uniper

Annual Report 2017

Financial Results

Performance Indicators at a Glance

Financial and Non-financial Indicators for the Uniper Group

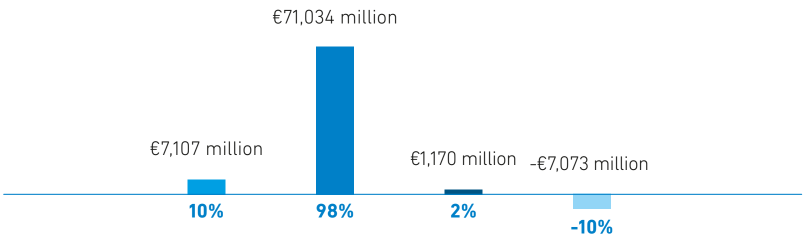
	Unit	2017	2016	+/-%
Power procurement and owned generation	Billion kWh	728.2	693.8	5.0
Electricity sales	Billion kWh	725.9	691.3	5.0
Gas sales	Billion kWh	1,944.8	1,725.7	12.7
Sales	€ in millions	72,238	67,285	7.4
Adjusted EBIT[1]	€ in millions	1,114	1,362	-18.2
For information purposes: Adjusted EBITDA[1]	€ in millions	1,741	2,122	-18.0
Net income/loss	€ in millions	-538	-3,234	83.4
Earnings per share[2, 3]	€	-1.79	-8.79	79.6
Dividend proposal / Dividend per share[2]	€	0.74	0.55	34.5
Cash provided by operating activities	€ in millions	1,385	2,184	-36.6
Adjusted FFO[1]	€ in millions	753	(479)[4]	57.2
Investments	€ in millions	843	781	7.9
Growth	*€ in millions*	*451*	*381*	*18.4*
Maintenance and replacement	*€ in millions*	*392*	*400*	*-2.0*
Economic Net Debt[1]	€ in millions	-2,445	-4,167	-41.3
Employees		12,180	12,635	-3.6
Proportion of female employees	*%*	*23.9*	*24.1*	*-0.2*
Average age	*Years*	*44*	*44*	–
Employee turnover rate	%	5.0	4.0	1.0
TRIF (Uniper employees)		1.41	1.24	13.7
For information purposes: TRIF (combined)[5]		1.98	2.13	-7.0

[1]Adjusted for non-operating effects (see Glossary of Financial Terms). [2]Basis: of outstanding shares as of reporting date. [3]For the respective fiscal year; proposal for 2017 [4]Figure provided for information purposes, not a principal indicator in 2016. [5]Excluding Russia.

Selected Financial Performance Indicators by Segment

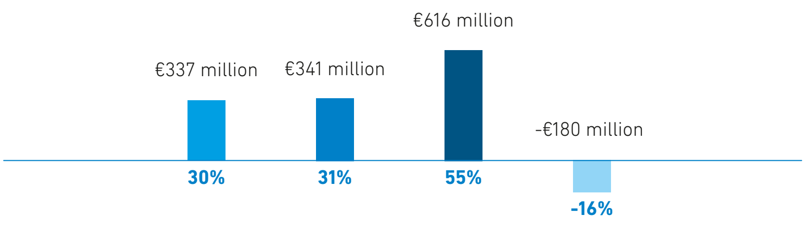
External Sales Revenues

European Generation · Global Commodities · International Power Generation · Administration/Consolidation



Adjusted EBIT

European Generation · Global Commodities · International Power Generation · Administration/Consolidation



Main Events in the 2017 Fiscal Year

January
Uniper received the requisite permit for the Datteln 4 power plant pursuant to immission-control laws and continues to make progress on the road to commissioning.

February
Uniper showcased itself for the first time as a listed company and with its own stand at the energy trade fair “E-World” in Essen.

March
Uniper published its first consolidated financial statements, which showed that 2016, its first fiscal year as an independent company, was a positive year overall.

April
Uniper and four other European energy companies – ENGIE, OMV, Shell and Wintershall – signed financing agreements with Nord Stream 2 AG.
The Uniper subsidiary LIQVIS and the food logistics service provider Meyer Logistik opened the first publicly accessible liquefied natural gas (LNG) filling station.

May
In its Q1 2017 communication, Uniper announced that it had gotten off to a stable start to the 2017 fiscal year.

June
Uniper was the first major energy company to be given a rating by Scope Ratings AG; the rating given was BBB+ with a stable outlook.
Uniper also invited its shareholders to the first Annual Shareholders Meeting in June.

July
The Finnish utility company Fortum approached the Uniper Management Board with a first takeover bid.

August
Representatives of Uniper met for the first time with the most important non-governmental organizations to discuss human rights violations in the coal supply chain in Colombia in a personal dialog.

September
With an increase in share price and market capitalization of more than 100%, Uniper had a successful first year on the stock exchange following its IPO.

Fortum Oyj and Fortum Deutschland SE had communicated the preparation of a voluntary public takeover bid and published the decision to submit the offer in accordance with Section 10 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz; WpÜG).

October
Together with BP, Uniper announced its intention to use “green hydrogen” for the production of fuels.

November
Uniper successfully completed the sale of its stake in the Yuzhno-Russkoye gas field in Russia to the Austrian OMV Group, which was announced in March 2017. The Uniper stake of around 25% was sold for €1,749 million plus the liquid funds.

December
Uniper presented the update of its strategy and gave an early earnings and dividend outlook for the fiscal year 2018. In line with the revised strategy, Uniper plans to increase the dividend by an average of 25% per year through 2020 compared to the base year 2016.

Only the German version of this Annual Report is legally binding.

Contents

Dear Shareholders,

In less than two years on the stock exchange, Uniper has already experienced a very exciting and successful history. Within a very short period of time, a company has emerged that once again has a solid financial basis, has established a new strategic and structural orientation and is, at the same time, a fundamental part of society—after all, it ensures the supply of electricity and gas in Europe and Russia on a daily basis. The untiring commitment and outstanding skills of the Company's some 12,000 employees allow Uniper to compete successfully in the market. Our products are in demand and our opinion is valued. The share price and market capitalization have more than doubled since the IPO.

Although the starting conditions were not easy for Uniper, since the first day of our independence we have consistently implemented what we have announced to the capital market. As a result, our debt has decreased significantly—as have our costs. By the end of 2018, we will have achieved our target of reducing our controllable costs by €400 million annually. From the very beginning, we have also limited our capital investments to the essentials. We optimized our portfolio and achieved our debt reduction target early in the 2017 fiscal year by selling our stake in the Russian gas field Yuzhno-Russkoye. As of December 31, 2017, economic net debt stood at €2.4 billion—more than €1.7 billion less than at the end of the 2016 fiscal year. This has created the conditions for a solid investment-grade rating.

Uniper generates solid operating results. This was the case again in the 2017 fiscal year: Operating income (adjusted EBIT) reached €1.1 billion, fully in line with our forecast. The consolidated net loss of €538 million is due to a balance sheet effect: Upon completion of the sale of our Yuzhno-Russkoye gas field investment, exchange rate losses previously recognized in equity had to be reclassified, which had a corresponding impact on net income. By contrast, there was a significant increase in adjusted funds from operations—a key figure that Uniper uses, among other things, to measure the potential distribution available to shareholders. In order to enable our shareholders to participate appropriately in the positive development of our business, we will propose to the Annual Shareholders Meeting on June 6 that a total dividend payment of around €271 million be made for the 2017 fiscal year. In addition, we have already announced our intention to increase the dividend by an average of 25% until 2020. Accordingly, around €310 million are to be distributed to Uniper shareholders for the 2018 fiscal year.

Despite Uniper's success so far, it could not be assumed that you, our shareholders, would remain loyal to us. Until February 2, 2018, you could have taken advantage of the opportunity to sell your Uniper shares to Fortum, the Finnish energy company. An offer to this effect was made to all Uniper shareholders after it became known that Fortum intended to acquire around 47% of Uniper shares from our previous major shareholder E.ON. Fortum has announced its intention to complete the takeover by mid-2018. Fortum will then—subject to pending approvals—be our largest shareholder. The Management Board and Supervisory Board of Uniper had recommended to all other shareholders that they not accept the Fortum offer. We had come to the conclusion, without a dissenting vote, that the offer of €21.31 per share did not reflect the actual value of Uniper. Furthermore, there was no significant contribution to improving Uniper's prospects for its further development. And the stock market price of the Uniper share during the acceptance period confirmed our assessment—it rose significantly above the offer price and did so even after the acceptance period had expired. On February 7, 2018, Fortum then announced that only a further 0.47% of the shares were tendered to them in addition to E.ON's block of shares. Overall, this makes the acceptance rate for the Fortum offer 47.12%. The overwhelming majority of our shareholders therefore followed our vote and did not accept the takeover bid. On behalf of the entire Uniper Management Board, I would like to express my sincere thanks to you for this trust. It strengthens us and shows us that the capital market continues to believe in our strategy and our long-term competitiveness as an independent company.

Irrespective of the possible changes in our shareholder structure, we at Uniper worked hard in 2017 to further develop our successful strategy and align it consistently with the requirements of the future energy world. Having significantly strengthened our financial base in the past two fiscal years, it is now time to focus on the future of our business and individual growth areas. Various external developments play into our hands. Firstly, despite the sharp increase in the share of renewable energy sources and a decline in European gas production, people expect a secure and affordable supply of electricity and gas at all times. Wind and sun are not available around the clock and in all weather conditions, which means that the energy supply can fluctuate considerably. Uniper has exactly the right portfolio and the right contracts to ensure the necessary balance and security. With our flexible coal and gas-fired power plants, CO_2-free hydroelectric power, nuclear energy in Sweden and our gas storage facilities, we are in a position to guarantee energy supply at all times.

Inevitably, there will be even greater demand for the product supply security in the coming years. With the decommissioning of older power plants and the phasing out of nuclear energy in Germany, there are signs of a significant shortage on the electricity markets in Western and Northern Europe. Especially for the period from 2020, we expect that this will lead to a further recovery in electricity prices and a reassessment of supply security. This also results in opportunities for our portfolio—and for our investors. In many countries, including France, the United Kingdom and Russia, we already offer supply security in competitively organized markets and receive compensation for this. We are convinced that these models will play a decisive role in our business in the future. We see direct marketing of our power plants as another attractive growth area. Selling our electricity and other energy sources such as process steam from certain plants directly to our customers and partners makes us less dependent on income from fluctuating energy prices. By 2020, the share of our operating income that is not affected by fluctuations in the price of electricity will increase significantly.

Another trend from which Uniper can benefit is the fact that markets worldwide are converging. As one of the largest energy traders in Europe, we can be actively involved in this development. With our sales, gas infrastructure and long-term gas supply contracts, we are already well positioned in our trading business. We intend to use this strong foundation in the future and focus our trading activities more strongly on North America and Asia, where demand for coal and gas is increasing. LNG is also playing an increasingly important role in Asia, the U.S. and Europe. Our energy trading is thus becoming even more global and versatile. A third factor that Uniper can benefit from is that the demand for energy is growing worldwide. In particular, natural gas will play an indispensable role in meeting the world's energy needs in the coming decades. In these new markets, we also want to offer customers attractive energy products and services.

Dear Shareholders, Uniper is a global energy company with a unique portfolio, strong technical and commercial expertise and a great workforce that is well positioned for the energy world of tomorrow. We offer a secure energy supply and tailor-made energy solutions in an increasingly complex energy world. We have a solid financial basis, reliably generate freely available funds and create sustainable value for our shareholders. At Uniper, we have a lot of energy—energy that we would like to use in the best interests of our shareholders, employees and customers. I would be pleased if you would continue to accompany Uniper on its exciting journey.

With best wishes,

Klaus Schäfer

Dear Shareholders,

The market environment remained challenging last year. Nevertheless, the energy markets in Germany and Europe recovered in the second half of the year, with fuel and energy prices rising on the national and international markets, although the overall generation margins remained at a low level.

Operationally, the key topics for Uniper in 2017 were the progress on major projects in the power plant sector, the commitment to projects to secure the energy supply and measures to further reduce debt. The focus was also on the further restructuring of the Company and the adjustment of cost structures to the ongoing challenging market environment.

Another main topic in the second half of the year was the discussion of the takeover bid by Fortum. This was also a major focus of the Supervisory Board's work in 2017.

In the 2017 fiscal year, the Supervisory Board of Uniper SE carefully performed all its duties and obligations under law, the Company's Articles of Association and its own rules of procedure. It thoroughly examined the Company's situation and discussed in depth the consequences of the continually changing energy-policy and economic environment.

We advised the Management Board regularly about the Company's management and continually monitored the Management Board's activities, assuring ourselves that the Company's management was legal, purposeful and orderly. We were closely involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Management Board's reports.

The Management Board regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Supervisory Board and its committees, we had sufficient opportunity to actively discuss the Management Board's reports, motions and proposed resolutions. We voted on such matters when it was required by law, the Company's Articles of Association or the Supervisory Board's rules of procedure. The Supervisory Board decided on the resolutions proposed by the Management Board after thoroughly examining and discussing them. Accordingly, the Supervisory Board was regularly informed about the current operating performance of the major Group companies, significant business transactions, the development of key financial figures and relevant decisions under consideration.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Management Board throughout the entire fiscal year. In the case of particularly important issues, the Chairman of the Supervisory Board was kept informed at all times. The Chairman of the Supervisory Board likewise maintained contact with the members of the Supervisory Board outside of board meetings.

As the Supervisory Board, we addressed the issues relevant to the Company in five regular and five extraordinary meetings, which are described below. A list of the meetings and the participation of individuals in the meetings can be found on page 82 of the annual report.

Key Topics of the Supervisory Board's Discussions

With respect to the Group's operations, we discussed in detail the price movements in the national and international energy markets and the business situation of the Group companies, about which we were continually informed by the Management Board. More specifically, we discussed Uniper SE's and the Uniper Group's assets, liabilities, financial condition and earnings, as well as workforce developments and earnings chances and risks. At regular intervals, we also discussed the development of foreign currencies relevant for Uniper.

The Supervisory Board was provided information on a regular basis about the Company's health, (occupational) safety and environmental performance (in particular the development of key accident indicators). A further focus was placed on activities to increase diversity within the Company and to ensure the sustainability of Uniper's business, especially in the coal value chain.

Other overarching topics of our discussions included developments in European and German energy policy, the latest regulatory developments and the macroeconomic and economic-policy situation in the countries in which Uniper is active, especially as regards their impact on each of Uniper's various business areas.

The strategy of the Company and its further development were discussed extensively and adopted. Approaches to innovation and digitization were also discussed. The divestments planned by the Company were also part of the strategy. This included, in particular, the sale of the stake in the Yuzhno-Russkoye gas field, which the Supervisory Board dealt with in detail. This transaction was successfully concluded at the end of November 2017.

We thoroughly discussed current developments in our business activities. With respect to generation activities, the Management Board provided us with detailed information on the progress on the commissioning of the Provence 4 power plant in France. In addition, the Supervisory Board was kept continuously informed of the status of the new Datteln 4 project in Germany. We also regularly discussed with the Management Board the progress of the reconstruction of the Russian Berezovskaya 3 power plant and approved the necessary budget.

With regard to the global trading business, we were informed in detail about new procurement and supply contracts. The involvement of Uniper in the Nord Stream 2 pipeline project was also reported on an ongoing basis and, following a detailed discussion, the financing funds agreed upon were approved. In the liquefied natural gas (LNG) business, we focused on activities to build up business in the United Arab Emirates and on transactions relating to our long-term regasification capacity in Europe.

New business approaches we were informed about included a coal joint venture in the U.S., the cooperation agreement with SOCAR (the State Oil Company of the Azerbaijan Republic) in Azerbaijan and the development of our energy services in India and South Africa.

Furthermore, the Management Board discussed with us in detail the Uniper Group's financing requirements, and at the beginning of the year was given the corresponding approvals for issue of a commercial paper program. In addition, we were kept constantly informed about the development of the Uniper share on the market, the shareholder structure and analyst ratings. We also dealt regularly with the views of the relevant analysts on the Company's rating.

In addition, we discussed in detail with the Management Board the Uniper Group's medium-term planning for the years 2018 to 2020 on the basis of updated assumptions on the long-term development of energy and commodity prices, capacity market premiums and seasonal price differences and approved the budget for 2018.

The Management Board also informed us in detail about the restructuring program established for making the necessary adjustments to cost and organizational structures in order to adapt to the difficult market environment. In this context, we also discussed the negotiations and agreements on collective and individual bargaining.

With respect to legal issues, the Management Board reported in detail on significant ongoing proceedings and negotiations, including on long-term supply contracts.

In the second half of the reporting year, the activities of the Supervisory Board were dominated by Fortum's takeover bid to the shareholders of Uniper SE. The Supervisory Board dealt with this matter intensively in several ordinary and extraordinary meetings and advised the Management Board closely. The Supervisory Board formed a special committee, which dealt with the legal, strategic, regulatory and financial implications of the takeover bid. An essential part of the discussion in the special committee and Supervisory Board was the preparation of the statement on Fortum's voluntary public takeover bid, which was submitted jointly with the Management Board on November 21, 2017, in accordance with section 27 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, WpÜG).

The Supervisory Board also dealt with the Combined Separate Non-financial Report as of December 31, 2017, prepared by the Management Board. An audit firm conducted a limited assurance audit and issued an unqualified opinion. The Management Board explained the documents in detail at the meetings; the auditor's representatives reported on the main findings of their audit and answered additional questions from the Supervisory Board members. Following its examination, the Supervisory Board had no objections.

Finally, we also discussed the activity reports of the Supervisory Board's committees.

Corporate Governance

The Supervisory Board and the Management Board jointly issued the annual declaration of compliance with the German Corporate Governance Code (the "Code") for Uniper SE in February of 2018, which is now publicly available on the Uniper SE website. In the past, all recommendations of the Code have been complied with since the last declaration in February 2017, and these will continue to be complied with in the future. With few exceptions, the suggestions were followed. The Management Board states its views on this in the Corporate Governance Report.

Additional corporate governance matters are also reported on in the Corporate Governance Report by the Management Board.

Committee Work

To fulfill its duties carefully and efficiently, the Supervisory Board has created the committees described in detail below. Information about the committees' composition and responsibilities can also be found on pages 81 and 82 of the Corporate Governance Report. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to adopt resolutions on certain matters. Committee chairs reported the agenda and results of their respective committee's meetings to the full Supervisory Board on a regular basis, typically at the Supervisory Board meeting subsequent to their committee meeting.

- The Supervisory Board's Executive Committee met a total of four times. In particular, this committee prepared the meetings of the full Supervisory Board. The Nord Stream 2 project was also discussed and the sale of the stake in the Yuzhno-Russkoye gas field was intensively prepared in order to enable the Supervisory Board to issue a subsequent disposal mandate. In addition, the Executive Committee prepared the Supervisory Board's resolutions to determine that the Management Board met its targets for 2016/2017 and to set the targets for 2018. Furthermore, it discussed Management Board compensation and did comprehensive preparatory work for the Supervisory Board's resolutions on these matters.

- The Audit and Risk Committee met four times in the 2017 fiscal year. In an in-depth examination—taking into account the auditor's reports and in discussion with the auditor—the committee dealt in particular with the annual financial statements and consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) for the 2016 fiscal year and the interim reports of Uniper SE in 2017. The committee discussed the proposal for the appointment of the auditor and gave instructions for its audit services, defined the focal points and costs of the audit and reviewed its qualification and independence in accordance with the requirements of the German Corporate Governance Code. In addition, the committee discussed in detail the Combined Management Report and the proposal for the appropriation of profits, prepared the corresponding recommendations to the Supervisory Board and reported to the Supervisory Board. The Audit and Risk Committee intensively addressed market conditions, especially market changes, as well as regulatory and political developments and the resulting impairment consequences for Uniper's activities.

  Extensive discussions were also held on issues relating to accounting, the internal control system and the audit of risk management, the Company's risk-bearing capacity and quality assurance of the risk management system. This examination was based on consultations with the independent auditor and, among other things, reports from the Company's Risk Committee.

  The committee also addressed in detail the work performed by internal audit, including the audits conducted in 2017, and dealt with audit planning and the determination of audit priorities. Furthermore, the committee discussed the internal control system (ICS), the compliance reports and other issues related to auditing. The Management Board also reported to the committee on ongoing proceedings and on legal and regulatory risks for the Uniper Group's business.

- The Nomination Committee met once in 2017 to submit proposals to the Supervisory Board for the election of suitable candidates to the Supervisory Board by the Annual Shareholders Meeting, based on the objectives of the Supervisory Board for its composition. The proposed members were then elected at the Annual Shareholders Meeting in June 2017.

- The Special Committee on Takeover Matters was established in July 2017, after Fortum informed Uniper of the proposed takeover. This committee met six times in 2017 and focused on the legal, strategic, regulatory and financial implications of Fortum's proposed acquisition.

Examination and Approval of the Annual Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2017

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditor chosen by the Annual Shareholders Meeting and appointed by the Supervisory Board, audited and submitted an unqualified opinion on the Annual Financial Statements and Management Report of Uniper SE, as well as on the Consolidated Financial Statements and the Combined Management Report, for the year ended December 31, 2017.

Furthermore, the auditor examined Uniper SE's early-warning system regarding risks. This examination revealed that the Management Board has taken appropriate measures to meet the requirements of risk monitoring and that the early-warning system regarding risks is fulfilling its tasks.

At the Supervisory Board's meeting on March 7, 2018, we thoroughly discussed—in the presence of the independent auditor and with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—Uniper SE's Annual Financial Statements, Consolidated Financial Statements, Combined Management Report, and the Management Board's proposal for profit appropriation. The independent auditor was available for supplementary questions and answers. After concluding its own examination, the Supervisory Board determined that there are no objections to the findings. We therefore acknowledged and approved the Independent Auditor's Report.

We approved the Annual Financial Statements of Uniper SE prepared by the Management Board and the Consolidated Financial Statements. The Annual Financial Statements are thus adopted. We agree with the Combined Management Report and, in particular, with its statements concerning the Company's future development.

We examined the Management Board's proposal for profit appropriation, which includes a cash dividend of €0.74 per ordinary share, also taking into consideration the Company's liquidity and the financing and investment planning. The proposal is in the Company's interest with due consideration for the shareholders' interests. After examining and weighing all arguments, we agree with the Management Board's proposal for profit appropriation.

Personnel Changes on the Management Board

Mr. Andreas Scheidt resigned from the Supervisory Board at his own request with effect from the end of the Annual Shareholders Meeting on June 8, 2017. Mr. Immo Schlepper was appointed by the employees as his successor.

On the shareholder representatives' side, the Supervisory Board mandate of Dr. Johannes Teyssen, who did not run for re-election at his own request, also ended with effect from the end of the Annual Shareholders Meeting on June 8, 2017. The Annual Shareholders Meeting on June 8, 2017 elected Mr. David Davies to the Supervisory Board as his successor.

Further changes in the Supervisory Board's committees are explained in detail in the Corporate Governance Report on page 81.

The Supervisory Board sincerely thanks the members of the Management Board and of the Works Councils, as well as all the employees of the Uniper Group, for their dedication and hard work in the 2017 fiscal year.

Düsseldorf, March 7, 2018

The Supervisory Board

Sincerely,

Dr. Bernhard Reutersberg
Chairman

Uniper Stock

→ Uniper share price reaches new highs

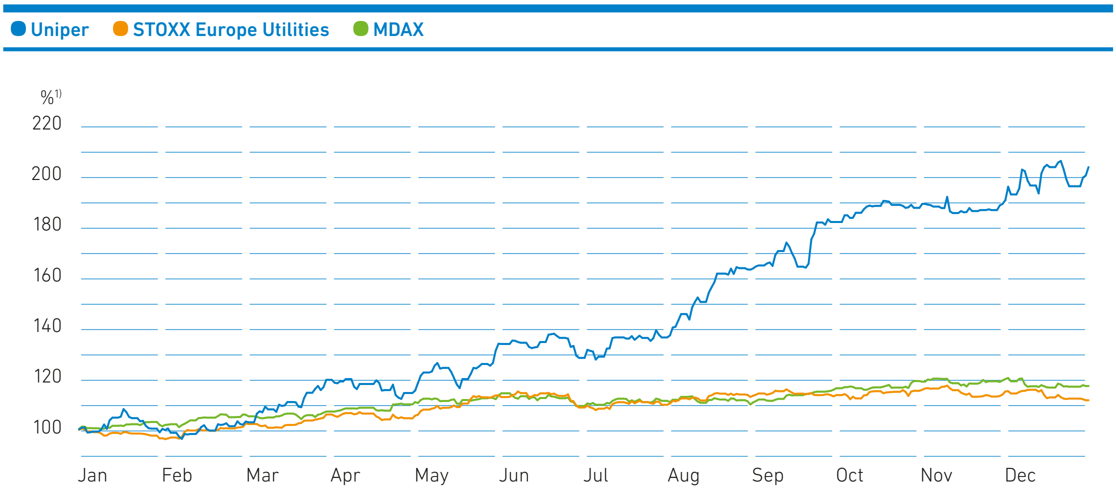
→ Dividend proposal of €0.74 per share (previous year €0.55)

2017: Solid Stock Market Year for the Energy Utility Sector

The upward trend on the stock markets seen in recent years continued in 2017. The "equities" asset class remained very attractive for investors. On the other hand, bonds did not offer a viable alternative due to their continued historically low interest rates. In the second half of 2017 in particular, equity markets were supported by the more robust performance of the global economy. All the member states of the European Union recorded an expansion of economic activity. The U.S. maintained the same growth rate as in the previous year. Important economic nations, in particular Russia and China, recorded more stable performances than expected. At the beginning of 2018, optimism remained that the global economy would continue to grow robustly in 2018.

The shares of European energy utilities contributed to the positive price performance of the European stock market in 2017. However, following an above-average performance in the first three quarters, the sector lacked further drivers in the fourth quarter. Overall, the energy utilities sector slightly underperformed the overall European equity market as a whole. Within the sector, the individual companies turned in extremely varied performances. A number of companies are benefiting from their portfolio and cost optimization measures. Optimism within the sector was fueled by rising commodity and energy prices and increasingly positive signals from policymakers regarding ensuring supply security in the future. In many cases, this resulted in a more proactive dividend policy for companies in the energy utilities sector compared with the previous year.

Uniper SE: Stock Performance in 2017



[1]Total return of the Uniper share and the MDAX and STOXX Europe Utilities; indexed, 100 = 2016 year-end prices
Source: Bloomberg

Uniper: A Top Performer in a Good Market Environment

With its listing on the Frankfurt Stock Exchange on September 12, 2016, the Uniper share began trading at an opening price of €10.015. In 2017, the Uniper share performed exceptionally well. Starting 2017 at a price of €13.12, the Uniper share closed at €26.00 at the end of 2017. This sharp rise in the share price made Uniper the top performer among European energy utilities. This represented a continuation of the share's successful performance since the IPO.

This performance is attributable to a combination of positive factors. The confidence in the business model was further strengthened by increased transparency and intensive communication with current and potential investors. The Company's development prospects have improved substantially. In a difficult environment, Uniper swiftly implemented a package of measures to strengthen profitability. The Company's earnings target for the fiscal year was raised in August 2017.

In addition, the fundamental outlook for the energy utilities sector and thus also for Uniper has improved with rising commodity and energy prices on the energy markets. In addition, takeover speculation in the sector and, later in the year, the announcement by the Finnish energy group Fortum that it would make a voluntary takeover offer to Uniper shareholders gave Uniper's share price an additional boost.

Market Capitalization Significantly Increased, Shareholder Structure Changed

The number of outstanding shares remained unchanged at 365,960,000 in the fiscal year 2017. As a result of the good share price performance, market capitalization increased significantly during the year and amounted to around €9.5 billion at the end of 2017.

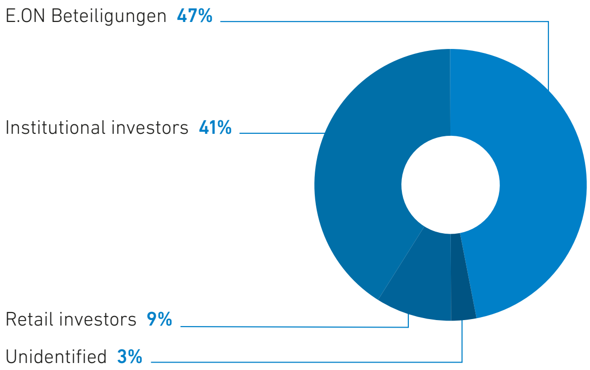
An analysis carried out in December 2017 revealed a number of changes in Uniper's shareholder structure. This is mainly related to Fortum's voluntary public takeover bid and the inclusion of Uniper in various MSCI indices.

Institutional investors represented the largest group of investors with a share of over 90%. Just under 9% of Uniper's shares were held by private investors, most of whom are resident in Germany. The largest Uniper shareholder was E.ON Beteiligungen GmbH, with a stake of 46.65%. On January 8, 2018, E.ON SE decided to accept Fortum's takeover bid of November 7, 2017 for its entire block of shares in Uniper SE.

In November and December 2017, Uniper received notifications of voting rights from several institutional investors whose holdings had reached or exceeded the reporting thresholds of 3% and 5%, respectively. At the end of 2017, 48.33% of the Uniper shares were in free float (previous year: 53.35%) according to the Deutsche Börse announcement. The acceptance rate from the takeover offer reported by Fortum had not yet been included in the calculation by Deutsche Börse as of the reporting date. By the end of 2017, this rate was only 0.16%.

The geographical distribution of the free float has shifted considerably as a result of the purchase of larger blocks of shares from institutional investors in North America. Investors based in Germany followed in second place.

Shareholder Structure of Uniper SE by Investor Group



Sources: Ipreo, Share register, Voting rights notifications as of December 29, 2017

Uniper in the Focus of the Finnish Energy Group Fortum

The first half of 2017 was influenced by substantial takeover speculation in the energy utilities sector, including speculation relating to Uniper. On September 20, 2017, E.ON SE and Fortum Oyj, Finland, announced that they had entered into advanced negotiations for an agreement to sell E.ON's 46.65% stake in Uniper SE. On September 26, 2017, Fortum Deutschland SE announced its decision to make an offer to the shareholders of Uniper SE to acquire all registered no-par value shares of Uniper SE as part of a voluntary public takeover offer. This was preceded on September 26, 2017 by the ad hoc announcement published by E.ON SE of an agreement with Fortum under which E.ON could tender its remaining stake in Uniper as part of a public takeover bid by Fortum at the beginning of 2018.

On November 7, 2017, Fortum Deutschland SE published the offer document for the voluntary public takeover bid (cash offer) of Fortum Deutschland SE to the shareholders of Uniper SE for the acquisition of its registered no-par value shares. The offer was addressed to all Uniper shareholders and provided for a cash payment of €21.31 per Uniper share. In addition, Uniper shareholders would be able to participate in the dividend for the fiscal year ended December 31, 2017. If the 2018 Annual Shareholders Meeting does not approve a dividend or approves a dividend of less than €0.69 per Uniper share and provided that the offer is completed, the bidder will make up for the difference to €0.69 to those Uniper shareholders who have accepted the offer. A minimum acceptance threshold was not included in the offer.

On November 21, 2017, Uniper's Management Board and Supervisory Board published a joint statement on the voluntary public takeover bid by Fortum. Both boards believe that Fortum's public offer is not in the interest of Uniper, its shareholders, employees and other stakeholders. The Management Board and Supervisory Board therefore recommended that Uniper shareholders not accept Fortum's offer. The Group Works Council fully supported the joint statement of the Management Board and Supervisory Board and therefore did not issue a separate statement.

On January 8, 2018, E. ON exercised the right to tender its 46.65% stake in Uniper as part of Fortum's public takeover offer of November 7, 2017.

After the extended acceptance period expired, Fortum announced on February 7, 2018, that the offer had been accepted for a total of 172,439,375 Uniper shares. This corresponds to around 47.12% of the share capital and voting rights of Uniper SE. Completion of the offer is subject to approval by various jurisdictions.

Uniper With a Clear Dividend Policy

The Company pursues a clear dividend policy. It is an integral part of the financing policy. Uniper's ambition is to achieve a healthy balance between attractive cash flows and balance sheet stability. On the one hand, the Company is geared toward a solid financial structure with a comfortable investment-grade rating, which leaves the Management Board with sufficient economic freedom for the strategic development of the Company and, on the other hand, it allows shareholders to participate to a large extent in the Company's business success.

The distribution is a dividend linked to the success of the business activities and calculated from the free cash flow from operating activities ("FCfO"). The aim is to achieve a dividend payout ratio of at least 75% to 100% of this cash flow from operating activities.

For the 2017 fiscal year, a total dividend payment of €271 million (2016: €201 million) is expected. The Management Board and Supervisory Board intend to propose to the Annual Shareholders Meeting on June 6, 2018 that the net income available for distribution be distributed to pay a dividend of €0.74 per share (2016: €0.55) on the dividend-paying capital stock. In December 2017, Uniper announced a medium-term dividend growth target in line with the revised strategy. Based on the dividend distribution for the 2016 fiscal year, the dividend is expected to increase by an average of 25% per year until the 2020 fiscal year.

Investor Relations Work for Greater Transparency

Investor relations work focuses on providing transparent information for shareholders and capital market participants. The primary objective is to increase awareness of Uniper's business model and value drivers among capital market participants.

Uniper's Management Board commented on the development of business as part of its regular presentations of results. In order to create even more transparency, the Uniper Management Board explained in detail the business and prospects of the European Generation segment and the gas midstream division in separate telephone conferences. Finally, in December 2017, an update on the Company's strategic direction was announced. In addition, the Investor Relations department provided support for a large number of roadshow appointments and further meetings between the Management Board and analysts and investors.

You can find essential information about the stock as well as Uniper's strategy on the Investor Relations website at: https://ir.uniper.energy/.

Strategy and Objectives

Foundations Successfully Laid

Just over a year after its IPO, Uniper has successfully laid the foundations for the Company's long-term direction. There has been an increase in operational efficiency, the organizational structure has been streamlined, the controllable cost base has been significantly decreased and debt has been reduced through disposals, in particular the sale of the stake in the Yuzhno-Russkoye gas field in Russia.

This gives Uniper the financial flexibility to undertake initial growth initiatives on a small scale in the coming fiscal years within the framework of its existing dividend policy. One option being considered to implement the strategy, in addition to the existing financial flexibility, is the selective sale of individual, strategically insignificant portfolio components.

Future-Oriented in a Changing Energy Market

The global energy market, and therefore Uniper, too, is subject to a multitude of medium- and long-term trends. These include market changes and technological, regulatory and social developments. However, there are regional differences.

In Europe, the focus is on decarbonization with the continued strong growth in the expansion of renewables, stricter climate protection regulations (e.g., the planned and in some cases already approved phase-out of coal in numerous European core countries) and the increasing influence of carbon pricing on the generation mix. In the medium term, conventional power plants will increasingly be used to ensure supply security and appropriate remuneration structures are increasingly being adopted. As the most environmentally friendly fossil fuel, gas will benefit from the shift in the generation mix and potentially from increased use in the transport sector—both on land and at sea. Due to declining domestic production, import demand in Europe is rising. This demand is being met by LNG as well as by increasing quantities of pipeline gas from established and new suppliers. At the same time, the security of the gas supply is expected to gain in importance.

Globally, in addition to the growth of renewable energies, Uniper also expects to see the expansion of conventional power plant technology, especially based on natural gas. Outside Europe, particularly in Asia, South America and the Middle East, the construction of new coal-fired power plants will also play a role. Overall, Uniper believes that this will lead to an increase in global trade flows for coal and, in particular, LNG.

Technological trends and innovations, for example, in the areas of digitization, energy storage, carbon capture and utilization, will become increasingly important, but will still have a relatively minor impact in the coming years.

Strategy for Uniper—Offering Custom-Tailored Energy Solutions. Mastering Complexity.

Uniper's strategy remains on its successful path towards initial growth momentum within the strict financial framework that has been established. The plan is to make optimal use of the existing, very well positioned portfolio and to selectively expand it. Geographically, Uniper is, and will continue to be, active in markets that rely on a secure and competitive energy supply. In addition to Europe (including Russia), the focus will be expanded to include the U.S. and Asia. In terms of growth investments, Uniper will use the best technology in each case, with a focus on the gas business, both in power plants and in the trading portfolio. The proportion of the business that is not directly exposed to fluctuations in energy prices is to be steadily expanded, while keeping a focus on risk.

Focus on Supply Security and Industrial Customer Solutions

Uniper has an efficient power plant portfolio in Europe and Russia. With this power plant portfolio, Uniper will continue to make a contribution to ensuring system stability and supply security in the European and Russian electricity markets. Due to the distribution between different countries and regions and the use of different technologies and energy sources, Uniper's power plant portfolio is in a position to meet the demand for flexible and controllable conventional power generation and to take advantage of opportunities that arise in existing and potential capacity markets or through the expected increase in the relevant commodity prices and, in particular, volatilities.

In addition to revenues from contributions to supply security from existing and possibly also new plants, a greater emphasis is being placed on customer-specific and custom-tailored generation solutions from a single source, for example by offering combined products from electricity and steam, heat or by-products. In this context, Uniper is focusing, in particular, on the expansion of existing business relationships with industrial customers.

In order to ensure the long-term stability of the European gas market, Uniper is positioning itself as one of the leading players in Central Europe with its extensive portfolio of long-term contracts, gas storage facilities, pipeline capacities, LNG regasification capacity and customer activities.

Diversification and Expansion of Uniper's Global Presence

Uniper has a flexible physical portfolio of short and long-term gas procurement, coal positions and LNG, which not only enables the Company to meet its own needs but allows it to offer individual solutions to partners. Uniper plans to expand its globally networked portfolios of energy and commodity positions as well as its global energy trading activities by concluding additional procurement and delivery positions. At the same time, the Company will enter into partnerships in the area of commodity procurement and marketing in order to further diversify the portfolio.

Uniper's European gas portfolio of existing long-term contracts is to be supplemented by further contracts and transport routes. In addition, the European gas business is to be linked more closely with other regions, particularly the U.S. and Asia, through global trading in LNG.

Looking at the global coal market, Uniper's existing procurement positions for supplying its own power plant fleet give it established market access. In this area, the intention is to enter into partnerships with other coal-fired power plant operators, particularly outside Europe, in order to expand the procurement position and, at the same time, to take over global marketing for existing coal suppliers.

Participation in the Growth of the Electricity Markets Worldwide

Using its available expertise, Uniper intends to further advance and expand the provision of energy services for third parties, for example in the areas of development, planning, operation, maintenance, fuel supply and the marketing of power plants.

This integrated approach will also be applied to the development of any new construction projects in which Uniper may participate.

Combined Management Report

- Adjusted EBIT of €1.1 billion in line with forecast; year-over-year decline due to absence of elevated non-recurring effects

- Adjusted FFO of €753 million significantly above prior-year figure

- Economic net debt reduced by more than €1.7 billion

- Dividend proposal of €271 million (€0.74 per share)

- Outlook for 2018: Adjusted EBIT expected to be between €0.8 and €1.1 billion

Corporate Profile

Business Model

Uniper is a parent-owned international energy company with operations in more than 40 countries and some 12,000 employees. Its business is the secure provision of energy and related services. The ultimate lead company of the Group is Uniper SE; the corporate headquarters are in Düsseldorf, Germany.

The shares of Uniper SE are traded on the Frankfurt Stock Exchange's regulated market in its subsegment with additional post-admission obligations (the "Prime Standard"), and are included in the MDAX and various MSCI Stock Indices.

The Uniper Group is composed of three operating business segments: European Generation, Global Commodities and International Power Generation. Combined separately under Administration/Consolidation are administrative functions that are performed centrally across segments, as well as the consolidations required to be carried out at Group level.

European Generation

The European Generation segment comprises the various power and heat generation facilities that the Uniper Group operates in Europe. In addition to fossil-fuel power plants (coal, gas, oil and combined gas-and-steam power plants) and hydroelectric power plants, these generation facilities also include nuclear power plants in Sweden, a biomass plant in France and a small number of photovoltaic and wind power facilities. The majority of the energy generated is sold to the Global Commodities segment, which is responsible for the marketing and sale of the energy to major customers via the trading markets and its own sales organization. A further portion of the energy generated is marketed by means of long-term electricity and heat supply contracts. In addition to the power plant business, this segment is also engaged in the marketing of energy services ranging from fuel procurement and engineering to operational and maintenance services to trading services (under the "Energy Services" brand).

Global Commodities

The Global Commodities segment bundles the energy trading activities and forms the commercial interface between the Uniper Group and the global wholesale markets for energy as well as the major customers. Within this segment, the fuels required for power generation (mainly coal and gas) are procured, emission allowances are traded, the electricity produced is marketed and the portfolio is optimized by managing the use of the power plants. The gas business is engaged in the supply of gas to industrial and municipal-utility customers and in the importation of gas from various sources. In addition, this segment includes infrastructure investments and the gas storage operations, as well as all the activities of the Uniper Group relating to the equity investment in the Russian gas field Yuzhno-Russkoye, which was sold at the end of November 2017.

International Power Generation

The International Power Generation segment brings together the operating power generation business of the Uniper Group in Russia and Brazil. PAO Unipro, an indirect subsidiary of Uniper SE listed in Russia, is responsible for conducting all business in connection with power generation and associated activities in Russia. These include the procurement of the fuels needed for the power plants, the operation and management of the plants and the trading and sale of the energy produced. The Uniper Group's business in Brazil primarily comprises a 6.10% financial investment in the energy utility ENEVA S.A. held by the Uniper Group and a 50% shareholding in Pecém II Participações S.A., which operates a coal power plant.

Technology and Innovation

Uniper will continue to be confronted with a rapidly changing energy landscape: decarbonization, decentralization and digitization are three trends that will have a major impact on the energy world. Despite the current challenging business environment, Uniper is working on shaping these trends and making them commercially viable. Innovation plays a key role in this approach. Uniper's main focus is on the development of new, scalable business models that contribute to the further development of the existing business.

The long-term goal of extensively decarbonizing global economies was established as part of the 2015 Paris Agreement on Climate Change. A central means to achieve the climate targets defined there is the increased use of renewables in power and heat generation. In order to ensure a sustainable and secure supply of energy, additional flexible and efficient power plants are needed to safeguard fluctuating generation from renewable energy sources, as are innovative storage solutions and flexibility options for energy users.

