchant risks on production volumes and achievable prices, the exposure to regulated utility segments, i.e. capacity markets, is enhancing the industry risk profile, backed by its lower cyclical exposure and somewhat protected market structures.

Table 2 – Scope's industry risk assessment

	European Generation	Global Commodities	International Power
Cyclicality	High	Medium	Low
Entry barriers	Medium	Low	High
Substitution risks	Medium	Medium	Low
Industry risks	**BB-**	**B+**	**AA**

Competitive position

Uniper's position in its market segments is supported, in Scope's view, by:

- a strong placing among the **top 10 European power generators,** with a production capacity of about 27 GWp and total output in 2016 of 84 TWh;
- its **second position in the European gas supply market** (after Engie);
- the **strong competitive position in Russian power generation with 11 GWp of generation capacity**;
- the **balanced diversification** regarding market outreach, vertical and horizontal diversification, and cyclical and non-cyclical activities; and
- the **ongoing transformation of the business model towards robust regulated and quasi-regulated activities**.

Nevertheless, Uniper's market position is hampered by:

- **full merchant risks for outright power production and commodity trading** e.g. gas, electricity, coal and LNG, mitigated to some extent by large hedging activities for outright production volumes and LTCs with industrials;
- the risk on some power generation assets due to their unfavourable positions in the relevant markets' merit order system;
- a **significant exposure to the Russian rouble**; and
- **strong margin dilution** from a large trading exposure, albeit contributing positive earnings.

Dominant power generator in major western European markets

Scope regards Uniper to be a dominant power generator in major western European markets, primarily in Germany, Sweden, the UK, as well as in the Benelux region. With annual power generation of over 84 TWh from its generation portfolio (27 GWp), the company generates about 3% of the EU's electricity demand (about 3,000 TWh). Uniper's power generation portfolio ranks seventh among utilities in Europe and second in Germany behind RWE. In conjunction with its trading business, around 20% of electricity sales in Europe is covered by Uniper – a very strong outreach to clients in Scope's view.

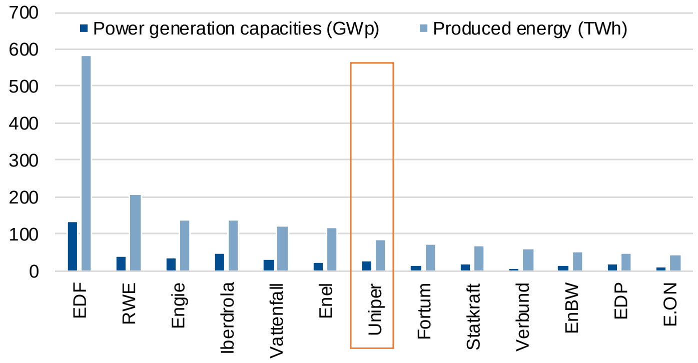
Full merchant risks for non-regulated power generation …

Scope highlights that the company is strongly impacted by the volatility of wholesale prices in the different European power markets. Such volatility may hit the profitability of power plants less favourably positioned in the relevant markets' merit order system, i.e. gas and hard coal, as indicated by the strongly fluctuating dark and spark spreads. While Uniper's Swedish nuclear and its German and Swedish hydro power plants – contributing roughly one-third of annual power output – benefit from the comparatively low marginal costs which guarantee high utilisation rates, cash flow from hard coal and gas-fired power plants remains less predictable given the ongoing energy transition, namely towards decarbonisation and decentralisation.

… mitigated to some extent by LTCs and capacity remuneration

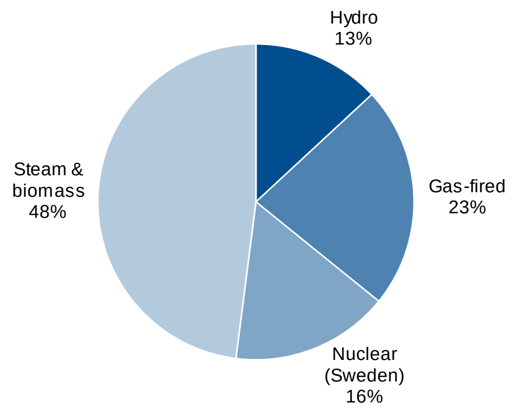
Scope, however, regards several factors as mitigating these uncertainties: Firstly, a significant portion of thermal power generation is contracted through LTC with industrials (energy-intensive corporates), or other utilities such as German municipal utilities at fixed volumes and/or prices. Secondly, merchant risks can be strongly reduced by the remuneration for the provision of reserve capacity.