The operation of the test facility for large-scale batteries is one of the first steps towards the innovative storage of generated power. The project "M5BAT" makes it possible to conduct technical and commercial testing of different types of batteries; this project is being carried out by Uniper together with RWTH Aachen University and other partners. The battery storage system uses five different battery technologies with a total capacity of 5 megawatts (MW); these battery technologies are being tested under real market conditions. One of Uniper's roles in the project consortium is to integrate the battery storage system into the energy market, where it is successfully being used mainly to compensate for fluctuations in the energy grid.

Uniper is also working on the further development of power-to-gas technology for the conversion and storage of power from renewables. Uniper has already gained practical experience in this area in two pilot plants in Germany, located in Falkenhagen and Hamburg-Reitbrook. In 2017, the test operation of the "WindGas Falkenhagen" pilot plant was suspended because the plant is currently being expanded to include a methanization facility. In this new part of the plant, energy is first converted to hydrogen and then converted into a synthetic natural gas with the help of CO_2.

Uniper is also active in alternative fuels such as LNG in heavy goods vehicles. Environmentally friendly LNG is likely to play a key role in the transport sector in the future, since this area has great potential for reducing emissions (for example, CO_2, NO_x and particulate matter). LIQVIS GmbH, a Uniper subsidiary, is already successfully operating two LNG filling stations in Germany and one in France. For the further development of LNG filling stations, Uniper has received a total of €9.6 million in funding from the EU's Connecting Europe Facility for Transport ("CEF Transport") funding program through the end of 2020.

Another area in which Uniper is active is the commercial use of CO_2 as a commodity (carbon capture and usage). For example, Uniper joined with 42 partners from industry and research to found the new European association CO_2 Value Europe in 2017. This organization is dedicated to developing sustainable technologies and improving their market conditions to enable, for example, the production of building materials, chemicals and fuels using CO_2 on an industrial scale.

In addition, Uniper is continuously working on making conventional power plants more flexible in order to further increase their efficiency in the area of system services.

The energy revolution is taking place not only at energy companies, but also increasingly in private households and industrial companies, due to the growing decentralization of the energy supply. Power, heat and mobility are converging, a trend also known as sector coupling. As part of this trend, there is an increasing demand for innovative solutions, for example for the conversion of power from renewables, in the form of gas (power to gas) or heat (power to heat), and for products and services in the area of electromobility. Uniper's Shamrock power plant site, for example, offers innovative power-to-heat solutions. This plant uses power from renewable sources to generate heat and feed it into the local heating network. Further examples of sector coupling are the power-to-gas plants in Falkenhagen and Hamburg-Reitbrook, which are described above.

Uniper also analyzes the impact of the general progress in digitization on its business segments and work processes and evaluates the extent to which this trend may represent new business opportunities. For example, Uniper is actively working on digitizing customer interfaces to make interaction with business customers even easier. In addition, Uniper uses digitization specifically to streamline and automate internal processes, such as in the power plant fleet, energy trading, security and in the maintenance of plants.

Management System

Beginning in 2017, the principal indicators for managing the operating business and assessing the Uniper Group's financial condition are adjusted EBIT (with adjusted EBITDA also still used in 2016), as well as adjusted funds from operations ("adjusted FFO").

Alongside those most important management indicators, Uniper also presents financial and non-financial performance indicators in the Combined Management Report to highlight developments in the operating business and in the context of responsibility to all stakeholders—its employees, customers, shareholders and creditors, as well as the Uniper companies. Examples of other financial performance indicators include operating cash flow before interest and taxes, economic net debt, net financial position and cash-effective investments. Measures of non-financial performance indicators include the female proportion of leadership positions within the Uniper Group and Total Recordable Incidents Frequency ("TRIF"), which measures the number of work-related accidents and illnesses. The chapter non-financial performance indicators contain explanatory information about these performance indicators.

The principal financial indicators for managing the operating business are:

Adjusted EBIT

From January 1, 2017, adjusted EBIT, a measure of earnings before interest and taxes adjusted for non-operating effects, is the key measure in the Uniper Group for purposes of internal management control and as the most important indicator of the profitability of its operations.

Unadjusted earnings before interest and taxes ("EBIT") represents the Uniper Group's income/loss before financial results and income taxes in accordance with IFRS, taking into account the net income/expense from equity investments. Unadjusted EBIT is adjusted for certain non-operating effects in order to increase its meaningfulness as an indicator of the operating performance of Uniper's business.

The non-operating effects on earnings for which EBIT is adjusted include, in particular, income and expenses from the fair value measurement of derivative financial instruments used in hedges and, where material, book gains/losses, expenses for restructuring / cost-management programs initiated prior to the spin-off and impairment charges/reversals on non-current assets, on companies accounted for under the equity method and other long-term financial assets and on goodwill in the context of impairment tests, as well as other contributions to non-operating earnings.

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of the aforementioned derivatives are also included in other operating expenses and income. Expenses for restructuring / cost management programs initiated prior to the spin-off represent additional expenses that are not directly attributable to the operating business. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement.

Adjusted FFO

Beginning in 2017, adjusted funds from operations ("adjusted FFO") is a key performance indicator used by the Uniper Group for determining, among other things, the residual cash flow available for distribution to shareholders and the variable compensation of the Management Board.

The basis of the funds from operations measure is cash provided by operating activities (i.e., operating cash flow). In a first step, this cash flow is adjusted for changes in operating and tax assets and liabilities during the reporting period, which eliminates timing differences caused by unforeseeable inflows and outflows of cash. Reported as changes in operating assets and liabilities are, among other things, changes from the fair value measurement of derivatives entered into for hedging purposes. These changes are also eliminated because they do not affect cash flows. Finally, for the same reason, income from foreign-currency translation of operating receivables and payables, as well as an adjustment for cash flows arising from subsequent purchase price adjustments from acquisitions and disposals, are also eliminated, because the latter originate from investing activities.

To determine Adjusted FFO, current employer service cost and past service cost affecting future cash flows are subtracted from FFO. Furthermore, net payments to, and reimbursements from, the Swedish Nuclear Waste Fund (net presentation) are subtracted from FFO even though they are reported as cash flow from investing activities because they result directly from operations. Dividends declared and distributed to minority shareholders of subsidiaries are also not available to shareholders of the Company, and are eliminated accordingly.

Business Report

Macroeconomic and Industry Environment

Macroeconomic Environment

Global economic growth accelerated in 2017. The Organisation for Economic Cooperation and Development ("OECD") has estimated that global gross domestic product ("GDP"), at around 3.6%, will be at its highest level since 2010. Economic growth has improved in both the industrialized countries and the emerging markets. Important sentiment indicators for consumer confidence and the business climate are at a high level and employment is recording strong growth. Global trade and investment activity, however, only recorded modest growth. Nevertheless, both inflation and wage growth remained remarkably low compared to previous upturns.

Economic growth in the euro area as a whole also improved slightly. This was mainly due to rising domestic demand, driven by a robust labor market and an improved investment climate. In October 2017, the European Central Bank announced the gradual reduction of its monthly bond purchases. Unlike in the U.S., however, key interest rate hikes are not yet in sight, but the announced reduction of monetary policy expansion alone has led to a significant recovery of the euro. The euro also benefited from a general decline in political uncertainty following the French presidential elections.

In Germany, the economic upturn continued unabated. Rising real estate prices combined with low interest rates and increasing incomes supported the construction industry. Private consumption benefited from the continued upturn on the labor market, while exports profited from the upswing in the economy in key partner countries. In France, growth also accelerated as a result of the labor market upturn, and the Netherlands continued to record strong growth rates.

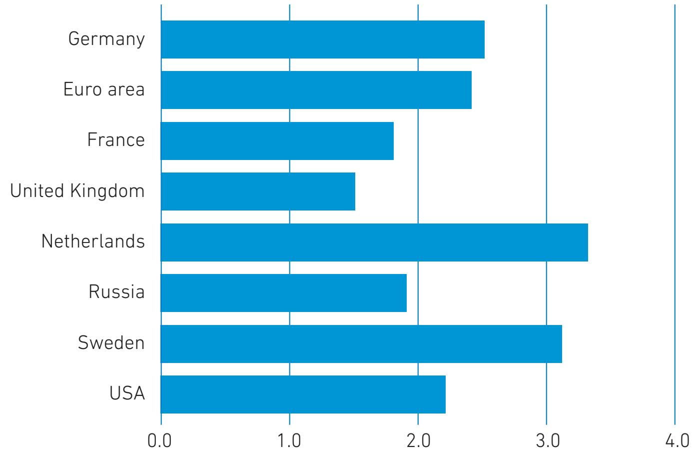
The United States (U.S.) economy continued to improve throughout the year. This was mainly due to consumer demand, which benefited from a sharp rise in asset prices and high income growth. The U.S. Federal Reserve Bank raised key interest rates several times during the course of the year and announced the reduction of its balance sheet. Nevertheless, long-term interest rate expectations declined slightly due to persistently low inflation and modest wage growth, which caused the U.S. dollar to depreciate steadily until September 2017. In addition, the pace of tax and health care reforms as well as the announced infrastructure program probably had a significant negative impact on expectations. From September onwards, the U.S. dollar fluctuated significantly, due mainly to the announcement of on U.S. tax reform and the gradual release of details on these reforms.

In contrast to this global trend, economic performance in the United Kingdom (U.K.) deteriorated considerably in 2017. After growth remained remarkably robust in 2016 following the referendum on withdrawal from the EU ("Brexit"), the depreciation of the British pound resulted in a sharp rise in inflation. The associated loss of purchasing power weighed on private consumption, and the political uncertainty, which intensified again after the parliamentary elections, had a negative impact on the investment climate.

In Sweden, however, growth remained robust. In particular, investment spending grew strongly, boosted by an expansionary monetary and fiscal policy. In Russia, growth was positive again after years of the recession, driven by the rise in oil prices and growth in purchasing power due to exceptionally low inflation for Russia.

2017 GDP Growth in Real Terms

Annual change in percent



Source: OECD (November 2017)

Energy Policy and Regulatory Environment

European Union

Uniper is closely involved in the European energy markets, from power generation, storage and trading to the distribution of power, gas and heat. Uniper's products make a significant contribution to supply security in Europe. In this respect, the energy policy discussions in the European Union (EU) in 2017 were highly relevant to Uniper's business in terms of strengthening gas supply security, the further development of climate policy and ongoing discussions on the European Commission's winter package of 2016.

The new regulation to strengthen gas supply security entered into force on November 1, 2017. For the first time, it contains guidelines for crisis prevention and defense in Europe's gas supply. A key measure in this respect is the creation of several groups of regionally linked member states. Measures are also planned to provide solidarity assistance to neighboring member states in the event that it is no longer possible to guarantee the supply of residential customers. These measures also provide for obligations for gas utilities to disclose certain content of significant long-term gas procurement contracts to relevant national authorities and the European Commission.

In the EU, the debate was also dominated by the negotiations on the withdrawal of the United Kingdom, while the reform of the EU Emissions Trading System ("EU ETS") was decided upon in November 2017 after more than two years of discussion. This reform includes, for example, the doubling of the allocation of certificates to the market stability reserve from 2019 onwards and the cancellation of excess emission allowances from the reserve from 2023. As a result, the supply of emission allowances on the market will become even more scarce from 2019 onwards. The market for these emission allowances has already reacted with a price increase.

Furthermore, the EU Commission's proposals from the winter package of November 30, 2016, under the name of "Clean Energy for all Europeans", with eight legislative proposals and numerous non-legislative documents, were further discussed in the European Parliament and in the European Council without any final decisions being made in 2017. These include, among other things, rules according to which the European electricity market will function in the future and how the market for renewable energies is to be structured.

Germany

The key political events in 2017 were numerous state elections and, above all, the federal elections in September. Against this background, there were only a few new energy policy initiatives to implement the energy transition. In June 2017, the Grid Charges Modernization Act was passed to harmonize the grid charges of German transmission grid operators. The new law also regulates the payments for grid-relieving feed-ins, termed avoided grid charges, which also affect Uniper, as it has several power plants. The law sets the amount of avoided grid charges for all existing power plants except photovoltaic and wind power plants on the basis of the prices of 2016.

In addition, the regulations for special network resources were revised: It is now up to the transmission grid operators to decide to tender for and contract out up to 1,200 megawatts of new generation plants or interruptible loads. In view of the existing legal separation of generation from the grid, these facilities should not be operated by grid operators. Since the final conditions for this will not be determined until 2018, it is not yet possible to make a clear statement about the impact on Uniper.

In August 2017, the new grid access regulation for gas came into force, which, among other things, provides for a single market area for gas in Germany by 2022 at the latest. This makes higher liquidity and transparency in the market likely, which could benefit Uniper.

Since a government has not yet been formed following the Bundestag elections on September 24, 2017, no further legislative proposals have been discussed apart from the submission of an amendment to the Ordinance on Access to Electricity Supply Networks.

Netherlands

In the Netherlands, the new government was formed by four parties on October 26, 2017, following long negotiations after the elections on March 15, 2017. In the energy and climate sector, the aim is to phase out coal-fired power generation by 2030 at the latest, in consultation with the operators of coal-fired power plants. Furthermore, the CO_2 price is expected to rise to €43 per metric ton by 2030 due to an additional national levy on the European CO_2 price. This minimum price is expected to be €18 per ton from 2019. From 2024 onwards, there will no longer be any new subsidies for the use of biomass in power plants. So far, these proposals are only agreements that are part of the coalition agreement and will still have to be implemented in laws.

France

The French capacity market was launched on January 1, 2017, following the approval by the European Commission under state-aid rules. Since then, several auctions have taken place for the delivery years 2017 to 2019. With its power plants, Uniper participated in almost all auctions in France in 2017 and due to the high availability of its plants it was able to achieve nearly maximum potential capacity in the capacity market.

Considerations on the introduction of a national carbon tax for coal-fired power plants were initially abandoned during the year. In July 2017, the French government announced that coal-fired power generation would be phased out by 2022. In September 2017, it also proposed the introduction of a Franco-German carbon tax, which would later be levied in other European countries, as this measure is an effective way of decarbonizing the power sector. No details on the transposition of these plans in national laws have been provided so far.

United Kingdom

The agreement of December 8, 2017, between the British Government elected in June 2017 and the European Commission contains commitments by the United Kingdom to allow the start of the second phase of the Brexit negotiations. These ongoing negotiations will establish transitional arrangements and regulate future trade relations between the EU and the UK. It can be assumed that this also includes the domestic energy market. The pending concrete contractual implementation of these projects will have an impact on the European carbon price and thus also on electricity prices and Uniper's ability to benefit from the common market. In February 2017, the British government launched a public consultation on coal-based power generation, the outcome of which confirmed, among other things, the termination of coal-fired power generation in 2025. The autumn budget of the government's draft budget proposed extending the current minimum carbon price of 18 British pounds per ton to March 2020 and raising this figure to 18.52 British pounds per ton from April 2020 to March 2021. The government also announced that no new carbon taxes would be introduced before 2025. This increases planning reliability for Uniper power plants in the United Kingdom. There were regular auctions for power plant capacities in February 2018 for winter 2018/2019 and for the year 2021/22. The majority of the Uniper power plants registered for the auctions were successfully included in them and were able to secure a temporary capacity agreement.

Russia

In Russia, formulas for calculating capacity prices were updated in February 2017 for capacities commissioned since 2010 under capacity supply contracts. Adjustments related to the recalculation of deductions for electricity market revenues and a final determination of the compensation of investment repayments originally planned for years eleven to fifteen after commissioning for years seven to ten. Price caps for capacity auctions were lifted in September 2017. As a result, capacity prices for 2014 rose significantly. In 2017, the regulator drew up a basic approach for a modernization program for existing power plant units. These regulations may have a positive effect on the profitable operation and modernization of Uniper power plants in Russia. The mechanisms for investment in modernization projects are to be completed by May 2018.

Sweden

In 2017, Sweden introduced tax relief for nuclear and hydroelectric power plants. This improved the economic situation of the Uniper plants in Sweden. The next important step towards the final implementation of the Swedish Energy Agreement is the introduction of the modernized environmental legal framework for hydropower as part of the national implementation of the EU Water Framework Directive. Legal implementation is expected in 2018. It will contain requirements for the operation of hydroelectric power plants in Sweden. However, its significance cannot be sufficiently determined until after the legislative proposals have been adopted.

Energy Industry

Despite increasing energy efficiency, energy consumption in Germany rose in 2017. According to preliminary figures from AGEB, an energy-industry working group, Germany consumed 462 million metric tons of coal equivalent ("MTCE"), 1% more than in 2016. In addition to the positive economic performance, the reason for this development was the cooler weather at the beginning of the year compared to the previous year.

In 2017, petroleum consumption rose by 3% year over year to about 160 million MTCE. Developments in the consumption of natural gas, hard coal and lignite are influenced by the electricity generation sector. For example, nuclear power generation fell by 10% as a result of changes in planned outages at power plants and the resulting downtimes of these plants. At the same time, the contribution of renewables increased by 6%. Natural gas consumption rose by 5% to 109 million MTCE in 2017. Consumption of hard coal declined by 10% to 51 MTCE. The consumption of lignite fell to 52 million MTCE, 1% below the level of the previous year.

Power generation from renewables increased by 6%. There was a significant increase of 34% in onshore and offshore wind generation. Generation from biomass remained constant at the previous year's level, while the feed-in of solar energy (photovoltaics and solar thermal) increased by 5%. Hydroelectric power generation (excluding pumped storage) fell by 4% due to weather conditions.

Primary Energy Consumption in Germany

Percentages	2017	2016
Petroleum	34.6	34.0
Natural gas	23.7	22.7
Hard coal	11.0	12.2
Lignite	11.2	11.4
Nuclear	6.1	6.9
Renewables	13.1	12.6
Other (including net power imports/exports)	0.3	0.2
Total	**100.0**	**100.0**

Source: AG Energiebilanzen

Electricity consumption in Northern Europe stagnated last year at 380 billion kWh. Electricity consumption in the United Kingdom was 217 billion kWh in the first three quarters, 2.5% lower than in the prior-year period. Electricity demand in France remained stable at 428 billion kWh in the first eleven months of the year, while electricity demand in Hungary reached 27.8 billion kWh in the first eight months of the year. Electricity consumption in Italy rose by 1.2% to 155 billion kWh in the first six months of the year. In Russia, electricity demand in the European price zone rose by 2% last year.

Similar to the situation in Germany, gas sales rose in France, Italy and Hungary. Based on initial estimates by natural gas pipeline companies, gas consumption in the United Kingdom fell by 2.9% to 56.2 billion m^3 in the first ten months of last year compared with the same period last year. In France and Italy, gas demand rose slightly in the first ten months of the year by 0.7% to 32.8 billion m^3 and by 7.4% to 54.3 billion m^3, respectively. In Hungary, gas demand rose by 11.8% to 7.4 billion m^3 in the first ten months of the year versus the prior-year period because of increased heating demand. These figures are based on the most recent statistics available, but do not include a full twelve-month period as described above in individual cases.

Energy Prices

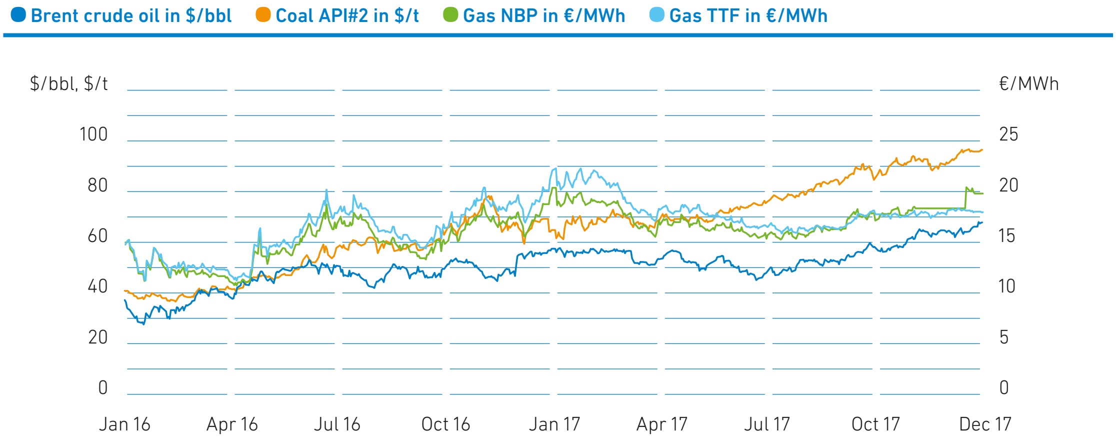
The energy markets in Europe were driven by four main factors in 2017:

- International commodity prices (especially oil, gas, coal and carbon-allowance prices)
- Macroeconomic and political developments
- Weather conditions
- Expansion of renewables capacity

Brent crude oil fell by up to 20% to less than $45 per barrel in the first half of the year. This was due chiefly to continued concern about oversupply due to strong U.S. production and the rapid recovery of supplies in Libya and Nigeria. Stronger oil demand combined with the OPEC/NON-OPEC production quota then stabilized the market over the summer of 2017; prices then rose sharply from the beginning of October 2017, driven mainly by geopolitical developments in the Middle East and additionally supported by stable global demand.

In the reporting period, coal prices rose from $70 per metric ton in the first quarter of 2017 to over $90 per ton by the end of the year, with coal prices continuing to benefit from supply-side consolidation and rising demand for imports, particularly from China, South Korea and the Mediterranean region. Temporary production shortfalls in producing countries, as well as prolonged strikes in Australia and South Africa, led to a further shortage of supply in the second half of 2017, while a recovery in the freight market and a weak U.S. dollar further strengthened the price of coal, which reached its highest annual average level since 2014.

Energy Price Movements for Oil, Coal and Gas in Uniper's Core Markets



Coal and gas: front-year contracts, Brent crude: front-month contract; original quotation of gas NBP in British pence per therm

In the first quarter of 2017, demand for withdrawals in the European gas market was high compared with the prior-year period. The underlying demand for gas was driven by the high use of gas for power generation, which was caused by the low availability of nuclear capacity in both France and Germany. Relatively cool temperatures during the winter peak also led to increased demand for heat.

It was not until warmer temperatures arrived, especially in March 2017, that the gas storage situation eased. Nevertheless, storage tanks were at relatively low levels to start the new storage year, which begins on April 1 of each calendar year. The demand for gas in the electricity sector was comparatively high. This was due to the lower availability of nuclear power plants in France mentioned above, reservoir deficits in several European countries and the change in input materials from coal-fired to gas power plants due to the comparative price advantages of gas power plants.

Despite the high level of Norwegian and Russian deliveries, the impact of the reduction in own production volumes in recent years and of relatively low LNG deliveries in Northwestern Europe, due to the exposure to global competition, was noticeable in the gas markets. At the end of the 2017 gas year, which ends on October 1 of each calendar year, the gas storage facilities in Europe were filled by around 5% below the levels of the previous year. However, this deficit was reduced to around 1.5% by the end of 2017.

European Union Allowance Price Movements

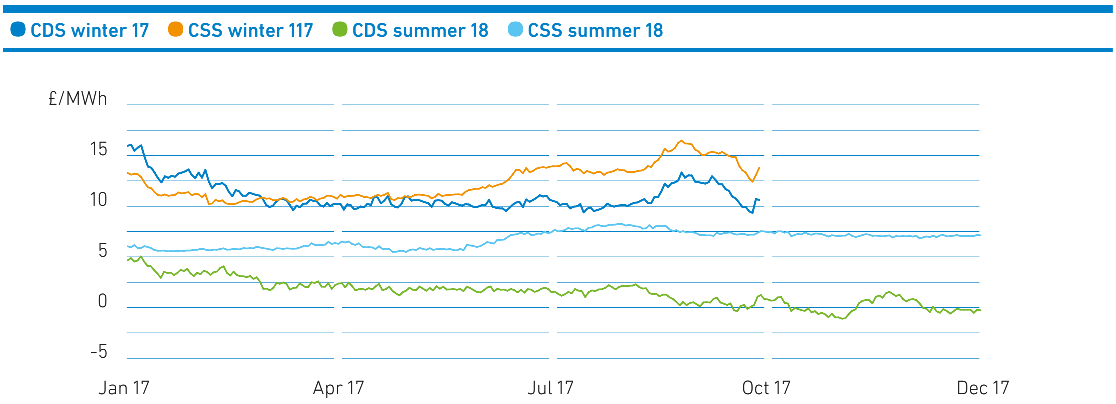
Price in €/t for front-year contracts

In European emissions trading, after a weak first half of 2017, a strong recovery in allowance prices began in the second half of 2017. In addition to an increase in demand for allowances—especially from the energy sector—the main drivers were political signals pointing toward a future supply shortage:

At the beginning of November 2017, the negotiators of the member states and the European Parliament agreed on the rules for the next trading period of emissions trading from 2021 onwards and on changes to the market stability reserve. The changes agreed upon will significantly reduce the number of new allowances beginning in 2019. The agreement was adopted by the Permanent Representatives of the Member States and by the European Parliament's Environment Committee at the end of November 2017.

At the same time, measures were adopted whose aim is to prevent the placement of emissions allowances in the market that would no longer be offset by an obligation to cover emissions, if the UK (or another member state) were to withdraw from emissions trading.

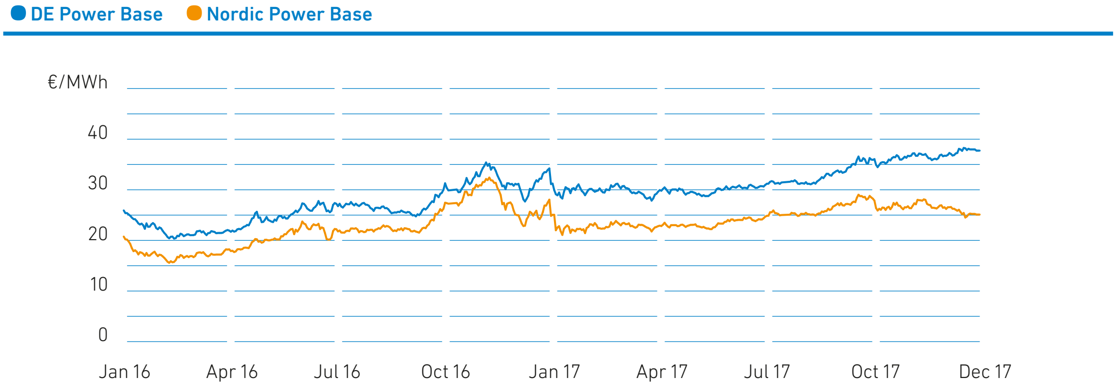
Movement of Clean Dark Spreads and Clean Spark Spreads in the UK



Electricity and gas: winter/summer contracts, coal: quarterly contracts, carbon: annual contracts incl. UK Carbon Price Support
CDS: Clean Dark Spread (efficiency 36.5%, emission factor: 0.33 t/MWh_{th})
CSS: Clean Spark Spread (efficiency 49.13%, emissions factor: 0.195 t/MWh_{th})

After a statistically cold winter, especially in the last quarter of 2016, electricity prices in the United Kingdom moved back into lower ranges during the summer months of 2017. As a result, apart from September 2017, coal-fired power plants played a negligible role in electricity generation. The introduction of the capacity market mechanism, which was postponed by one year, also ensured improved availability of power plants during the last four months of 2017, which is why price peaks, such as those seen in the previous year, did not occur. The use of power plants demonstrated that the Clean Dark Spreads (price difference between the market price and the costs for power generation with coal, including the cost of emission allowances), mainly during peak hours in the winter months, justified the profitable use of coal-fired power plants. By contrast, the Clean Spark Spreads (price difference between the market price and the costs for electricity generation with gas, including the costs for emission allowances) made the economical use of gas-fired power plants possible over the entire year in 2017.

Electricity Price Movements in Uniper's Core Markets

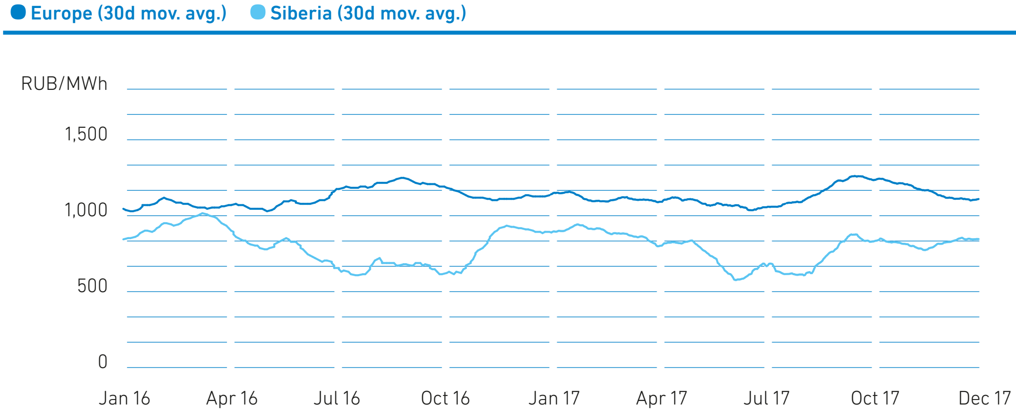


Prices in €/MWh for front-year contracts

The German electricity price for the front year remained relatively stable at a fairly low level in the first half of 2017 and then rose sharply due to several factors, such as higher coal and CO_2 prices and the euro's strength against the U.S. dollar. Another factor was the unavailability of some French nuclear power plants described above. The Clean Dark Spread increased during 2017, but the development of the Clean Spark Spread was much more significant—it initially developed positively in February 2017 due to low gas prices and higher electricity prices and then reached a record high in November 2017. Prices for 2019 and especially 2020 were driven mainly by political uncertainty about the future government and its consequences for the closure of coal-fired power plants.

For much of 2017, Nordic hydropower producers had effective control over their reservoirs, which had a balanced result for many months. By the end of 2017, the storage tanks were filled slightly above average, while the filling level at the beginning of 2017 was slightly below normal levels. Nordic prices were also positively impacted by the announcement by Danish and German transmission system operators that they would provide more transmission capacity between Denmark and Germany in the future. The gradual increase has a dampening effect on the difference between continental and Nordic prices, with a progressive effect on later delivery dates. After prices cooled off at the end of 2016, Nordic electricity prices moved largely sideways in the first half of 2017, until the upward trend seen in 2016 was resumed in the second half of 2017. The key driver here was the development of electricity prices in Western Europe, which benefited significantly from rising coal and emission allowance prices.

Price Movements in the Russian Power Market



Daily spot prices (30-day average)

Although the price trend on the Russian electricity market was subject to seasonal fluctuations, current prices (spot prices for the European and Siberian price zones) are back at the level of the beginning of 2017. Demand in the industrial sector in the European zone shows growth of 2.0% (+17.5 TWh) compared to 2016. This growth is offset by increased production from nuclear power of 4.1% (+7.3 TWh) and hydroelectric power plants of 10.2% (+6.1 TWh). Total demand in the Siberian price zone is down slightly by 0.7% (-1.9 TWh), due to mild temperatures in the winter months of January and February as well as in the autumn months of October and November. This effect was offset by relatively dry weather conditions with correspondingly lower generation from hydroelectric power plants in Siberia (a drop of 5.6% or 5.1 TWh), with the result that prices were at the previous year's level on an annual average.

Product Price Movements in Uniper's Core Markets

Product	Unit	Dec. 29, 2017	Jan. 2, 2017	Change	2017 high	2017 low
DE Power Base (Cal-18)	€/MWh	37.7	30.1	25%	38.2	28.0
Nordic Power Base (Cal-18)	€/MWh	25.4	25.5	0%	29.5	21.6
Brent Oil (Front Month)	$/bbl	66.9	56.8	18%	67.0	44.8
Coal API #2 (Cal-18)	$/metric ton	95.6	64.4	49%	96.7	60.8
Gas NBP (Cal-18)	€/MWh	17.3	19.8	-13%	19.8	16.0
Gas TTF (Cal-18)	€/MWh	18.3	18.6	-2%	18.7	15.7
Carbon E U A (Dec-18)	€/metric ton	8.2	6.2	32%	8.2	4.4
British CDS Base (Sum-18)	£/MWh	7.2	6.2	15%	8.5	5.3
British CSS Peak (Sum-18)	£/MWh	-0.3	5.6	-106%	5.6	-1.3

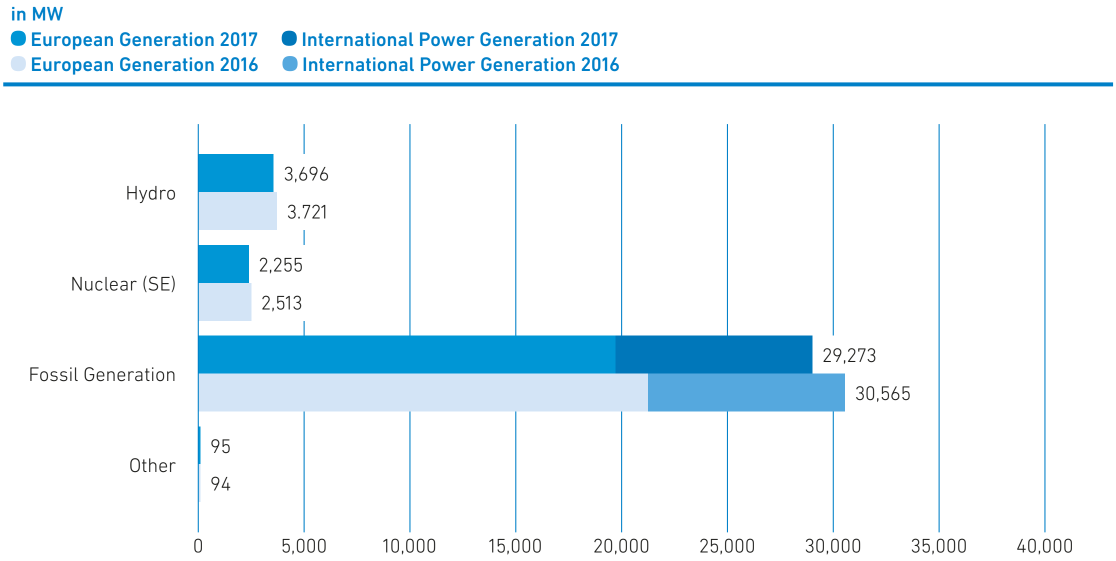
CDS: Clean Dark Spread (efficiency 36.5%, emission factor: 0.33 t/MWh_{th})
CSS: Clean Spark Spread (efficiency 49.13%, emission factor: 0.195 t/MWh_{th})

Business Performance

Generation Capacity

The Uniper Group's attributable generation capacity (the capacity that reflects Uniper's ownership interest in the power plants) fell to 35,318 MW or 4.3% (1,575 MW) below that of the previous year (36,893 MW).

Uniper Group: Legally Attributable Generation Capacity[1]

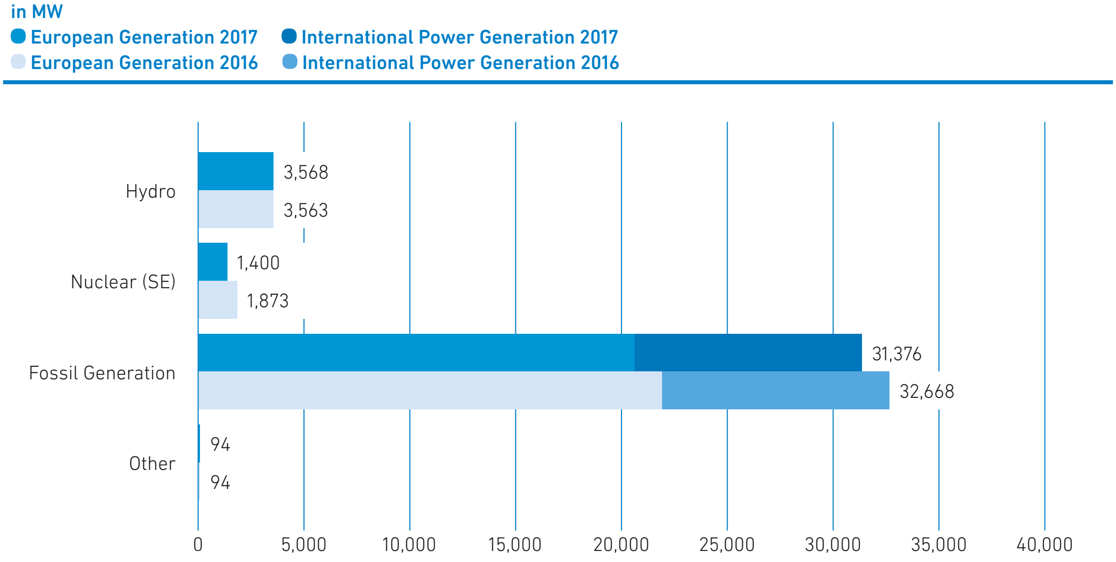


[1]Any rounding differences between individual volumes and totals are accepted.

Changes in the Group's conventional generation assets primarily reflect the disposal of the Vilvoorde plant in Belgium and the decommissioning of the Maasvlakte 1 and 2 power plant units in the Netherlands. In Swedish nuclear generation, the operation of Oskarshamn 1 was discontinued in 2017. This was counteracted by increases in output at the Irsching power plant in Germany and the Cottam power plant in the United Kingdom.

Fully consolidated generation capacity also fell from 38,198 MW by 4.6% (1,760 MW) to 36,438 MW. The reasons outlined above also apply here.

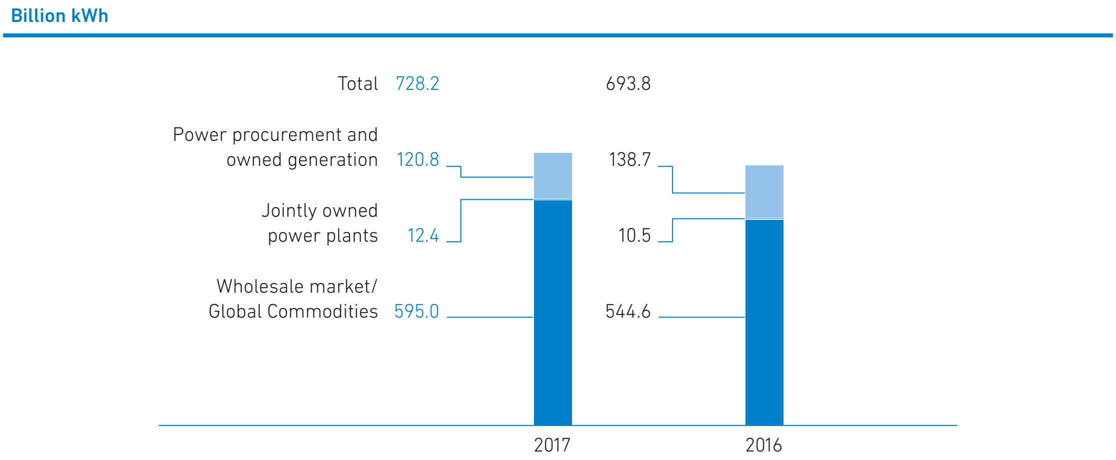
Uniper Group: Fully Consolidated Generation Capacity



Power Procurement and Owned Generation

In 2017 the amount of electricity generated by our own power plants stood at 120.8 billion kWh, down 17.9 billion kWh, or 12.9%, from the previous year. Purchased electricity, on the other hand, increased by 50.4 billion kWh, or 9.3%, to 595.0 billion kWh.

Power Procurement and Owned Generation



The European Generation segment's owned generation amounted to 72.4 billion kWh, 11.6 billion kWh (13.8%) below the previous year's level of 84.0 billion kWh. This was mainly due to deteriorating market conditions for gas- and coal-fired power plants in the United Kingdom and Germany. There were also effects from the decommissioning of the Oskarshamn 1 nuclear power plant unit in Sweden and of the Maasvlakte 1 and 2 power plant units in the Netherlands. The prolonged shutdown of the Oskarshamn 3 nuclear power plant unit was slightly more than compensated for by higher hydroelectric power generation in Sweden due to higher water inflows. Furthermore, capacity constraints in the French electricity market led to higher generation by fossil-fuel power plants.

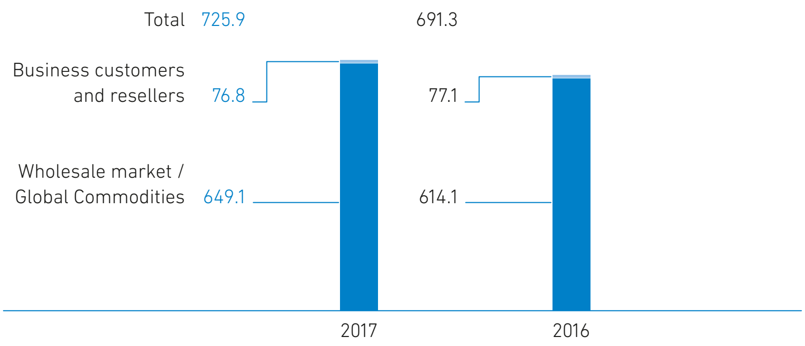
In the International Power Generation segment (Russia), owned generation declined by 6.3 billion kWh, or 11.5%, from 54.7 billion kWh to 48.4 billion kWh. This was mainly due to the higher downtimes of the Surgutskaya power plant, whose capacities were placed in cold reserve more frequently than in the previous year, and to general overhauls of the Shaturskaya and Surgutskaya power plants (Unit 8).

Electricity Sales

In 2017, electricity sales of the Uniper Group stood at 725.9 billion kWh, 5.0% above the previous year's sales of 691.3 billion kWh.

Electricity Sales[1, 2]

Billion kWh



[1]Difference from power procurement is caused by internal use and network losses.
[2]Any rounding differences between individual volumes and totals are accepted.

The shifts in electricity sales volumes mainly result from electricity trading and portfolio optimization in the Global Commodities segment.