Figure 1 – Uniper's European power generation fleet compared to other utilities, 2016



Source: companies, Scope

Figure 2 – European generation portfolio measured by output, 2016



Source: Uniper, Scope

Dominant position in power supply (mainly gas but also electricity, coal) and storage

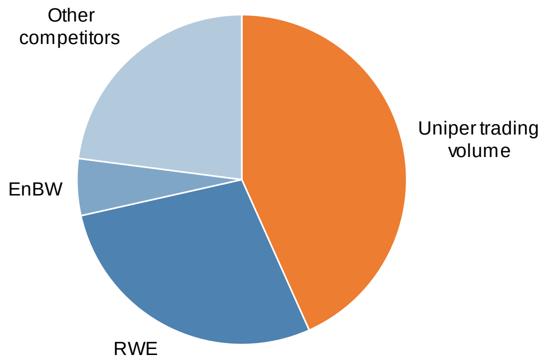
Uniper's trading business of commodities (primarily natural gas but to a large extent also third-party electricity or coal), even with EBITDA margins in the low single digits, secures strong market outreach. With an annual supply of more than 400 TWh, Uniper's gas trading business ranks second behind French Engie for European gas supply. This business covers more than 40% of Germany's total gas needs, which implies an even stronger footprint with industrial gas customers.

While achievable margins for commodity trading are in line with typical trading margins (low single digits), absolute cash flow from trading is highly exposed to merchant risks. Nonetheless, Scope regards the trading business as an important cash flow contributor to the more stable business segments, given the strong outreach and the trading structure of a synchronised procurement and sale of commodities at predefined trading margins.

Envisaged disposal of Russian gas field credit-supportive

Scope regards Uniper's recent announcement to dispose of its 25% stake in Russian gas field Yuzhno Russkoye to be credit-supportive for the company's stability. Whereas the gas field contributes more than 10% of Uniper's EBITDA at favourable prices for natural gas, the envisaged disposal to OMV Exploration & Production GmbH for a price of EUR 1.7bn not only contributes to further deleveraging but also reduces the overall volatility of cash flow streams.

Figure 3 – Uniper's coverage of gas supply in Germany, 2016



Source: Source: BDEW, Uniper, Scope

Russian Unipro covers 5% of Russian electricity demand

Scope notes that Uniper is continuously exposed to political risks in Russia and to the strength of the rouble. Nonetheless, Scope views the Russian power market to be comparatively robust. Uniper's cash flow exposure to the Russian market strengthens the overall business risk profile, by way of a 83.7% stake in the third-largest Russian power generation company, Unipro PJSC, which, going forward,Scope expects to contribute between 20-30% to the company's recurring EBITDA. Uniper covers around 5% of Russia's total electricity demand (2016E), generating more than 50 TWh per annum from a thermal production capacity of around 11 GWp.

Strong competitve position well protected by regulation

More importantly, Scope regards the sub-segment's position to be well shielded by the strong competitive position in the relevant service territories (mainly Krasnoyarsk, Tyumen and Perm regions). This is a result of i) a lack of other significant production capacities and ii) the Russian government's capacity supply agreement for power generation (CSA), based on a capacity market scheme, which provides largely predictable cash inflows over 10 years. The latter ensures that the utilisation of production capacity and achievable margins are well secured, particularly compared to Uniper's non-regulated western European thermal activities. Given the lack of newly built capacity in relevant service territories among competitors, Scope believes this market position is well protected for the foreseeable future.