Alongside electricity trading on the energy markets, a portion of Uniper Group's electricity sales to major customers such as municipal utilities and industrial customers in Germany and in Europe is transacted through an internal sales unit, Uniper Energy Sales GmbH ("UES"). In addition to sales, UES also handles marketing for the Uniper Group. It also offers its customers services in consulting, service and the electricity sector. Electricity sales by UES in fiscal 2017 came to 46.0 billion kWh, slightly below the previous year (49.8 billion kWh). The decrease is mainly due to expiring contracts with customers: in an intensely competitive environment, UES faces aggressive pricing policies on the part of its competitors.

Gas Procurement

In 2017, the Global Commodities segment procured roughly 1,977.2 billion kWh of gas from domestic and foreign producers and at gas trading points. Gas procurement increased in comparison to the previous year's figure (1,760.1 billion kWh).

Long-Term Gas Supply Contracts

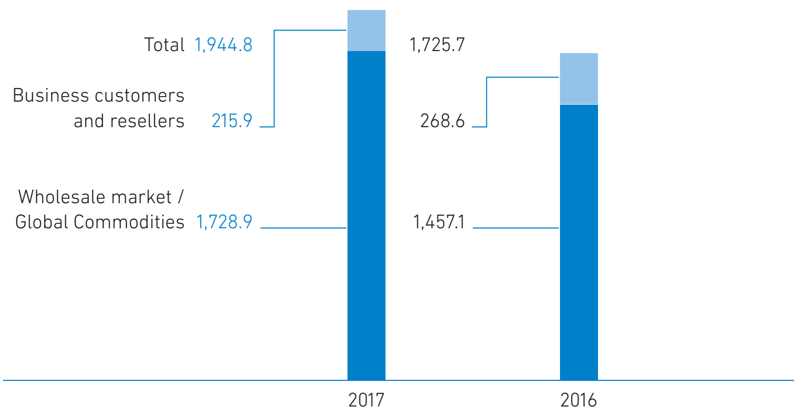
The procurement of gas takes place to a significant extent on the basis of various long-term contracts with gas producers. The gas required by the Uniper Group is supplied mainly by providers in Germany, the Netherlands, Norway and Russia. In 2017, 406 billion kWh of gas were purchased via long-term contracts (2016: 407 billion kWh).

Gas Sales

The Uniper Group's gas sales increased to 1,944.8 billion kWh in 2017, significantly higher than the previous year's sales (1,725.7 billion kWh).

Gas Sales

Billion kWh



The shifts in gas sales relate to the Global Commodities segment. The increase is driven mainly by significantly higher activities at gas trading points. In addition, there was a decline in sales to business customers and resellers due to the intense competitive environment.

Alongside gas trading in energy markets, a portion of the Uniper Group's gas sales is transacted through the internal sales unit UES by means of long-term contracts with major customers such as municipal utilities, regional gas suppliers, industrial customers and power plants in Germany and abroad. The volume of gas sold by the UES in fiscal 2017 came to 213.2 billion kWh, which is significantly below the previous year (259.0 billion kWh). The decrease is mainly due to lower contracted volumes.

Gas Storage Capacity

Uniper Energy Storage GmbH is responsible for the operation of gas storage for Uniper Group. Its activities include technical and commercial development, the construction and operation of underground storage facilities for natural gas, the marketing of capacities, services and products on the European storage market and the development of new storage technologies. Uniper Energy Storage GmbH manages natural gas storage facilities in Germany, Austria and through a subsidiary in the UK. In 2017, gas storage capacity stood at 8.2 billion m^3, slightly below the level of the previous year (8.5 billion m^3), due primarily to the sale of gas storage facilities.

Business Development and Key Events in 2017

During the past fiscal year, Uniper achieved an adjusted EBIT of €1.1 billion. The result was therefore exactly at the midpoint of the published forecast of between €1.0 billion and €1.2 billion.

Cash-flow investment in fiscal 2017 amounted to €843 million and was therefore likewise within the expected range of €750 to €850 million previously communicated.

Compared with the end of 2016, the economic net debt of €4.2 billion decreased by more than €1.7 billion to €2.4 billion. This is mainly attributable to the high operating cash flow and proceeds from divestments, mainly due to the sale of the stake in the Russian Yuzhno-Russkoye gas field.

The following events had a significant impact on business in 2017:

At the beginning of the year, the transfer of Uniper-related services and assets of E.ON's integrated service provider, E.ON Business Services ("EBS"), into the Uniper Group was initiated. Related employees in IT Services, HR Services and Financial Services were successfully integrated into different Uniper units. Before the transfer, the corresponding services and tasks had been purchased from EBS on the basis of service level agreements.

In January 2017, Uniper received the requisite permit for the Datteln 4 power plant pursuant to immission-control laws and continues to make progress on the road to commissioning. During the trial run, cracks occurred in the heating surfaces of the steam generator, which are currently being investigated by the manufacturer. For this reason, Uniper does not expect to be able to bring the plant into service before the fourth quarter of 2018.

Uniper Exploration & Production GmbH successfully completed the sale of its Russian gas field investment Yuzhno-Russkoye to the Austrian oil and gas company OMV Exploration & Production GmbH (OMV), which was announced on March 5, 2017. The Russian authorities and the co-partners have issued all approvals necessary for the sale. The sale price for Uniper's stake of around 25% is €1,749 million plus the liquid funds carried over based on the Company's balance sheet as of December 31, 2016. The transaction will be retroactively effective as of January 1, 2017. Taking into account the dividends collected earlier in 2017, Uniper received €1,719 million upon the completion of the transaction at the end of November 2017.

Given the lack of viable market prospects, Uniper and its co-owners of the Irsching 5 gas-fired power plant, and Uniper as the sole owner of the Irsching 4 gas-fired power plant, have once again announced the preliminary closure of the two units to the German Federal Network Agency and the network operator TenneT on March 29, 2017. TenneT has since designated both of the power plant units as system-relevant, which means that they will remain in reserve operation until April 30, 2019.

In April and June 2017, Uniper and four other European energy companies signed a financing agreement with Nord Stream 2 AG, the company responsible for the planning, construction and future operation of the Nord Stream 2 gas pipeline. As part of the agreement, Uniper has pledged financing of up to €950 million (corresponding to 10% of the currently expected total cost of the project). Uniper has provided a long-term funding facility of €285 million for about 30% of its financing commitment, which was almost completely drawn down by Nord Stream 2 AG as of December 31, 2017. The remaining financing commitments are intended as security for the planned additional funding of the project through banks in the context of project financing of Nord Stream 2 AG. At the end of July 2017, the U.S. administration, through the Department of State, released public guidance on the implementation of the sanctions legislation relating to Russian energy export pipelines to exclude financing contracts for such services signed before August 2, 2017, from the scope of the law.

Levels and flows of water in the rivers feeding the German hydroelectric power plants were below those recorded in the previous year; this was offset by significantly higher water volumes in Sweden compared with the previous year. At the Swedish nuclear power plants, the recommissioning of the Ringhals 2 plant in December 2016 made a positive impact that was mainly diminished by the closure of the Oskarshamn 1 power plant and the unavailability of the Ringhals 1 plant. Reduced taxation of nuclear power plants and the reduced property tax on hydroelectric power plants in Sweden contributed positively to earnings.

In addition, 2017 saw the electricity market in Northwestern Europe undergo a difficult phase, brought about primarily by capacity constraints that arose from the unavailability of nuclear facilities in France. Through increased utilization, the Uniper power plants contributed to the security of supply in France during this period.

With its gas-storage and gas-optimization portfolio, Uniper made a contribution to the security of supply in continental Europe in 2017 and generated additional short-term optimization income in the process.

In 2017, Uniper's Russian majority shareholding Unipro received the expected remaining insurance payment of €310 million (RUB 20.4 billion) for damage caused by a boiler fire in the Berezovskaya 3 power plant unit. The progress of the restoration project is in line with the cost and time expectations announced in August 2017, with a scheduled resumption of operations in the third quarter of 2019. As of the end of 2017, a further investment of around RUB 21 billion was required.

The movement of the Russian ruble's exchange rate had an additional positive effect on business in 2017.

Changes in Ratings

On January 18, 2018, the rating agency S&P Global Ratings confirmed Uniper's BBB- rating with a positive outlook from April 2017. The positive outlook reflects the possibility of a rating improvement to BBB, provided that the change in shareholder structure does not have a negative impact on the sustained improvement of the financial figures after the sale of the stake in the Russian gas field Yuzhno-Russkoye, due to a change in Uniper's independence, strategy and financial policy.

Uniper is also rated by Scope Ratings AG, which gave Uniper a rating of BBB+ with a stable outlook in June 2017. The agency particularly emphasizes the further reduction of net debt following the successful completion of the sale of the stake in the Russian gas field Yuzhno-Russkoye.

Earnings

Transfer Pricing System

All energy-related contracts with Uniper Group companies are accounted for at market prices or market-price-based transfer prices. The transfer prices are derived from current forward prices for a specified time (from one month to three years) prior to delivery.

The existing energy-related contracts with the power plant companies were terminated by Uniper Global Commodities SE (UGC) at the end of 2017 and replaced with new contracts. As of 2018, a new transfer pricing system will be introduced in which UGC hedges the expected electricity production of the power plant companies by entering into hedging transactions at current market prices as part of a portfolio management contract. These changes have no substantial effect on the future asset situation, financial condition and earnings of UGC and the Uniper Group.

Sales Performance

Sales revenues rose from €67,285 million in the previous year by 7%, to €72,238 million in the 2017 fiscal year. The increase in sales is primarily attributable to higher sales and higher volumes in the gas business of the Global Commodities segment due to increased prices. In addition to the increase in sales revenues in the gas business, sales revenues in the electricity business also increased due to higher volumes.

Sales

€ in millions	2017	2016	Changes (percentages)
European Generation	7,107	6,835	4.0
Global Commodities	71,034	66,465	6.9
International Power Generation	1,170	1,063	10.1
Administration/Consolidation	-7,073	-7,078	0.1
Total	**72,238**	**67,285**	**7.4**

European Generation

Sales revenues in the European Generation segment rose compared with the previous year, from €6,835 million by €272 million to €7,107 million in 2017.

The increase in sales is primarily attributable to higher generation by fossil-fuel power plants in France, which benefited from capacity constraints in the French electricity market.

Global Commodities

Sales revenues in the Global Commodities segment rose from €66,465 million in 2016 by €4,569 million to €71,034 million in 2017.

The increase in sales is primarily attributable to increased trading activities in the electricity business. Sales additionally increased in the gas business due to higher prices and increased sales at gas trading points.

International Power Generation

Sales revenues in the International Power Generation segment rose by €107 million in comparison to the previous year, from €1,063 million in 2016 to €1,170 million in the 2017 fiscal year.

The higher sales were attributable, in particular, to positive currency translation effects, which more than compensated for the absence of capacity payments for Unit 3 of the Berezovskaya power plant, which had been shut down in February 2016.

Administration/Consolidation

This reconciliation item consists primarily of consolidation entries, which decreased by €5million from -€7,078 million in 2016 to -€7,073 million in the 2017 fiscal year.

Sales revenues by product break down as follows:

Sales

€ in millions	2017	2016	Changes (percentages)
Electricity	28,777	27,623	4.2
Gas	38,560	37,146	3.8
Other	4,901	2,516	94.8
Total	**72,238**	**67,285**	**7.4**

Significant Earnings Trends

The net loss of the Group improved to €538 million (previous year: -€3,234 million). Income before financial results and taxes increased to -€88 million (previous year: -€3,973 million).

The principal factors driving this earnings trend are presented below:

In 2017, the cost of materials increased to €69,479 million (2016: €63,535 million). The increase in the cost of materials is primarily attributable to higher volumes in electricity procurement and to higher volumes and prices in gas procurement. Accordingly, the trend in the cost of materials was almost identical to the trend in sales. The cost of materials was further increased by the non-recurrence of expense reductions achieved in the previous year from the reversal of a provision (€383 million) that had resulted from an adjustment of price terms in long-term gas delivery contracts to reflect current market conditions.

Personnel costs declined year over year by €188 million to €991 million (2016: €1,179 million). Aside from cost-cutting, this reduction is attributable to lower restructuring expenses than in the previous year. The decline was also due to lower expenses for wages and salaries and lower social security contributions, mainly as a result of the measures taken under the restructuring programs and the associated reduction in the workforce. The integration of the service functions of EBS, which in the previous year were reported as purchased services under other operating expenses, and an increase in expenses for company pension plans had a slightly offsetting effect.

Impairments on property, plant and equipment recognized in the 2017 fiscal year totaled €344 million (2016: €3,279 million). The decrease was mainly attributable to significantly lower impairments in the European Generation and Global Commodities segments. Amortization of property, plant and equipment and intangible assets in the 2017 fiscal year fell to €631 million (2016: €743 million). This is due in particular to lower depreciation volumes resulting from impairment charges on property, plant and equipment in the previous year. In addition, goodwill impairment charges of €224 million (2016: €0 million) were recorded in connection with the sale of the stake in the Yuzhno-Russkoye gas field in Russia.

Other operating income increased in the 2017 fiscal year to €9,999 million (2016: €7,477 million). This increase resulted especially from higher gains on derivative financial instruments, which rose to €8,128 million (2016: €4,714 million), caused primarily by the marking to market of commodity derivatives. Other operating income was increased further by the award of insurance payments as a consequence of the damage sustained in the previous year by the Berezovskaya 3 power plant unit in Russia. This was offset by the non-recurrence of €528 million in gains recognized in the previous year on the disposal of the shares in PEG Infrastruktur AG ("PEGI"), including its equity interest in Nord Stream AG. In addition, income from exchange rate differences fell to €874 million (2016: €1,163 million).

Other operating expenses increased in fiscal 2017 to €10,810 million (2016: €10,004 million). This increase is primarily attributable to higher losses on derivative financial instruments, which rose to €7,982 million (2016: €6,404 million), mainly due to the marking to market of commodity derivatives. In addition to this, the increase in other operating expenses results from the recognition of amounts previously recognized in other comprehensive income from currency translation (€890 million) as an expense in connection with the sale of the investment in the Russian Yuzhno-Russkoye gas field. This was offset by the non-recurrence of expenses for the formation of a provision for contingency reserves in the Global Commodities segment (€1,068 million) included in the prior year and a provision for German real estate transfer tax incurred in the context of the spin-off (€236 million). The loss on disposal of property, plant and equipment (€176 million) in the prior year, which resulted from a fire in unit 3 of the Berezovskaya power plant in Russia, was also eliminated.

Reconciliation of Income/Loss before Financial Results and Taxes

Unadjusted earnings before interest and taxes ("EBIT") represents the Uniper Group's income/loss before financial results and taxes in accordance with IFRS, taking into account the net income/loss from equity investments.

Unadjusted EBIT is adjusted for certain non-operating effects in order to increase its meaningfulness as an indicator of the operating performance of Uniper's business.

The non-operating effects on earnings for which EBIT is adjusted include, in particular, income and expenses from the fair value measurement of derivative financial instruments used in hedges and, where material, book gains/losses, expenses for restructuring / cost-management programs initiated prior to the spin-off and impairment charges/reversals on non-current assets, on companies accounted for under the equity method and other long-term financial assets and on goodwill in the context of impairment tests, as well as other contributions to non-operating earnings.

Reconciliation of Income/Loss before Financial Results and Taxes

€ in millions	2017	2016
Income/Loss before financial results and taxes	**-88**	**-3,973**
Net income/loss from equity investments	-24	10
EBIT	**-112**	**-3,963**
Non-operating adjustments	1,226	5,325
Net book gains/losses	*890*	*-522*
Marking to market of derivative financial instruments	*-88*	*1,636*
Restructuring / Cost-management expenses[1, 2]	*18*	*344*
Non-operating impairment charges (+)/reversals (-)[3]	*400*	*2,921*
Miscellaneous other non-operating earnings	*6*	*946*
Adjusted EBIT	**1,114**	**1,362**

[1]Expenses for restructuring/cost-management in the Global Commodities segment included depreciation and amortization of €14 million in 2017 (2016: €16 million).
[2]Expenses for restructuring/cost-management do not include expenses incurred for the current restructuring program and its related subprojects.
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the statement of income since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring / cost-management expenses and in miscellaneous other non-operating earnings.

Owing to the adjustments made, the earnings items shown here may differ from the figures determined in accordance with IFRS.

Net Book Gains/Losses

In the reporting period, the sale of the interest in the Russian Yuzhno-Russkoye gas field to the Austrian oil and gas company OMV was completed. The disposal at the end of November 2017 resulted in a loss of €890 million due to the reclassification to the income statement of losses from currency translation previously recognized directly in equity as accumulated other comprehensive income.

The net book gains in 2016 amounting to €522 million had resulted primarily from the disposal of PEGI, including its equity interest in Nord Stream AG, and the disposal of part of Uniper's stake in AS Latvijas Gāze.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement of derivatives used to hedge the operating business against price fluctuations generated income of €88 million as of the December 31, 2017 reporting date (2016: -€1,636 million).

Restructuring / Cost Management

In 2017, restructuring and cost-management expenses decreased by €326 million year over year. They amounted to €18 million in 2017 (2016: €344 million). The reduction resulted primarily from a one-time expense of €236 million for real-estate transfer taxes that arose in the context of the spin-off in 2016.

Non-operating Impairments

Non-operating impairments reduced by reversals in the net amount of -€400 million were recorded in the reporting period (2016: -€2,921 million).

The decrease relative to the previous year resulted primarily from the fact that impairment charges were recognized in the prior-year period at a level that was not required in 2017. In addition, a non-operating impairment of the goodwill allocated to Yuzhno-Russkoye was carried out.

Miscellaneous Other Non-operating Earnings

Miscellaneous other non-operating earnings amounted to -€6 million in the 2017 fiscal year (2016: -€946 million). The improvement was mainly due to the fact that a provision for onerous contracts, which was recognized in the income in 2016, did not have to be recognized in 2017.

Adjusted EBIT

Segments

The following table shows adjusted EBIT for fiscal 2017 and 2016 broken down by segment.

Adjusted EBIT

€ in millions	2017	2016	Changes (percentages)
European Generation	337	126	167.5
Global Commodities	341	1,327	-74.3
International Power Generation	616	106	481.1
Administration/Consolidation	-180	-197	8.6
Total	**1,114**	**1,362**	**-18.2**

European Generation

Adjusted EBIT in the European Generation segment increased from €126 million in the previous year by €211 million to €337 million in 2017.

This positive development is primarily attributable to the impairments recognized on fossil-fuel power plants in 2016, and the resulting reduction of depreciation expense, as well as to negative one-off effects from 2016 such as the formation of provisions for nuclear waste management obligations in Sweden and the formation of provisions for the Voyager restructuring program. In addition, cost savings, the re-commissioning of the Ringhals 2 nuclear power plant in Sweden at the end of 2016, and higher revenues from system services led to an increase in earnings in 2017; the reduction in taxes on hydroelectric and nuclear power plants in Sweden also boosted earnings.

These effects were partially offset by negative price developments in the European wholesale electricity markets.

Global Commodities

Adjusted EBIT in the Global Commodities segment fell from €1,327 million in the previous year by €986 million to €341 million in 2017.

Adjusted EBIT was substantially affected by the non-recurrence of the positive prior-year effect on income from the reversal of provisions for past delivery periods following the successful conclusion of price negotiations for long-term gas procurement contracts. The agreement reached related to the adjustment of price terms to reflect current market conditions. Additionally reflected was the non-recurrence of exceptionally positive results from optimization activities in the prior-year period, especially in the gas business.

International Power Generation

Adjusted EBIT in the International Power Generation segment rose by €510 million from €106 million in 2016 to €616 million in 2017.

The full remittance of the insurance payment and the elimination of the partial derecognition of property, plant and equipment for a damaged boiler, caused by the temporary shutdown of the 800 MW unit of the Berezovskaya power plant in February 2016 as the result of an accident, made a positive impact on adjusted EBIT. Further positive effects stemmed from higher tariff payments for new capacity and the movement of the Russian ruble.

Administration/Consolidation

The adjusted EBIT attributable to the reconciliation item Administration/Consolidation improved from -€197 million in 2016 by €17 million to -€180 million in fiscal 2017.

Adjusted Funds from Operations

Adjusted FFO for the 2017 fiscal year amounted to €753 million, a year-over-year increase of €274 million (2016: €479 million). The payment of the insurance benefit for damages in the Berezovskaya 3 power plant unit caused by a boiler fire and the elimination of the use of provisions due to the conclusion of price negotiations for long-term gas procurement contracts in 2016 had a positive effect compared with the previous year; this was partly offset by the absence of extraordinary income from gas optimization activities from the previous year.

Financial Condition

Uniper presents its financial condition using ratios including economic net debt and operating cash flow before interest and taxes ("OCFbIT"), among others.

Finance Strategy

Uniper strives for a healthy balance between shareholder dividends and balance sheet stability. Accordingly, Uniper's finance strategy rests on three pillars: dividend policy, debt-to-equity ratio and a comfortable investment-grade rating.

As a target for dividend payments, Uniper aims to achieve a payout ratio of at least 75% and up to 100% of the free cash flow from operating activities ("FCfO"). FCfO is determined by deducting cash amounts paid for investments in non-current assets in connection with procurements of replacement components and maintenance from adjusted FFO. A dividend of €271 million is to be proposed to shareholders for the 2017 fiscal year.

Overall, Uniper aims to achieve a debt factor, i.e., a ratio of economic net debt to adjusted EBITDA, of less than 2.0, including when IFRS 16, "Leases," is applied in the future. In combination with the realized asset disposals of more than €2.0 billion, Uniper had very comfortably achieved its target leverage ratios by the end of 2017.

These ratios are in line with Uniper's target of achieving a comfortable investment-grade rating. Uniper aims to achieve this rating target in order to be able to ensure appropriate conditions for its business activities, particularly in the Global Commodities segment, in the long term.

Financing Policy and Initiatives

Borrowing represents an important source of financing for Uniper. Uniper primarily uses flexible financing instruments such as revolving credit facilities and a commercial paper program for external financing.

Uniper SE's syndicated bank financing is currently provided by a total of 16 banks. This financing was divided into two tranches: a €2.0 billion loan with a term of three years, which was fully repaid in the first quarter of 2017, and a revolving credit facility of an additional €2.5 billion with an original term until June 2019 (not drawn as of December 31, 2017). In 2017, with the consent of the banks, this revolving credit facility was extended for a further year until June 2020; an extension option makes it possible to extend it for another year with the consent of the banks. This revolving credit facility is available to Uniper as a general liquidity reserve. The €1.0 billion commercial paper program serves primarily to finance current assets.

The Debt Issuance Programme ("DIP"), which was first launched in November 2016, is a flexible instrument for issuing bonds to investors in the context of public, syndicated and private placements. The volume, currencies and maturities of the bonds to be issued depend on Uniper's financing requirements. The usable amount under the program, which expired in November 2017, amounted to €2.0 billion. The bond program is scheduled to be updated in the first half of 2018 in the same amount.

Financial Liabilities

€ in millions	Dec. 31, 2017	Dec. 31, 2016
Bonds[1]	499	498
Other financial liabilities (including liabilities to affiliated companies)	1,424	2,372
Total	**1,923**	**2,870**

[1]Nominal amount of €500 million, see Note 24 to the Consolidated Financial Statements.

Uniper additionally has arranged various guarantee credit lines with banks to cover guarantee requirements in its operations. Note 24 to the Consolidated Financial Statements contains more information about outstanding Uniper bonds and financial liabilities.

Debt

Compared with December 31, 2016, Uniper's economic net debt fell by €1,722 million to -€2,445 million as of December 31, 2017, (2016: -€4,167 million). The divestment of Uniper's stake in the Russian gas field Yuzhno-Russkoye in the amount of around €1.75 billion plus liquid assets had a major impact on this development. The operating cash flow primarily covered investments and the dividend payment, so that there was no significant change in the net financial position. A slight decline in provisions for pensions and disposal management increased the positive change in economic net debt.

Financial liabilities decreased by €947 million in 2017. In the first quarter of 2017, Uniper SE repaid in full a loan in the amount of €800 million as of December 31, 2016, which was part of the syndicated bank financing agreement. In addition, neither the revolving credit line nor the commercial paper program were used as of December 31, 2017.

Economic Net Debt

€ in millions	Dec. 31, 2017	Dec. 31, 2016
Liquid funds	1,027	341
Non-current securities	104	160
Financial liabilities	-1,923	-2,870
Net financial position	**-792**	**-2,369**
Provisions for pensions and similar obligations	-676	-785
Provisions for asset retirement obligations[1]	-977	-1,013
Economic net debt	**-2,445**	**-4,167**

[1]Reduced by receivables from the Swedish Nuclear Waste Fund.

Investments

Investments

€ in millions	2017	2016
Investments		
European Generation	*518*	*494*
Global Commodities	*49*	*99*
International Power Generation	*222*	*187*
Administration/Consolidation	*54*	*1*
Total	**843**	**781**
Growth	*451*	*381*
Maintenance and Replacement	*392*	*400*

Investments of the Uniper Group as a whole were above prior-year level.

The development in the European Generation segment is attributable primarily to higher growth investments for the Datteln 4 site, which were partially offset by the lower investment required in Maasvlaakte in 2017 due to the completion of the third power plant unit in 2016. This was offset by lower maintenance investments, mainly in coal and gas-fired power plants as well as in German and Swedish hydroelectric power plants.

The reduction in the Global Commodities segment resulted from lower spending on growth investments relative to the prior-year. In the previous year, investments were mainly made in two companies based in the United Arab Emirates.

Investments in the International Power Generation segment totaled €222 million, €35 million more than the €187 million reported for the prior-year period. This increase is due mainly to the investment in the repair of Unit 3 of the Berezovskaya power plant.

The increase in the Administration/Consolidation reconciliation item relative to the year 2016 was mainly due to the transfer of assets in connection with the integration of service functions of EBS into the Uniper Group.

Cash Flow

Cash Flow

€ in millions	2017	2016
Cash provided by (used for) operating activities (operating cash flow)	**1,385**	**2,184**
Cash provided by (used for) investing activities	**517**	**-328**
Cash provided by (used for) financing activities	**-1,129**	**-2,000**

Cash Flow from Operating Activities (Operating Cash Flow), Operating Cash Flow before Interest and Taxes

Cash provided by operating activities (operating cash flow) declined by €799 million to €1,385 million in 2017 (2016: €2,184 million). The principal driver of this reduction in operating cash flow was a comparatively low outflow for gas procurement under long-term supply contracts in the prior year due, in particular, to changes in the timing of payments. Operating cash flow had additionally been augmented in the prior-year period by extraordinary income from gas optimization activities and by a one-time payment made by the Finnish energy utility Fortum in relation to its pro-rata assumption of costs for the partial decommissioning of the Oskarshamn nuclear power plant in Sweden.

There were positive effects from the insurance payment for the damage caused by a boiler fire in the Berezovskaya 3 power plant unit and, compared with the prior-year period, from the elimination of the use of provisions due to the conclusion of the price negotiations for long-term gas procurement contracts in 2016.

The following table presents the reconciliation of cash flow from operating activities to operating cash flow before interest and taxes:

Operating Cash Flow before Interest and Taxes

€ in millions	2017	2016	Difference
Operating cash flow	**1,385**	**2,184**	**-799**
Interest payments	1	186	-185
Tax payments	332	-6	338
Operating cash flow before interest and taxes	**1,718**	**2,364**	**-646**

Cash Flow from Investing Activities

Cash flow from investing activities increased by €845 million from -€328 million in 2016 to €517 million in the 2017 fiscal year. The €1,796 million increase in proceeds from divestments (2016: €1,235 million), which resulted mainly from the sale of the Russian Yuzhno-Russkoye gas field investment, had a positive impact. This was offset by the non-recurrence of the sale of the stake in PEGI, including its holding in Nord Stream AG to E.ON Beteiligungen GmbH.

In addition, lower payments to the Swedish nuclear fund in the European Generation segment, as well as lower payments for loans to majority shareholders of nuclear power plants in Sweden, resulted in a higher cash flow from investing activities.

Cash Flow from Financing Activities

In 2017, cash used for financing activities amounted to -€1,129 million (2016: -€2,000 million). The increase compared with the previous year is attributable to special effects in 2016. This is mainly due to the fact that financial liabilities to the E.ON Group were repaid in the first quarter of 2016 and therefore did not have a negative effect on cash flow from financing activities in the 2017 fiscal year. This was offset in 2017 by the repayment of the €800 million syndicated bank financing agreement and the first dividend payment to Uniper shareholders in the amount of €201 million.

Assets

Consolidated Assets, Liabilities and Equity

€ in millions	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	22,877	27,199
Current assets	20,284	21,672
Total assets	**43,161**	**48,871**
Equity	12,789	12,803
Non-current liabilities	11,713	15,272
Current liabilities	18,659	20,796
Total equity and liabilities	**43,161**	**48,871**

Non-current assets as of December 31, 2017, declined relative to the previous year, from €27,199 million to €22,877 million. The principal reason for this was the sale of the assets associated with the company AO Gazprom YRGM Development and of the stake in the company OAO Severneftegazprom, in the amount of approximately €1,848 million. In addition, there was a reduction of €1,315 million in deferred tax assets resulting primarily in relation to provisions and liabilities. There was a valuation-related decrease of €630 million in receivables from derivative financial instruments.

Current assets fell from €21,672 million as of December 31, 2016, to €20,284 million. The primary causes of the decline were the valuation-related reduction in receivables from derivative financial instruments from €10,139 million by €1,898 million to €8,241 million, and the decrease in trade receivables from €7,353 million by €227 million to €7,126 million. These were offset by the increase in liquid funds to €686 million.

Equity as of December 31, 2017 remained almost unchanged at €12,789 million compared with €12,803 million in the previous year. The net loss of the Group made a negative contribution of €538 million to equity. The dividend distributed to Uniper shareholders in the second quarter of 2017 in the amount of €201 million offset some of this increase. The increase in cumulative other comprehensive income of €640 million partly offset the negative effects, in particular, of changes in assets and liabilities of €486 million due to changes in exchange rates and the remeasurement of defined benefit plans. In connection with the disposal of the Yuzhno-Russkoye gas field in Russia, accumulated other comprehensive income of -€890 million was reclassified with a corresponding negative impact on net income, but with no effect on total equity. The equity ratio as of December 31, 2017, at 30%, was higher than the 26% reported as of December 31, 2016.

Non-current liabilities decreased from €15,272 million at the end of the previous year to €11,713 million as of December 31, 2017. The decrease resulted primarily from the reduction of loans and financial liabilities in the amount of €905 million and the reclassification of current and non-current financial liabilities. In addition, deferred tax liabilities were reduced by €1,211 million, primarily in relation to receivables and liabilities. There was a valuation-related decrease in liabilities from derivative financial instruments from €3,315 million by €275 million to €3,040 million. Non-current other provisions also decreased by €449 million. The main reason for this was the reclassification of non-current to current other provisions. Provisions for pensions and similar obligations decreased by €109 million from €785 million to €676 million.

Current liabilities fell significantly from €20,796 million at the end of the previous year to €18,659 million. This development is primarily attributable to the valuation-related decrease in liabilities from derivative financial instruments from €10,532 million by €2,499 million to €8,033 million. Current provisions fell by €404 million. The increase in other operating liabilities by €505 million and the reclassification of current and non-current financial liabilities mentioned above had an offsetting effect.

Earnings, Financial Condition and Net Assets of Uniper SE

The annual separate financial statements and the management report have been prepared in accordance with the provisions of the German Commercial Code ("HGB"), as amended by the German law implementing the EU Accounting Directive ("BilRUG") and the EU Regulation on the Statute for a European company (SE), in conjunction with the German Stock Corporation Act ("AktG"), and the German Electricity and Gas Supply Act (Energy Industry Act, "EnWG").

Balance Sheet of Uniper SE (HGB)

	December 31	
€ in millions	**2017**	**2016**
Financial assets	11,463.0	11,463.0
Fixed assets	**11,463.0**	**11,463.0**
Receivables and other assets	11,016.9	10,576.2
Securities	–	150.0
Bank balances	797.3	51.9
Current assets	**11,814.2**	**10,778.1**
Accrued expenses	**4.7**	**6.0**
Excess of plan assets over pension liability	**0.2**	**0.3**
Total assets	**23,282.1**	**22,247.4**
Capital stock	622.1	622.1
Additional paid-in capital	10,824.9	10,824.9
Retained earnings	33.0	24.5
Net income available for distribution	270.8	201.3
Equity	**11,750.8**	**11,672.8**
Provisions for pensions and similar obligations	2.8	29.6
Provisions for taxes	132.2	219.3
Miscellaneous provisions	89.9	62.0
Provisions	**224.9**	**310.9**
Bonds	500.0	500.0
Bank loans/Liabilities to banks	7.0	800.3
Liabilities to affiliated companies	10,745.7	8,852.8
Miscellaneous liabilities	45.2	97.9
Liabilities	**11,297.9**	**10,251.0**
Deferred income	**8.5**	**12.7**
Total equity and liabilities	**23,282.1**	**22,247.4**

Because it is the parent company of the Uniper Group, the net assets of Uniper SE are characterized to a considerable degree by the function of management of equity investments and by the financing function of the Group's activities. This is reflected both in the amount of financial assets and in receivables from, and liabilities to, affiliated companies.

Fixed assets, which essentially consist of shares in affiliated companies, make up 49% of total assets. The proportion of receivables from affiliated companies is 47% of total assets.

Bank balances rose by €745.4 million in the reporting year to €797.3 million. At the same time, Uniper SE reduced its liabilities to banks by a further €800.0 million.

With regard to treasury shares, please refer to the Company's notes.

Provisions for pensions and similar expenses fell by €26.8 million in the reporting year due to payments into the pension plan assets. 96% of the pension obligations are covered by these pension plan assets.

Income Statement of Uniper SE (HGB)

€ in millions	2017	2016
Other operating income	937.7	1,100.7
Personnel costs	-76.2	-60.3
Other operating expenses	-1,054.9	-1,293.4
Income from equity investments	137.1	741.8
Other interest and similar income	96.8	53.0
Other interest and similar expenses	13.8	-23.2
Income from transfers of profits	204.1	192.3
Expense from assumptions of losses	–	-337.5
Income taxes	20.9	-163.4
Net income/loss	**279.3**	**210.0**
Addition to retained earnings	-8.5	-8.7
Net income/loss available for distribution / carried forward	**270.8**	**201.3**

The earnings of Uniper SE as the Group's parent company are significantly influenced by its income from equity investments. The positive income from equity investments in the amount of €341.2 million was the result of earnings contributed by the equity investments in Uniper Holding GmbH, Uniper Russia Holding GmbH and Uniper Beteiligungs GmbH.

Other operating expenses and income resulted primarily from currency effects related to Group-wide currency hedging.

Earnings before taxes were €258.4 million. After subtraction of taxes, Uniper SE generated net income for the year of €279.3 million (previous year: €210.0 million). After a transfer of €8.5 million to retained earnings, the net income available for distribution amounted to €270.8 million.

The Management Board and the Supervisory Board will propose to the Annual Shareholders Meeting to be held on June 6, 2018, that the net income available for distribution be used to distribute a dividend of €0.74 per share (365,960,000 shares) of the dividend-paying capital stock of €622.1 million.

Non-Financial Performance Indicators

With the amendment of the German Commercial Code (HGB) resulting from the CSR Directive Implementation Act (CSR-RUG) adopted on April 19, 2017, the legislature has transposed the requirements of Directive 2014/95/EU (CSR Directive) of October 22, 2014 into national law. Large (capital market-oriented) companies with more than 500 employees must provide, at the least, information on environmental, labor, social, human rights and anti-corruption issues as part of their management report or in a separate non-financial report.

Uniper has decided to publish a separate combined non-financial report outside the management report as a separate chapter of the annual report (see page 96), in which all the requirements of non-financial Group reporting are taken into account in detail. Uniper's annual report has been made permanently available to the public on the Investor Relations website at: https://ir.uniper.energy/.

For this reason, this chapter of the Combined Management Report discusses the Uniper Group's most important non-financial performance indicators—the proportion of female executives in the Uniper Group and the Total Recordable Incidents Frequency (TRIF).

Proportion of Women in Leadership Positions within the Uniper Group

In accordance with the German "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector," the Management Board set an initial target of 20% for the proportion of women in the first management level below the Management Board, and one of 22.5% for the proportion of women in the second management level below the Management Board to be achieved by June 30, 2017. At the end of June 2017, these two targets had been achieved.

For the period from July 1, 2017, through June 30, 2022, for the two management levels below the Management Board, targets of 25% for the first management level and of 25% for the second management level were set for the proportion of women; these targets are to be achieved by June 30, 2022.

More information on the implementation of Germany's Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector can be found in Corporate Governance Declaration.

Occupational Health and Safety

Occupational health and safety and responsible business conduct are of the highest priority at Uniper SE. Uniper is committed to demonstrating leadership in this area, and endeavors to ensure a culture of continuous improvement.

One of the key performance indicators for occupational health and safety is Total Recordable Incidents Frequency (TRIF) for employees, which measures the number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries that occur on the job and on business travel per million hours of work. TRIF takes account of all relevant reports, including those from Uniper companies that are not fully consolidated but in which Uniper SE has operational control. In addition, the combined TRIF, which also takes into account the results for employees of contractual partners of the Group, is made available for internal information purposes.

In 2017, TRIF for the Group's own employees was 1.41 (2016: 1.24). The TRIF increase from 2016 to 2017 is due to the increased number of incidents at Uniper's Anlagenservice GmbH, in its hydropower activities, and in administration. The largest increase occurred in Uniper's Anlagenservice GmbH, part of the engineering business unit, which was primarily due to organizational changes and the subsequent failure in a few instances to adequately assess risks in good time. A program has now been initiated to improve last-minute risk assessments in the business unit and general safety awareness among employees.

Other non-financial performance indicators, such as number of employees and workforce composition, which are not used for management purposes, are also discussed below.

Workforce Figures

On December 31, 2017, the Uniper Group had 12,180 employees and 236 apprentices, as well as 124 work-study students and interns worldwide. The workforce thus declined by 3.6% compared with December 31, 2016.

Employees[1]

	Dec. 31, 2017	Dec. 31, 2016	Changes (percentages)
European Generation	5,765	6,095	-5.4
Global Commodities	1,265	1,242	1.9
International Power Generation	4,354	4,853	-10.3
Administration/Consolidation	796	445	78.9
Total	**12,180**	**12,635**	**-3.6**

[1]Figures do not include board members, managing directors, apprentices, work-study students and interns. As of the respective reporting date.

In the European Generation segment, the decline in the number of employees is mainly due to the closure of power plant units in Sweden and cost-cutting measures as part of the current restructuring program.

In the Global Commodities segment, there was a slight increase in the number of employees, as the integration of former E.ON Group employees in the energy billing unit into energy wholesale more than offset the effects of cost-cutting measures.

The number of employees in the International Power Generation segment decreased due divestments in Russia.

In the Administration/Consolidation segment, the transfer of employees from support functions subsequent to the spin-off from E.ON led to an increase in the number of employees.

The proportion of employees working outside Germany (7,493) decreased from 64% in the previous year to 62%.

Employees by Region[1]

	Headcount		FTE	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Germany	4,687	4,498	4,548.9	4,371.7
France	490	473	489.1	469.1
UK	976	1,000	961.9	986.5
Netherlands	498	532	479.3	514.0
Russia	4,264	4,756	4,261.4	4,750.0
Sweden	1,068	1,170	1,060.0	1,151.2
Other[2]	197	206	195.9	203.3
Total	**12,180**	**12,635**	**11,996.5**	**12,445.8**

[1]Figures do not include board members, managing directors, apprentices and interns. As of the respective reporting date.
[2]Includes Belgium, Hungary, USA, Czech Republic and other countries.

Gender and Age Profile, Part-Time Staff

The proportion of women in the workforce as of December 31, 2017, was 23.9%, slightly down from the prior-year figure of 24.1%.

Proportion of Female Employees

Percentages	Dec. 31, 2017	Dec. 31, 2016
European Generation	16.6	16.6
Global Commodities	33.6	30.4
International Power Generation	27.6	29.5
Administration/Consolidation	41.6	48.8
Uniper Group	**23.9**	**24.1**

The average age of the Uniper Group workforce was about 44, and the average length of service was about 14 years.

Employees by Age

Percentages	Dec. 31, 2017	Dec. 31, 2016
30 and younger	11.5	12.8
31 to 50	55.2	54.9
51 and older	33.3	32.3

A total of 683 employees, or 5.6% of the Uniper Group's workforce, worked on a part-time schedule at year-end. Of these, 463 (68%), were women.

Part-Time Rates

Percentages	Dec. 31, 2017	Dec. 31, 2016
European Generation	7.4	10.5
Global Commodities	10.7	8.6
International Power Generation	0.3	0.4
Administration/Consolidation	13.2	14.6
Uniper Group	**5.6**	**6.6**

Employee turnover averaged 5.0% across the Group, higher than in the previous year.