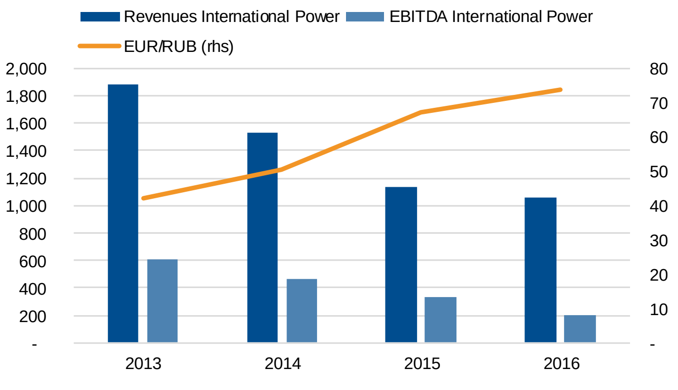
Group margins strongly diluted by commodity trading and affected by industry-inherent volatility on power generation and unhedged FX volatility

Uniper's margin profile is strongly impacted by the different margin patterns of its three divisions (see figure 7). As margins in commodity trading are naturally very thin, the group's EBITDA margin is strongly diluted to low single digits with a continued positive cash flow balance. Nevertheless, the company's profitability is a major credit weakness compared to other European utilities with a strong footprint in power generation, merely because of Uniper's large exposure to trading activities.

Furthermore, Scope notes that the company's margin profile is largely determined by a range of non- or partly controllable factors. These include

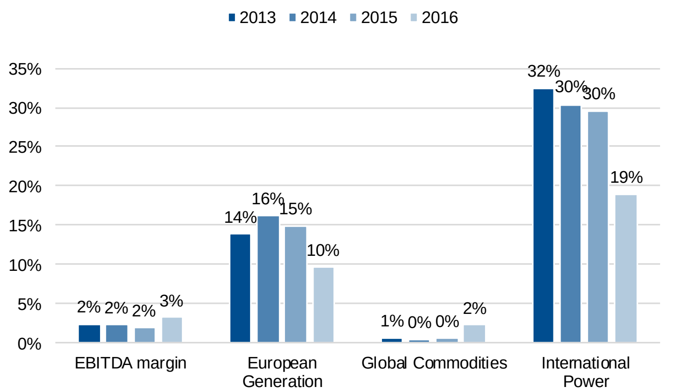
- achievable pricing for outright power production in western Europe in light of persisting generation overcapacities;
- additional external effects on achievable power prices in Sweden from water reservoir levels;
- overall prices for other commodities such as natural gas and coal;
- a significant translation risk exposure to the Russian rouble for a significant portion of group EBITDA;
- incremental effects of production shortfalls in major power plants, e.g., the 2016 production outage in the Russian Berezovskaya III power plant; and
- political changes which affect achievable margins, such as Sweden's formerly high production taxes for hydro and nuclear power which have been amended in 2016.

Figure 4 – Exposure to Russian rouble in International Power (EUR m)



Source: Uniper, Bloomberg, Scope

Figure 5 – Group margin strongly diluted by dominance of global commodities business



Source: Scope

Ongoing transformation of business model towards regulated and quasi-regulated activities

Uniper's continued move towards higher absolute and relative cash flow, by shifting the business mix to the stable and more predictable regulated and quasi-regulated segments, is positive in Scope's view. From a credit perspective, the growing share of robust income strengthens Uniper's business risk profile. Scope's expectations are based on the following drivers:

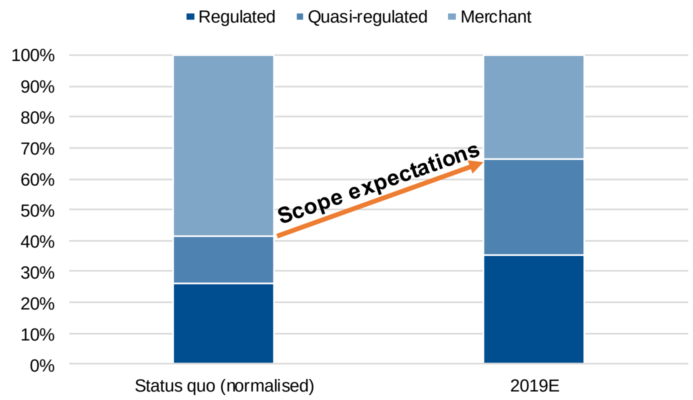
Table 3 – Scope's expectations on the drivers behind Uniper's gradual shift of the business mix

Regulated and quasi-regulated business	Merchant business
• Increasing cash flows from regulated business in Russia from capacity payments at Berezovskaya III in 2019 • Ramp-up of Datteln IV power plant in Germany in 2018, which will be operated under long-term offtake contracts • Start of capacity remuneration for power plants in the UK (2017/18) and France, where pricing and utilisation of power plants is secured over a longer time framework	• Disposal of volatile gas E&P business Yuzhno Russkoye • Higher EBITDA contribution from Swedish hydro and nuclear power plants • Lower EBITDA contribution from hedged volumes of outright production volumes in Europe due to lower achieved wholesale prices • Lower EBITDA contribution from trading activities in global commodities

Expected share of regulated and quasi-regulated activities to grow to more than 60% by 2019E

While Scope expects total cash flows – measured by EBITDA contribution – to decrease by YE 2019E, the absolute EBITDA contribution from regulated and quasi-regulated activities is expected to grow significantly by YE 2019 as outlined in table 3. Consequently Scope expects relative cash flow contribution from regulated and quasi-regulated activities to grow from roughly 40% to above 60% by YE 2019E.

Figure 6 – Scope's expectations on growing share of regulated and quasi-regulated activities (based EBITDA expectations)



Source: Scope

Scope highlights that the increasing share of regulated and quasi-regulated business segments is also a result of the decreasing absolute contribution from merchant business given Scope's expectations on lower achievable commodity prices and the missing earnings contribution from gas exploration (see also table 3). Once industry fundamentals for non-regulated activities improve, e.g. through a rise in electricity wholesale prices in generation or gas/coal prices in global trading, the relative share of robust business segments might be less than the expected 60% in 2019E.

Credit profile strongly supported by diversification effects

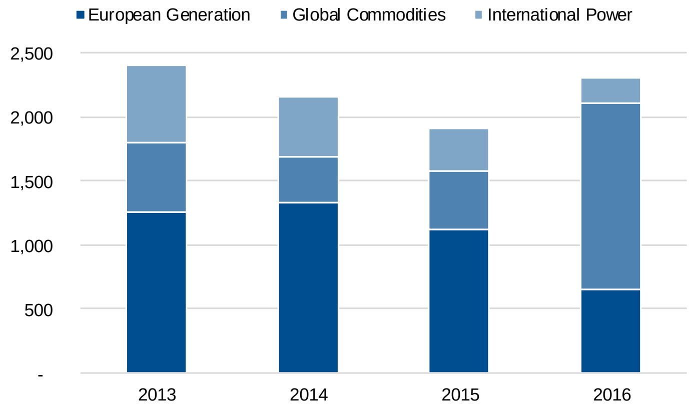
Scope regards Uniper's credit profile to be enhanced by its wide diversification, which takes into account the strong potential impact on cash flows from unforeseen events and non-controllable market factors. This includes:

- wide outreach across different western and eastern European/Asian markets that are not fully correlated with each other;
- the company's vertical integration with exposures to different utility sub-segments along the value chain, reaching from generation to end-customer markets (mainly B2B) for the different commodities;
- the aforementioned improving mix of robust regulated/quasi-regulated segments and volatile non-regulated segments; and
- the wide spread within the power generation portfolio of more than 200 consolidated generation sites.

No concentration risks; losses from potential production outages covered by insurance

While Uniper does not show any major asset concentration within its power generation portfolio of more than 200 different power plants, Scope recognises that the incremental effect on cash flows from unforeseen generation standstills can be significant. A past example is the Russian Berezovskaya III power block in 2016; a potential one is a standstill of the largest Swedish nuclear power plant, Oskarshamn. Nevertheless, Scope assumes that losses from such outages would generally be covered by insurance with some delay.

Figure 7 – Segment split based on EBITDA (EUR m)



Source: Uniper, Scope

Financial risk profile

Issuer rating strongly supported by financial risk profile

From Scope's perspective, the company's financial risk profile strongly supports the overall issuer rating, further backed by the strong deleveraging efforts, very comfortable debt protection measures, and the very limited refinancing needs over the next 2.5 years. Scope assesses Uniper's financial risk profile in conjunction with the company's financial policy, particularly the guidance on leverage.

Adjustments and projections

To assess Uniper's creditworthiness through key credit metrics such as leverage, debt protection and liquidity measures, Scope has adjusted for the following items:

- Debt was adjusted for i) the unrestricted cash position; ii) half of the company's unfunded pension provisions, according to our methodology; iii) the assumed net present value of operating leases, iv) the deduction of margin payments for stock exchange futures; and v) the estimated unfunded asset retirement obligations for the next 25 years, which we take as 80% of recorded unfunded provisions.
- Interest was adjusted for the (estimated) interest component of pension provisions, operating leases and asset retirement obligations.