Employee Turnover Rates

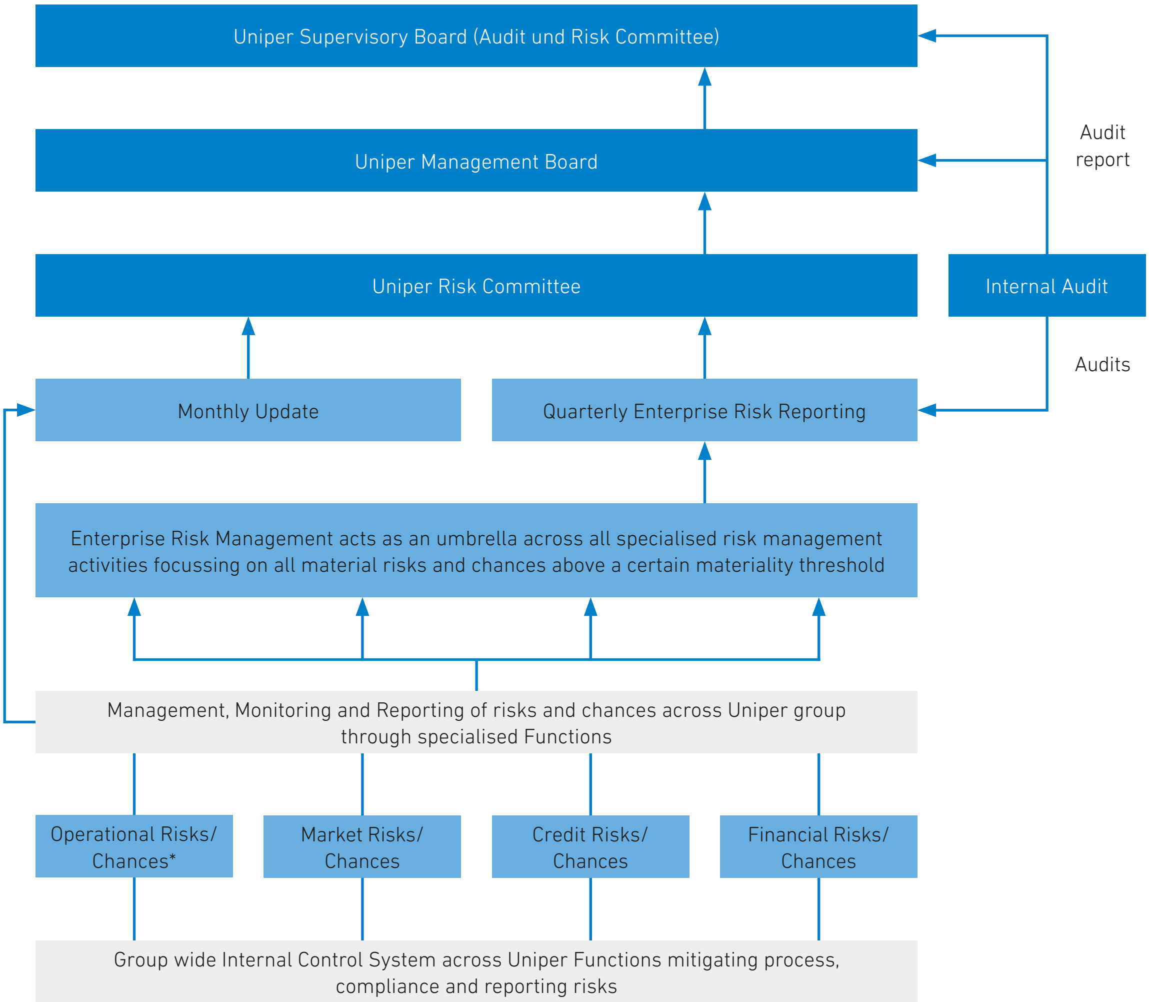
Percentages	2017	2016
European Generation	5.0	4.0
Global Commodities	4.7	3.7
International Power Generation	5.0	4.1
Administration/Consolidation	4.8	3.5
Uniper Group	**5.0**	**4.0**

Risk and Chances Report

For the first time, the Uniper Group has produced a combined risk and chances report to provide information on risks and chances. This reflects the scope of the group-wide risk management system, which takes into account both risks and chances. The combined consideration of risks and chances required a different approach to assess risks/chances than in 2016. This is explained in detail below.

Risk Management System

The Uniper Group manages its risks and chances through an enterprise risk management system that takes into account all risk and chance categories.



*incl. Legal, Political and Regulatory Risks/Chances

The aims of this system are:

- to fulfill legal and regulatory requirements (e.g., the Act for Control and Transparency in the Corporate Sector, "KonTraG"),
- to ensure the continued existence of Uniper Group by keeping total risk proportionate to available financial resources,
- to protect and increase the company's value through integrated active management of all risks and chances which may impact the commercial targets of the Uniper Group, and
- to generate additional value by appropriately taking into consideration not only returns but also risks which relate to important decisions and processes, including investments, risk capital allocation and corporate planning.

Ultimate legal responsibility for establishing and monitoring the effectiveness of the group-wide enterprise risk management system at Uniper Group lies with the Uniper SE Management Board. Operationally, the Management Board has delegated its risk-related tasks to the Risk Committee at the level of the Uniper Group. The Management Board establishes the Uniper Group Risk Committee, sets the risk appetite for the Group as well as overall risk limits for individual risk (sub-)categories, which the Risk Committee then monitors.

The Uniper Group Risk Committee deals with all significant business risks relevant to the economic and financial governance of the Uniper Group. It is composed of the Chief Financial Officer (CFO/chairman), the Chief Risk Officer (CRO/deputy chairman), the Chief Commercial Officer (CCO), the Chief Operating Officer (COO) and the Executive Vice President Group Finance and Investor Relations as well as the General Counsel/Chief Compliance Officer. The core responsibility of the Risk Committee is to establish a governance structure and infrastructure for risk management with which to manage business risks at all organizational levels.

The key components of the risk management system at the Uniper Group are the risk policies, the risk management organization and the risk management process.

Risk Policies

The Group Enterprise Risk Policy defines the principles and minimum requirements for group-wide management of all types of risks and chances. This includes the definition of the central risk management process and the establishment of associated responsibilities. The defined process ensures that risks/chances throughout the Group are fully and promptly identified and are assessed and reported in a transparent manner that allows for comparison. Responsibilities are assigned to risk/chance managers who are responsible for actively managing and monitoring risks/chances. Below the group level of enterprise risk policy, there are risk policies that define the principles and minimum requirements for group-wide management of individual risk (sub-)categories. In addition to the risk policies, the Uniper Group documents its risk strategy, specifying the groupwide principles, objectives and measures that Uniper uses to manage risks resulting from the pursuit of its business strategy.

Risk Management Organization

Organizationally, the risk management system at the Uniper Group is based on the functional organizational structure of the group. Risk Management has the responsibility for the Group's central risk management system. This function is headed up by the CRO, who reports directly to the CFO. Risk Management is responsible for the development, implementation, coordination and ongoing development of the central risk management process.

There is at least one risk representative for each function outside of Risk Management. This representative is responsible for the implementation of the Group Enterprise Risk Policy. The representative's task is to identify, assess, manage and report all risks/chances associated with their function across all corporate legal entities. Risk and chance management (i.e., acceptance, mitigation, transfer of risks) is carried out on the instructions of the head of the function, who is also the risk/chances manager, as far as is consistent with the risk appetite of the group. The responsibility for risk/chances is assigned to the functional area that is best suited to manage it. There are dedicated teams for certain risk (sub-)categories (e.g., commodity price risks, credit risks, asset operation risks, etc.) that develop policies for group-wide management of each risk (sub-)category and ensure global compliance with these policies.

Risk Management Process

Each quarter the risk officers of each function review the risks/chances they have identified with respect to completeness and current evaluation. Changes to the risk/chances situation are reported to risk management via a centralized IT tool, where they are evaluated for plausibility and subjected to quality control in co-operation with Accounting and Controlling. To manage risk, risk managers take measures to reduce the likelihood and/or extent of the loss. For example, hedging transactions are concluded using financial instruments or insurance policies are taken out. Similarly, the managers responsible for chances take measures to increase their probability of occurrence and the advantages that can be gained from chances. Costs and benefits as well as the risk appetite of the group are taken into account when choosing management instruments.

Based on this quarterly process, the Risk Committee, the Management Board and the Audit Committee of the Supervisory Board of Uniper Group are informed of the current risk/chance situation. Significant changes in risks are identified and addressed at any time, even during the quarter. The effectiveness of the risk management system is regularly reviewed by Internal and External Audit in accordance with legal requirements.

Risk and Chances Management by Category

In the course of conducting its commercial activities, the Uniper Group is exposed to uncertainties that are inextricably linked to its business activities. These uncertainties are reflected in risks and chances. Uncertain events with a possible negative effect on the currently planned adjusted EBIT and/or Net Income are referred to as risks, and events with a possible positive effect are referred to as chances.

Due to the large number of individual risks/chances, they are grouped into categories and subcategories in order to improve the clarity and management of concentrations by the Group Risk Committee. The following section describes the risk/chance categories to which the Uniper Group is exposed and the approaches used to manage them.

Financial Risks and Chances

The Uniper Group is exposed to financial risks, for example, in connection with possible effects on current or deferred taxes arising from current or future tax audits, changes in legislation and the decisions by the various tax courts. In addition to changes in the law, these include the further development of national and international law through enactments and decrees of the respective tax authorities and legal decisions, as well as other financial management measures. Conversely, changes in legislation or the decisions by the various tax courts may have a positive effect on the current or deferred tax liability.

There are also financial risks and chances arising from unforeseeable non periodic results and possible write-downs of financial investments. In order to reduce risks in this area, Uniper closely monitors the development of tax legislation and legal decisions and carries out regular impairment tests on its investments.

Credit Risks and Chances

The Uniper Group is exposed to credit risks associated with business operations and the use of financial instruments. Credit risks arise from the non-settlement or partial settlement of outstanding receivables by counterparties and from replacement risks for open transactions.

Uniper applies appropriate measures to actively manage credit risks, including setting limits for individual counterparties and counterparty groups, securing collateral, structuring contracts, transferring credit risk to third parties (such as insurers) and diversifying the credit portfolio. Existing credit risks are continuously measured and monitored to ensure that the measures taken are appropriate.

As part of centralized credit risk management, the credit rating of business partners is systematically assessed and monitored on the basis of group-wide minimum standards. If creditworthiness is inadequate, collateral is demanded (e.g., guarantees from the parent company, letters of awareness, etc.).

To reduce the credit risk from derivative financial instruments, these instruments are concluded through exchanges or bilaterally, generally on the basis of standard contracts, where an offset (netting) of all current transactions can be agreed. In addition, bilateral margining agreements are concluded with selected business partners.

Liquid funds are invested with counterparties with an investment-grade rating.

Market Risks and Chances

Commodity Price Risks and Chances

The Uniper Group's operating activity, in particular the physical assets, long-term procurement contracts and sales agreements with key customers, is exposed to considerable risks and chances due to the fluctuations in the price of commodities. For Uniper, market price risks arise in the following commodity areas: electricity, gas, coal, freight, oil, liquefied natural gas and emission allowances.

The Uniper Group manages the majority of its commodity price risks/chances through a central trading function. The aim of the trading function is to optimize the value of the Uniper Group's commodity portfolio while limiting and securing against associated potential losses. This involves the use of derivative financial instruments. Derivatives are also entered into for proprietary trading purposes. This takes place exclusively in compliance with tight internal and regulatory restrictions.

Risk management for commodity trading activities is based on general standards in the industry for trading transactions and also involves the segregation of duties as well as daily income and risk calculation and reporting. Commodity price risks are kept within limits set by the Management Board and Supervisory Board.

For purposes of risk management, commodity positions are aggregated into portfolios based on internal organizational responsibilities and trading strategies that are subject to risk limitations. Based on internal guidelines, value-at-risk limits are allocated and supplemented by stop-loss and volume-based indicators. Where necessary, additional portfolio-specific restrictions are set.

Foreign Exchange (FX)/Interest Rate (IR) Risks and Chances

The Uniper Group is exposed to currency translation risks/chances due to its participation in business activities outside the euro area. In addition, foreign exchange transactions also involve operational and financial transaction risks/chances. Operational foreign exchange risks/chances arise from the physical and financial trading of commodities and investment projects in foreign currencies. Financial foreign exchange risks/chances arise from receivables and liabilities in foreign currency relating to external financing, and from shareholder loans within the Uniper Group in foreign currency.

Hedging against translation risks is managed partly by financing activities in the local currency equivalent. Uniper companies are responsible for managing operational currency risks/chances. Uniper SE assumes responsibility for overall coordination of hedging measures by the companies, hedging against translation risks and financial transaction risks and makes use of external derivative financial instruments as necessary. Derivative financial instruments (forward transactions) are used in the foreign exchange area exclusively to hedge existing foreign exchange risks, but not for proprietary trading.

Foreign currency risks are analyzed and monitored daily by a team of specialists. Responsible management is informed daily of profits and losses associated with foreign exchange activities and of existing risks and limit utilization.

The Uniper Group is exposed to risks associated with fluctuating interest rates as a result of variable-rate borrowings and/or investments, pension liabilities and other liabilities on the balance sheet. Fluctuations in interest rates may negatively affect net (interest) income/expense and the valuation of assets and liabilities on the balance sheet. These risks are monitored and managed by the Uniper Group risk management system, and are partly hedged using derivative and non-derivative financial instruments.

Market Environment Risks and Chances

In addition to commodity price risks, the Uniper Group is exposed to the risks/chances of a general deterioration/improvement of the market environment. These include macroeconomic developments affecting the supply and demand of energy, changes in the competitive situation and radical changes in global energy markets (e.g., the decline in conventional production in favor of renewable generation to reduce CO_2 emissions). Such developments could result in the Uniper Group's operating activities, such as the portfolio of physical investments, losing their market. Significant risks/chances in connection with the market environment are addressed in the strategy process.

Operational Risks and Chances

Asset Operation Risks and Chances

Technologically complex production, generation, storage, distribution and handling facilities are used in the generation of energy. In principle, there is the possibility that human error, technical malfunctions or other events resulting in losses (e.g., natural disasters, sabotage, terrorist attacks, strikes, etc.) may negatively affect the availability of facilities. In addition, the aforementioned events could necessitate major repairs and result in personal injury and damage to property and the environment. Moreover, as regards electricity generation, the Uniper Group is exposed to a production volume risk from meteorological and hydrological fluctuations.

To limit these risks, facilities are regularly inspected and maintained using a risk-based approach. In addition, production processes and technologies are constantly being upgraded and optimized and staff trained accordingly. For losses that nevertheless occur, appropriate crisis-prevention measures have been set up and emergency plans created that also take into account environmental risks, and insurance coverage has been provided to an extent that is economically appropriate.

Asset Project Risks

Part of the Uniper Group's business activities involve the construction, expansion, renovation, conversion or decommissioning of power plants or other power supply facilities. This involves the risk that actual construction costs exceed planned costs, that construction delays may occur e.g. as the result of the regulatory approval process or that construction could even be stopped.

Risks relating to asset projects are addressed through a professional project management system that recognizes that the identification of project-related risks is an integral part of project management whose purpose is to quickly identify and minimize such risks.

People and Process Risks

People risks include health and safety risks, risks due to the loss of special skills and risks due to errors on the part of employees who have not been sufficiently trained or who are not sufficiently qualified. In order to reduce people risks, the Uniper Group takes measures to ensure high health and safety standards and invests in the development and distribution of skills and succession planning. In addition, the existing compensation system for employees is regularly reviewed and adjusted. Furthermore, there is a risk that members of executive bodies or employees may conclude unauthorized or illegal transactions that could lead to legal proceedings being initiated against the Uniper Group or its employees, resulting in fines, loss of licenses or similar. The Uniper Group counters this risk with a comprehensive network of controls and a compliance risk management system.

Process risks include risks due to inadequate, inefficient or broken business processes. Such process risks and human error risks are reduced by a comprehensive, Group-wide internal control system which is regularly audited. There is effective business continuity management in cases where people or process risks arise.

Information Technology (IT) Risks

Operational and strategic management at Uniper Group is highly dependent on complex information and communication technology. Specifically, the Uniper Group operates process information technology in connection with the production of electricity and the storage of natural gas, as well as commercial IT, which extends to a variety of other areas such as office applications or trading systems. Technical malfunctions, improper operation by employees, virus attacks, data loss or outages of IT systems can have significant negative impacts on ongoing operations of individual segments of the group or the Uniper Group as a whole and result in considerable costs, which increase with the duration of the malfunction. Other risks are related to the electronic storage and use of business-relevant data. Unauthorized access from outside, misuse or inadvertent dissemination of confidential information by an employee could lead to the disclosure of commercial secrets or violate data privacy policy.

To limit these risks, security measures are put in place that take into account the importance of these systems. Due to constant changes in the area of cyber threats, the Uniper Group is implementing a comprehensive information security management system based on the ISO/IEC 27001 standard to protect its business processes and systems.

Legal Risks and Chances

Uniper's operations in a variety of jurisdictions expose the Group to various legal risks and chances. These mainly comprise risks/chances arising from threatened or pending legal proceedings with regard to contract and price adjustments in connection with long-term supply or sales contracts, energy law and regulatory issues, licensing matters as well as supplier disputes.

In order to minimize legal risks for Uniper, significant developments in the relevant jurisdictions are continuously monitored and actively communicated to the functions of the Uniper organization concerned. In addition, the legal department is involved at an early stage in contract negotiations and threatened legal proceedings in order to minimize risks and take advantage of chances by providing appropriate procedural support and assisting in the drafting of contracts in advance.

Political and Regulatory Risks and Chances

Regulatory interventions present the Uniper Group's operations with various risks/chances. These include, for example, the introduction and modification of capacity markets, the phasing out of coal-fired power generation, which is being discussed in various countries, and the reform of the European emissions trading system. Other risks arise from the implementation and amendment of financial market regulations that affect the Uniper Group, such as EMIR (European Market Infrastructure Regulation), REMIT (Regulation on Energy Market Integrity and Transparency), MiFiD II (Markets in Financial Instruments Directive). Potential changes to existing financial market regulation could significantly increase administrative burdens and result in the need for additional liquidity. The Uniper Group monitors regulatory developments continuously in order to ensure compliance with relevant requirements.

To limit regulatory risk, the Uniper Group maintains intensive dialogue with external stakeholders, such as government agencies, political parties, regulators and associations, in order to identify in a timely manner any potential adverse effects on the Uniper Group arising from changes in the political, regulatory and legislative environment and to reduce this risk through involvement in shaping the proposed measures.

Risk and Chances Profile of the Uniper Group

Assessment Approach for Risks and Chances

In the Uniper Group, individual risks and chances are quantified wherever possible. A qualitative assessment is made only in the few exceptional cases for which quantification is not possible. Individual risks are considered on a net basis, i.e. including implemented and effective risk reduction measures. In principle, the quantification is carried out by statistical modelling of probability of occurrence and impact. The impact is primarily modelled as potential impact on earnings, i.e. impact on the currently planned adjusted EBIT and/or Net Income.

To assess the risk and chances profile, the Uniper Group uses a multi-stage process, some of which has changed compared to 2016. In a first step, all quantified individual risks and chances with a potential impact on planned adjusted EBIT and/or Net Income are allocated to the categories and subcategories described above. The materiality threshold for taking individual risks and chances into account was reduced from €50 million to €20 million in 2017. This takes into account all quantified risks which, in the worst-case scenario (99% confidence interval), could cause losses of more than €20 million after risk mitigation measures in one year. Similarly, all quantified chances are taken into account which, in the best-case scenario (1% confidence interval), will have a positive impact of at least €20 million in one year. Extreme risks and chances with a likelihood of occurrence <1% but a potentially very high impact, are not taken into account.

In a second step, the risks/chances are aggregated in each category/subcategory. For this purpose, the Uniper Group no longer used the cumulative expected value in 2017. Instead, a Monte Carlo simulation is applied to all the risks/chances assigned to a category/subcategory, which produces an aggregated distribution function per year. From this aggregated distribution function per year, the 1% and 99% confidence intervals are gathered for each year and an average over the relevant three-year time horizon is calculated. On the basis of this average value, each category/subcategory is assigned an assessment class for the best and worst case in accordance with the following table.

Assessment Classes

Assessment Class	Potential average impact on earnings per year (Best Case/Worst Case)
insignificant	≤ € 5 million
low	€ 5,1 million - € 20 million
moderate	€ 20,1 million - € 100 million
significant	€ 100,1 million - € 300 million
major	> € 300 million

For example, if a category/subcategory is rated as "moderate", this means that no loss is expected from this category/subcategory in the worst case (99%) that is higher than the average of €20.1 to 100 million per year (in the best case (1%) no positive effect is expected that is higher than the average of €20.1 to 100 million per year).

Assessment of the Chances and Risk Profile (Worst-Case Scenario) and Major Individual Risks in the Worst Case

The following table provides an overview of the chances and risk profile in the worst-case scenario for the Uniper Group as of December 31, 2017:

Potential average impact on earnings (worst case)

Category	Subcategory	Potential average impact on earnings in a worst case (99%)
Financial Risks/Chances		significant
Credit Risks/Chances		significant
Market Risks/Chances	Commodity Price Risks/Chances	significant
	Foreign Currency and Interest Rates Risks/Chances	moderate
	Market Environment Risks/Chances	significant
Operational Risks/Chances	Asset Operation Risks/Chances	significant
	Asset Project Risks	major
	People and Processes Risks	significant
	Information Technology (IT) Risks	moderate
	Legal Risks/Chances	major
	Political and Regulatory Risks/Chances	moderate

Major individual risks from the chances and risk profile described above are explained in more detail in the following sections of this chapter. Major individual risks are quantified individual risks with a worst case potential loss of earnings (99%) of over €300 million in one year. In addition, individual risks that have not been included in the above chances and risk profile are also described. These include pure liquidity risks, which can have an impact of more than €300 million on the operating cash flow of a year, as well as qualitatively assessed individual risks, if their level of loss may also exceed €300 million in a year.

Provisioning Risk Regasification Capacities

A deterioration in the economic situation or upheavals in the market for LNG could lead to a lower than planned utilization of the long-term capacity booked in the regasification plants in the LNG business and make it necessary to set up provisions for onerous contracts over the entire remaining booking period. The Uniper Group strives to further increase the utilization of this booked capacity and thus improve the revenue situation.

Project Failure Risk Nord Stream 2 Project

The Uniper Group is involved in financing the Nord Stream 2 project. As part of this financing, there is a default risk for receivables from Nord Stream 2 AG, particularly in the event the project is terminated. Due to the contractual rights of Uniper's financing subsidiary, this default risk is considered to be lower than for comparable financial assets.

The risk that the project would result in the application of the U.S. Sanction Act on Russian energy export pipelines to the Uniper Group is currently considered low based on the guidance of the U.S. administration, but is being closely monitored on an ongoing basis.

Rating Downgrade Risk
The Uniper Group's main liquidity risk consists of a downgrade of its long-term investment grade rating from the current BBB-. This could result in counterparties being prepared to enter into trading and hedging transactions with the Company only against increased collateral requirements, particularly in the trading sector. Such collateral requirements would have to be covered by the provision of liquid or similar funds (e.g., guarantees). In order to limit this risk, Uniper strives for a solid investment grade rating of BBB.

Risk of a Takeover by Fortum
Fortum's takeover bid entails risks for Uniper, which are described in the joint Substantiated Statement by the Management Board and Supervisory Board in November 2017. These include a possible failure of the Uniper Group to achieve its planned strategic objectives due to differences in the strategic orientation of the two companies, a possible downgrading of Uniper's credit rating and possible negative effects on Uniper's financial structure in the event of a change in ownership and control. The proposed takeover also leads to an increased risk for employee turnover in terms of employee attrition and a loss of core competencies. Uniper's Management Board is monitoring the situation closely and tightly managing it.

Risk of Renegotiation of Long-Term Gas Supply Contracts
Long-term gas supply contracts generally include the possibility for the customer and the supplier to adapt contractual terms to changed market conditions. This entails the risk for Uniper that suppliers will impose conditions that are detrimental to the Uniper Group. In order to limit this risk, intensive negotiations are conducted by the most experienced employees who have access to the entire expertise of the Uniper Group and, if necessary, even beyond.

Information about the risk situation of strategically important asset projects is given below.

Information on the Risk Situation of Strategically Important Asset Projects

Datteln 4
The Uniper Group is currently building a coal-fired power plant in Datteln with a net electrical output of approximately 1,055 MW and has already invested significantly more than €1 billion in this project. After the city of Datteln's development plan was declared invalid, a new planning procedure was successfully completed to restore the planning basis for the Datteln 4 power plant. On January 19, 2017, the municipal government of Münster granted permission under immission-control law to complete the construction of the power plant and put it into operation. Further capital expenditures are planned to complete the plant. The currently planned commercial operation date is not before the fourth quarter 2018. Given pending lawsuits further delays cannot be ruled out. If, as a result of pending legal proceedings, the new development plan is declared invalid or the approval under immission control law is revoked, there is a risk that all investments made and planned to date will have to be written off. This is a major individual risk for the Uniper Group. Uniper still assumes that the power plant will be commissioned.

Construction of the power plant has been completed, with the exception of a small amount of remaining work. The project is in the commissioning and optimization phase. The commissioning process was interrupted at the end of 2017 due to indications of cracking on T24 heating surfaces of the steam generator. The extent of the damage is currently being comprehensively investigated by the manufacturer. Cracks have appeared in numerous boiler components. After completion of the damage investigation, a repair plan is being developed. It is not yet available. The repair as well as other problems occurring during commissioning may lead to a delay in commissioning and may result in revenues being generated later than planned.

To cover the investment costs of Datteln 4, long-term contracts were concluded with major customers for the marketing of power plant capacity. These contracts allow customers to request power output from the Datteln 4 unit at contract prices based on the costs of the Datteln 4 unit. Due to the delay in the commissioning of Datteln 4 and the change in wholesale prices for electricity in recent years, the contracting parties to these long-term electricity supply contracts have requested adjustments. In the meantime, one of the customers has terminated its purchase contracts due to alleged breaches of contract by the affected companies of the Uniper Group as well as due to delayed commissioning and the supposedly changed market conditions. Uniper is taking legal action against this termination. While these legal proceedings are on-going, the customer does assert a claim for a price reduction. If the termination should nevertheless prove to be effective, or if the long-term contracts described should actually be adjusted, the Uniper Group is exposed to the risk that the electricity volumes generated in Datteln 4 in the future can only be sold at prices lower than those originally agreed in these contracts. This could have a significant adverse effect on the economic viability of Datteln 4.

Berezovskaja 3
On February 1, 2016, a fire broke out in the boiler house at the GRES TG 3 unit of the Berezovskaya power plant in Russia, damaging essential components of the 800 MW boiler that must now be replaced. The power plant unit is out of operation while repairs are underway as planned. The repairs that have been started may turn out to be more expensive than planned and delays in recommissioning may result in lower revenues being generated than originally planned.

In addition, major customers are attempting to demand the return of capacity payments made after the fire for the non-operational unit, in accordance with valid market regulations. Anti-trust proceedings initiated against PAO Unipro and the Russian transmission system operator could also result in fines for PAO Unipro. In the worst case, the aim of these efforts could be to unilaterally terminate the unit's entire capacity supply contract. Such a case would have a material adverse effect on the profitability of the Berezovskaya 3 power plant unit.

Provence 4
Based on an approval in 2012, unit 4 of "Provence", Uniper's coal-fired power plant in France, was converted from coal to biomass firing. Several lawsuits were filed between 2013 and 2015 against the environmental permit granted in 2012. Opponents of the project fear, among other things, environmental impacts associated with the supply of wood from local forests. In June 2017, the proceedings led to the withdrawal of the permit granted in 2012 and the granting of a temporary environmental permit until March 2018, and Uniper, as well as the regional government of the Provence region, appealed against the ruling, while preparing a new environmental permit application which must be filed in March 2018. There is a risk that the permanent environmental permit will only be granted under certain conditions or not at all. In the first case, the Uniper Group could incur additional costs due to further investments and business interruptions; in the second case, all investments made so far would have to be written off.

Commissioning continued under the temporary approval. On February 1, 2018, the plant was successfully started up and the electricity supply contract with a French counterparty begun. Tests required by the grid operator will be carried out and commissioning completed by mid-March. During the term of the electricity supply contract, there is a risk of having to pay penalties to the French counterparty if a certain number of full load hours are not reached within a contract year.

Assessment of the Chances and Risks Profile (Best-Case Scenario) and Major Individual Chances in the Best Case

The following table provides an overview of the Uniper Group's chances and risks profile in the best-case scenario as of December 31, 2017.

Potential average impact on earnings (Best Case)

Category	Subcategory	Potential average impact on earnings in a best case (1%)
Financial Risks/Chances		low
Credit Risks/Chances		low
Market Risks/Chances	Commodity Price Risks/Chances	significant
	Foreign Currency and Interest Rates Risks/Chances	moderate
	Market Environment Risks/Chances	moderate
Operational Risks/Chances	Asset Operation Risks/Chances	low
	Asset Project Risks	-
	People and Processes Risks	-
	Information Technology (IT) Risks	-
	Legal Risks/Chances	significant
	Political and Regulatory Risks/Chances	insignificant

Major individual chances from the abovementioned chances and risk profile are explained in more detail in the following sections of this chapter. Major individual chances are quantified with a potential best case (1%) positive impact on earnings of more than €300 million in one year.

Qualitative chances that are important for an understanding of the Uniper Group's chances profile are also described, even if they are not major individual chances.

Chance of Reclaiming Property Taxes Already Paid on Swedish Hydroelectric Power Plants

In the years 2011-2017, Sweden levied a property tax of 2.8% on hydroelectric power plants, but only 0.5% on other power plants. One market participant sees this as a subsidy incompatible with European competition law and has brought legal action against this policy in a test case. The lawsuit has already been allowed in the lower court and is now being tried in higher courts. If the lawsuit is successful, Uniper has the chance to reclaim some of the tax paid based on this precedent.

Chances from Beneficial Market Developments

With regard to operating activities, chances could arise from the positive development of Uniper's market prices for electricity, gas, coal, oil and CO_2 on the wholesale markets as well as the resulting development of the spreads (clean dark and clean spark spreads or seasonal summer/winter spreads). Increasing volatility on the trading markets may lead to increased optimization and earnings potential. Due to cold weather periods, demand for electricity and gas can lead to increased sales volumes at Uniper. As Uniper is active worldwide, foreign exchange developments can have a positive effect on the net assets and results of operations.

Chances from Portfolio Optimization

With good project management, the downtimes of power plants can be shortened (e.g., due to outages) and the availability of power plants as well as the technical availability of gas storage facilities can be improved. Additional earnings can be generated by continuously optimizing the transport and storage capacities booked as well as existing gas supply contracts. With regard to long-term gas supply contracts, Uniper is constantly involved in (both regular and extraordinary) renegotiations to adjust the terms of delivery. A positive result in these negotiations can have a significant impact on the earnings situation.

Chances from Political and Regulatory Developments

Developments in the political and regulatory environment in the countries in which Uniper is active can have a positive impact on the earnings, financial and asset situation. For example, the introduction of additional capacity markets could mean that the supply of flexible power plants to compensate for the fluctuating generation of renewable energies is possible under better conditions than previously planned. In addition, new technologies such as the conversion of electricity from renewable energies into gas (Power to Gas) or heat (Power to Heat) or products and services in the area of electromobility could open up additional sources of revenue.

Chances from Digitization

Digitization will also have a decisive impact on the world of energy. The Uniper Group is working to help shape this development and make it commercially viable. Innovations play a key role here. Uniper sees digitization as an opportunity to make internal processes more efficient and enable new business models. Uniper is already making use of digitization in its efforts to streamline and automate internal processes, for example in digital distribution and in the power plant fleet, in the area of safety and in the maintenance and repair of plants. In addition, a wide variety of trends are constantly analyzed and evaluated to determine how they affect the business and whether Uniper has an opportunity to become active here. An innovation team has been set up specifically for this purpose.

Assessment of the Overall Risk Situation

In 2017, the Uniper Group is applying a more advanced approach to analyze the overall risk situation than in 2016. In 2017, the Uniper Group developed an improved risk-bearing capacity concept that defines the enterprise value in the form of the market value of equity as the given risk-bearing capacity. Based on the risk/chances profile described above, a final step is taken to determine the average overall potential impact (99%) at Group level over the relevant three-year horizon by taking into account correlations between the categories of risk/chances.

This average potential overall impact (99%) at Group level is compared with the available risk-bearing capacity.

Based on this analysis, the overall risk situation of Uniper SE is not considered to be a threat to the company's continued existence. The overall risk situation is also considered appropriate in view of the financial targets set.

Forecast Report

Business Environment

Macroeconomic Situation

The OECD expects global growth to accelerate slightly in 2018, although the pace will be modest compared to previous upturns. The main drivers of the economy are the positive employment trend and favorable financing conditions, coupled with continued expansionary monetary and fiscal policies.

In Germany, France and the Netherlands, the economy is expected to remain robust. The growth will be driven by investment, sustained favorable financing conditions and the continued upturn in employment. Exports should also continue to benefit from the global economic upturn. The same holds true for the euro area as a whole, although unemployment levels remain high in many European countries, with the result that wage growth and inflation are likely to remain low. Despite visible progress, unresolved debt problems in the banking sector and in national budgets, particularly in Italy and other southern European countries, continue to represent significant risk potential.

In the U.S., the economic expansion is likely to accelerate slightly again in 2018. Growth drivers will continue to be private consumption and investment, which should benefit from the agreed tax reforms. Even though the U.S. Federal Reserve will further reduce the degree of monetary policy expansion, the upturn in employment is still likely to result in higher wage growth and thus higher purchasing power.

By contrast, a further slowdown in growth is to be expected for the United Kingdom, as consumer spending, in particular, is likely to be hurt by the loss of purchasing power caused by inflation. Investment activity is also likely to remain subdued as a result of the imminent Brexit and the associated unknowns. In Sweden, the OECD is also expecting a slight economic slowdown, as the job market is showing signs of an increasing labor shortage, which is likely to slow down the investments, especially in the construction industry. In Russia, the upswing is likely to continue, given stable oil prices and improved financing conditions, but the growth is likely to remain modest overall.

Energy Markets

Overall, the energy markets are likely to experience increased volatility in 2018 because they are still significantly influenced by macroeconomic developments and policy decisions.

The aim of the agreement between OPEC members and Russia, in particular, to extend the cuts in crude oil production until the end of 2018 is to keep crude oil prices relatively stable. The question is to what extent the oil-producing countries will be disciplined in their adherence to the quotas or how the supply in countries not covered by the OPEC/NON-OPEC agreement will react. For example, it is conceivable that unconventional oil production in the U.S. could be ramped up at a relatively high crude oil price, thus compensating at least in part for the supply shortage. In contrast, geopolitical problems will continue to drive up prices, especially in oil-producing regions such as the Middle East. Overall, global demand for crude oil is expected to rise again in 2018.

A stabilization of the coal supply situation should have a dampening effect on the development of coal prices, with the recovery on the crude oil and freight markets likely to support coal prices in the medium term. Due to declining demand in the Northwestern European market, the price of coal will increasingly be influenced by developments in the Pacific region. In the medium term, the growing importance of the Pacific region could lead to rising price volatility in the Atlantic market. The coal market will continue to respond to adjustments on the production side as demand in the Atlantic market is experiencing a steady decline. This will continue to hold down Atlantic coal prices as well. A recovery in the crude-oil markets, however, serves to support coal prices.

The influencing factors for the gas market will probably be similar in 2018 to those seen in the gas market in 2017, with demand for storage likely to be high in the following summer—assuming seasonally normal winter weather conditions. Northwestern Europe will continue to compete globally for LNG supplies. The reductions in coal capacity will probably continue to stimulate demand for gas in the electricity sector and domestic production of the gas market in the EU will continue to decline.

In 2018, the price of emission allowances will again be subject to strong pressure from a very high auction supply before the market stability reserve begins to reduce auction volumes in 2019. At the same time, however, an increasing number of market participants are expected to increase their holdings in anticipation of the supply shortage in the following year, which will act to stabilize the price. In addition, there are many uncertain aspects regarding Brexit, as it is still completely open whether and when the United Kingdom will also withdraw from emissions trading. The decision to leave the market at an early stage could encourage British market participants to sell their allowances and thus exert additional pressure on prices.

German electricity prices in 2018 will continue to be largely determined by the prices of hard coal and emission allowances. There will continue to be political uncertainties until a government is formed and, subsequently, a decision is made on power plant closures. Despite this, the announced and already completed decommissioning of coal-fired power plants and the gradual entry into force of a capacity reserve for lignite plants, as well as the phase-out of nuclear power plants in the coming years, will have a positive effect on the level of electricity prices in Germany and will further increase volatility. On the other hand, the further expansion of photovoltaic and, especially, wind capacity should dampen the rise in prices.

Similar to 2017, electricity prices in the United Kingdom will depend on various factors in the future. In the summer, developments in the gas market will be the main factor for the British electricity market, while in the winter, the adequate availability of possible power plants during load peaks will determine the price level. The influence of conventional power plants will decrease due to the capacity market mechanism and the continuous expansion of wind turbines. In general, the use of power plants is expected to be similar to 2017, although the share of conventional power generation will continue to come under pressure from renewable energies.

Price developments in Western Europe will continue to be a key anchor for the development of Nordic electricity prices, especially against the backdrop of numerous interconnector projects. Developments in the markets for fuels and emission allowances thus also indirectly determine the price development of the low-emission Nordic electricity system. In addition, weather factors such as temperature, precipitation and the resulting level of the reservoirs in Norway and Sweden also play an important role as they have an impact on prices, especially in the short term, and affect the spread to Western European price levels.

Human Resources

The cost-cutting and reorganization program may result in the continued decline in the number of employees, among other things.

Forecasting Methods

Uniper continuously reviews its outlook for its medium-term earnings and financial situation. The Company publishes a forecast of the expected development of the main controlling factors, including an outlook for adjusted EBIT and adjusted FFO. In addition, an outlook for the expected dividend payout is given. The latest forecasts regarding the development of commodity prices, controllable costs, depreciation and amortization, as well as relevant special effects, are taken into account.

Anticipated Earnings and Financial Condition, General Statement on Expected Future Development

The forecast for the 2018 fiscal year remains adversely affected by the difficult conditions in the energy industry and the associated lower prices in all of Europe's electricity markets. In addition, the non-recurrence of the insurance payment for the damage to the Berezovskaya 3 power plant unit, as well as the loss of earnings contributions from the stake in the Russian gas field Yuzhno-Russkoye after its sale, will have a negative impact on earnings in 2018. These effects may be mitigated by positive earnings effects from sources such as the reduced taxation of nuclear power plants and hydroelectric installations in Sweden and additional earnings contributions from capacity markets, as well as by cost-cutting and higher income from the early termination in 2017 of forward contracts to optimize credit risk. Uniper expects adjusted EBIT for 2018 to be noticeably lower than in the previous year, within a range from €0.8 billion to €1.1 billion.

For each of the operating segments, this means:

Adjusted EBIT

€ in billions	2017	Forecast
European Generation	0,3	noticeably above prior year
Global Commodities	0,3	significantly above prior year
International Power Generation	0,6	significantly below prior year

For the European Generation segment, adjusted EBIT for 2018 is expected to be noticeably higher than in the previous year, due in large part to the reduced taxation of Swedish nuclear power plants ans similarly reduced taxation of hydroelectric installations in Sweden, as well as higher capacity premiums in the United Kingdom and the planned commissioning of the Provence 4 biomass power plant. These effects will be partly offset by lower prices in all European electricity markets.

For the Global Commodities segment, Uniper expects adjusted EBIT for 2018 to be significantly higher than it was in 2017. The electricity business is expected to deliver higher earnings contributions from optimization, while the early termination in 2017 of forward contracts to optimize credit risk is expected to provide an additional positive effect. The LNG, coal and freight businesses are expected to experience a significant improvement in earnings. The finalization of the sale of the stake in the Russian gas field Yuzhno-Russkoye at the end of 2017 will have a negative impact on 2018 adjusted EBIT due to the absence of its earnings contribution.

In the International Power Generation segment, Uniper expects adjusted EBIT for 2018 to be significantly below the prior-year figure, but this is attributable to the non-recurrence of insurance payments received in 2017 for the fire damage sustained by the Berezovskaya 3 power plant unit.

Adjusted FFO is expected to range between €0.5 billion and €0.8 billion, which is largely in line with the development of adjusted EBIT.

Uniper is exposed to growing pressure on margins in the energy markets and, to position itself more efficiently, has set itself the goal of reducing the Group's controllable costs by approximately €0.4 billion compared with the 2015 base year (€2.3 billion). This goal is to be achieved in 2018. On the basis of developments in 2017, Uniper believes it is well on track toward achieving this objective.

The disclaimer statement on the inside cover page of this Annual Report applies, in particular, to the forward-looking statements made here.

Planned Financing Initiatives

The Group expects to be able to finance the investment spending planned for 2018 and the dividend payout for the 2017 fiscal year from the operating cash flow it expects to generate in 2018. The revolving credit facility and the Commercial Paper Programme are available to cover any peaks in the Group's financing needs during the year. A decision on refinancing the €500 million bond maturing on December 8, 2018, will be made during 2018 after due consideration of other financing requirements and market conditions.

Internal Control System for the Accounting Process (Disclosures Pursuant to Section 289 (4) and Section 315 (4), of the German Commercial Code on the Internal Control System for the Accounting Process)

General Principles

Uniper's Consolidated Financial Statements are prepared in accordance with Section 315e (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRIC") that were adopted by the European Commission for use in the EU as of the end of the reporting period, and whose application was mandatory as of the balance sheet date (see Note 1 in the Notes to the Financial Statements). The Group's IFRS reportable segments are European Generation, Global Commodities and International Power Generation.

The annual financial statements of Uniper SE are prepared in accordance with the provisions of the German Commercial Code, the SE Regulation in conjunction with the German Stock Corporation Act ("AktG"), and the German Energy Industry Act ("EnWG").

Uniper prepares a Combined Management Report that applies to both the Uniper Group and Uniper SE.

Accounting Process

All companies included in the Consolidated Financial Statements must comply with uniform accounting and reporting guidelines for consolidated annual and interim financial statements. The guidelines describe the applicable principles of accounting and measurement consistent with IFRS, and they additionally explain accounting rules for topics such as regulatory obligations that are particular to Uniper. Changes to laws, new or amended accounting standards and other pronouncements are analyzed regularly in terms of their relevance to and impact on the Consolidated Financial Statements and, if necessary, reflected in updates to policies and to systems.

The Group companies are responsible for preparing their financial statements in a proper and timely manner. They receive substantial support from Uniper Financial Services GmbH (UFS) in Regensburg, Germany, and from an external service provider, both of which kept accounts and performed work on the annual financial statements. The financial statements of subsidiaries within the scope of consolidation are audited by the subsidiaries' respective independent auditor. Uniper SE then combines these statements into its Consolidated Financial Statements using uniform SAP consolidation software. The specialist department for consolidation is responsible for performing consolidation activities and for monitoring adherence to guidelines for scheduling, processes and content. Monitoring of system-based automated controls is supplemented by manual checks.

Additional qualitative and quantitative information relevant to accounting and financial reporting is compiled within the year-end closing processes. Furthermore, dedicated quality-control processes are in place for all departments involved to discuss and ensure the completeness of relevant information on a regular basis.

Uniper SE's separate annual financial statements are also prepared with SAP software. The accounting and preparation processes are divided into discrete functional steps. Processes relating to certain subsidiary ledgers and certain bank activities were transferred to an external service provider; those relating to the general ledgers were transferred to UFS. Automated or manual controls are integrated into each step. Defined procedures ensure that all transactions and the preparation of the annual financial statements are recorded, processed, assigned on an accrual basis and documented in a complete, timely and accurate manner. Relevant data from Uniper SE's separate financial statements are, where necessary, adjusted to conform with IFRS and then transferred to the consolidation software system using SAP-supported transfer technology.

Internal Control and Risk Management System

The following explanations concerning the internal control system ("ICS") and general IT controls apply equally to the Consolidated Financial Statements and Uniper SE's separate financial statements.

Internal controls are an integral part of Uniper's accounting processes. Uniform accounting requirements and procedures are defined for the entire Uniper Group in a standardized set of guidelines. These guidelines encompass general and specific requirements for a system of internal controls, as well as standards for establishing, documenting and evaluating internal controls and the final sign-off process. These rules are designed to prevent the occurrence of material misstatements in the Consolidated Financial Statements, the Combined Management Report and the interim reports due to errors and to fraud.

The internal control system is based on the globally recognized COSO framework (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The specific ICS requirements are defined in a centralized risk catalog (ICS model), which encompasses company- and industry-specific aspects, defines possible risks for the accounting processes and thus serves as a checklist and provides guidance for the establishment and documentation of internal controls within the different functions. Controls covering the risks defined in the risk catalog are documented in a central IT application.

The general ICS requirements form another key component of the internal control system: they define the overarching ICS principles that are fundamental to every function within the Uniper Group. The internal sign-off process is based, among other things, on an annual assessment by functional owners of the processes and controls for which they are responsible, and comprises a statement concerning the effectiveness of the internal control system that is in place. All functions within the Uniper Group are involved in this process before the full Management Board signs off on effectiveness for the Uniper Group as a whole.

Internal Audit regularly informs the Uniper SE Supervisory Board's Audit and Risk Committee about the internal control system and any significant issue areas it identifies in the Uniper Group's various processes.

External service providers provide IT services for most of the Uniper Group's entities. The effectiveness of the automated controls in the standard accounting software systems and in key additional applications depends to a considerable degree on the proper functioning of IT systems. These IT controls primarily involve ensuring the proper functioning of access-control mechanisms of systems and applications, of daily IT operations (such as emergency measures) of the program change process and of the management of external IT service providers.

Additional Disclosures Regarding Takeovers in Accordance with Sections 289a and 315a (1) of the German Commercial Code

Composition of Capital Stock

The capital stock amounts to €622,132,000 and consists of 365,960,000 no-par-value shares (shares without nominal amount). The shares are registered shares. Each share of stock has the same rights and one vote at a Shareholders Meeting.

Restrictions on Voting Rights or the Transfer of Shares

In the cases provided for by Section 136 of the German Stock Corporation Act ("AktG"), voting rights pertaining to the affected shares are excluded by law. Accordingly, if Uniper SE acquires and holds treasury shares, Section 71b AktG prohibits the exercise of rights pertaining to such shares. There are no other known restrictions on voting rights or the transfer of shares.

E.ON SE and E.ON Beteiligungen GmbH have made a joint undertaking to Uniper SE by contract executed on December 15, 2016, and effective December 31, 2016, that they will not exercise the voting rights of E.ON Beteiligungen GmbH with respect to the election of two (2) of the six (6) shareholder representatives to the Supervisory Board of Uniper SE at the Annual Shareholders Meeting and, in the event of a premature reelection of the aforementioned Supervisory Board members, that they will not vote on their replacements or on a decision to remove them. The agreement ends as soon as E.ON SE's (in)direct shareholding in Uniper SE falls below 20% of the shares.

There are no other known restrictions on voting rights or the transfer of shares.

Direct or Indirect Shareholdings Exceeding 10% of Voting Rights

46.65% of the shares of Uniper SE, and the voting rights corresponding to these shares, are held directly by E.ON Beteiligungen GmbH, whose registered office is in Essen, Germany, and whose business address is Brüsseler Platz 1, 45131 Essen, Germany, and indirectly (via E.ON Beteiligungen GmbH) by E.ON SE, whose registered office is in Essen, Germany, and whose business address is Brüsseler Platz 1, 45131 Essen, Germany.

In accordance with the public statements of E.ON SE and Fortum Oyj, on January 8, 2018, E.ON accepted in full the public takeover offer of Fortum Deutschland SE for the stake it holds, the completion of which is conditional at the time this report was prepared and is still outstanding.

Statutory Requirements and Provisions in the Company's Articles of Association Regarding the Appointment and Removal of Management Board Members and Amendments to the Articles of Association

Pursuant to the Company's Articles of Association, the Company's Management Board consists of at least two members. The Supervisory Board determines the number of members and decides on their appointment and removal.

The Supervisory Board appoints members to the Management Board for a term not exceeding five years. Reappointments are permissible. The Supervisory Board can appoint one of the members of the Management Board as its Chairman. In the absence of a required Management Board member, the courts make the necessary appointment in urgent cases. The Supervisory Board can revoke the appointment of a member of the Management Board and the appointment as Chairman of the Management Board for serious cause.

Resolutions of the Shareholders Meeting are adopted with the majority of valid votes cast, unless otherwise stipulated by mandatory law or the Articles of Association. Unless another type of majority is stipulated by mandatory legal provisions, amendments to the Articles of Association require a majority of two-thirds of the votes cast or, if at least one-half of the capital stock is represented, a simple majority of votes cast. This does not apply for changing the purpose of the Company, for a resolution according to Article 8 (6) of the SE Regulation and for other cases requiring a higher majority of capital.

The Supervisory Board is authorized to decide by resolution on amendments to the Articles of Association that affect only their wording and, in particular, is authorized to revise the wording of the Articles of Association upon utilization of authorized or contingent capital.

Authority of the Management Board to Issue or Buy Back Shares

Authorized Capital

The Management Board is authorized, subject to the Supervisory Board's consent, to increase the Company's capital stock until June 30, 2021, by up to €145,112,289 through the issue on one or more occasions of up to 85,360,170 new no-par-value registered shares against cash and/or non-cash contributions.

The Management Board may, subject to the Supervisory Board's consent, exclude the subscription right that must, in principle, be granted to shareholders. Such exclusion of subscription rights is possible when shares are issued against cash contributions in the amount of up to 10% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Subscription rights may also be excluded when shares are issued against non-cash contributions, but only to the extent that the shares issued under such authorization against non-cash contributions do not represent in the aggregate more than 20% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Furthermore, shareholder subscription rights may also be excluded with regard to fractional amounts and when shares are issued to persons employed by the Company or one of its affiliates.

Convertible Bonds and Warrant-Linked Bonds

The Management Board is authorized, subject to the Supervisory Board's consent, to issue debt instruments during the period up to June 30, 2021, having a total nominal value of up to €1,000,000,000 that, respectively, grant rights or impose obligations of conversion or purchase, in accordance with the relevant terms and conditions of the bonds and warrants, with respect to up to 85,360,170 no-par-value registered shares of the Company, representing a pro-rata interest in its capital stock of up to €145,112,289 in total, to or on the holders or creditors of the bonds or warrants.

The bonds may also be issued by an affiliate of the Company against cash and/or non-cash contributions. Here, too, the Management Board may, with the Supervisory Board's consent, exclude the subscription right to which shareholders are entitled in principle. In connection with these convertible bonds and warrant-linked bonds, conditional capital was created by shareholder resolution. Pursuant thereto, the capital stock is conditionally increased by up to €145,112,289 through the issue of up to 85,360,170 no-par-value registered shares for the purpose of granting shares upon exercise of rights and obligations of conversion or purchase.

Purchase of Treasury Shares

Pursuant to a resolution of August 30, 2016, the Company is authorized until June 30, 2021 to acquire treasury shares up to a total of 10% of the capital stock existing at the time the resolution was adopted.

At the Management Board's discretion, such purchase may take place on the stock exchange, by way of a purchase offer addressed to all shareholders, a public offering or a public solicitation of offers for the exchange of liquid exchange shares for Company shares (so-called "exchange offer"), or through the use of derivatives (put or call options or a combination of both). The Management Board is also authorized, subject to the Supervisory Board's consent and excluding shareholder subscription rights, to use shares of the Company in a specified manner. The Management Board is further authorized to cancel treasury shares without requiring a separate shareholder resolution to that effect.

Offsetting Clause

As a result of offsetting clauses to that effect, the aforementioned authorizations to exclude subscription rights with respect to the authorized capital, the convertible bonds and warrant-linked bonds and the use of treasury shares are offset during period of their validity in such a way that any new shares thus issued or sold, and any shares that are to be issued based on rights that enable or require the subscription of Company shares, notionally do not account for more than 20% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorizations are exercised.

Significant Agreements to Which the Company Is a Party That Take Effect on a Change of Control of the Company Following a Takeover Bid

Some principal agreements on the financing of the Company provide for a right of termination enforceable on the Company in the event of a change of control. The possibility of termination is partly subject to further conditions. In some cases, creditors have already waived the right of termination in the event of a change of control to Fortum. Additional information on financial liabilities can be found under "Financial Condition" in the Combined Management Report and in Note 24 to the Consolidated Financial Statements.

Settlement Agreement between the Company and Management Board Members or Employees in the Case of a Change-of-Control Event

In the event of a premature loss of a Management Board position due to a change-of-control event, the members of the Management Board are entitled to receive a settlement. Management Board members are entitled to a settlement payment if, within twelve months of the change of control, their service agreement is terminated by mutual consent, expires or is terminated by them (in the latter case, however, only if their position on the Management Board is materially affected by the change in control). The settlement payment to Management Board members of the members of the Management Board consists of their base salary and target bonus (100%) plus fringe benefits for a period of two years from the premature termination of the service contract. In accordance with the German Corporate Governance Code, these settlement payments for Management Board members shall not exceed 150% of a general settlement cap.

A change of control would further trigger a premature settlement of the current long-term multi-year bonus tied to the performance of Uniper stock and of the Uniper Performance Cash Plan.

Remaining Items of Sections 289a and 315a (1) of the German Commercial Code

The remaining items of Sections 289a and 315a (1) of the German Commercial Code not discussed here concern issues not present within Uniper SE.

Corporate Governance Report

Declaration in Accordance with Section 289f and Section 315d of the German Commercial Code

Declaration on the Corporate Governance Code Made in Accordance with Section 161 of the German Stock Corporation Act by the Management Board and the Supervisory Board of Uniper SE

Pursuant to Section 161 para. 1 sentence 1 of the German Stock Corporation Act ("AktG"), the Management Board and the Supervisory Board of Uniper SE have to issue annually a declaration that Uniper SE has been, and is, in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" (hereinafter the "Code") as published by the German Federal Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*), or to advise of any recommendations that have not been, or are not being, applied and the reasons for this.

Pursuant to Section 161 AktG, the Management Board and the Supervisory Board of Uniper SE hereby declare as follows:

1. Uniper SE complies with and will continue to comply with all recommendations of the Code as amended on February 7, 2017.

2. Since the last declaration of compliance was issued in February 2017, Uniper SE has complied with all the recommendations of the Code as amended on May 5, 2015 and, since its entry into force, with the recommendations of the Code as amended on February 7, 2017.

Düsseldorf, February 2018

For the Management Board

Klaus Schäfer   Christopher Delbrück

For the Supervisory Board

Dr. Bernhard Reutersberg

This Declaration is continuously available to the public on the Company's Internet site at https://ir.uniper.energy/websites/uniper/English/7500/corporate-governance-policy.html.

Relevant Information about Management Practices

Corporate Governance

Uniper SE is a European Company (Societas Europaea, "SE"). The governing bodies of the Company are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the Annual Shareholders Meeting (*Hauptversammlung*). The Company has a two-tier corporate governance structure. The Management Board and the Supervisory Board work independently of one another. A member of the Company's Supervisory Board may not, in principle, be a member of the Company's Management Board at the same time. Prior to the conversion into a European Company through a change in legal form, Uniper SE was constituted as a German stock corporation, Uniper AG.

Good corporate governance is of the highest priority at Uniper SE. It is ensured through close and efficient collaboration between the Management Board and the Supervisory Board for the good of the Company, it guides all decision-making and ensures that the Company's success is earned responsibly and sustainably. Management Board members and members of the Supervisory Board shall serve the interests of the Company. No member of the Management Board or of the Supervisory Board may pursue personal interests when making decisions.

The Company's Management Board and Supervisory Board subscribe to the goals of the German Corporate Governance Code, which seeks to promote responsible, transparent corporate governance and controls aimed at enhancing enterprise value in the long term. In that respect, Uniper SE is also nearly fully in compliance with the suggestions of the Code, which are only voluntary.

In accordance with the suggestion under Section 4.1.3 of the German Corporate Governance Code, a protected whistleblowing system has also been made available to third parties since November 2017.

The compensation plan provides for the early payment of multi-year variable compensation components in accordance with Section 4.2.3 of the German Corporate Governance Code only in cases where a continuation up to the planned date does not correspond to the regulatory purpose (e.g., "change-of-control" situation, death).

The suggestion in Section 3.7 of the German Corporate Governance Code that an extraordinary general meeting should be convened in the event of a takeover bid was not complied with. In the Company's view, in the specific instance of Fortum's public offer the costs involved in holding a corresponding extraordinary general meeting were not in line with the benefits for shareholders.

At the time this report was prepared, the current members of the Management Board and the Supervisory Board of Uniper SE together hold 102,539 shares of the Company. This corresponds to a share of 0.28% relative to the total of 365,960,000 shares issued. According to publicly available information, the shares held by Dr. Marc Spieker have been tendered in Fortum's public offering. Considering the effect of rounding, a completion of this transaction would have no impact on the percentage currently held.

Integrity

Uniper's business activities are grounded in integrity and respect for the law. They are based on the Uniper Code of Conduct, as amended in October 2017, approved by resolution of the Management Board. The Code requires that all employees in all of the Group companies comply with all laws and regulations and with Company policies. The Management Board and line managers serve as role models and must act accordingly. The Code sets out principles for dealings with business partners, third parties and government institutions, particularly with regard to laws on combating corruption, money laundering and the financing of terrorism, on compliance with international sanctions and with antitrust law, the granting and accepting of benefits, the involvement of intermediaries, and the selection of suppliers and service providers. Other rules address issues including the avoidance of conflicts of interest (such as non-compete obligations, secondary employment, material financial investments) and the handling of Company information, property and resources. The policies and procedures of the compliance organization ensure the investigation, evaluation, cessation and punishment of reported violations by the appropriate Compliance Officers and the Uniper Group's Chief Compliance Officer. Violations of the Code of Conduct can also be reported anonymously (for example, by means of a whistleblower report). The Code of Conduct and further information on the Company's Compliance Management System can be viewed online at
https://www.uniper.energy/en/we-are-uniper/our-corporate-responsibility/compliance.html.

Diversity Concept
The Management Board of Uniper gave its full commitment to developing diversity and inclusion at Uniper after Uniper's CEO Klaus Schäfer signed the Diversity Charter at the end of 2016. The Diversity Charter has been signed by over 2,700 companies in Germany who respect and are committed to promoting diversity in the six dimensions of gender, nationality or ethnic background, religion or worldview, disability, age/generations, sexual orientation and identity. A diverse workforce reflects modern society, is influenced by globalization trends and demographic changes and according to much current research also makes very good business sense. Teams made up of diverse employees and their various capabilities are more innovative and creative than a workforce of homogeneous teams.

Thus, at Uniper, diversity is an essential and integral part of "The Uniper Way". It is recognized as a long-term goal that can and will be achieved by commitment at both the executive and employee levels. In 2017, the Management Board agreed to focus on measures in all six diversity dimensions and implement measures to foster a more innovative and creative culture. An employee survey was carried out using diversity questions to create greater awareness among all employees. Managers have been discussing the results with their teams and are working on measures to manage and promote diverse teamwork. A working group of senior managers and diversity ambassadors from various areas of the Company was also established in 2017 and given a platform to work on a Diversity Improvement Plan for 2018–2020 that will apply to the entire company, including at the management levels.

Description of the Functioning of the Management Board and Supervisory Board and of the Composition and Functioning of Their Committees

Management Board
The Management Board consists of
- Klaus Schäfer, the Chairman of the Management Board and Chief Executive Officer ("CEO");
- Christopher Delbrück, the Chief Financial Officer ("CFO");
- Keith Martin, the Chief Commercial Officer ("CCO") responsible for commercial activities; and
- Eckhardt Rümmler, the Chief Operating Officer ("COO") responsible for operations.

The Management Board of Uniper SE manages the Company on its own authority in accordance with the law, the provisions of corporate by-laws and the rules of procedure for the Management Board and the Supervisory Board, giving due consideration to the resolutions adopted at meetings of shareholders.

The Management Board determines and updates the Group's business objectives, fundamental strategic orientation, corporate policy and organizational structure. This includes, in particular, management of the Group and its financial resources, the development of the human resources strategy, appointments to management positions within the Group and leadership development, as well as representation of the Group to capital markets and the general public.

In addition, it is responsible for the coordination and monitoring of operations in accordance with the established Group strategy.

The Management Board represents the Company in transactions with third parties. It manages the Company's businesses, with all its members bearing joint responsibility for its decisions. The principle of joint management notwithstanding, the individual Management Board members act independently and on their own authority within their particular areas of responsibility, although they must place the general interests of the Company above those of their respective areas of responsibility. Individual Management Board members must inform the other members of the Management Board about important measures, decisions, material business transactions, risks and losses within their area of business responsibility. The decisions reserved for the full Management Board (by law, by rules of procedure or by corresponding resolution) are normally voted on in Board meetings convened by the Chairman. Persons who are not members of the Management Board may directly participate in such meetings for consultation on individual matters. The Management Board can generally adopt resolutions by simple majority vote. In the event of a tied vote, the Chairman shall have the casting vote.

The Management Board is appointed by and reports to the Supervisory Board.

Accordingly, the Management Board, under the leadership of its Chairman, informs the Supervisory Board regularly, promptly and comprehensively on all issues of planning, business development, compliance, the risk situation and risk management that are relevant to the Company. It addresses instances where the course of business has deviated from the approved plans and objectives, and specifies the reasons for them. The Management Board shall generally submit to the Supervisory Board a quarterly report on the items specified in Section 90 of the German Stock Corporation Act, as well as reports about the Group. The Management Board shall additionally submit its planning for the Group's investments, finances and human resources, as well as the medium-term plan, to the Supervisory Board. The Chairman of the Management Board promptly informs the Chairman of the Supervisory Board of important events that are of fundamental significance in assessing the Company's situation and development and to its management, and also of any defects that have arisen in the monitoring systems that Management Board is required to set up. Transactions and measures requiring the Supervisory Board's consent are also submitted to the Supervisory Board in a timely manner. If a Management Board member holds a conflict of interest, such member shall disclose that conflict to the Supervisory Board and inform the other members of the Management Board thereof.

Supervisory Board

Shareholders are represented on the Supervisory Board by Dr. Bernhard Reutersberg (Chairman), Jean-Francois Cirelli, David Charles Davies (since June 8, 2017), Dr. Marion Helmes, Rebecca Ranich and Dr. Marc Spieker (Deputy Chairman), who were appointed or reappointed by the Annual Shareholders Meeting on June 8, 2017. Dr. Johannes Teyssen retired on June 8, 2017 after the end of his term of office without being subsequently reappointed. The employees are represented on the Supervisory Board by Ingrid Asander, Oliver Biniek, Barbara Jagodzinski, Andre Muilwijk, Immo Schlepper (since June 8, 2017) and Harald Seegatz (Deputy Chairman). Andreas Scheidt resigned from office with effect from June 8, 2017.

In the opinion of the Supervisory Board, all members of the Supervisory Board are, with one exception, independent members of the Supervisory Board within the meaning of the German Corporate Governance Code. Due to the current interests of Uniper SE, on the one hand, and E.ON SE, on the other hand, Dr. Marc Spieker no longer qualifies as an independent member of the Supervisory Board within the meaning of the German Corporate Governance Code as a result of the planned public takeover by Fortum.

The Supervisory Board of Uniper SE appoints, oversees and advises the Management Board and is directly involved in decisions that are of fundamental importance to the Company. The Supervisory Board Chairman coordinates the work of the Supervisory Board.

The Supervisory Board consists of twelve members. Six members are elected by the Annual Shareholders Meeting, and six members are elected by the employees in accordance with the election procedures established in the agreement on employee participation in Uniper SE. Former Management Board members are generally prohibited from serving on the Supervisory Board for a qualifying period of two years after leaving the Management Board. This is designed to avoid conflicts of interest. However, an exception is made to this provision if the election to the Supervisory Board comes at the suggestion of shareholders who have more than 25% of the voting rights in the Company.

The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. In view of Section 289f (2) no. 6 of the German Commercial Code and Item 5.4.1 of the German Corporate Governance Code, as amended on February 7, 2017, the Supervisory Board has defined targets for its composition and developed a competency profile that reads as follows:

Definition of Targets

Basis

"The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand and assess on his or her own all the business events and transactions that generally occur.

Independence and Conflicts of Interests

"The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any personal or business relationship with the Company, its Management Board, a shareholder with a controlling interest in the Company, or with a company affiliated with such a shareholder, and such a relationship could constitute a material, and not merely temporary, conflict of interest. The Supervisory Board has a sufficient number of independent members if ten of its twelve members are independent. Employee representatives are, as a rule, deemed independent.

"The Supervisory Board should not include more than two former members of the Management Board, and members must not sit on the boards of, or act as consultants for, any of the Company's major competitors.

Availability

"Each Supervisory Board member must have sufficient time available to perform his or her board duties. Persons who are members of the management board of a listed company should therefore only be or remain members of Uniper's Supervisory Board if they do not sit on more than three supervisory boards of listed non-Group companies or in comparable supervisory bodies of non-Group companies.

Age Limit

"As a general rule, members should not be older than 70 at the time of their election and should not be members for more than three full terms (15 years).

Diversity

"The Supervisory Board intends to consider other criteria in its nomination of candidates in order to increase the Supervisory Board's diversity, if and to the extent the qualifications of several candidates for the Supervisory Board meet, to an equal degree, the general and Company-related requirements.

Gender Diversity

"As required by law, the Supervisory Board consists of at least 30% women and at least 30% men. This will be considered for new appointments to the Supervisory Board of Uniper SE.

Detailed Profile of Skills and Expertise

Specific Leadership Experience

"The key role of the Supervisory Board is to oversee and advise the Management Board. Consequently, a majority of the shareholder representatives on the Supervisory Board should have experience as members of the management board of a stock corporation or of a comparable company or association in order to discharge their duties in a qualified manner.

"Connected thereto, at least some of the members should have specific experience, in addition to general responsibility for management and results as well as personnel and leadership, as regards corporate strategy and future strategic development, as regards accounting and auditing, as regards controlling as well as regards a holistic perspective of risk, compliance and corporate governance.

Specific Energy Industry Expertise

"In addition, the Supervisory Board as a whole should have particular expertise in the energy industry and Uniper's business operations.
"For this purpose, at least some members should have specific experience which allows them to deeply understand the business models and the major business areas (markets and competition, products and customers) along the value chain and to assess them, particularly from a strategic and risk perspective.

"Preferably, at least some members should have specific experience from related or other industries to provide for an external view on the matters of the Company.

"Specific expertise in the energy industry and business operations also includes in particular knowledge about the key markets in which Uniper operates. Here at least some of the members should have specific experience which allows them also to understand the development of such markets.

"Due to the international orientation of the Uniper Group having its focuses in Western Europe and Russia at least some members should have specific experience in these regions.

General Professional Expertise

"Each member of the Supervisory Board should have general knowledge about the industry, the different business models, the accounting and the key factors for the Company's results, the legal framework and compliance requirements, except for reasonable exceptions. In case of a reasonable exception, the member should be in a position to gain such general knowledge in the near term.

"Moreover, each member of the Supervisory Board should have the ability to make a general plausibility check of the financial statements of the Company and in individual cases with the support of the auditor to conduct an appropriate deeper review thereof. Each member should be in the position to review the reporting by the Management Board at least for its general soundness, to scrutinize and discuss it. Furthermore, each member should be able to assess the correctness, the profitability and the lawfulness of the business decisions to be passed, to review them at least for their general soundness, to scrutinize and discuss them, as and where required to be supported by expert advice.

"In view of Uniper's international orientation, the Supervisory Board should include a sufficient number of members who have spent a significant part of their professional career abroad.

General Personal Expertise

"Each member of the Supervisory Board should have a level of personal independence and integrity that permits them to fulfill the tasks of supervising and reviewing. To advise and supervise the Management Board in its management responsibilities each member of the Supervisory Board should have sufficient experience from leadership functions or should have gained the required expertise otherwise. Each member of the Supervisory Board should be particularly professional, discreet, open to discussion, solution-oriented and have the ability to work cooperatively.

"In addition, each member should be prepared to devote sufficient attention to the tasks arising from the Supervisory Board's activities, including work in the committees, and to pursue the relevant topics outside of the specific Supervisory Board's activities. Each member should have the flexibility to be available at short notice in the event they are urgently needed and to appropriately prioritize the requirements of the Uniper Supervisory Board.

Chairman of the Supervisory Board

"The Chairman of the Supervisory Board should directly fulfill key elements of the special competencies which are required of the Supervisory Board as a whole and thus only of some members. In particular, the Chairman of the Supervisory Board should have special relevant management experience and should, in principle, have relevant management experience of his or her own in order to be able to fully carry out his or her advisory and supervisory tasks.

"If the Chairman of the Supervisory Board does not possess specific expertise in the energy industry, the Chairman should have specific experience from related or other industries. The Chairman of the Supervisory Board should, without exception and to a particular extent, meet the general professional and personal requirements."

In its current composition, the Supervisory Board meets the targets of this competency profile.

Each Supervisory Board member is required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or exercising a board function with, customers, suppliers, creditors or other third parties. In its report to the Shareholders Meeting, the Supervisory Board informs shareholders about conflicts of interest and their disposition. Material conflicts of interest that are not merely temporary shall result in the termination of a member's appointment to the Supervisory Board. The Supervisory Board regularly reviews the efficiency of its activities, generally every two years.

The Supervisory Board regularly adopts its resolutions in Board meetings. The Management Board regularly participates in these meetings unless the Supervisory Board decides to exclude the Management Board from a meeting on a case-by-case basis. Third parties may also participate in Supervisory Board meetings for consultation on individual matters. The Supervisory Board can generally adopt resolutions by simple majority vote. In the event of a tied vote, the Chairman shall have the casting vote.

The Supervisory Board may form committees from among its ranks and transfer decision-making authority to these committees to the extent permitted by law. The Supervisory Board stipulates the committees' responsibilities, powers and procedures. The Supervisory Board has established the following committees, which are tasked with the responsibilities described below:

Executive Committee
The Executive Committee (*Präsidialausschuss*) coordinates the work of the Supervisory Board, prepares the Supervisory Board meetings and is also responsible for personnel matters relating to the Management Board. It is also charged with preparing resolutions on the appointment of Management Board members and negotiating the terms and conditions of their employment agreements, including compensation. The Executive Committee submits proposals to the full Supervisory Board on setting the total compensation to be granted to the individual members of the Management Board. The Executive Committee's tasks also include, among others: (i) granting consent to requests by Management Board members to take on other positions or other material secondary employment or exempting them from non-compete obligations; (ii) granting loans to members of the Management Board and of the Supervisory Board and their dependents; and (iii) granting consent to transactions between the Company and its affiliates on the one hand, and any Management Board member or a related party on the other.

The Executive Committee consists of six members: Dr. Bernhard Reutersberg (Chairman), Harald Seegatz (Deputy Chairman), Jean-Francois Cirelli, Barbara Jagodzinski, Immo Schlepper and Dr. Marc Spieker. Jean-Francois Cirelli joined the committee on January 26, 2017. Until June 8, 2017, Dr. Johannes Teyssen was a member of this committee instead of Dr. Marc Spieker, and Andreas Scheidt was a member instead of Immo Schlepper. Until his departure, Andreas Scheidt held the chairmanship of the committee instead of Harald Seegatz.

Audit and Risk Committee
The Audit and Risk Committee (*Prüfungs- und Risikoausschuss*) assists the Supervisory Board with its responsibilities in monitoring accounting processes and financial reporting. These include preparing the review of the correctness and completeness of the Company's annual and consolidated financial statements and related disclosures, as well as monitoring the Company's internal control, risk management and internal audit systems. The Committee also monitors the performance, qualifications and independence of the external auditor and discusses the semi-annual and the quarterly reports with the Management Board.

The Audit and Risk Committee consists of four members: David Charles Davies (Committee Chairman), Andre Muilwijk (Deputy Chairman), Oliver Biniek and Dr. Marion Helmes. Dr. Marion Helmes joined the committee on January 26, 2017. Until June 8, 2017, Dr. Marc Spieker was a member and chairman of this committee instead of David Charles Davies, and Harald Seegatz was a member instead of Oliver Biniek. Until his departure, Harald Seegatz was Deputy Chairman of the committee instead of Andre Muilwijk.

Nomination Committee
The Nomination Committee (*Nominierungsausschuss*) is responsible for preparing the decisions of the Supervisory Board regarding proposals to the Shareholders Meeting on the appointment of shareholder representatives to the Supervisory Board.

The Nomination Committee consists of three members: Dr. Bernhard Reutersberg (Committee Chairman), Jean-Francois Cirelli and Dr. Marc Spieker. Dr. Marc Spieker joined the committee on February 22, 2017. Until June 8, 2017, Dr. Johannes Teyssen was a member of this committee instead of Jean-Francois Cirelli.

Special Committee
The Special Committee (*Sonderausschuss*) is a committee of the Supervisory Board responsible for takeover matters.

The Special Committee consists of six members: Dr. Bernhard Reutersberg (Committee Chairman), Jean-Francois Cirelli, Dr. Marion Helmes, Barbara Jagodzinski, Andre Muilwijk and Harald Seegatz.

The following overview shows the individual participation of the members of the Supervisory Board in the meetings of the Supervisory Board and its committees; in each case as the participation of that member in the meetings of the Supervisory Board during the term of office or committee activity of the respective member:

Overview of the Attendance of Supervisory Board Members at Meetings of the Supervisory Board and Its Committees

Supervisory Board member	Supervisory Board Meetings	Executive Committee	Audit and Risk Committee	Special committee on takeover activities	Nomination Committee
Dr. Bernhard Reutersberg	10/10	4/4	-	6/6	1/1
Harald Seegatz	10/10	4/4	2/2 (until June 8)	6/6	-
Dr. Marc Spieker	7/10	1/1 (since June 8)	2/2 (until June 8)	-	1/1 (since Feb. 22)
Andreas Scheidt	4/4 (until June 8)	3/3 (until June 8)	-	-	-
Dr. Johannes Teyssen	4/4 (until June 8)	3/3 (bis 8. Juni)	-	-	1/1 (until June 8)
Ingrid Asander	9/10	-	-	-	-
Oliver Biniek	10/10	-	1/2 (since June 8)	-	-
Jean-Francois Cirelli	8/10	3/4 (since Jan. 26)	-	5/6	-
David Davies	6/6 (since June 8)	-	2/2 (since June 8)	-	-
Dr. Marion Helmes	9/10	-	3/4	6/6	-
Immo Schlepper	6/6 (since June 8)	1/1 (since June 8)	-	-	-
Barbara Jagodzinski	10/10	4/4	-	6/6	-
Andre Muilwijk	9/10	-	4/4	6/6	-
Rebecca Ranich	9/10	-	-	-	-

Shareholders, Annual Shareholders Meeting

The Annual Shareholders Meeting is the meeting at which shareholders of Uniper SE exercise their rights. The Shareholders Meeting is held at the site of the Company's registered office or in another German city with at least 100,000 inhabitants. The SE Regulation provides that the Shareholders Meeting must be held at least once every calendar year within the first six months after the close of a given fiscal year. It is normally convened by the Management Board. Each share has one vote at a Shareholders Meeting. Only those shareholders are entitled to participate in the Shareholders Meeting and to exercise their voting rights who have registered in due time and are recorded in the shareholder register for the shares being registered. Voting rights can be exercised through proxies.

The Shareholders Meeting resolves on the following, in particular: appointment of shareholder representatives to the Supervisory Board; appropriation of net retained profits; ratification of the actions of the Management Board and Supervisory Board members; appointment of the independent auditor; amendments to the Articles of Association; corporate actions involving capital increases or reductions (in the absence of authorization such as that conferred by authorized or conditional capital); and dissolution of the Company.

Statutory Auditor

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as auditor of Uniper SE by the Annual Shareholders Meeting on June 8, 2017. The audit mandate will run until the next Annual Shareholders Meeting in June 2018. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been active as auditor of the financial statements of Uniper SE without interruption since the company fulfilled its requirements as a public interest entity within the meaning of Section 319a (1) sentence 1 of the German Commercial Code (HGB) for the first time in the 2016 fiscal year. The auditor responsible for the audit since then has been Markus Dittmann.

Targets for Promoting the Participation of Women and Men in Leadership Positions pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act

The Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector also imposes upon Uniper SE (the ultimate lead company of the Uniper Group) the obligation to set targets for the proportion of women on its Supervisory Board and its Management Board, as well as in the two levels of management below the Management Board.

It was determined that the Supervisory Board, in accordance with statutory requirements, must consist of at least 30% women and at least 30% men. The date for achieving both targets is June 30, 2017. This requirement has been reached for June 30, 2017. For the period from July 1, 2017 to June 30, 2022, the Supervisory Board has set a target figure of 30% for the proportion of women.

For the Management Board it was determined, taking into account the spin-off process, that a short-term target of zero percent for the proportion of women on the Management Board of Uniper SE, reflecting the status quo, should apply through June 30, 2017. For the Management Board, the Supervisory Board has adopted a target figure of 20% for the proportion of women for the period from July 1, 2017 to June 30, 2022.

For the two management levels below the Management Board, targets of 30% for the first management level and of 26.5% for the second management level were set for the proportion of women. An internal implementation was not adopted; the statutory deadline (June 30, 2017) therefore applies. As of June 30, 2017, both targets had been exceeded. For the two management levels of Uniper SE below the Management Board, a target of 30% for the proportion of women in the first management level and 30% for the second management level has been set for the period from July 1, 2017 to June 30, 2022.

Compensation Report pursuant to Section 289a (2) and Section 315a (2) of the German Commercial Code

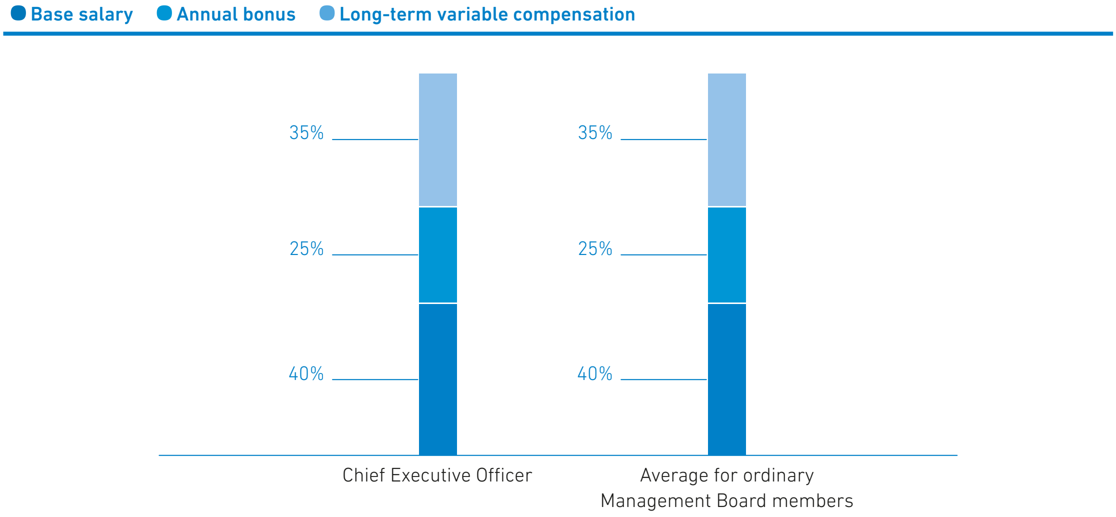
The compensation report describes the basic features of the compensation plans for members of the Management Board and of the Supervisory Board of Uniper SE and provides information about the compensation granted and paid in the 2017 fiscal year. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code ("HGB"), German Accounting Standards, and International Financial Reporting Standards ("IFRS")) and the recommendations and suggestions of the German Corporate Governance Code dated February 7, 2017.

Basic Features of the Management Board Compensation Plan

The purpose of Uniper SE's Management Board compensation plan is to create an incentive for performance-related and sustainable corporate governance. The compensation of Management Board members consists, in principle, of a fixed base salary, a performance-based annual bonus, and long-term performance-based variable compensation.

The system is designed to be competitive and to meet regulatory requirements.

Compensation Structure of the Management Board Members (Based on 100% Target Attainment)



At the same time, the compensation plan serves to align management and shareholder interests and objectives by tying long-term variable compensation to the so-called Total Shareholder Return, a measure of the market performance of Uniper's share price plus dividends paid.

The Supervisory Board approves the Management Board compensation structure. It reviews the structure and appropriateness of the Management Board's total compensation and its individual components on a regular basis and, if necessary, makes adjustments. It considers the provisions of the German Stock Corporation Act ("AktG") and follows the German Corporate Governance Code's recommendations and suggestions.

Fixed Compensation

The members of the Management Board receive a fixed base salary, which is paid as a monthly salary.

Additionally granted are compensation in kind and fringe benefits customary in the market, such as the continued payment of compensation in the event of short-term disability, the provision of a company car (for the Chief Executive Officer, including driver), the payment of costs associated with medical screening and accident insurance, and property damage liability insurance with a deductible.

Pursuant to the German Stock Corporation Act and the recommendation in the German Corporate Governance Code, the property damage liability insurance policy includes a deductible of 10% of the respective damage claim for Management Board members. The deductible has a maximum cumulative annual cap of 150% of a member's annual fixed base salary.

Performance-Based Compensation

Within the framework of the compensation plan for the Management Board of Uniper SE, about 60% of the long-term variable compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 AktG. Performance-based compensation consists of the annual bonus and long-term variable compensation.

Annual Bonus

The annual bonus is dependent on the business performance of the Company in the respective fiscal year. The Supervisory Board further assesses the individual performance of each Management Board member (applying a factor of 0.7 to 1.3). To determine the Company's business performance, the Supervisory Board establishes performance measures and appropriate targets at the beginning of each fiscal year. Beginning in the 2017 reporting year, performance is measured based on adjusted funds from operations ("adjusted FFO").

Adjusted FFO is derived from adjusted cash flow and considered to a material indicator for managing the operating business and for assessing the Uniper Group's financial condition, which makes it an appropriate measure of business performance. The target for a particular fiscal year is the budget figure approved by the Supervisory Board. If the actual adjusted FFO is equal to the adjusted FFO target, this constitutes 100% attainment. If it is 50% or more below the target, this constitutes 0% attainment. If it is 50% or more above the target, this constitutes 200% attainment, which is the maximum achievable target attainment. Linear interpolation is used to translate intermediate figures.

In assigning Management Board members their individual performance factors, the Supervisory Board applies concrete criteria to evaluate the individual contribution of the members of the Management Board to the achievement of collective goals, as well as the attainment of their individual targets. Collective goals and individual targets are agreed upon in advance and set down in a target agreement between the Management Board and the Supervisory Board. For the 2017 fiscal year, these goals and targets included strategic development and success in the capital markets, as well as sustainability, long-term positioning and human-resources development. The agreed goals and targets for the 2018 fiscal year again include the development and implementation of strategy, as well as sustainability, long-term positioning and human-resources development.

Target attainment in terms of the individual performance factor is determined by the Supervisory Board after the close of the fiscal year on the basis of the degree to which each of the previously defined individual targets and collective goals has been achieved. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 AktG and of the German Corporate Governance Code.

According to the Management Board contracts, the Supervisory Board may, in the event of extraordinary developments, consider other aspects when determining the bonus. This can lead to a correspondingly higher or lower performance bonus. In line with the German Corporate Governance Code's recommendation, the above-described goals, targets and comparative parameters may not be changed retroactively. In addition, the Supervisory Board may grant Management Board members special compensation for outstanding achievements as part of the bonus. No additional aspects were considered for the 2017 reporting year, nor was any special compensation granted to Management Board members.

The bonus, including any special compensation, is limited to a maximum of 200% of the target amount (payout cap). Subject to any taxes, the bonus is paid out in April of the following year.

Long-Term Variable Compensation

Members of the Management Board are granted long term incentive ("LTI") payments. Uniper's LTI program is the Performance Cash Plan. The plan is set up to pay annual tranches, with a performance period of four years for each tranche. The amounts paid out under the Performance Cash Plan are based on an LTI target amount, which is granted at the start of the performance period as a future entitlement, as well as on the respective performance factor. The performance factor is determined at the end of the performance period by comparing the absolute Total Shareholder Return ("TSR") achieved with the target values specified by the Supervisory Board. At the end of the four-year performance period, the performance factor reached is multiplied by the respective LTI target amount to determine the amount to be paid out under a granted tranche of the Performance Cash Plan. The payout amount is capped at 400% of the target amount (payout cap). Long-term compensation is generally paid out after the end of the performance period.

The absolute TSR refers to the total return on Uniper's stock, and takes into account the performance of the share price and dividend payments during the four-year performance period. The TSR reflects the Company's capital-market performance and thus serves to align the interests and objectives of both management and shareholders. The initial price is the equal-weighted average closing price (arithmetic mean) of the last 60 trading days prior to the beginning of the performance period. The final price is determined by analogy as the arithmetic mean of the closing prices of the last 60 trading days prior to the end of the performance period. This mitigates the effects of incidental, short-lived price changes.