Scope's cash flow projections for the next few years incorporate the following key assumptions and drivers:

- Successful disposal of Yuzhno Russkoye by YE 2017 for EUR 1.7bn;
- Lower profitability in European Generation stemming from lower achieved wholesale prices in major markets Germany, Sweden and the UK, partly offset by i) price rebound for unhedged production and ii) positive effect from reduced production taxes for Swedish hydro and nuclear output;
- Stable cash flow contribution from International Power with insurance payments for Berezovskaya III outage in 2017;
- Lower cash flow contribution from Global Commodities as a result of gas field disposal and tighter margins from gas trading;

- Maintenance and growth capex below EUR 1bn p.a. in line with 2015/2016 capex; No additional growth capex above that value (usage of expected cash pillar) given the lack of visibility on further growth opportunities;
- Further dividend growth in line with communicated policy and no special dividend for the envisaged sale of Yuzhno Russkoye;
- Redemption of EUR 500m corporate bond from internal sources;
- Exposure to operating leases, pensions and asset retirement obligations at stable levels.

Key credit metrics

Uniper's key credit metrics are likely to be driven by Scope's expectations on a further reduction of operating cash flows (measured by EBITDA), given the lower achieved prices for hedged electricity and gas volumes, and by a further reduction of the company's net debt position as a result of planned asset disposals and positive discretionary cash flows. Scope highlights that Scope-adjusted leverage is not expected to remain at the very low level of 1.4x in Q1 2017, or the expected 0.9x at YE 2017, as the company will likely deploy part of its large cash cushion and take growth opportunities as outlined in Scope's assessment on the company's financial policy.

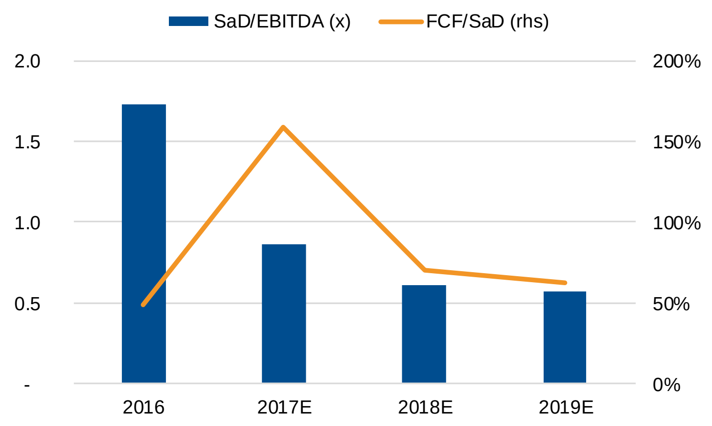
New financial setup following spin-off from E.ON SE

Uniper has made great efforts to deleverage since its spin-off from E.ON SE, further backed by its strong scrutiny on investment activities, limited dividend distributions and selected asset disposals. This enabled the company to reduce significantly its reported pro-forma gross debt exposure from EUR 5.4bn at YE 2015 to EUR 1.9bn in Q1 2017, through the full and early repayment of the EUR 2bn syndicated bank loan which itself served to repay financial liabilities to the E.ON Group in 2016.

Large cash pillar by YE 2017 from disposal of Yuzhno Russkoye

Moreover, the company's net financial debt at YE 2017 will strongly reduce through the envisaged cash proceeds (EUR 1.7bn) from the disposal of Yuzhno Russkoye. As a result of the large retained cash cushion at YE 2017, SaD/EBITDA is expected to be close to 1.0x by YE 2017E. However, leverage can be expected to again increase after 2017, in line with Uniper's communicated leverage target of comfortably below 2.0x (referring to Uniper's definition of net economic debt/EBITDA – see financial policy) as the cash cushion may be used to finance scheduled growth opportunities if they arise.