The LTI payout is subject to firm predefined parameters for the absolute TSR and takes place only upon reaching a calibrated threshold. If an absolute TSR of 15% is achieved, the members of the Management Board receive a payout equivalent to 50% of the target amount. If the TSR threshold of 15% is not achieved, no LTI payment takes place. An absolute TSR of 25% constitutes 100% target attainment and therefore results in a payout of the full LTI target amount. The maximum payout of 400% of the target amount is obtained only upon reaching an absolute TSR of 80%. Additional increases in the absolute TSR will not result in additional payouts. Linear interpolation is used to translate intermediate figures between the specified parameters.

Share Ownership Guidelines

In the context of the special incentive bonus paid in 2016 when Uniper was spun off from E.ON SE, the Management Board members agreed to form personal stock portfolios of Uniper shares. 25% of the one-time special incentive bonus awarded for 2016 vests following the close of each full year from the effective date of the spin-off. It is therefore presented pro rata for the 2017 fiscal year. Members of the Management Board are obliged to accumulate holdings of Uniper shares worth 100% of their annual fixed base salary, and to hold the acquired shares during their tenure. The period for forming the relevant stock portfolio is a maximum of four years from the date of registration of the spin-off in the commercial register of E.ON SE. All Management Board members consented to the share ownership guidelines before payment of the special incentive bonus. By Supervisory Board resolution dated September 8, 2017, further accumulation of shares was suspended for the time being in light of the takeover offer by Fortum for Uniper SE.

Pension Entitlements

Uniper SE has agreed on a defined contribution pension plan with the members of the Management Board pursuant to the Uniper Management Board Contribution Plan.

Uniper SE makes contributions to Management Board members' pension accounts equivalent to a maximum of 18% of their eligible compensation (base salary and target bonus). The amount of the annual contributions is made up of a fixed base percentage (14%) and a matching contribution (4%). The matching contribution will only be granted if the Management Board member makes a minimum contribution in the same amount by deferring compensation. The matching contribution funded by the Company will be suspended if the dividend distribution corridor set by the Supervisory Board is not met for three consecutive years. The credits are converted in accordance with actuarial principles into units of capital (based on the age of 62) and accrue to the pension accounts of the Management Board members. The units of capital earn interest each year at the yield of long-term government bonds of the Federal Republic of Germany observed in that year. The Management Board members (upon reaching the age of 62), or their surviving dependents, may opt to have the accrued balance on their pension account paid out in the form of a pension, in installments or in one lump sum.

In line with the German Corporate Governance Code's recommendation, the Supervisory Board will regularly review the Management Board member benefits levels, and the resulting annual and long-term expense, and adjust the payments as needed.

Settlement Payments for Termination of Management Board Duties

In line with the recommendation of the German Corporate Governance Code, the service agreements of Management Board members include a settlement cap.

In the event of the early termination of an appointment to the Management Board and the service contract without cause, any settlement payable shall be limited to two times the total annual compensation, and at most to the compensation of the remaining term. The calculation of this cap is made in accordance with the provisions of section 4.2.3. of the German Corporate Governance Code. If there is cause within the meaning of Section 626 of the German Civil Code ("BGB"), no settlement shall be paid. In the event of a change of control, the following special rules shall apply:

In the event of a premature loss of a Management Board position due to a change-of-control event, Management Board members are entitled to settlement payments.

The change-of-control clause stipulates that a change of control can take three forms: (i) a third party directly or indirectly acquires at least 30% of the Company's voting rights, and thus reaches the control threshold under the German Securities Acquisition and Corporate Takeover Act ("WpÜG"); (ii) Uniper SE, as a dependent entity, signs a corporate agreement; or (iii) Uniper SE is merged with another company pursuant to Sections 2 *et seq.* of the German Transformation Act ("UmwG"), unless the enterprise value of the other legal entity at the time of the decision by the transferring company amounts to less than 20% of the enterprise value of Uniper SE. Management Board members are entitled to a settlement payment if, within twelve months of the change of control, their service agreement is terminated by mutual consent, expires, or is terminated by the member (in the latter case only if their position on the Management Board is materially affected by the change of control). The settlement payment for Management Board members consists of their base salary and target bonus (100%) plus fringe benefits for a period of two years after early termination of the service agreement. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members shall not exceed 150% of the settlement cap described above.

The service agreements of Management Board members include a non-compete clause pursuant to Section 88 AktG. For a period of six months after the termination of their service agreements, Management Board members are contractually prohibited from working directly or indirectly for a direct or indirect competitor of Uniper SE or its affiliates. The prorated payment is based on 100% of their contractually stipulated annual target compensation (without long-term variable compensation) but is, at a minimum, 60% of their most recently received contractual compensation.

Management Board Compensation for the 2017 Fiscal Year

The Supervisory Board reviewed the Management Board's compensation plan and the components of individual members' compensation. The Supervisory Board found the Management Board's compensation appropriate from both a horizontal and vertical perspective and adopted a resolution authorizing the performance-based compensation described below. The Supervisory Board found the horizontal perspective to be customary after comparing the compensation with that paid by companies of a similar size. The appropriateness review included a vertical comparison of the Management Board's compensation with that of Uniper SE's top management and the rest of its workforce. In the Supervisory Board's view, there was no reason to adjust the Management Board's compensation in 2017.

Outlook for 2018

In the course of the current restructuring program, the compensation of the members of the Management Board was reduced for their respective terms of office, at their suggestion and with the consent of the Supervisory Board, by about 7% (i.e., 7%, respectively, of the base salary, annual bonus, long-term variable compensation and pension plan contributions).

Performance-Based Compensation for the 2017 Fiscal Year

The Supervisory Board fixed the annual bonuses of the Management Board members for the 2017 fiscal year as follows: €1,201,250 for Mr. Schäfer and €674,250 each for Mr. Delbrück, Mr. Rümmler and Mr. Martin. Accordingly, the total amount of the annual bonus was €3,224,000. The financial performance target attainment in the 2017 fiscal year was 155% of adjusted FFO. When it determined the individual target attainment of the Management Board members, the Supervisory Board evaluated each member's personal performance and acknowledged, in particular, that all material targets agreed with the Management Board for the 2017 fiscal year were achieved.

The Supervisory Board launched the second tranche (planned performance period: 2017–2020) as part of the Uniper Performance Cash Plan for the 2017 fiscal year and made allocations to the members of the Management Board under this plan. The performance of this tranche will be determined in large part by the performance of Uniper' share price and dividend payments in the next four years. The actual payments made to Management Board members in 2021 may thus deviate—under certain circumstances considerably—from the calculated figures disclosed here. Because a conversion into actual numbers of shares is not provided for under the terms of the Uniper Performance Cash Plan, no such numbers can be determined or disclosed.

The contractually promised LTI target (100%) corresponds to 88% of the base salary amount, and for the full 2017 fiscal year amounts to €1,085,000 for Mr. Schäfer, and €615,000 each for Mr. Delbrück, Mr. Rümmler and Mr. Martin.

The following expenses have been incurred under the Performance Cash Plan of the Management Board members for the 2017 fiscal year:

Total Share-based Payment Expense

€	Expense recognized in 2017 (Tranche 2, 2017–2020)	Expense recognized in 2017 (Tranche 1, 2016–2019)	Expense recognized in 2017 (Total)	Expense recognized in 2016 (Total)
Klaus Schäfer	1,085,000	2,170,000	3,255,000	0
Christopher Delbrück	615,000	1,230,000	1,845,000	0
Keith Martin (since Mar. 1, 2016)	615,000	1,025,000	1,640,000	0
Eckhardt Rümmler	615,000	1,230,000	1,845,000	0
Total	**2,930,000**	**5,655,000**	**8,585,000**	**0**

The expense for the multi-year bonus granted to Mr. Schäfer for the last time in 2016 amounted to €0.6 million in the 2017 fiscal year (2016: €0.3 million).

Management Board Pensions for the 2017 Fiscal Year

The following table provides an overview of current pension entitlements of Management Board members, as well as the expenses and the present value of the pension obligations. The present value of the pension obligations is calculated in compliance with IFRS and the provisions of the German Commercial Code. An actuarial interest rate of 2.6% (IFRS) and 3.68% (HGB) was used for discounting.

Pensions of the Members of the Management Board—IFRS

	Expense in fiscal year				Present value of the defined benefit obligation (DBO) as of Dec. 31	
	Total		Interest cost			
€	2017	2016	2017	2016	2017	2016
Klaus Schäfer	324,117	279,481	105,363	101,255	4,378,937	4,390,123
Christopher Delbrück	227,713	220,657	60,749	62,140	2,612,380	2,531,224
Keith Martin (since March 1, 2016)	258,037	235,800	5,659	0	422,615	235,800
Eckhardt Rümmler	247,555	224,643	73,413	92,130	3,169,923	3,058,881

Pensions of the Members of the Management Board—HGB

	Expense in fiscal year				Settlement amount of the pension obligation as of Dec. 31	
	Total		Interest cost			
€	2017	2016	2017	2016	2017	2016
Klaus Schäfer	298,860	595,230	303,468	114,587	3,779,978	3,481,118
Christopher Delbrück	248,222	390,960	178,757	64,111	2,252,635	2,004,413
Keith Martin (since March 1, 2016)	175,971	196,814	22,214	0	370,018	194,047
Eckhardt Rümmler	251,337	104,025	179,550	100,622	2,914,825	2,663,488

Total Compensation for the 2017 Fiscal Year

The total compensation of the Management Board members pursuant to HGB for the 2017 fiscal year amounted to €13.0 million (2016: €14.6 million). The special incentive bonus paid in the amount of €4.1 million in total to the members of the Management Board in December 2016 must be recognized as a non-interest-bearing advance payment pursuant to the German Commercial Code because of the contractually agreed repayment provisions. 25% of the special incentive bonus vests following the close of each full year from the effective date of the spin-off of Uniper SE from E.ON SE. It is therefore presented pro rata for the 2017 fiscal year.

Uniper SE has promised Mr. Martin to pay relocation and broker’s fee costs and the rental costs for maintaining a second home for a maximum of two years.

Individual members of the Management Board received the following compensation according to the German Commercial Code:

Total Compensation of the Management Board

	Base salary		Annual bonus		One-time special incentive bonus[1]	
€	2017	2016	2017	2016	2017	2016
Klaus Schäfer	1,240,000	1,240,000	1,201,250	775,000	403,000	0
Christopher Delbrück	700,000	700,000	674,250	435,000	227,500	0
Keith Martin (since March 1, 2016)	700,000	583,333	674,250	362,500	192,500	0
Eckhardt Rümmler	700,000	700,000	674,250	435,000	192,500	0
Total	**3,340,000**	**3,223,333**	**3,224,000**	**2,007,500**	**1,015,500**	**0**

[1]The special incentive bonus was paid to the members of the Management Board in December 2016. However, owing to the terms providing for prorated repayment of the bonus (repayment provisions), no component of the bonus had yet vested for the 2016 fiscal year. Accordingly, the special incentive bonus was not yet included in the total compensation reported for 2016. For 2017, 25% of each special incentive bonus has vested and is therefore presented pro rata.
[2]For Mr. Schäfer, the value of share-based payment granted in 2016 also includes the multi-year bonus of €636,000 million paid by Uniper for the 2015 base year as part of the transfer of entitlements from E.ON to Uniper.
[3]Reported under "Other compensation" for Mr. Martin are all compensation payments for bonus commitments and long-term incentives forfeited with his former employer as a result of his transfer to Uniper.

The following table shows the compensation granted and allocated to members of the Management Board as recommended by the German Corporate Governance Code:

Compensation Granted

	Klaus Schäfer (Chief Executive Officer)				Christopher Delbrück (Chief Financial Officer)			
€	2017 target value	2017 minimum	2017 maximum	2016 target value	2017 target value	2017 minimum	2017 maximum	2016 target value
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	700,000	700,000	700,000	700,000
Fringe benefits	22,942	22,942	22,942	24,093	22,394	22,394	22,394	22,336
Total	**1,262,942**	**1,262,942**	**1,262,942**	**1,264,093**	**722,394**	**722,394**	**722,394**	**722,336**
One-year variable compensation	**775,000**	**0**	**1,550,000**	**2,015,000**	**435,000**	**0**	**870,000**	**1,135,000**
Bonus	*775,000*	*0*	*1,550,000*	*775,000*	*435,000*	*0*	*870,000*	*435,000*
One-time special incentive bonus	-	-	-	*1,240,000*	-	-	-	*700,000*
Multi-year variable compensation	**1,974,391**	**0**	**4,340,000**	**1,721,000**	**1,119,125**	**0**	**2,460,000**	**615,000**
Performance Cash Plan (Tranche 1, 2016–2019)	-	-	-	*1,085,000*	-	-	-	*615,000*
Performance Cash Plan (Tranche 2, 2017–2020)	*1,974,391*	*0*	*4,340,000*	-	*1,119,125*	*0*	*2,460,000*	-
Multi-year bonus	-	-	-	*636,000*[1]	-	-	-	-
Total	**4,012,333**	**1,262,942**	**7,152,942**	**5,000,093**	**2,276,519**	**722,394**	**4,052,394**	**2,472,336**
Service cost	218,754	218,754	218,754	178,226	166,964	166,964	166,964	158,517
Total compensation	**4,231,087**	**1,481,696**	**7,371,696**	**5,178,319**	**2,443,483**	**889,358**	**4,219,358**	**2,630,853**

[1]Mr. Schäfer was granted the multi-year bonus of €636,000 million paid by Uniper for the 2015 base year as part of the transfer of entitlements from E.ON to Uniper.

Compensation Allocated

	Klaus Schäfer (Chief Executive Officer)		Christopher Delbrück (Chief Financial Officer)	
€	Compensation allocated in 2017	Compensation allocated in 2016	Compensation allocated in 2017	Compensation allocated in 2016
Fixed compensation	1,240,000	1,240,000	700,000	700,000
Fringe benefits	22,942	24,093	22,394	22,336
Total	**1,262,942**	**1,264,093**	**722,394**	**722,336**
One-year variable compensation	**1,201,250**	**2,387,000**	**674,250**	**1,345,000**
Bonus	*1,201,250*	*775,000*	*674,250*	*435,000*
One-time special incentive bonus	-	*1,612,000*	-	*910,000*
Total	**2,464,192**	**3,651,093**	**1,396,644**	**2,067,336**
Service cost	218,754	178,226	166,964	158,517
Total compensation	**2,682,946**	**3,829,319**	**1,563,608**	**2,225,853**

[1]This amount for Mr. Martin contained an installment amounting to an equivalent value of approximately €1.7 million that would only be paid out in 2017, but which the German Corporate Governance Code requires to be disclosed as allocated compensation for 2016.

	Other compensation		Performance Cash Plan Fair value of share-based payment when granted		Total	
	2017	2016	2017	2016	2017	2016
	22,942	24,093	1,974,391	1,721,000[2]	4,841,583	3,760,093
	22,394	22,336	1,119,125	615,000	2,743,269	1,772,336
	49,224	5,801,535[3]	1,119,125	512,500	2,735,099	7,259,868
	21,419	21,589	1,119,125	615,000	2,707,294	1,771,589
	115,979	**5,869,553**	**5,331,766**	**3,463,500**	**13,027,245**	**14,563,886**

	Keith Martin (Chief Commercial Officer since March 1, 2016)				Eckhardt Rümmler (Chief Operating Officer)			
	2017 target value	2017 minimum	2017 maximum	2016 target value	2017 target value	2017 minimum	2017 maximum	2016 target value
	700,000	700,000	700,000	583,333	700,000	700,000	700,000	700,000
	49,224	49,224	49,224	5,801,535	21,419	21,419	21,419	21,589
	749,224	**749,224**	**749,224**	**6,384,868**	**721,419**	**721,419**	**721,419**	**721,589**
	435,000	**0**	**870,000**	**1,062,500**	**435,000**	**0**	**870,000**	**1,135,000**
	435,000	*0*	*870,000*	*362,500*	*435,000*	*0*	*870,000*	*435,000*
	-	-	-	*700,000*	-	-	-	*700,000*
	1,119,125	**0**	**2,460,000**	**512,500**	**1,119,125**	**0**	**2,460,000**	**615,000**
	-	-	-	*512,500*	-	-	-	*615,000*
	1,119,125	*0*	*2,460,000*	-	*1,119,125*	*0*	*2,460,000*	-
	-	-	-	-	-	-	-	-
	2,303,349	**749,224**	**4,079,224**	**7,959,868**	**2,275,544**	**721,419**	**4,051,419**	**2,471,589**
	252,378	252,378	252,378	235,800	174,142	174,142	174,142	132,513
	2,555,727	**1,001,602**	**4,331,602**	**8,195,668**	**2,449,686**	**895,561**	**4,225,561**	**2,604,102**

	Keith Martin (Chief Commercial Officer since March 1, 2016)		Eckhardt Rümmler (Chief Operating Officer)	
	Compensation allocated in 2017	Compensation allocated in 2016	Compensation allocated in 2017	Compensation allocated in 2016
	700,000	583,333	700,000	700,000
	49,224	5,801,535[1]	21,419	21,589
	749,224	**6,384,868**	**721,419**	**721,589**
	674,250	**1,132,500**	**674,250**	**1,205,000**
	674,250	*362,500*	*674,250*	*435,000*
	-	*770,000*	-	*770,000*
	1,423,474	**7,517,368**	**1,395,669**	**1,926,589**
	252,378	235,800	174,142	132,513
	1,675,852	**7,753,168**	**1,569,811**	**2,059,102**

Uniper SE and its subsidiaries granted no loans to and did not enter into any contingencies benefiting Management Board members in the 2017 fiscal year. Additional information about the members of the Management Board is provided on page 233.

Payments Made to Former Members of the Management Board

As of December 31, 2017, Uniper SE, as a result of the corporate conversion, did not have any current or prospective pension recipients who had previously served as members of the Management Board or as managing directors. The total compensation of former Management Board members and their beneficiaries, as well as the pension obligations to former Management Board members and their beneficiaries, was thus €0. The same applies to the preceding 2016 fiscal year.

Compensation Plan for the Supervisory Board

The compensation for members of the Supervisory Board determined by the Annual Shareholders Meeting is governed by Section 15 of the Articles of Association of Uniper SE. The objective of the compensation plan is to strengthen the independence of the Supervisory Board as a governing body. That is why—in addition to having their expenses reimbursed—the members of the Supervisory Board also receive fixed compensation, as well as additional compensation for committee duties. Furthermore, in order to have the Supervisory Board participate in the long-term success of Uniper SE, a component of 20% of the aforementioned compensation is converted into virtual shares of Uniper SE.

The Chairman of the Supervisory Board receives €210,000 in compensation, and the Chairman's deputies receive compensation of €140,000. Other Supervisory Board members receive €70,000 in compensation. The Chairman of the Audit and Risk Committee receives an additional €70,000; members of the Audit and Risk Committee receive an additional €35,000. Other committee chairs receive an additional €35,000; other committee members receive an additional €15,000. Members serving on more than one committee receive only the highest applicable committee compensation. The Chairman and the Deputy Chairmen of the Supervisory Board receive no additional compensation for their committee duties. Supervisory Board members departing from the Supervisory Board during a fiscal year receive prorated compensation.

Supervisory Board members receive a component of 20% of the compensation described above in the form of variable compensation. That compensation is granted as a future right to payment in the form of virtual shares, with the aforementioned component being the target. The virtual shares are used purely for calculation purposes and do not confer on the beneficiary any entitlements or shareholder rights—particularly voting rights or dividend rights. To determine the number of virtual shares, the variable compensation from the previous year is divided in January of each calendar year by the 60-day average share price of Uniper SE from the last 60 trading days prior to January 1 of the current year. The reference price for the variable compensation attributable to the 2016 fiscal year was the price set at the opening auction on the first day of public trading. After four calendar years, the virtual shares are multiplied by the trading-volume-weighted average share price of Uniper SE from the last 60 trading days prior to January 1 of the fourth calendar year and increased by the amount of dividends paid to shareholders on each share of Uniper SE over the previous four years. The variable compensation is paid within the first month after the end of the four-year period and is limited to 200% of the compensation described above (payout cap).

Deviating from the compensation plan as described above, 100% of the prorated compensation payable for the year of departure is paid as fixed compensation. In the event of a departure, the payout amount of as yet unpaid variable compensation for previous years is determined based on the plan as described above. The last day of the month of departure is used to determine the applicable 60-day average share price.

Mr. Scheidt and Dr. Teyssen departed from the Supervisory Board of Uniper SE effective June 8, 2017. For the variable compensation for the 2016 fiscal year converted into virtual shares in January 2017, an early payment is made.

A total of approximately €65,000 (2016: €13,000) was reimbursed to the Supervisory Board for outlays.

Mr. Biniek and Mr. Seegatz also received further compensation for their Supervisory Board duties in Uniper Group subsidiaries in the 2017 fiscal year. Mr. Biniek received approximately €2,000 (previous year: €2,000) and Mr. Seegatz received approximately €6,000 (previous year: €4,000).

Supervisory Board compensation granted for the 2017 fiscal year totaled approximately €1.4 million. Section 113 (2) AktG provides that only the Annual Shareholders Meeting can authorize compensation for the members of the Company's first Supervisory Board after its conversion into an SE on April 14, 2016. The resolution can only be adopted by the Annual Shareholders Meeting deciding on the discharge of the members of the first Supervisory Board. For that reason, the Supervisory Board compensation for 2016 was prorated for a period of approximately nine months and granted only in the 2017 fiscal year, in the amount of approximately €1.1 million. The difference from the total compensation of €1.0 million estimated and disclosed for the previous year on the basis of the compensation policy thus amounts to €0.1 million.

Where in place, existing D&O insurance policies covering board member liabilities for their activities as board members also cover the members of the Supervisory Board. In line with the German Corporate Governance Code's recommendation, the policy includes a deductible of 10% of the respective damage claim for Management Board and Supervisory Board members. The deductible has a maximum cumulative annual cap of 150% of a member's annual fixed compensation.

No loans or advances were granted by Uniper SE to Supervisory Board members in the 2017 fiscal year. In addition, no contingencies have been entered into for the benefit of Supervisory Board members.

Individual members of the Supervisory Board received the following compensation for the 2016 and 2017 fiscal years:

Supervisory Board Compensation for 2017 (€)

	Annual compensation		Committee compensation			
Members of the Supervisory Board	**Fixed**	**Variable**	**Fixed**	**Variable**	**Income from subsidiaries**	**Total for 2017**
Dr. Bernhard Reutersberg	168,000	50,415	0	0	0	218,415
Harald Seegatz (Deputy Chairman since June 8, 2017)	87,759	26,336	12,121	3,637	5,980	135,833
Dr. Marc Spieker (Deputy Chairman since June 8, 2017)	87,759	26,336	24,241	7,275	0	145,611
Andreas Scheidt (until June 8, 2017)	60,986[1]	0	0	0	0	60,986
Dr. Johannes Teyssen (until June 8, 2017)	60,986[1]	0	0	0	0	60,986
Ingrid Åsander	56,000	16,805	0	0	0	72,805
Oliver Biniek	56,000	16,805	15,879	4,765	2,450	95,899
Jean-Francois Cirelli (since January 1, 2017)	56,000	16,805	11,145	3,345	0	87,295
David Charles Davies (since June 8, 2017)	31,759	9,531	31,759	9,531	0	82,580
Dr. Marion Helmes (since January 1, 2017)	56,000	16,805	26,005	7,804	0	106,614
Immo Schlepper (since June 8, 2017)	31,759	9,531	6,805	2,042	0	50,137
Barbara Jagodzinski	56,000	16,805	12,000	3,601	0	88,406
Andre Muilwijk	56,000	16,805	28,000	8,403	0	109,208
Rebecca Ranich (since January 1, 2017)	56,000	16,805	0	0	0	72,805
Total	**921,008**	**239,784**	**167,955**	**50,403**	**8,430**	**1,387,580**

[1]Because Mr. Scheidt and Dr. Teyssen departed from the Supervisory Board effective June 8, 2017, their compensation for the period from January 1, 2017, through June 8, 2017, is fully paid out as fixed compensation. There is no conversion into virtual shares.

Supervisory Board Compensation for 2016 (€)

	Annual compensation		Committee compensation			
Members of the Supervisory Board	**Fixed**	**Variable**	**Fixed**	**Variable**	**Income from subsidiaries**	**Total for 2016**
Dr. Bernhard Reutersberg	120,262	52,258	0	0	0	172,520
Harald Seegatz (Deputy Chairman since June 8, 2017)	40,087	17,419	18,590	8,078	4,257	88,431
Dr. Marc Spieker (Deputy Chairman since June 8, 2017)	40,087	17,419	37,180	16,156	0	110,842
Andreas Scheidt (until June 8, 2017)	80,175	34,839	0	0	0	115,014
Dr. Johannes Teyssen (until June 8, 2017)	80,175	34,839	0	0	0	115,014
Ingrid Åsander	40,087	17,419	0	0	0	57,506
Oliver Biniek	40,087	17,419	0	0	2,011	59,517
Karl-Heinz Feldmann (until December 31, 2016)	50,109[1]	0	0	0	0	50,109
Barbara Jagodzinski	40,087	17,419	7,967	3,462	0	68,935
Andre Muilwijk	40,087	17,419	18,590	8,078	0	84,174
Michael Sen (until December 31, 2016)	50,109[1]	0	9,959[1]	0	0	60,068
Dr. Verena Volpert (until December 31, 2016)	50,109[1]	0	23,238[1]	0	0	73,347
Total	**671,461**	**226,450**	**115,524**	**35,774**	**6,268**	**1,055,477**

[1]Because Mr. Feldmann, Mr. Sen and Dr. Volpert had departed from the Supervisory Board effective December 31, 2016, their compensation for the period from April 14, 2016, through December 31, 2016, was fully paid out as fixed compensation. There was no conversion into virtual shares.

The component of 20% of the Supervisory Board compensation determined for the 2017 fiscal year was converted into virtual shares on the basis of a share price of €24.362 (60-day average of Uniper's share price from the last 60 trading days prior to January 1, 2018). For the 2016 fiscal year, the variable component had been converted into virtual shares at a share price of €10.015.

The following table shows the number of virtual shares of the members of the Supervisory Board for the compensation granted in the 2016 and 2017 fiscal years:

Number of Virtual Shares

Members of the Supervisory Board	Converted in January 2018 as part of compensation for 2017	Converted in January 2017 as part of compensation for 2016	Total	Paid out through January 2018
Dr. Bernhard Reutersberg	1,724	3,002	4,726	0
Harald Seegatz (Deputy Chairman since June 8, 2017)	1,025	1,465	2,490	0
Dr. Marc Spieker (Deputy Chairman since June 8, 2017)	1,149	1,929	3,078	0
Andreas Scheidt (until June 8, 2017)	-	2,001	2,001	2,001
Dr. Johannes Teyssen (until June 8, 2017)	-	2,001	2,001	2,001
Ingrid Åsander	575	1,001	1,576	0
Oliver Biniek	738	1,001	1,739	0
Jean-Francois Cirelli (since January 1, 2017)	689	-	689	0
David Charles Davies (since June 8, 2017)	652	-	652	0
Karl-Heinz Feldmann (until December 31, 2016)	-	-	0	0
Dr. Marion Helmes (since January 1, 2017)	842	-	842	0
Immo Schlepper (since June 8, 2017)	396	-	396	0
Barbara Jagodzinski	698	1,200	1,898	0
Andre Muilwijk	862	1,465	2,327	0
Rebecca Ranich (since January 1, 2017)	575	-	575	0
Michael Sen (until December 31, 2016)	-	-	0	0
Dr. Verena Volpert (until December 31, 2016)	-	-	0	0
Total	**9,925**	**15,065**	**24,990**	**4,002**

Combined Separate Non-Financial Report

Introduction

This Combined Separate Non-Financial Report (CNFR) complies with the reporting requirements of the German CSR Directive Implementation Act and the German Commercial Code (§§ 289b section 3 and 315b section 3). The disclosures made in this CNFR apply equally to Uniper SE as a group and parent company, unless stated otherwise in the report.

The framework of the Global Reporting Initiative (GRI) was used to prepare the CNFR. This CNFR references the GRI Standard 103: Management Approach related to recommendations and guidance set for the Standards 103-1 and 103-2.

Further information is contained in other chapters of the Combined Management Report. To avoid redundancies, the CNFR refers the reader to these chapters and, where necessary, provides additional information. Key non-financial performance indicators that are relevant for management purposes are disclosed in the respective chapter of the Combined Management Report. They are supplemented in this CNFR by further relevant non-financial performance indicators for the aspects and issues that were identified as material. Uniper's business model is described in detail in the Corporate Profile chapter of the Combined Management Report.

This CNFR is specifically intended for analysts, investors and regulators. After the release of the CNFR, additional information will be made available on Uniper's sustainability website, including figures based on Global Reporting Initiative standards and details on the Group's sustainability strategy. Any link to information on the sustainability website is not considered to be part of the CNFR.

Material Topics and Risks

By law, aspects of Uniper's business model are material for the CNFR if they potentially have a significant impact on Uniper and third parties and if they are relevant for understanding the Group's current and future development. Consequently, the CNFR includes information on the five mandatory aspects defined in the §§ 289c and 315c of the German Commercial Code:

- environmental matters
- employee matters
- social matters
- human rights and
- anti-corruption and anti-bribery.

The Group defined Uniper-specific aspects from its 2017 materiality assessment and aligned them with the German Commercial Code's five mandatory reporting matters. Uniper's materiality assessment is based on the significance of the Group's economic, environmental and social impacts as well as their substantive influence on stakeholders' assessments and decisions, i.e. if they are relevant for understanding the Group's current and future development.

Uniper considers a combination of internal and external factors to assess whether a topic is material from the perspective of employees, senior managers, customers, non-governmental organizations, industry partners, as well as current and potential institutional investors.

The following table provides an overview of the material aspects and issues, which are reported in this CNFR.

Material Aspects and Issues

Aspects	Issues
Environmental matters	• **Climate change**
Employee matters	• **Diversity** • **Health and safety** Both issues covered by the material topic **Our people**
Social matters	• **Secure and reliable supply**
Human rights	Both aspects covered by the material topic **Business integrity**
Anti-corruption and anti-bribery	

Uniper's most material issue among Environmental matters is its contribution to Climate Change, in particular its direct carbon emissions from energy generation. In Employee matters, the Group's most material issues are Health and Safety along with Diversity. Internal reorganisations and their consequences are also included under Employee matters in part due to their importance to employees. Secure and Reliable Energy Supply is the Group's most material issue in Social matters because a secure and affordable supply of energy is essential for societies. Furthermore, Uniper reports on the material aspects human rights protection and the fight against corruption and bribery.

Dedicated sustainability risk management fulfills Uniper's environmental, social and governance (ESG) due diligence requirements and, on a quarterly basis, is aligned with the Group's Enterprise Risk Management to ensure that the most material topics and ESG risks are addressed on a regular basis. The Enterprise Risk Management is described in the Risks & Chances Report of the Combined Management Report.

As part of its sustainability management, Uniper assesses the external and internal risks that could arise from the environmental and social impacts of its operations, their likelihood and severity as well as their specific risk levels.[1]

The section below outlines the potential risks identified through sustainability risk management for each material aspect and issue in order to subsequently describe the necessary measures taken.

Environmental Risks

Carbon emissions from burning fossil fuels will increase global greenhouse gas (GHG) levels and contribute to climate change, which can have serious consequences for ecosystems and for the living conditions of large parts of the global population. Uniper is aware that some of its stakeholders expect a reduction in carbon emissions and, concurrently, the phase-out of coal for energy use.

However, a hasty coal exit could jeopardize the security of energy supply. The Group's ability to manage its asset portfolio may be severely affected in the future in countries that intend to make their climate-protection policies stricter, such as Germany, France, the Netherlands and the United Kingdom. Moreover, the Group's carbon footprint may be considered unattractive to some institutional investors, which may deter them from investing in the conventional energy sector in general.

Failure to address these requirements adequately, would potentially expose Uniper to high reputational and financial risks.

[1]The risk levels mentioned in this CNFR are mainly qualitative, resulting from an assessment of likelihood (almost inconceivable, rare, unlikely, possible, likely, almost certain) against severity (minor, moderate, substantial, serious, severe, critical). Resulting risk exposures are categorised as very low, low, medium, high or very high.

Employee-related Risks
Necessary restructuring and cost-reduction measures were introduced in Uniper in 2016 and 2017 in response to increasing challenges. This particularly affected the workforce based in Germany, Sweden, the United Kingdom, the Netherlands and Russia, resulting in the loss of some experienced human capital and an increased sense of uncertainty for many employees. Employee figures as at 31 December 2017 are disclosed in the Non-Financial Performance Indicators of the Combined Management Report on page 49.

Planned plant decommissioning and the entry into force of national coal phase-out policies may affect employment in Uniper. Furthermore, Uniper could face a potential long-term risk if it fails to meet the challenges of an aging workforce and does not offset this by fostering diversity. A diverse workforce can make a company more resilient, as it promotes an innovative and creative corporate culture, which is particularly important during transition periods.

Stressful situations and unsafe work habits in complex environments such as power plants and gas storage facilities could lead to injuries, serious accidents and fatalities. Accidents could involve the public near Uniper facilities as well. Group-wide programs and policies that are adapted to differences in the safety practices of countries where Uniper operates, are in place. They are designed to provide a safe and healthy workplace, both for employees and contractors, particularly those involved in high-risk activities of plant decommissioning and demolition underway in Germany, Sweden, the Netherlands and the United Kingdom.

Social Risks
A secure and reliable supply of energy is essential for the functioning of society. Unplanned asset unavailability and supply bottlenecks can threaten grid stability and severely disrupt supply security in several regions of Europe and Russia resulting in high potential risks. A history of significant or frequent interruptions of these essential services could reduce the Group's competitiveness, jeopardize the functioning of crucial infrastructure, and cause economic and social damage.

Uniper's long-term gas procurement contracts, natural gas storage facilities, global gas trading activities and capacities for the regasification of liquefied natural gas (LNG) play an important role in ensuring supply security, especially when demand fluctuates. Furthermore, Uniper's flexible generation facilities can respond quickly to fluctuations in renewables output, which is important for grid stability and supply security in several regions of Germany and elsewhere.

More than one billion people worldwide currently do not have electricity. Many communities in emerging countries still lack sufficient access to basic energy services. This represents an opportunity for energy providers such as Uniper to help ensure an affordable and secure supply of energy and fuel to the people in these communities.

Human-Rights-related Risks
Generally, cases of modern slavery, unlawful forced displacements, forced and child labor still exist in countries with a history of insufficient standards for the protection of human rights. Furthermore, instances of violence, inhumane and degrading treatment can occur in high-risk areas and in more stable countries that have authoritarian governments. From Uniper's perspective, the occurrence of such situations, which are an unwanted indirect consequence of business activities in such countries, may adversely affect the safety and security of employees and contractors, particularly during travel. Although rare, these medium-level risks may negatively affect the quality of operations and reduce confidence towards Uniper and its business partners. It may also increase the chance of lawsuits, cause project delays, incite social unrest, and, ultimately, harm the Group's reputation.

Due to its sourcing and trading of coal and gas, Uniper's business activities may have an indirect impact on human-rights-related issues resulting in a medium risk exposure. Uniper also faces medium level risks when providing engineering and energy services in areas such as the Middle East, Central and South East Asia and North Africa. Failure to take adequate measures to prevent, monitor and mitigate these risks would significantly increase the risk potential.

Corruption and Bribery Risks

Corruption and bribery promote crime and social inequality. Non-compliance with laws and company policies aimed at combating corruption may lead to criminal and civil liability, not only of the persons involved but also of the respective Group company, its directors and officers, and may potentially damage Uniper's reputation.

Uniper has business dealings with counterparties around the world, including those located in countries that rank low on Transparency International's Corruption Perception Index (CPI). Failure to fulfill the legal and regulatory requirements necessary to comply with the key anti-corruption rules would likely lead to serious reputational, legal and financial impacts on the Group.

Governance and ESG Management

Uniper has put in place measures to control, minimize, and mitigate the risks mentioned in the previous section. Management actions taken and planned are also incorporated in Uniper's governance structure, responsibilities and relevant policies.

The Uniper SE Management Board bears overall responsibility for the identification and implementation of Group-wide measures. One of its members is appointed as Chief Sustainability Officer (CSO) and periodically reports to the Supervisory Board on strategic sustainability activities. As Uniper's highest governance board, the Supervisory Board oversees the Group's achievement of its sustainability obligations and goals.

The Management Board assigns to the Health, Safety, Security and Environment (HSSE) & Sustainability function the responsibility for defining ESG targets and key performance indicators and for designing Group-wide measures for the material aspects. On a regular basis, the HSSE & Sustainability function identifies ESG risks and emerging issues that could affect Uniper. Based on the annual materiality analysis, it undertakes sustainability-related tasks, such as analysing the Group's carbon footprint, raising awareness of human rights due diligence and carrying out ESG impact assessments.

Uniper's functional units and subsidiaries have a responsibility to implement annual HSSE & Sustainability Improvement Plans to help meet the Group's overall objectives in areas of HSSE & Sustainability. Employee involvement is essential for achieving a robust sustainability culture, HSSE & Sustainability involves all levels of leadership on at least a quarterly basis and engages regularly with the Group Works Council through the Consultative Council, a cross-functional committee.

Uniper functions that are responsible for addressing key material aspects – such as Legal & Compliance for anti-corruption and anti-bribery, Human Resources for Diversity, and Asset Operations for secure and reliable energy supply – communicate with HSSE & Sustainability on a more frequent basis.

In November 2017, the HSSE & Sustainability Policy Statement defining Uniper's ambitions and priorities for HSSE and sustainability was signed by all members of the Board of Management. This statement provides the framework for developing Group-wide Sustainability Strategic Plans (SSPs), which are approved by the Management Board, and to evaluate their effectiveness.

The SSPs describe how sustainability supports the Group's long-term business strategy and propose improvement targets for its ESG performance. The material ESG issues provide the framework for medium-term target-setting, annual progress reviews, and specific action plans in alignment with selected UN Sustainable Development Goals (SDGs), which are shown in the table below.

Uniper aims to build on its potential for business growth and resilience, characterised by strong stakeholder support and active management to minimise the main negative environmental and social impacts caused by its operations and business models. The first SSP, which will be published by end of the second quarter of 2018, will be built around a set of long-term commitments that reflect core elements of Uniper's corporate culture and business strategy.

Uniper Sustainability Commitments

Aspects pursuant to Section 289c and 315c of the German Commercial Code	Uniper-specific issues	Relevant SDGs	Uniper commitments
Environmental matters	• **Climate change**	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 13 Climate action	• Promote lower carbon fuels like gas and LNG worldwide • Develop CO_2 utilization business models to reduce overall CO_2 emissions • Promote less carbon intensive power generation technology • Monitor and optimise CO_2 intensity of European Generation portfolio • Promote waste reduction, soil-pollution prevention and responsible mining
Employee matters	• **Diversity** • **Health and safety** Both issues covered by the material topic **Our people**	5 Gender equality; 8 Decent work and economic growth	• Have zero tolerance of discrimination on the basis of gender, ethnic background or any other diversity-related factors. • Foster and deliver equal opportunity, enhancing diversity promotion in leadership positions • Protect labour rights and ensure safe and secure work environments for all employees and contractors; promote the same standards in our partnerships and business ventures
Social matters	• **Secure and reliable supply**	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production	• Enter markets in developing and emerging countries responsibly. • Foster established and new flexible generation solutions to enable a safe transition toward renewables worldwide
Human rights	Both aspects covered by the material topic **Business integrity**	8 Decent work and economic growth; 16 Peace, justice and strong institutions	• Have zero tolerance of forced labour, child labour, modern slavery, human trafficking
Anti-corruption and anti-bribery			• Continue to strengthen the Group's compliance culture and protect the business from corruption risks • Foster the development of effective, accountable and transparent institutions at all levels

Uniper's business strategy aims for the Group to be highly skilled at managing complexity and tailoring energy solutions for customers in a responsible, environmentally and socially aware way. It is committed to deploying its services and products where they are most needed, operating in a transparent way for its customers, employees and the communities it impacts, directly and indirectly.

Policies

Uniper has in place policies related to its material ESG topics, which are implemented throughout the Group and monitored regularly. Furthermore, the Code of Conduct addresses a wide range of issues, including compliance issues such as combating corruption and bribery as well as human rights issues. The policies and the Code of Conduct are readily available to all employees. The policies stipulate how the Group addresses its material sustainability issues and how it coordinates the cascade effects across the organization.

The Sustainability Management Policy delineates the responsibilities for sustainability management that are assigned to the Management Board, the Supervisory Board, senior management and various functions. It also outlines how Uniper will manage its ESG risks and SSP.

The Code of Conduct is binding for all employees and defines the basic principles of conduct that everyone at Uniper must follow. It is founded on a commitment to one another, to the business and communities. Although third parties are not subject to the Code of Conduct, the Group strives to work, whenever possible, with third parties that have comparable principles to Uniper. The Group also requires its suppliers to observe all principles of the Uniper Supplier Code of Conduct.

Uniper plans to introduce a new Know-Your-Counterparty Business Policy in February 2018 to enhance its existing processes for the identification and reporting of the main compliance risks potentially caused by new counterparties. The purpose of the policy is to uncover counterparty-related risks (such as corruption, money laundering, and terrorism financing) before entering into a binding business relationship. In 2017 the process mainly focused on counterparties of Uniper Global Commodities, resulting in 304 newly approved counterparties and one rejected.

In parallel, the HSSE & Sustainability Know-Your-Counterparty Business Directive will establish a Group-wide sub-process for identifying and reporting the main ESG risks of all new potential counterparties, intermediaries and business partners. Its purpose is to uncover potential problems (such as human rights, environmental, and social risks) before any business deals are finalised. In 2017 specific sustainability-related assessments were undertaken for proposed projects in Spain and Pakistan.

Environmental Matters

Uniper's awareness of its environmental impacts is strategically important as the environmental performance of its assets significantly affects the Group's operating efficiency, market position, and local perception. Uniper ensures that it complies with all applicable laws to prevent uncontrolled emissions to the air, water, and soil to retain its license to operate. Efforts that go beyond compliance are evaluated on a cost-benefit basis and coordinated centrally with the aim of having a generally low exposure to operational and legal risks.

To mitigate environmental risks, the HSSE & Sustainability function at Uniper Group Management defines and implements dedicated management systems. The majority of Uniper's facilities have environmental management systems (EMS) certified to ISO 14001, the internationally recognised standard for environmental management. In 2017 many of these facilities were certified to the most recent and more stringent version of this standard (ISO 14001: 2015), which has made the Group's EMS more robust.

At year-end 2017, 88% of Uniper's fully consolidated industrial facilities were certified to ISO 14001, an increase from 83% at year-end 2016. In 2017, additional power plants in Germany located in Wilhelmshaven/Huntorf, Irsching (units 3, 4, and 5) and Kirchmöser, as well as the support functions at the head office in Düsseldorf, were certified to ISO 14001:2015. The Group plans to obtain ISO14001 certification for its remaining plants in Germany in 2018. All Uniper's fully consolidated industrial facilities in other countries (France, the Netherlands, Hungary, Russia, Sweden, and the United Kingdom) are certified to ISO 14001. In addition, the energy management systems of all Uniper fossil-fuelled plants in Germany were recertified to ISO 50001 in 2017.

Through ISO14001 certified EMS, Uniper aims to prevent incidents that could have an adverse impact on the environment. Uniper investigates all significant environmental near-hits and all incidents, learns from them, and takes steps to prevent them from recurring. It also systematically shares knowledge about previous incidents – at Uniper and across the industry – so that they are not repeated. In 2017, Uniper had no severe environmental incidents, which are defined as 'the release of a substance to the soil, water, or air that would result in a long-term or irreversible change in the biological or physical environment or an extensive loss of habitats or species'.

Uniper monitors legislative processes that could result in changes to the environmental compliance requirements where it operates. In 2017 the European Union adopted the updated Best Available Techniques Reference (BREF) document, a new set of emission standards that conventional power plants must meet by 2021 unless they obtain a formal derogation. To comply with BREF, the Group may need to invest in more advanced emissions-monitoring systems for some plants. However, an impact assessment Uniper carried out in the third quarter of 2017 indicated that the majority of its conventional power plants will meet BREF emission thresholds. As country-specific rules may significantly affect the final assessments, Uniper launched a cross-departmental project to manage the implementation of BREF across its generation business in Europe.

Climate Change

Uniper considers that the transition to a low-carbon energy system needs to move forward in a responsible manner. Uniper's ongoing dialogue with analysts, policymakers and the media, on its role in the energy transition, helps to reduce its reputational risk by emphasising the contribution that conventional power plants continue to make towards a secure and reliable power supply and grid stability.

Upstream, the Group sold its stake in Yuzhno-Russkoye, a gas field in Russia, in 2017 and has no plans to own directly any stakes in gas exploration and production or to invest directly in coal-mining operations.

In 2017 the Group specifically communicated that it has no intention to invest in any new coal-fired power plants of its own after the commissioning of its 1.1 GW coal-fired power plant in Datteln, Germany. Datteln power plant is not operational yet and commissioning is not planned before the fourth quarter of 2018. For the years ahead, the Group has prioritised gas and gas-based solutions and is planning to expand its global gas and LNG third-party trading. The current physical coal sourcing and trading capabilities will also be enhanced through partnerships to provide market access and logistic support for thermal and metallurgical coal producers worldwide. Such business developments will gradually shift Uniper from direct to indirect carbon-footprint accountability. From an operational point of view, strict standards in Uniper's natural gas transport and storage business represent an opportunity to minimise fugitive GHG emissions and thus maintain a low exposure to risks of uncontrolled methane emissions.

Uniper closely monitors developments at the Task Force on Climate-related Financial Disclosures (TCFD), which plans to design a framework for voluntary, consistent climate-related financial risk disclosures that companies can use to provide information to their investors and stakeholders. Uniper will continue to assess whether the framework can add value to the future development of climate-related risk disclosures and financial reporting.

In 2017 Uniper's direct carbon emissions from the combustion of fossil fuels for power and heat generation declined to 63.3 million metric tonnes (2016: 73.6 million metric tonnes), mainly because of reduced generation in Russia and Germany, the closure of units 1 and 2 at Maasvlakte power station in the Netherlands and the increased use of gas rather than coal in the United Kingdom. Indirect Scope 2 and Scope 3 emissions will be published on Uniper's sustainability website.

Direct CO_2-Emissions from Fuel Combustion by Country

Million metric tons	2017	2016
France	5.1	4.3
Germany	16.9	19.6[1]
Hungary	0.8	0.6
Netherlands	7.9	10.9
Russia	26.4	29.4
Sweden	<0.01	0.2
United Kingdom	6.2	8.6
Total	**63.3**	**73.6**

Operational control approach taken. The data for all countries, except Russia was determined according to the EU Emissions Trading Scheme rules.
[1]Figures for Germany include Kiel coal-fired power plant operated but not fully consolidated, which was not disclosed in the 2016 Sustainability Report but figures are amended here to ensure comparable data.

As part of the Group's contribution to help ensure security of supply for Europe's transition to a low-carbon future, Uniper recognises the importance of low carbon power production from nuclear and hydro assets, as well as the need to monitor and optimise the carbon intensity of its own generation portfolio in the future. Uniper commits to developing and publishing measurable targets for the CO_2 intensity of its own European Generation which also consider regulatory and economic developments as far as possible.

Uniper invests in pilot projects to become a more flexible business and to foster the research, development, and deployment of technologies that support the transition to a low-carbon future as described in the Technology and Innovation chapter on pages 17 and 18 of the Combined Management Report.

In June 2017, the development of the Rotterdam Opslag en Afvang Demonstratieproject (ROAD) Carbon Capture, Transport and Storage (CCS) pilot project – deployed since 2010 on coal-fired power plants in the Rotterdam port and industrial area – was terminated. Together with the other main partners, Uniper concluded that the uncertainty surrounding the Netherlands' potential phase-out of coal-fired generation renders the project currently unviable. Moreover, it has been recognised that carbon dioxide capture, storage and utilisation (CCSU) is a more sustainable way to design such complex projects, including from a financial point of view. As part of this, Uniper began its presidency of CO_2 Value Europe in December 2017. This is a new European platform that brings stakeholders together along the carbon value chain and is dedicated to collaborating on responsible industrial deployment of CO_2 utilisation on a broad scale to jointly develop the right business and policy framework for business solutions.

Employee Matters

A significant employee matter in 2017 was the continuation of a comprehensive restructuring and cost-saving program that led to numerous consultations and negotiations with employee representatives (unions and works councils) to implement the programme in a socially responsible way. Agreements for this purpose were concluded in the summer and autumn of 2017.

In parallel, to support Uniper's business strategy of becoming more streamlined and competitive, the Group's long-term human resource (HR) activities focused mainly on capability management. In 2017 Uniper identified the critical capabilities needed to meet its future strategic objectives and anticipate changes in its competitive environment. It will maintain and nurture these capabilities through a capability-based approach to hiring and developing people.

Uniper has placed a significant emphasis on building a stronger corporate culture, which it calls the Uniper Way. It has three core elements and three corresponding guiding statements: leadership (grow and empower people), teamwork (become one and simplify), and individual contribution (act as it was your own company). The Uniper Way is brought to life by embedding it in leadership and business tools that emphasise it in day-to-day interactions, fostering an agile and flexible organization combined with leaner and cost efficient processes, supported by digitalisation. Several employee opinion surveys conducted in 2017 confirm that the changes have been noticed by many employees.

Competitive compensation and fringe benefits are essential to today's work environment. Employee compensation includes variable components that give due regard to the Group's performance, including occupational health and safety, and reward individual employee performance. Uniper provides its employees with other valuable contributions such as disability insurance and family coverage. Company-funded benefits are supplemented by attractive retirement planning in some countries. This helps employees to lay the foundation for their future financial security and that of their dependents, while at the same time fostering employee retention.

By providing young people with vocational training for a wide variety of commercial and technical occupations, with internships offering preparation for formal apprenticeships as well as through its graduate programme, Uniper is meeting the challenges of demographic change and a shortage of qualified personnel. The standard of quality for vocational training remains high. Uniper had 236 apprentices and 124 work-study students and interns in Germany as of 31 December, 2017, which represented 4.7% of its total workforce there. In addition, Uniper is committed to integrating persons with disabilities.

Diversity

As stated on page 76 in the chapter Diversity Concept of the Combined Management Report, in 2017 the Uniper Management Board decided to strengthen the topic of "diversity" within its internal company culture by fostering diversity in all six areas (gender, nationality, ethnic background, religion or worldview, disability, age, and sexual preference and identity) of the Corporate Charter of Diversity in Germany, which Uniper signed in 2016.

In addition, Uniper raised its targets for women in leadership positions from 20% on the first level of management below the Board of Management and from 22.5% on the second level to 25% for both the first and second levels. Uniper intends to reach this target by June 2022 at the latest, primarily through more diverse selection and recruitment procedures, mentoring, and flexible work arrangements for all employees.

More information on Uniper's compliance with Germany's Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector can be found in the Corporate Governance Declaration on pages 74 to 76 of this report.

Health and Safety

Maintaining high health and safety (H&S) standards is essential for Uniper because it cares for its people. Safety is also important to operate its facilities and enables it to avoid the additional cost of work stoppages and lost time that result from accidents.

Uniper's main safety metric for management purposes is Total Recordable Incidents Frequency (TRIF), which measures the number of incidents per million hours of work. TRIF employee figures are reported in section Health and Safety on page 49 of the Combined Management Report. Uniper had no fatal accidents in 2017.

Combined TRIF, which includes the safety performance of contractors that work for Uniper, is reported on Uniper's sustainability website.

To achieve safety targets, Uniper expects each one of its managers, employees, and contractors to comply with its high H&S standards. Uniper has processes in place to ensure that all incidents are reported and investigated to a high standard and shared across the business to ensure cross fleet learning. Uniper also implements appropriate control measures where required. Onboarding agreements with contractors include clauses obliging them to meet these standards. Uniper's commitment to H&S also extends to people who live near its facilities and to visitors.

The H&S management systems of all Uniper's operating entities are certified to OHSAS 18001, the internationally recognised standard for H&S management. The HSSE & Sustainability function supports the organisation and employees in integrating H&S standards into their strategic and operational planning, business decisions, and daily activities. It issues guidelines and policies, conducts workshops, and coordinates the sharing of best practices. Based on the central Group-wide HSSE & Sustainability Improvement Plan, the operating entities design their own annual improvement plans, which include H&S targets and improvement measures. Progress toward the targets is monitored regularly. These plans help Uniper live up to its commitment to continually improve its H&S performance. To promote continual improvement in employee health management, in 2017 Uniper engaged leaders in health workshops and initiated local health action plans. In 2018 it plans to conduct a campaign to raise awareness of mental health.

Social Matters

Uniper's core business represents its main contribution to society. Uniper's conventional generating capacity, natural gas transport operations as well as the technical expertise and flexible energy services the Group markets worldwide are essential for meeting people's basic needs.

Uniper is a new company striving for the public's trust and support. As such, it faces the challenge of convincing people of its contribution to society. Uniper addresses this challenge by promoting fact-based dialogue with relevant stakeholder groups.

The Corporate Communications & Governmental Relations function oversees Uniper's stakeholder management across the Group. Stakeholder engagement varies, ranging from dialogue with EU and national policymakers and regulatory agencies to public forums for residents who live near Uniper power plants. The purpose of these forums is to discuss and enable Uniper to learn more about local stakeholder views and concerns.

Secure and Reliable Energy Supply

Uniper maintains its commitment to providing a secure, affordable and reliable supply of power, gas, and steam to its industrial and commercial customers in Europe and Russia. To manage the operating risks of its generation assets, Uniper has an integrated Asset and HSSE management system that conforms with industry practices and has been in place since 2016.

Uniper's key performance indicator for supply reliability is average asset availability. Uniper's conventional fleets in Europe and Russia had an average asset availability of 82.2% in 2017, slightly lower than in 2016. The reduction is due to increased planned unavailability to conduct maintenance that will help reduce unplanned unavailability in the future. Uniper reduced its unplanned unavailability from 9.2% in 2016 to 7.9% in 2017. A necessary maintenance outage was the main reason for lower availability in Hungary.

Average Asset Availability by Country

Percentages	2017	2016
France	86.8	82.7
Germany	85.9	86.5
Hungary	85.4	95.7
Netherlands	78.3	81.8
Russia	78.5	77.0
Sweden	88.6	89.5
United Kingdom	81.8	86.3
Total	**82.2**	**82.8**

The figures shown for 2016 and 2017 are calculated using 100% - (breakdown unavailability + opportunity maintenance + planned outages). The 2016 Sustainability Report recorded figures using a different calculation, but they have been adjusted here to facilitate year-on-year comparison. Uniper Group figures represent a volume-based weighted average.

Uniper has employees with decades of experience in integrated, reliable, and tailor-made utility management. It now markets this experience in emerging and developing countries, providing operation and maintenance (O&M) services for power plant operators as well as support for new energy infrastructure projects. In 2017 Uniper concluded contracts to provide long-term O&M and related services (training, procedures, processes, and engineering) in several emerging countries. These services will enable customers' power plants to meet high international standards for operational excellence, including their HSSE performance.

Uniper expects that natural gas will become a more important fuel that could help Europe transition toward a more diversified and low-carbon energy mix. Gas plays a key role in the security of the power and heat supply. For example, Uniper's technologically advanced gas-fired power plants can respond to fluctuations in renewables output fast and flexibly. This enables them to ensure grid stability and a reliable energy supply when challenges arise.

Uniper procures natural gas from a variety of producers in several countries, mainly Russia, the Netherlands and Germany. To provide European customers with more diversified gas supplies, additional volumes from Azerbaijan's gas fields are expected in the years ahead.

As stated in the chapter Long-Term Gas Supply Contracts on page 33 of the Combined Management Report, in 2017 Uniper procured 406 TWh of gas via long-term contracts in 2017. In addition, Uniper buys and sells gas on a forward and a spot basis at Europe's trading venues. Uniper sold a total of 1,944.8 TWh of gas in 2017.

In addition to procuring pipeline gas, Uniper purchases LNG from Qatar and Algeria and, going forward, North America. Uniper has long-term capacity bookings as well as participations in several LNG terminals in Europe and in gas transmission pipelines. These include an LNG floating regasification terminal in Italy, the OPAL natural gas pipeline in Germany and the Nord Stream projects in the Baltic Sea.

To further optimise its portfolio in a rapidly expanding downstream LNG market, Uniper chartered LNG tankers in 2017. This enhances Uniper's ability to operate in Asian markets, where flexible and affordable energy is in great demand and contributes to Uniper's strategy of 'diversification and global growth' in the commodities area.

Human Rights Protection

Uniper does business around the world, including countries where fragile institutions are not always fully able to protect basic human rights. Because Uniper considers human rights violations unacceptable for any entity operating ethically and correctly, respect for human rights is embedded into its business policies and procedures, ensuring that the Group does not benefit from breaches of human rights. Uniper respects and supports human rights, including the prohibition against child and forced labour, across its business activities, in accordance with the Universal Declaration of Human Rights.

The Uniper Code of Conduct states that the Group expects its business partners and suppliers to do the same. Respecting human rights is part of the Group's social responsibility. Consequently, Uniper is committed to identifying, preventing, and monitoring any human-rights-related risks in its business operations and within its sphere of influence.

At least on an annual basis, Uniper performs a world-wide assessment based on a combination of economic and social indexes to map the potential country-specific issues (e.g. working conditions, violation of political rights and civil liberties, as well as security threats) which may directly affect Uniper if new business chances are pursued. The results of this assessment leads to different due diligence requirements and mitigation measures, particularly when negotiating with new counterparties operating in medium or high risk countries.

For coal procurement, Uniper seeks to mitigate these risks by participating in Bettercoal, a not-for-profit initiative established by a group of major European utilities committed to a more responsible coal supply chain. In March 2017 Uniper joined a Bettercoal delegation for a stakeholder engagement campaign in Bogota and in the Cesar mining region in Colombia. The purpose was to have all the major coal-mining companies in the region participate in the Bettercoal Assessment Program. Thanks to this campaign, it is expected that by the beginning of the second quarter of 2018, the vast majority of Colombian thermal coal will come from Bettercoal Suppliers, enhancing Bettercoal's role in supporting the national peace-building and social development efforts.

From 2017, Uniper has held periodic discussions with several non-governmental organisations focused on ESG topics, particularly on human rights issues, along the coal supply chain. This Group-wide campaign to meet and talk with relevant international NGOs and local groups active in Europe started in August 2017 with meetings with NGOs focused on addressing human rights violations in the Colombian coal industry.

To promote an inclusive discussion, in December 2017 Uniper Benelux hosted in Rotterdam the annual Dutch Dialogue on Coal, an event promoted by the Ministry of Foreign Affairs, the main utilities operating in Netherlands and the Port Authority. Colombia's Deputy Ambassador to the Netherlands ended the plenary session with an update on the peace process in Colombia and an outlook on the post-coal era in the mining regions, calling for a collective effort to build peace in the country. Together with other concerned Bettercoal members, Uniper is working to encourage the reconciliation efforts in these regions.

In 2018 Uniper is developing a new ESG Due Diligence procedure containing more rigorous checks on potential significant adverse human rights and environmental impacts related to its suppliers and business partners. This process will be developed in accordance with the UN Guiding Principles on Business and Human Rights (2011) and the latest version of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016).

Anti-Corruption and Anti-Bribery

Engaging in any type of corruption, whether with public officials or in the private sector, is a breach of the Uniper Code of Conduct. Employees are prohibited from offering, promising, or giving anything of value (such as money, gifts, offers of employment, or other benefits) to gain business or to influence any action or for any other advantage, especially to a public official. They are likewise prohibited from doing so indirectly through a spouse, partner, relative, or friend.

Business relations with intermediaries (agents, brokers, advisors, representatives, and so forth) pose a higher risk of corruption and bribery. Consequently, Uniper carries out all such relations in accordance with Business Policy Intermediary Agreements to avoid the intermediary's fee or commission being used to make illegal payments on Uniper's behalf.

If employees become aware of suspicious activities, they can report them directly to the Compliance function or use an (anonymous) whistle-blower system. In the first quarter of the year 2017, Uniper introduced quarterly compliance reporting. Its purpose is to monitor the performance of the Compliance Monitoring System.

Three new cases of alleged corruption were reported internally at Uniper in 2017. Two of these were closed and one is still pending. Because two cases reported in 2016 were still open, a total of three cases of alleged corruption were pending at year-end 2017. All the cases were or are being investigated. As of October 2016, Uniper had conducted a Group-wide Compliance Risk Assessment (CRA) of all business functions. Corruption was one risk area of the CRA. In 2017, the results were communicated internally to the business functions, and appropriate reactive measures were taken.

The CRA's findings were taken into consideration in the drafting of the new Code of Conduct that took effect in October 2017. The new Code of Conduct explains corruption risks and provides hands-on guidance for addressing them. It also introduces new rules for gifts and hospitality that reflect international legal standards and take into consideration a variety of business situations. Additional materials enable employees to ensure that they understand the rules and to apply them on business situations. As in previous years, continued Group-wide training which covers the Code of Conduct's main principles and how to apply them, was provided to employees again in December 2017. In addition, employees who work in business functions exposed to a high risk of corruption received further training tailored to their function's particular type of exposure.

INDEPENDENT AUDITOR'S REPORT

To Uniper SE, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Uniper SE, Düsseldorf, and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, the income statement, statement of recognized income and expenses as part of equity, statement of cash flows and consolidated statement of changes in equity for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Uniper SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 **Energy trading**
2 **Recoverability of goodwill**
3 **Recoverability of power plants and gas storages**

Our presentation of these key audit matters has been structured in each case as follows:

a Matter and issue
b Audit approach and findings
c Reference to further information

Hereinafter we present the key audit matters:

1 **Energy trading**

a Within the Uniper Group, a large number of physically settled and financially settled financial instruments are entered into by the subsidiary Uniper Global Commodities SE ("UGC") for the Group companies, for the purpose of optimizing the power and gas portfolio on a centralized basis as well as in order to safeguard the gas storage and transport infrastructure and to manage commodity price risks efficiently. UGC trades on the spot and futures market for electricity, gas, coal, freight, oil, LNG and emission rights on a number of stock exchanges and, additionally, on the over-the-counter market for these purposes. These contracts represent derivative financial instruments in accordance with IAS 39 that - irrespective of their accounting treatment - are measured on the basis of prices quoted on futures markets or using valuation models. The derivative financial instruments are generally accounted for either at fair value through profit or loss (classified as held-for-trading financial instruments) or as pending transactions if the underlying for the derivative financial instrument will be received or delivered at a future date as part of the Company's own expected purchase, sale or usage requirements ("own use exemption").

Financial instruments that are not recognized at market value due to the own use exemption are combined into portfolios in keeping with the Group's risk management system and reviewed for anticipated losses in accordance with IAS 37.

The accounting treatment for physically settled derivative financial instruments is determined with the aid of UGC's risk management system, which allocates these derivative financial instruments to their corresponding purpose and therefore to the appropriate accounting treatment from a Group perspective. Accordingly, physically settled derivative financial instruments that do not form part of the Group's own expected purchase, sale or usage requirements and all financially settled derivative financial instruments are measured at fair value through profit or loss. The energy trading operations are supported by energy trading systems. These systems handle the process chain from the recording of trading transactions to the calculation and measurement of positions and the confirmation of trading transactions, as well as risk management. A booking structure in the individual trading systems ensures that the transactions are classified correctly (own use vs. at fair value through profit or loss). Compliance with the booking structure is monitored regularly.

In view of the high volume of trading and the complexity of accounting for derivatives in accordance with IAS 39 and IFRS 13, respectively, and the accounting requirements for provisions for anticipated losses in accordance with IAS 37, as well as its significant effects on the assets, liabilities, financial position, and financial performance, this business area is of particular significance for the consolidated financial statements and the conduct of our audit.

b For the purposes of our audit, we first of all, in collaboration with our internal specialists from the Corporate Treasury Solutions department, obtained an understanding of the trading strategies within the Group and the related product streams, and evaluated the risk management strategy implemented by the Group.

During our audit, among other things, we also assessed the appropriateness of the internal control system established for the purpose of entering into and settling energy trading transactions, including the trading systems used for this purpose. As part of our audit of the internal control system, we also evaluated the effectiveness of the controls established by the Company on a sample basis. Furthermore, we assessed the internal guidelines and requirements of the risk management system, together with the responsibilities and procedures laid down for the purpose of monitoring them and for ensuring that the trading data is up-to-date. We analyzed the methodology for determining the fair values of the derivative instruments with respect to compliance with IFRS 13 and assessed the appropriateness of the market-based input factors and the underlying valuation models.

We verified the logic and integrity of the valuation models employed as well as the consideration of contractual terms and conditions and assumptions. We reconciled observable input data with externally available information. With respect to the accounting treatment of the derivatives in accordance with IAS 39, we reproduced the application of the own use exemption for physically settled derivative financial instruments using the process implemented within the Group and assessed whether the own use exemption was applied correctly. In addition, we assessed the outcome of the review of financial instruments that are not recognized at fair value due to the "own use exemption" and assessed the need to recognize provisions for contingent losses in accordance with IAS 37.

In our view, the accounting and measurement policies applied by the executive directors and the methodology for accounting for energy trading transactions are appropriate overall.

c The Company's disclosures relating to energy trading and its effects on the consolidated financial statements are contained in the notes to the consolidated financial statements in particular in sections 28 and 29, as well as sections 2, 5, 7 and 8.

2 Recoverability of goodwill

a In the Company's consolidated financial statements, goodwill amounting in total to € 1.9 billion (representing 4 % of total assets and 15 % of equity) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted Group medium-term business plan forms the starting point, which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted Group medium-term business plan, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was appropriate. In the knowledge that even relatively small changes in the discount rate applied and the growth rate used can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we assessed the sensitivity analyses performed by the Company and carried out our own sensitivity analyses with respect to those groups of cash-generating units with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we determined that the carrying amounts of the respective cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c The Company's disclosures on goodwill are contained in note 14 of the notes to the consolidated financial statements.

3 Recoverability of power plants and gas storages

a In the Company's consolidated financial statements, property, plant, and equipment amounting in total to EUR 11.5 billion (representing 27 % of total assets and 90 % of equity) is reported. Most of the carrying amount of the property, plant, and equipment relates to power stations and gas storage facilities. The power stations and gas storage facilities are tested for impairment by the Company whenever there are indications of impairment to determine any possible need for write-downs. In the current financial year, especially the impairment test was carried out in light of the difference between reported net assets and the market capitalization. The impairment test is performed at the level of the cash-generating unit in accordance with IAS 36. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of measurement. The present values are calculated using discounted cash flow models. The starting point is the adopted Group medium-term business plan. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

As a result of the impairment test impairment losses of € 344 million and reversals of write downs totaling € 156 million were recognized mainly on power plants in Germany, France, the UK and the Netherlands. Impairment losses at the gas storage facilities also totaled € 117 million.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating unit, the discount rate used, and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted Group medium-term business plan, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the respective recoverable amount calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. We assessed the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections.

   Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c The Company's disclosures on property, plant, and equipment and on impairment testing are contained in note 14 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Report" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 8 June 2017. We were engaged by the supervisory board on 4 July 2017. We have been the group auditor of Uniper SE, Düsseldorf, without interruption since the Company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Markus Dittmann.

Düsseldorf, 27 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Markus Dittmann)	(sgd. Michael Servos)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Uniper SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2017	2016
Sales including electricity and energy taxes		72,745	67,788
Electricity and energy taxes		-507	-503
Sales	**(5)**	**72,238**	**67,285**
Changes in inventories (finished goods and work in progress)		-6	-43
Own work capitalized	(6)	145	60
Other operating income	(7)	9,999	7,477
Cost of materials	(8)	-69,479	-63,535
Personnel costs	(11)	-991	-1,179
Depreciation, amortization and impairment charges	(14)	-1,198	-4,135
Other operating expenses	(7)	-10,810	-10,004
Income from companies accounted for under the equity method		14	101
Income/loss before financial results and taxes		**-88**	**-3,973**
Financial results	(9)	-42	-285
Net income/loss from equity investments		*-24*	*10*
Income from other securities, interest and similar income		*172*	*170*
Interest and similar expenses		*-190*	*-465*
Income taxes	(10)	-408	1,024
Net income/loss		**-538**	**-3,234**
Attributable to shareholders of Uniper SE		*-656*	*-3,217*
Attributable to non-controlling interests		*118*	*-17*
in €			
Earnings per share (attributable to shareholders of Uniper SE)—basic and diluted	**(13)**		
from continuing operations		-1.79	-8.79
from net loss/income		**-1.79**	**-8.79**

Uniper SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	2017	2016
Net income/loss	**-538**	**-3,234**
Remeasurements of defined benefit plans	149	-240
Remeasurements of defined benefit plans of companies accounted for under the equity method	-1	–
Income taxes	-47	109
Items that will not be reclassified subsequently to the income statement	**101**	**-131**
Cash flow hedges	-11	-22
Unrealized changes	*-1*	*-10*
Reclassification adjustments recognized in income	*-10*	*-12*
Available-for-sale securities	159	240
Unrealized changes	*171*	*240*
Reclassification adjustments recognized in income	*-12*	–
Currency translation adjustments	528	545
Unrealized changes	*-379*	*545*
Reclassification adjustments recognized in income	*907*	–
Companies accounted for under the equity method	-33	156
Unrealized changes	*-33*	*63*
Reclassification adjustments recognized in income	–	*93*
Income taxes	-4	16
Items that might be reclassified subsequently to the income statement	**639**	**935**
Total income and expenses recognized directly in equity	**740**	**804**
Total recognized income and expenses (total comprehensive income)	**202**	**-2,430**
Attributable to shareholders of Uniper SE	*127*	*-2,272*
Attributable to non-controlling interests	*75*	*-158*

Uniper SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	December 31 2017	2016
Assets			
Goodwill	(14)	1,890	2,701
Intangible assets	(14)	819	2,121
Property, plant and equipment		11,496	11,700
Companies accounted for under the equity method	(15)	448	827
Other financial assets	(15)	814	728
Equity investments		*710*	*568*
Non-current securities		*104*	*160*
Financial receivables and other financial assets	(17)	3,308	3,054
Operating receivables and other operating assets	(17)	3,206	3,857
Income tax assets	(10)	6	6
Deferred tax assets	(10)	890	2,205
Non-current assets		**22,877**	**27,199**
Inventories	(16)	1,659	1,746
Financial receivables and other financial assets	(17)	1,195	1,268
Trade receivables and other operating assets	(17)	16,163	18,250
Income tax assets	(10)	170	64
Liquid funds	(18)	1,027	341
Securities and fixed-term deposits		*64*	*162*
Restricted cash and cash equivalents		*112*	*10*
Cash and cash equivalents		*851*	*169*
Assets held for sale		70	3
Current assets		**20,284**	**21,672**
Total assets		**43,161**	**48,871**
Equity and Liabilities			
Capital stock	(19)	622	622
Additional paid-in capital	(19)	10,825	10,825
Retained earnings	(19)	3,399	4,156
Accumulated other comprehensive income	(20)	-2,699	-3,382
Equity attributable to shareholders of Uniper SE		**12,147**	**12,221**
Attributable to non-controlling interests	(21)	642	582
Equity		**12,789**	**12,803**
Financial liabilities	(24)	961	2,376
Operating liabilities	(24)	3,618	3,993
Provisions for pensions and similar obligations	(22)	676	785
Miscellaneous provisions	(23)	6,068	6,517
Deferred tax liabilities	(10)	390	1,601
Non-current liabilities		**11,713**	**15,272**
Financial liabilities	(24)	962	494
Trade payables and other operating liabilities	(24)	16,277	18,348
Income taxes	(10)	55	188
Miscellaneous provisions	(23)	1,362	1,766
Liabilities associated with assets held for sale		3	–
Current liabilities		**18,659**	**20,796**
Total equity and liabilities		**43,161**	**48,871**

Uniper SE and Subsidiaries Consolidated Statements of Cash Flows[1]

€ in millions	2017	2016
Net income/loss	**-538**	**-3,234**
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,198	4,135
Changes in provisions	-608	11
Changes in deferred taxes	309	-1,184
Other non-cash income and expenses	-96	-298
Gain/loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (> 3 months)	865	-404
Intangible assets and property, plant and equipment	*-16*	*154*
Equity investments	*898*	*-558*
Securities (> 3 months)	*-17*	*–*
Changes in operating assets and liabilities and in income taxes	255	3,158
Inventories and Emissionsrights	*184*	*191*
Trade receivables	*152*	*1,349*
Other operating receivables and income tax assets	*2,204*	*3,747*
Trade payables	*-345*	*-420*
Other operating liabilities and income taxes	*-1,940*	*-1,709*
Cash provided by operating activities (operating cash flow)	**1,385**	**2,184**
Proceeds from disposal of	1,796	1,235
Intangible assets and property, plant and equipment	*40*	*9*
Equity investments	*1,756*	*1,226*
Purchases of investments in	-843	-781
Intangible assets and property, plant and equipment	*-825*	*-713*
Equity investments	*-18*	*-68*
Cash payments in connection with disposals	-66	–
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	951	790
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-1,215	-1,561
Changes in restricted cash and cash equivalents	-106	-11
Cash provided by investing activities	**517**	**-328**
Payments received/made from changes in capital[2]	15	127
Transactions with the E.ON Group[3]	–	-2,738
Cash dividends paid to shareholders of Uniper SE	-201	–
Cash dividends paid to other shareholders	-35	-44
Proceeds from financial liabilities	23	1,662
Repayments of financial liabilities	-931	-1,007
Cash used for financing activities	**-1,129**	**-2,000**
Net increase in cash and cash equivalents	**773**	**-144**
Effect of foreign exchange rates on cash and cash equivalents	-12	14
Cash and cash equivalents at the beginning of the year[4]	169	299
Cash and cash equivalents of deconsolidated companies	-79	–
Cash and cash equivalents of continuing operations at the end of the year	**851**	**169**
Supplementary Information on Cash Flows from Operating Activities		
Income taxes paid (less refunds)	-332	6
Interest paid	-66	-262
Interest received	65	76
Dividends received	66	88

[1]Additional information on the Statements of Cash Flows is provided in Note 27.
[2]No material netting has taken place in either of the years presented here.
[3]The transactions with the E.ON Group in 2016 mostly relate to payments arising from dividends and from profit-and-loss-pooling agreements and to financing with the E.ON Group.
[4]Cash and cash equivalents at the beginning of 2017 also include an amount of €21 million that had been attributable to the divested participation to the russian gas field Yuzhno-Russkoye.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Currency translation adjustments	Accumulated other comprehensive income: Available-for-sale securities	Accumulated other comprehensive income: Cash flow hedges
Balance as of January 1, 2016	**0**	**0**	**18,684**	**-4,251**	**87**	**-59**
Allocation of retained earnings in accordance with legal structure	283	4,068	-4,351			
Presentation of non-controlling interests in accordance with legal structure			-9,968	2,268	-46	31
Capital increase	7	120				
Capital decrease						
Dividends						
Equity addition/reduction			-3			
Total comprehensive income			-2,956	417	235	32
Net income/loss			*-3,217*			
Other comprehensive income			*261*	*417*	*235*	*32*
Remeasurements of defined benefit plans			*261*			
Changes in accumulated other comprehensive income				*417*	*235*	*32*
Contribution of non-controlling interests and corresponding capital increase	332	6,637	2,750	-2,152	48	8
Balance as of December 31, 2016	**622**	**10,825**	**4,156**	**-3,718**	**324**	**12**
Balance as of January 1, 2017	**622**	**10,825**	**4,156**	**-3,718**	**324**	**12**
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends			-201			
Total comprehensive income			-556	527	164	-8
Net income/loss			*-656*			
Other comprehensive income			*100*	*527*	*164*	*-8*
Remeasurements of defined benefit plans			*100*			
Changes in accumulated other comprehensive income				*527*	*164*	*-8*
Balance as of December 31, 2017	**622**	**10,825**	**3,399**	**-3,191**	**488**	**4**

	Shares attributable to shareholders of Uniper SE	Non-controlling interests	Presentation of the non-controlling interests attributable to Uniper Beteiligungs GmbH	Total non-controlling interests	Total
	14,461	**540**	**0**	**540**	**15,001**
	0			0	0
	-7,715		7,715	7,715	0
	127	11	145	156	283
	0			0	0
	0	-44		-44	-44
	-3		-4	-4	-7
	-2,272	75	-233	-158	-2,430
	-3,217	*-17*		*-17*	*-3,234*
	945	*92*	*-233*	*-141*	*804*
	261	*-1*	*-391*	*-392*	*-131*
	684	*93*	*158*	*251*	*935*
	7,623		-7,623	-7,623	0
	12,221	**582**	**0**	**582**	**12,803**
	12,221	**582**	**0**	**582**	**12,803**
	0	-1		-1	-1
	0	22		22	22
	0	-1		-1	-1
	-201	-35		-35	-236
	127	75		75	202
	-656	*118*		*118*	*-538*
	783	*-43*		*-43*	*740*
	100	*1*		*1*	*101*
	683	*-44*		*-44*	*639*
	12,147	**642**	**0**	**642**	**12,789**

(1) Basis of Presentation

The Consolidated Financial Statements of Uniper SE ("Uniper" or "the Group") have been prepared in accordance with Section 315e (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRS IC") that were adopted by the European Commission for use in the EU as of the end of the fiscal year, and whose application was mandatory as of December 31, 2017. Any changes in accounting policies that may have arisen compared with the previous year are presented in Note 3, "Newly Adopted Standards and Interpretations." The fiscal year of the Group is identical to the calendar year.

The parent company of the Uniper Group is Uniper SE ("the Company"), Düsseldorf. The registered office of the Company is in Düsseldorf. The Company's address is: Uniper SE, E.ON-Platz 1, 40479 Düsseldorf, Germany. The Company is entered in the Düsseldorf Commercial Register, Section B, under the number 77425. Uniper's operating activities are aimed at the supply of energy and related services.

The Management Board and the Supervisory Board of Uniper SE made the requisite declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG") in February 2018. The declaration has been made permanently and publicly accessible to shareholders on the Company's Web site (www.uniper.energy).

The Consolidated Financial Statements were prepared in euro. Unless otherwise indicated, all amounts are presented in millions of euro (€ million). Uniper applies commercial rounding. Any rounding differences existing between individual amounts and totals are accepted.

The Management Board of Uniper SE approved the release of the Consolidated Financial Statements to the Supervisory Board on February 26, 2018.

Spin-off and Initial Public Offering in 2016

At the end of November 2014, E.ON SE, Düsseldorf, announced its plan to create a new group of companies for the activities of today's Uniper, and to prepare a placement on the stock exchange by means of a spin-off through absorption into another company ("*Abspaltung zur Aufnahme*") with the issue of new Uniper shares to the shareholders of E.ON SE.

The spin-off took effect on September 9, 2016.

Effective December 31, 2016, E.ON SE and E.ON Beteiligungen GmbH made a joint undertaking to Uniper that they would not exercise their voting rights with respect to the election of two of the six shareholder representatives on the Uniper Supervisory Board at the Annual Shareholders Meeting of Uniper SE. The purpose of this agreement was to end E.ON SE's control of Uniper SE, even though E.ON SE will initially continue to hold a minority interest in the Company of 46.65%, which is likely to constitute a majority of the share capital represented at any shareholders' meeting of Uniper SE.

A detailed presentation of the spin-off and of the associated transactions and events is provided in Uniper's 2016 Consolidated Financial Statements.

(2) Summary of Significant Accounting Policies

The Consolidated Financial Statements of the Uniper Group are generally prepared based on historical cost, with the exception of available-for-sale financial assets that are measured at fair value and of financial assets and liabilities (including derivative financial instruments) that are recognized in income and measured at fair value.

Scope of Consolidation

The Consolidated Financial Statements incorporate the financial statements of Uniper SE and entities controlled by Uniper ("subsidiaries"). Control exists when Uniper, as the investor, has the current ability to direct the relevant activities of the investee entity. Relevant activities are those activities that most significantly affect the performance of a business. In addition, Uniper must participate in this business performance in the form of variable returns and be able to influence those returns to its benefit through existing opportunities and rights. Control is normally deemed established if Uniper directly or indirectly holds a majority of the voting rights in the investee. In structured entities, control can be established by means of contractual arrangements. The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statements of Income from the date of acquisition or until the date of their disposal, respectively. Where necessary, adjustments are made to the subsidiaries' financial statements to bring their accounting policies into line with those of the Group. Intragroup receivables, liabilities and results between Group companies are eliminated in the consolidation process.

Associated Companies

An associate is an entity over whose relevant activities Uniper has significant influence, but which is neither a subsidiary nor an interest in a joint venture. Significant influence exists when Uniper has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control these decisions. Significant influence is generally presumed if Uniper directly or indirectly holds at least 20%, but not more than 50%, of an entity's voting rights. Included in this consideration are potentially existing practical majorities that in certain cases could also lead to a controlling majority in the associate.

Interests in associated companies are generally accounted for using the equity method. This also applies to majority-owned companies in which Uniper does not exercise control due to restrictions concerning the control of assets or management. Interests in associated companies accounted for using the equity method are reported on the balance sheet at cost, adjusted for changes in Uniper's share of the net assets after the date of acquisition and for any impairment charges. Losses that might potentially exceed the Group's interest in an associated company when attributable long-term loans are taken into consideration are generally not recognized. Any difference between the cost of the investment and the remeasured value of its net assets is recognized in the consolidated financial statements as part of the carrying amount.

Unrealized gains and losses arising from transactions with associated companies accounted for using the equity method are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Companies accounted for using the equity method are tested for impairment by comparing the carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted in the amount of this difference. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. The financial statements of investments accounted for under the equity method are generally prepared using accounting that is uniform within the Group.

Joint Arrangements

Joint ventures are also accounted for using the equity method. Unrealized gains and losses arising from transactions with joint-venture companies are eliminated within the consolidation process on a pro-rata basis if and to the extent these are material. A joint operation exists when Uniper and the other parties to a joint arrangement have direct rights to the assets, and obligations for the liabilities, attributable to the operation. In a joint operation, assets and liabilities, as well as revenues and expenses, are recognized pro rata according to the rights and obligations attributable to Uniper.

Business Combinations

Business combinations are accounted for by applying the purchase method, whereby the purchase price is offset against the proportional share in the acquired company's net assets. In doing so, the values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. The fair values of individual assets are determined in different ways, which in the case of marketable securities involve using published exchange or market prices at the time of acquisition, for example, and in the case of land, buildings and major technical equipment, generally using independent expert reports that have been prepared by third parties. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, Uniper determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. The discount rate reflects the specific risks inherent in the acquired activities. Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. The partial goodwill method is generally used within the Uniper Group.

Transactions with non-controlling shareholders are treated in the same way as transactions with investors. Should the acquisition of additional shares in a subsidiary result in a difference between the cost of purchasing the shares and the carrying amounts of the non-controlling interests acquired, that difference must be fully recognized in equity. Gains and losses from disposals of shares to subsidiaries are also recognized in equity, provided that such disposals do not coincide with a loss of control. Intangible assets must be recognized separately from goodwill if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures may not be recorded in a purchase price allocation. If the purchase price paid exceeds the proportional share in the net assets at the time of acquisition, the positive difference is recognized as goodwill. No goodwill is recognized for positive differences attributable to non-controlling interests. A negative difference is immediately recognized in income.

Foreign Currency Translation

The Company's transactions denominated in foreign currency are translated at the current exchange rate at the date of the transaction. Monetary foreign currency items are adjusted to the current exchange rate at each balance sheet date; any gains and losses resulting from fluctuations in the relevant currencies, and the effects upon realization, are recognized in income and reported as other operating income and other operating expenses, respectively.

The functional currency and the reporting currency of Uniper SE is the euro. The assets and liabilities of the foreign Uniper companies with a functional currency other than the euro are translated at the mid-market rates applicable on the balance sheet date, while items of the income statement are translated using annual average exchange rates. Differences arising from the translation of assets and liabilities compared with the corresponding translation of the prior year, as well as exchange rate differences between the income statement and the balance sheet, are reported separately within net assets as a component of other comprehensive income.