Figure 8 – Scope-adjusted leverage (mid-point)



Source: Uniper, Scope

Financial policy

Conservative leverage-linked financial policy

Scope deems Uniper's financial policy to be conservative, reflected by the company's clear focus on limiting indebtedness and preserving the overall credit quality. The management has publicly committed to certain financial parameters and a system of shareholder remuneration, which it has demonstrated since the spin-off from E.ON SE. Uniper seeks to meet the following targets:

- **Indebtedness:** Uniper is committed to maintaining conservative leverage ratios, as measured by its **targets of i) economic net debt (END)/adjusted EBITDA to remain comfortably below 2.0x and ii) a net financial debt/adjusted EBITDA of below 1.0x (Uniper definitions)**. In this context Scope appreciates Uniper's conservative investment strategy, which foresees a balance between investments and asset disposals that does not require new debt. While END/EBITDA stood at slightly below 2.0x at YE 2016, Uniper will strongly increase its headroom to the communicated leverage targets, through the envisaged disposal of Yuzhno Russkoye in Q4 2017. From Scope's perspective, this will likely bring END/EBITDA close to 1.0x and net financial debt/EBITDA to below 0.5x by YE 2017.
- **Free cash flow-based dividend policy:** In conjunction with the maintenance of a comparatively low leverage, Uniper's management clearly focuses on positive free cash flows from operations post dividend payments. Uniper has determined its shareholder remuneration at a dividend payout ratio of between 75-100% of free operating cash flows (FFO less replacement and maintenance capex). Scope deems this dividend policy to be neutral for the company's financial risk profile.

Significant headroom of more than EUR 1bn of additional debt before reaching a SaD/EBITDA of between 1.5-1.7x

Scope highlights that Uniper's key credit metrics, particularly its leverage, will trend back to the an assumed SaD/EBITDA corridor of between 1.5-1.7x in the mid-term once the company deploys its remaining cash pillar for attractive investments/acquisitions. In light of Scope's leverage expectations for 2018/19E (SaD/EBITDA below 1.0x) the company would have a theoretical headroom on additional debt of significantly more than EUR 1bn before reaching our assumption on a leverage between 1.5-1.7x.

Liquidity

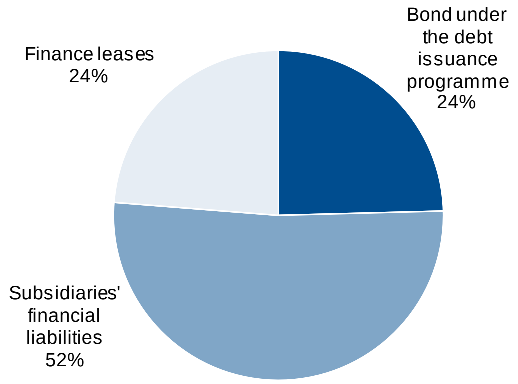
S-2 short-term rating

Scope's view on Uniper's liquidity profile is reflected in the assigned S-2 short-term rating. We regard the company's liquidity and financial flexibility as 'better than adequate' in accordance with our methodology to determine the liquidity of corporates.

Upcoming debt maturities widely covered by internal cash sources

Financial liabilities are substantially covered by internal sources (cash and expected cash generation) and external sources (committed syndicated credit facility). In our view, Uniper has strong banking relationships, as evidenced by the high number of participating banks in the EUR 4.5bn bank financing setup in the context of the spin-off from E.ON SE and good standing in public debt markets. Following the early repayment of the syndicated loan in Q1 2017, Uniper's refinancing needs are rather limited over the next 2.5 years. The redemption of the EUR 500m senior unsecured bond in December 2018 can be covered largely by internal cash sources (cash cushion of an estimated EUR 1.7bn at YE 2017E, positive discretionary cash flows). Moreover, the company has full access to an undrawn EUR 2.5bn revolving credit facility with an original maturity of three years, which was extended by one year to 2020 and which may be extended by another year with the banks' consent, as well as a EUR 1bn commercial paper programme.

Figure 9 – Debt funding structure at Q1 2017 totalling EUR 1.9bn



Source: Uniper, Scope

Regulatory disclosures

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Chief Executive Officer: Torsten Hinrichs, Dr Stefan Bund.

Rating prepared by	**Rating committee responsible for approval of the rating**
Sebastian Zank, Lead Analyst	Werner Stäblein, Committee Chair

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☒ Website of the rated entity	☒ Detailed information provided on request
☒ Audited annual financial statements	☒ Data provided by external data providers
☒ Interim statements	☒ External market reports
☒ Investor presentations	☒ Press reports/other public information

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