Foreign currency translation effects that are attributable to the cost of monetary financial instruments classified as available for sale are recognized in income. In the case of fair-value adjustments of monetary financial instruments and for non-monetary financial instruments classified as available for sale, the foreign currency translation effects are recognized in net assets as a component of other comprehensive income.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases. The Brazilian real is not freely convertible.

The following table depicts the movements in exchange rates for the periods indicated for major currencies of countries outside the European Monetary Union:

Currencies

	ISO Code	€1, rate at year-end	
		2017	2016
British pound	GBP	0.89	0.86
Brazilian real	BRL	3.97	3.43
Russian ruble	RUB	69.39	64.30
Swedish krona	SEK	9.84	9.55
Hungarian forint	HUF	310.33	309.83
U.S. dollar	USD	1.20	1.05

Currencies

	ISO Code	€1, annual average rate	
		2017	2016
British pound	GBP	0.88	0.82
Brazilian real	BRL	3.61	3.86
Russian ruble	RUB	65.94	74.14
Swedish krona	SEK	9.64	9.47
Hungarian forint	HUF	309.19	311.44
U.S. dollar	USD	1.13	1.11

Recognition of Income

a) Revenues

The Company generally recognizes revenue upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable. They reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of the last invoice and the end of the period.

Revenues include the surcharge mandated by the German Renewable Energy Sources Act and other applicable statutory charges, and are presented net of sales taxes, returns, rebates and discounts, and after elimination of sales within the Uniper Group.

Revenues are generated predominantly from the sale of electricity and gas to industrial and commercial customers and in wholesale markets, including related physical and financial hedges. Also shown in this line item are revenues earned from the transportation of gas and from deliveries of steam, heat and water.

b) Interest Income

Interest income is recognized pro rata using the effective interest method.

c) Dividend Income

Dividend income is recognized when the right to receive the distribution payment arises.

Electricity and Energy Taxes

The electricity tax is levied, in particular, on electricity delivered to retail customers and is calculated on the basis of a fixed tax rate per megawatt-hour ("MWh") that varies between different classes of customers. Electricity and energy taxes paid are deducted from sales revenues on the face of the income statement.

Goodwill and Intangible Assets

Goodwill

In accordance with IFRS 3, goodwill is not amortized, but rather tested for impairment at level of the cash-generating unit ("CGU") on at least an annual basis. Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable.

Newly created goodwill is allocated to those CGUs expected to benefit from the respective business combination. The CGUs to which goodwill is allocated are generally equivalent to the operating segments, since goodwill is reported, and considered in performance metrics for controlling, only at that level. Goodwill impairment testing is performed in the functional currency of the respective CGU. The underlying goodwill is also carried in the functional currency.

In a goodwill impairment test, the recoverable amount of a CGU is compared with its carrying amount, including goodwill. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. To determine the recoverable amount of the cash-generating units that carry goodwill, the Uniper Group first establishes the value in use. The valuation of the Global Commodities CGU is based on the medium-term planning for the cash-generating unit, which covers three years and is followed by long-term planning. For the International Power Generation CGU, where the recoverable amount is determined to a great extent by the Russian generation activities, the value in use is determined in local currency and is established in line with the regulatory framework over a detailed planning period of 15 years. If needed, a calculation of fair value (less costs to sell) is also performed.

Unlike fair value, which has a market perspective, the value in use is calculated from the viewpoint of management. In accordance with IAS 36, it is further ensured that restructuring expenses in particular, as well as initial and subsequent capital investments (where those have not yet commenced), are not included in the valuation. Expenses at the Group's corporate departments are included in the determination of the recoverable amount.

If the carrying amount exceeds the recoverable amount of a CGU, the goodwill allocated to that unit is adjusted in the amount of this difference.

If the impairment thus identified exceeds the goodwill allocated to the affected CGU, the remaining assets of the unit must be written down in proportion to their carrying amounts. Individual assets may be written down only if their respective carrying amounts do not fall below the highest of the following values as a result:

- Fair value less costs to sell
- Value in use
- Zero

The Uniper Group has elected to perform the annual testing of goodwill for impairment at the CGU level in the fourth quarter of each fiscal year.

Impairment charges on the goodwill of a CGU and reported in the income statement under "Depreciation, amortization and impairment charges" may not be reversed in subsequent reporting periods.

Intangible Assets

IAS 38, "Intangible Assets," ("IAS 38") requires that intangible assets be amortized over their expected useful lives unless their lives are considered to be indefinite. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and amortized on a straight-line basis over their useful lives. The useful lives of marketing-related, customer-related and contract-based intangible assets generally range between 5 and 25 years. Technology-based intangible assets are generally amortized over a useful life of between 3 and 5 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

Intangible assets not subject to amortization are measured at cost and tested for impairment annually or more frequently if events indicate that such assets may be impaired. Moreover, such assets are reviewed annually to determine whether an assessment of indefinite useful life remains applicable.

In accordance with IAS 36, the carrying amount of an intangible asset, whether subject to amortization or not, is tested for impairment by comparing the carrying amount with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment charge equal to the difference between the carrying amount and the recoverable amount is recognized and reported in income under "Depreciation, amortization and impairment charges."

If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortization to exceed the carrying amount that would have been determined, net of amortization, during the period had no impairment losses been recognized in earlier periods.

If a recoverable amount cannot be determined for an individual intangible asset, the recoverable amount for the smallest identifiable group of assets that the intangible asset may be assigned to is determined. See Note 14 for additional information about goodwill and intangible assets.

Research and Development Costs

Under IFRS, expenses for internally generated intangible assets must be separated and allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2017 and 2016 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

Property, Plant and Equipment

Property, plant and equipment are measured at acquisition or production cost, including decommissioning or restoration costs that must be capitalized, and are depreciated over the expected useful lives of the components, generally using the straight-line method, unless a different method of depreciation reflects the depletion of the asset more accurately in certain exceptional cases. The useful lives of the major components of property, plant and equipment are presented below:

Useful Lives of Property, Plant and Equipment

Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment according to the principles prescribed for intangible assets in IAS 36. If an impairment loss is determined, the remaining useful life of the asset might also be subject to adjustment, where applicable. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed and recognized in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment been recognized in earlier periods.

Investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

Subsequent costs arising, for example, from additional or replacement capital expenditure are only recognized as part of the acquisition or production cost of the asset, or else - if relevant - recognized as a separate asset if it is probable that the Uniper Group will receive a future economic benefit as a result and the cost of the asset can be determined reliably.

Repair and maintenance costs that do not constitute significant replacement capital expenditure are expensed as incurred.

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a uniform Company-specific financing rate of 4.16% was applied within the Uniper Group for the 2017 fiscal year (2016: 2.60%). This rate covers the interest rates of all financial liabilities, including those for finance leases. Other borrowing costs are expensed.

Government Grants

Government investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income. They are recognized in income on a straight-line basis over the associated asset's expected useful life.

Government grants are recognized at fair value if it is highly probable that the grant will be issued and if the Uniper Group satisfies the necessary conditions for receipt of the grant.

Government grants for costs are posted as income over the period in which the costs to be compensated through the respective grants are incurred.

Leasing

Leasing transactions are classified according to the lease agreements and to the underlying risks and rewards specified therein in line with IAS 17, "Leases" ("IAS 17"). In addition, IFRIC 4, "Determining Whether an Arrangement Contains a Lease," ("IFRIC 4") further defines the criteria as to whether an agreement that conveys a right to use an asset meets the definition of a lease. Certain purchase and supply contracts in the electricity and gas business as well as certain rights of use may also be classified as leases if the criteria are met. The Uniper Group is party to some agreements in which it is the lessor and to others in which it is the lessee.

Leasing transactions in which the Uniper Group is the lessee are classified either as finance leases or operating leases. If the Company bears substantially all of the risks and rewards incident to ownership of the leased property, the lease is classified as a finance lease. Accordingly, the Company recognizes on its balance sheet the leased asset and the associated liability in equal amounts.

Recognition takes place at the beginning of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased property is depreciated over its useful economic life or, if it is shorter, the term of the lease. The liability is subsequently measured using the effective interest method.

All other transactions in which the Uniper Group is the lessee are classified as operating leases. Payments made under operating leases are generally expensed over the term of the lease on a straight-line basis.

Leasing transactions in which the Uniper Group is the lessor and substantially all the risks and rewards arising from the use of the leased property are transferred to the lessee are classified as finance leases. In this type of lease, the present value of the minimum lease payments is recorded as a receivable. Payments by the lessee are apportioned between a reduction of the lease receivable and interest income. The income from such arrangements is recognized over the term of the lease using the effective interest method.

All other transactions in which the Uniper Group is the lessor are classified as operating leases; the leased asset continues to be recognized by the Uniper Group and the lease payments are generally recorded as income over the term of the lease on a straight-line basis.

Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are recognized at fair value, including transaction costs, on the settlement date when acquired. IFRS 13, "Fair Value Measurement," ("IFRS 13") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). The valuation techniques used are classified according to the fair value hierarchy provided for by IFRS 13.

Unconsolidated equity investments and securities are measured in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). Uniper categorizes financial assets as held for trading, available-for-sale securities, or as loans and receivables. Management determines the categorization of the financial assets at initial recognition.

Available-for-sale securities are non-derivative financial instruments that have either been allocated to this category or have not been allocated to one of the other categories. They are reported under non-current assets if management does not intend to sell them within twelve months following the balance sheet date and the asset does not fall due within that period. Securities classified as available for sale are measured at fair value on an ongoing basis. Any resulting unrealized gains and losses are reported as a component of equity (other comprehensive income), net of deferred taxes, until they are realized.

Realized gains and losses are determined by analyzing each transaction individually. If there is objective evidence of impairment, any losses previously recognized in other comprehensive income are instead recognized in financial results. When estimating a possible impairment loss, the Uniper Group takes into consideration all available information, such as market conditions and the length and extent of the impairment. If the value on the balance sheet date of the equity instruments classified as available for sale and of similar long-term investments is 20% or more below their cost, or if the value has been on average significantly below their cost for a period of more than twelve months, this constitutes objective evidence of impairment. For debt instruments, objective evidence of impairment is generally deemed present if the rating awarded by one of the three leading rating agencies has deteriorated from investment-grade to non-investment-grade. Reversals of impairment losses relating to equity instruments are recognized exclusively in equity, while reversals relating to debt instruments are recognized entirely in income.

Loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Receivables and other assets." They are subsequently measured at amortized cost. Valuation allowances are provided for identifiable individual risks.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortized cost, using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the net book value is adjusted for amortization and accretion of any premium or discount remaining until maturity. The premium or discount is included in financial results.

Derivative Financial Instruments and Hedging

Derivative financial instruments and separated embedded derivatives are measured at fair value as of the trade date at initial recognition and in subsequent periods. IAS 39 requires that they be categorized as held for trading as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognized in income.

The instruments primarily used are foreign-exchange forwards and swaps. In commodities, the instruments used include physically and financially settled options and forwards related to electricity, gas, coal, oil and emission rights.

As part of fair value measurement in accordance with IFRS 13, the counterparty risk is also taken into account for derivative financial instruments. The Uniper Group determines this risk based on a portfolio valuation in a bilateral approach for both own credit risk ("debt value adjustment") and the credit risk of the corresponding counterparty ("credit value adjustment"). The counterparty risks thus determined are allocated to the individual financial instruments by applying the relative fair value method on a net basis.

IAS 39 sets requirements for the designation and documentation of hedging relationships, the hedging strategy, as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the measurement of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the hedging instrument is 80% to 125% effective at offsetting the change in fair value of the hedged item.

Changes in fair value of derivative instruments that must be recognized in income are presented as other operating income or expenses. Gains and losses from derivative financial instruments are shown net as either revenues or cost of materials, provided they meet the corresponding conditions for such accounting. Certain realized amounts are, if related to the sale of products or services, also included in sales or cost of materials.

Unrealized gains and losses resulting from the initial measurement of derivative financial instruments at the inception of the contract are not recognized in income. They are instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applies if unrealized gains and losses from the initial measurement are verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In this case the gains and losses are recognized in income.

Contracts that are entered into for purposes of receiving or delivering non-financial items in accordance with the Uniper Group's anticipated procurement, sale or use requirements, and held as such, can be classified as own-use contracts. They are not accounted for as derivative financial instruments at fair value in accordance with IAS 39, but as open transactions subject to the rules of IAS 37.

IFRS 7, "Financial Instruments: Disclosures," ("IFRS 7") and IFRS 13 both require comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments. Additional information on financial instruments is provided in Notes 28 and 29.

Primary and derivative financial instruments are netted on the balance sheet if the Uniper Group has both an unconditional right - even in the event of the counterparty's insolvency - and the intention to settle offsetting positions simultaneously or on a net basis.

Inventories

The Company measures inventories at the lower of acquisition or production cost and net realizable value. The cost of raw materials, finished products and goods purchased for resale is determined based on the average cost method. In addition to production materials and wages, production costs include material and production overheads based on normal capacity. The costs of general administration are not capitalized. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation allowances, whereby inventories are written down to net realizable value.

Receivables and Other Assets

Receivables and other assets are initially measured at fair value, which generally approximates nominal value. They are subsequently measured at amortized cost, using the effective interest method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Emission Rights

Emission rights held under national and international emission-rights systems for the settlement of obligations are reported under other operating assets. These rights are capitalized at cost at the time of acquisition.

A provision is recognized for emissions produced. The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed. The expenses incurred for the recognition of the provision are reported under cost of materials.

Liquid Funds

Liquid funds include cash on hand and bank balances, as well as current available-for-sale securities. Bank balances and available-for-sale securities with an original maturity of more than three months are recognized under securities and fixed-term deposits. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

Restricted cash with a remaining maturity in excess of twelve months is classified as financial receivables and other financial assets.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Individual non-current assets or groups of assets held for sale and any directly attributable liabilities (disposal groups) are reported in these line items if they can be disposed of in their current condition and if there is sufficient probability of their disposal actually taking place. For a group of assets and associated liabilities to be classified as a disposal group, the assets and liabilities in it must be held for sale in a single transaction or as part of a comprehensive plan.

Non-current assets that are held for sale either individually or collectively as part of a disposal group are no longer depreciated. They are instead accounted for at the lower of the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognized.

Equity Instruments

IFRS defines equity, as distinct from debt, as the residual interest in the Uniper Group's assets after deducting all liabilities. Therefore, equity is the net amount of all recognized assets and liabilities.

If shareholders of entities own statutory, non-excludable rights of termination (as in the case of German partnerships, for example), IAS 32, "Financial Instruments: Presentation," provides that such termination rights require the reclassification of non-controlling interests in such entities held within the Group from equity into liabilities. The liability is reported at the present value of the expected settlement amount in the event of termination. The amount is recognized irrespective of the probability of termination. Changes in the value of the liability are reported within other operating income. Accretion of the liability and the non-controlling shareholders' share in net income are shown as interest expense.

Where Uniper has entered into purchase commitments to holders of non-controlling interests in subsidiaries, those non-controlling shareholders have the right to require Uniper to purchase their shares under previously specified conditions. In such a case, IAS 32 requires that a liability be recognized at the present value of the probable future exercise price. This amount is reclassified from a separate component within non-controlling interests and reported separately as a liability. The reclassification occurs irrespective of the probability of exercise. The subsequent measurement of the liability is recognized in financial results. If a purchase commitment expires unexercised, the liability reverts to non-controlling interests. Any difference between liabilities and non-controlling interests is recognized directly in retained earnings.

Share-based Payment

In the 2017 reporting year, members of the Uniper Management Board and selected executives were granted allocations under the Uniper Performance Cash Plan. The Uniper Performance Cash Plan represents cash-settled share-based payment, which is measured at fair value as of each balance sheet date. In the Performance Cash Plan, the fair value is determined based on firmly defined performance targets on the respective balance sheet dates. The expenses of the Performance Cash Plan are recognized in the income statement over the period through the end of the respective plan term. Additional information on the Uniper Performance Cash Plan can be found in the Compensation Report, which is part of the Combined Management Report of the Uniper Group.

In the 2017 reporting year, members of the Supervisory Board received a component of 20% of their compensation as variable compensation. That compensation is granted as a future right to payment in the form of virtual shares. The virtual shares are used purely for calculation purposes and do not grant to the beneficiary any entitlements or shareholder rights, particularly voting rights or dividend rights. The variable compensation is paid in cash within the first month after the end of the four-year period and is limited to 200% of the allocation amount. Accordingly, this compensation represents cash-settled share-based payment. The value of the virtual shares is measured based on the fair value on the respective balance sheet dates. The expenses for the Supervisory Board's virtual shares are recognized in the income statement over the period through the end of the respective measurement period. Additional information on the virtual shares awarded to the Supervisory Board can be found in the Compensation Report, which is part of the Combined Management Report of the Uniper Group.

Provisions for Pensions and Similar Obligations

Measurement of defined benefit obligations in accordance with IAS 19 (revised 2011), "Employee Benefits," is based on the projected unit credit method, with actuarial valuations performed as of the end of each fiscal year. The valuation encompasses both pension obligations and pension entitlements that are known on the reporting date and economic trend assumptions such as assumptions on wage and salary growth rates and pension increase rates, among others, that are made in order to reflect realistic expectations, as well as variables specific to reporting dates, such as discount rates, for example.

Included in gains and losses from the remeasurements of the net defined benefit liability or asset are actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables and, additionally, from developments in these assumptions as of each reporting date. Also included is the difference between the actual return on plan assets and the interest income on plan assets contained in the net interest result. Remeasurement effects are recognized in full in the period in which they occur and are not reported within the income statement, but are instead recorded in the Uniper Group's Statement of Recognized Income and Expenses (other comprehensive income).

The employer service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel costs; the net interest on the net liability or asset from defined benefit pension plans determined based on the discount rate applicable at the start of the fiscal year is reported under financial results.

Past service cost, as well as gains and losses from settlements, are fully recognized in the income statement in the period in which the underlying plan amendment, curtailment or settlement takes place. They are reported under personnel costs.

The amount reported on the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the present value of available refunds and the reduction in future contributions and to the benefit from prepayments of minimum funding requirements. Such an asset position is recognized in the "Operating receivables and other operating assets" line item.

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to state pension plans are treated like payments for defined contribution pension plans to the extent that the obligations under these pension plans generally correspond to those under defined contribution pension plans.

Provisions for Asset Retirement Obligations and Miscellaneous Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), provisions are recognized when there are legal or constructive present obligations toward third parties resulting from events that occurred in the past, it is probable that a future outflow of resources will be required to settle these obligations, and the amounts of the obligations can be measured with sufficient reliability. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. Long-term obligations are generally discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognized during the period of their occurrence at their discounted settlement amounts, provided that the obligation can be reliably estimated. The carrying amounts of the respective property, plant and equipment are increased by the same amounts. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the related assets, and the provision is accreted to its present value on an annual basis.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates. The adjustment of provisions for the decommissioning and restoration of property, plant and equipment for changes to estimates is generally recognized by way of a corresponding adjustment to these assets, with no effect on income. If the property, plant and equipment to be decommissioned have already been fully depreciated, changes to estimates are recognized within the income statement.

Under Swedish law, the Uniper Group's Swedish nuclear operations are required to pay fees to the Swedish Nuclear Waste Fund ("Kärnavfallsfonden"). The Swedish Radiation Safety Authority proposes the fees for the disposal of high-level radioactive waste and nuclear power plant decommissioning for the particular nuclear power plant on the basis of the amount of electricity produced or on a time basis, taking into account nuclear-specific inflation rates and risk premiums. The proposed fees are then submitted to government offices for approval and the corresponding payments are made by the respective owner of the power plants. In accordance with IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" ("IFRIC 5"), a right of reimbursement for asset retirement expenditure is recognized as an asset under "Other financial assets" for payments into the Swedish Nuclear Waste Fund. In accordance with customary procedure in Sweden, the provisions are discounted at a real interest rate.

A material element in the estimates are the real interest rates applied (the applied discount rate, less the general rate of inflation, less the nuclear-specific cost increase rate). A change of 0.1 percentage points in the applied real interest rate leads to a change in the provision of approximately €24 million (2016: €26 million). The impact on adjusted EBIT depends on the level of the corresponding adjustment posted to property, plant and equipment.

No provisions are established for contingent asset retirement obligations where the type, scope, timing and associated probabilities can not be determined reliably.

If onerous contracts exist in which the unavoidable costs of meeting a contractual obligation exceed the economic benefits expected to be received under the contract, provisions are established for losses from open transactions. Such provisions are recognized at the lower of the excess obligation upon performance under the contract and any potential penalties or compensation arising in the event of non-performance. Obligations under an open contractual relationship are determined from a customer perspective.

Contingent liabilities are possible obligations toward third parties arising from past events that are not wholly within the control of the entity, or else present obligations toward third parties arising from past events in which an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are generally not recognized on the balance sheet.

Where necessary, provisions for restructuring costs are recognized at the present value of the future outflows of resources. Provisions are recognized once a detailed restructuring plan has been decided on by management and publicly announced or communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with future operations are not taken into consideration.

Income Tax

Under IAS 12, "Income Taxes" ("IAS 12"), deferred taxes are recognized on temporary differences arising between the carrying amounts of assets and liabilities on the balance sheet and their tax bases (balance sheet liability method). Deferred tax assets and liabilities are recognized for temporary differences that will result in taxable or deductible amounts when taxable income is calculated for future periods, unless those differences are the result of the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss (initial differences). Uncertain tax positions are recognized at their most likely value. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. Deferred taxes are not taken into consideration for the portion of the deferred tax assets to which these assumptions do not apply.

Deferred tax liabilities caused by temporary differences associated with investments in subsidiaries and associated companies are recognized unless the timing of the reversal of such temporary differences can be controlled within the Uniper Group and it is probable that, owing to this control, the differences will in fact not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates and tax law is generally recognized in income. Equity is adjusted for deferred taxes that had previously been recognized directly in equity. The adjustment is generally recorded in the period in which the legislative process is substantially completed.

Deferred taxes for domestic companies are calculated using an overall tax rate of 31% (2016: 31%). This tax rate includes, in addition to the 15% (2016: 15%) corporate income tax, the solidarity surcharge of 5.5% on the corporate income tax (2016: 5.5%), and the average trade tax rate of 15% (2016: 15%) applicable to the Uniper Group. Foreign subsidiaries use applicable national tax rates.

Cash Flow Statement

In accordance with IAS 7, "Cash Flow Statements" ("IAS 7"), cash flows are classified by operating, investing and financing activities. Interest received and paid, income taxes paid and refunded, as well as dividends received are classified as operating cash flows, whereas dividends paid are classified as financing cash flows. The purchase and sale prices respectively paid (received) in acquisitions and disposals of shares in companies are reported net of any cash and cash equivalents acquired (disposed of) under investing activities if the respective acquisition or disposal results in a gain or loss of control. In the case of acquisitions and disposals that do not, respectively, result in a gain or loss of control, the corresponding cash flows are reported under financing activities. The impact on cash and cash equivalents of valuation changes due to exchange rate fluctuations is disclosed separately.

Segment Information

In accordance with the so-called management approach required by IFRS 8, "Operating Segments" ("IFRS 8"), the Company's internal reporting structure is used to identify its reportable segments. The chief operating decision maker as defined in this standard is the Management Board of Uniper SE.

The internal performance measure used as the segment result is earnings before interest and taxes adjusted to exclude non-operating effects ("adjusted EBIT," see Note 31). Because it had still been included in the E.ON Group for part of the 2016 fiscal year, a measure of earnings before interest, taxes, depreciation and amortization adjusted for non-operating effects ("adjusted EBITDA") was additionally taken into account in the internal reporting organization.

Structure of the Consolidated Balance Sheets and Statements of Income

In accordance with IAS 1, "Presentation of Financial Statements" ("IAS 1"), the Consolidated Balance Sheets have been prepared using a classified balance sheet structure. Assets that will be realized within twelve months of the reporting date, as well as liabilities that are due to be settled within one year of the reporting date, are generally classified as current.

The Consolidated Statements of Income are classified using the nature-of-expense method, which is also applied for internal purposes.

Capital Structure Management

To manage capital structure, Uniper uses the ratio of current economic net debt to adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA). Uniper's overall goal is to achieve a debt factor (ratio of economic net debt to adjusted EBITDA) of less than 2.0. Based on adjusted EBITDA in 2017 of €1,741 million (2016: €2,122 million) and economic net debt of €2,445 million as of the balance sheet date (2016: €4,167 million), the ratio of economic net debt to adjusted EBITDA is 1.4 (2016: 2.0).

Critical Accounting Estimates and Assumptions; Critical Judgments in the Application of Accounting Policies

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may influence the application of accounting policies within the Uniper Group and affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and subsequent periods if both current and future periods are affected.

Estimates are particularly necessary for the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and miscellaneous provisions, for impairment testing in accordance with IAS 36, as well as for the determination of the fair value of certain financial instruments.

The underlying principles used for estimates in each of the relevant topics are outlined in the respective sections.

(3) Newly Adopted Standards and Interpretations

Where new or amended standards and interpretations were adopted, respectively, by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") but are not mentioned in this Note, Uniper believes that such omitted pronouncements are not relevant to its Consolidated Financial Statements because Uniper's business model is not covered by their scope.

Standards and Interpretations Applicable in 2017

The International Accounting Standards Board and the IFRS Interpretations Committee have issued the following standards and interpretations that have been adopted by the EU into European law and whose application is mandatory in the reporting period from January 1, 2017, through December 31, 2017:

Amendments to IAS 7—Disclosure Initiative

In January 2016, the IASB published "Disclosure Initiative (Amendments to IAS 7)." The amendments require disclosures that will enable users of financial statements to assess changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2017. Earlier application is permitted. The amendments have been adopted by the EU into European law. Uniper SE has included the required disclosures in its Consolidated Financial Statements.

Other IFRS Pronouncements

The following IFRS pronouncements were also applied for the first time in 2017, but they had no impact on the Consolidated Financial Statements:

- Amendments to IAS 12—Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IFRS 12 as part of the Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle)

Standards and Interpretations Not Yet Applicable in 2017

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by Uniper in the 2017 fiscal year because endorsement by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS 9, "Financial Instruments"

In July 2014, the IASB published the final version of IFRS 9, "Financial Instruments." The standard includes, among other things, new requirements for the classification and measurement of financial assets, and it introduces new impairment rules for financial instruments, the so-called "expected credit loss model." In the case of financial liabilities for which the fair value option is used, changes in value based on changes in own credit risk must be recognized in other comprehensive income unless the liabilities relate to financial guarantee contracts and loan commitments or such recognition then creates accounting mismatches. Comprehensive revisions have also been made with respect to hedge accounting. The EU has adopted IFRS 9 into European law.

Uniper will apply IFRS 9 beginning on January 1, 2018. The transition from IAS 39 to IFRS 9 will be retrospective. Uniper will elect, as provided for in IFRS 9.7.2.15, not to restate prior-year figures when making the disclosures required under paragraphs 42L–42O of IFRS 7.

Other operating equity investments over which Uniper has no significant influence will be carried at fair value through other comprehensive income ("FVOCI"). Significant other equity investments have to date been assigned to the available-for-sale IAS 39 category. Non-significant other equity investments for which there were no quoted prices in active markets have to date been carried at cost, taking into account any impairment losses. The difference of roughly €4 million, including deferred tax assets, between the previous measurement and fair value will be recognized in retained earnings, in accordance with IFRS 9.7.2.12.

Shares in other financial assets such as investment funds, equity funds or bond funds that previously were classified as available for sale will, in the future, be accounted for at fair value and recognized in income (fair value through profit or loss, or "FVTPL"). Past fluctuations in value previously reported in cumulative total comprehensive income, before deferred tax assets of roughly €5 million, will be reclassified to retained earnings on the initial application date.

The transition to IFRS 9 will have no impact on the presentation of commodity futures and currency forwards. Likewise, no changes to the accounting treatment of financial liabilities have been identified. The fair value option for financial liabilities is currently not in use.

For trade receivables and contract assets, the simplified valuation allowance model of IFRS 9.5.5.15(a) will be applied, even for those trade receivables and contract assets that contain a significant financing component. Uniper will not resort to the simplified model for lease receivables (IFRS 9.5.5.15(b)).

Expected credit losses pursuant to IFRS 9.5.5 will be calculated by Uniper using the probability-of-default method (as illustrated in IFRS 9.IE49 et seq). Probabilities of default are determined for significant financial assets within credit risk management and are applied both for expected credit losses pursuant to IFRS 13 and for the purposes of IFRS 9. Whenever possible, probabilities of default are derived from available market data (liquid credit default swaps or liquid debt instruments). If there are no publicly available market data, an internal credit rating is applied. This ensures that forward-looking information is sufficiently considered within the meaning of IFRS 9.5.5.4.

The financial assets carried at amortized cost that are within the scope of the IFRS 9 valuation allowance model consist to a significant extent of trade receivables. The remaining financial assets undergo a quarterly assessment to determine whether the credit risk has increased significantly since initial recognition. If the credit risk is low, it is assumed, pursuant to IFRS 9.5.5.10, not to have increased significantly. According to IFRS 9.B5.5.23, a financial instrument with an investment-grade rating is assumed to have low credit risk. On the other hand, if a financial instrument loses its investment-grade rating after initial recognition, it is assumed that the credit risk has increased significantly.

For the date of initial application, a transition effect including deferred tax assets from the introduction of the IFRS 9 valuation allowance model was calculated in the amount of roughly €7 million. This additional expected credit loss will be recognized in retained earnings as of the initial application date.

Uniper will apply the new hedge accounting requirements of IFRS 9 and not make use of the option provided in IFRS 9.7.2.21. This will not result in any significant effects on the initial application date.

Contracts that were entered into, and continue to be held, for the purpose of receiving or delivering non-financial items in accordance with expected purchase, sale or usage requirements continue to qualify for the so-called own-use exemption and are not measured at fair value.

Uniper expects no material impact on, or higher volatility in, its net income as a consequence of the initial application of IFRS 9, because several transactions are being recognized under the FVTPL measurement category.

Amendments to IFRS 9— Prepayment Features with Negative Compensation

In October 2017, the IASB published amendments to IFRS 9. IFRS 9 currently provides that the cash flow requirement is not met if lenders are effectively required to pay compensation in the event of termination by a borrower. Applying the amendments, existing provisions in IFRS 9 relating to termination rights are modified to allow for measurement at amortized cost or at fair value through other comprehensive income even in cases of negative compensation. The IASB further clarifies that, for modified financial liabilities where the modification does not result in the derecognition of the liability, the carrying amount must be adjusted and such adjustment must be recognized in income. The amendments shall be applied for the first time for fiscal years beginning on or after January 1, 2019. Voluntary earlier application is permitted. The amendments have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB published the new standard IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The objective of IFRS 15 is to establish a uniform set of accounting rules that can be applied across sectors for revenues and other cash flows arising from a contract with a customer, and thereby replace with one common standard the many standards and interpretations currently relevant to this issue. Under IFRS 15, the recognition amount and the timing or period of revenue recognition will, in the future, follow the so-called 5-step model (identification of a contract with a customer, identification of separate performance obligations, determination of the transaction price, possible allocation to separate performance obligations, determination of revenues collected at a point in time or over time). In addition, IFRS 15 contains numerous detailed provisions and requirements for extended disclosures.

IFRS 15 shall be applied for the first time for fiscal years beginning on or after January 1, 2018. First-time adopters have the option of using a fully retrospective or a modified retrospective application method. The EU adopted the standard into European law in October 2016.

Uniper has decided against early application of the new standard. It will instead be applied in the Uniper Group for the first time, using the modified retrospective method, effective January 1, 2018.

When it applies IFRS 15 for the first time, Uniper expects, in consideration of an otherwise unchanged environment and of the fact that, due to the spin-off, Uniper has been a separate legal entity only since the 2016 fiscal year, that revenues will decline by roughly €10 billion to €11 billion. This is because, pursuant to the provisions of IFRS 15 in conjunction with IFRS 9, portions of the existing revenues from Uniper's trading operations are no longer considered to be revenues generated from customers. Instead, they must be reported in future as other operating income, which will increase accordingly as a result. This will not have any impact on the Group's net income.

Uniper's contracts with customers generally contain a performance obligation for which the entire transaction price is recognized as revenue when the obligation is satisfied. Progress is usually measured in the form of units of energy supplied. Uniper therefore applies the simplification provision of IFRS 15.B16, allowing it to recognize revenue in the amount to which it has a right to invoice. But there are also some contracts where, in addition to the consumption-based component, the transaction price also includes a monthly fixed component. This fixed component of the transaction price is currently recognized as revenue on a straight-line basis; pursuant to IFRS 15, it will, in the future, together with the consumption-based transaction-price component, be adjusted to match the customer's actual consumption profile. The change in the timing of revenue recognition takes place only during fiscal years for contracts having a seasonal delivery profile, meaning that there will be no impact on the revenue from such contracts for any fiscal year as a whole.

Amendments to IFRS 15, "Revenue from Contracts with Customers"

In April 2016, the IASB published amendments to its new standard IFRS 15, "Revenue from Contracts with Customers." The amendments relate to the identification of performance obligations, principal-versus-agent considerations and licenses, and provide additional transitional relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with clarifications on collectability and the measurement of non-cash consideration. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2018. Earlier application is permitted. The EU has adopted the amendments into European law without specifying an alternative mandatory effective date.

IFRS 16, "Leases"

In May 2016, the IASB published the new standard IFRS 16, "Leases" ("IFRS 16"). IFRS 16 replaces the existing guidance on leases, which includes IAS 17, "Leases" ("IAS 17"), IFRIC 4, "Determining whether an Arrangement contains a Lease" ("IFRIC 4"), SIC-15, "Operating leases—incentives" ("SIC-15"), and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" ("SIC-27"). IFRS 16 introduces a uniform lessee accounting model. Applying that model, a lessee is required to recognize a right-of-use asset representing the lessee's right to use the underlying asset and a financial liability representing the lessee's obligation to make future lease payments. There are exemptions for short-term leases and leases of low-value assets. Lessor accounting remains comparable to that provided by the existing Leases standard—lessors continue to classify their leases as operating leases or finance leases. The standard shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2019. Early application is permitted for entities that also apply IFRS 15, "Revenue from Contracts with Customers," on or before the date of initial application of IFRS 16. The standard has been adopted by the EU into European law. Uniper will apply IFRS 16 beginning on January 1, 2018.

The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease is maintained for existing contracts, in accordance with IFRS 16.C3–C4. The transition to the new lease accounting from the existing rules will be accomplished using the modified retrospective method according to IFRS 16.C5(b); when the 2018 consolidated financial statements are prepared, the comparative information for the 2017 fiscal year will not be restated. In principle, right-of-use assets are initially recognized at the value of the corresponding liabilities. In some cases, the value of right-of-use assets may differ from the value of the liabilities due to offsetting against existing provisions or as a result of valuation allowances.

Uniper will make use of the option not to apply the new recognition requirements to short-term leases and to leases of low-value assets (IFRS 16.5) as soon as it applies the new standard.

In the context of the initial application of IFRS 16, Uniper expects an increase in property, plant and equipment of roughly €245 million (net of valuation allowances of roughly €64 million) and an increase in financial liabilities of roughly €324 million. Provisions previously recognized for onerous operating leases in the amount of roughly €3 million, as well as accrued operating liabilities of roughly €2 million, will be derecognized, and the value of the corresponding right-of-use assets will be reduced by that same amount. An increase in receivables from finance leases of roughly €10 million is expected in connection with subleases. Deferred tax assets have been recognized in the amount of roughly €11 million. Retained earnings are expected to diminish by roughly €52 million in total.

Uniper expects no material impact on net income as a consequence of the initial application of IFRS 16. Expected additional depreciation charges and added interest expense from leases will be offset in the income statement by the foreseeable relief resulting from the elimination of currently existing lease expenses. In the Consolidated Statement of Cash Flows, the application of IFRS 16 will have a positive impact on cash flow from operating activities and a negative one on cash flow from financing activities, because a portion of lease payments will in future be presented as repayments of financial liabilities, and only the interest portion will continue to be classified as operating cash flow. On balance, the described impact on the Consolidated Statement of Cash Flows is not material.

Amendments to IFRS 2—Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB published "Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)". IFRS 2, "Share-based Payment," provides that an entity shall disclose share-based payment transactions (guaranteed shares, share options or guaranteed share appreciation) in its financial statements. These include transactions with employees and other parties that are to be settled in cash, other assets, or equity instruments of the entity. The standard contains specific accounting rules for cash-settled and equity-settled share-based payment transactions, as well as for transactions in which the entity or the employee has a choice of settlement. The amendments to IFRS 2 contain clarifications and changes relating to the above issues for the accounting treatment of cash-settled share-based payments that contain a performance condition, the classification of share-based payment transactions with a net settlement feature for withholding tax obligations and the accounting for modifications of share-based payment transactions from "cash-settled" to "equity-settled." The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2018. Earlier application is permitted. The amendments have not yet been adopted by the EU into European law. Uniper SE expects no material impact on future consolidated financial statements.

Amendments to IAS 28—
Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published amendments to IAS 28. The amendments clarify that IFRS 9 shall be applied to long-term interests in an associate or a joint venture that form part of the net investment in that associate or joint venture but are not accounted for under the equity method. The amendments shall be applied for fiscal years beginning on or after January 1, 2019. Voluntary earlier application is permitted. The amendments have not yet been adopted by the EU into European law. Uniper is currently evaluating the impact on its consolidated financial statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2016, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 12 shall be applied for fiscal years beginning on or after January 1, 2017; those to IFRS 1 and IAS 28 for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The EU adopted the amendments into European law in February 2018 without specifying alternative mandatory effective dates. Uniper SE expects no impact on future consolidated financial statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2015–2017 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2017, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments shall be applied on or after January 1, 2019. Earlier application is permitted. The amendments have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration"

In December 2016, the IASB published IFRIC 22, "Foreign Currency Transactions and Advance Consideration". This interpretation addresses an application issue of IAS 21, "The Effects of Changes in Foreign Exchange Rates." It clarifies how to determine the date of a transaction that involves advance consideration paid or received in a foreign currency for the purpose of determining the exchange rate. It concludes that the exchange rate to be used for the underlying asset, income or expense shall be determined based on the date at which the asset or liability arising from the advance consideration is initially recognized. The interpretation shall be applied on or after January 1, 2018. Earlier application is permitted. The interpretation has not yet been adopted by the EU into European law. Uniper SE expects no material impact on future consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments"

In June 2017, the IASB published Interpretation 23 of the IFRS Interpretations Committee. The interpretation governs the accounting treatment to apply to tax liabilities and assets when the income tax treatment is uncertain. It is assumed in these cases that the tax authorities will conduct a review of the facts and circumstances, and have full knowledge of all pertinent information when doing so. The interpretation shall be applied for fiscal years beginning on or after January 1, 2019. Voluntary earlier application is permitted. The interpretation has not yet been adopted by the EU into European law. Uniper expects no material impact on future consolidated financial statements.

Other

In addition to the standards and interpretations already presented above, the IASB issued IFRS 17, "Insurance Contracts," in May 2017. IFRS 17 addresses the accounting for insurance contracts and shall be applied for fiscal years beginning on or after January 1, 2021. Earlier application of IFRS 17 is permitted as long as IFRS 15 and IFRS 9 are also being applied. The standard has not yet been adopted by the EU into European law. Uniper will evaluate any potential impact on its consolidated financial statements arising from the insurance companies it owns, as well as any interactions with IFRS 15.

(4) Scope of Consolidation, Equity Investments and Disposals

A complete list of all the companies included in the scope of consolidation, as well as the disclosures on shareholdings required pursuant to Section 313 (2) of the German Commercial Code, which are an integral part of these Notes to the Financial Statements, are provided in Note 33. The list of shareholdings also contains the information relating to company names, registered offices and equity interests required pursuant to IFRS 12, as well as the way in which each company is included in the Consolidated Financial Statements.

The number of consolidated companies changed as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2017	**26**	**39**	**65**
Additions	*1*	*2*	*3*
Disposals/Mergers	*–*	*4*	*4*
Consolidated companies as of December 31, 2017	**27**	**37**	**64**

In the 2017 fiscal year a total of 3 domestic and 12 foreign associated companies were accounted for under the equity method (2016: 3 domestic and 12 foreign).

Significant Disposals in 2017

Yuzhno-Russkoye

In March 2017, Uniper Exploration & Production GmbH, Düsseldorf, Germany, entered into an agreement with the Austrian oil and gas company OMV Exploration & Production GmbH ("OMV"), Vienna, Austria, on the sale of its interest in the Russian gas field Yuzhno-Russkoye. Uniper owned a share of approximately 25% in Yuzhno-Russkoye through equity investments in OAO Severneftegazprom and AO Gazprom YRGM Development. OMV is acquiring all of Uniper's shares in both companies. The economic effective date of the transaction was January 1, 2017. The value of the transaction is USD 1,850 million (approximately €1,749 million based on an agreed exchange rate of €1 = USD 1.0575), plus transferred liquid funds, based on the company's balance sheet as of December 31, 2016. The transaction had a negative effect on income of approximately €1.1 billion when it closed at the end of November 2017. It is composed primarily of the reclassification to the income statement of currency translation differences of €0.9 billion that had been recognized in other comprehensive income in preceding periods and of an impairment charge on goodwill of roughly €0.2 billion from the final allocation of goodwill from the Global Commodities CGU to the disposal group (roughly €0.75 billion in total).

Held as a disposal group in the Global Commodities segment, the major asset and liability items of these activities as of the disposal date were goodwill (€0.5 billion), other non-current assets (€1.3 billion) and current assets (€0.1 billion), as well as liabilities (€0.3 billion).

Significant Disposals in 2016

PEG Infrastruktur AG / Nord Stream AG

As of the January 1, 2016, economic effective date, 100% of the shares in PEG Infrastruktur AG ("PEGI"), Zug, Switzerland, including its equity interest in Nord Stream AG, Zug, Switzerland, were sold to E.ON Beteiligungen GmbH, Düsseldorf, Germany. The transaction closed in March 2016. The sale resulted in the deconsolidation of the equity investment shareholding in PEGI, which had been fully consolidated in the Global Commodities segment, and of the interest in Nord Stream AG accounted for under the equity method, in the first quarter of 2016. The sale price amounted to approximately €1.0 billion and was received in the first quarter of 2016. The transaction generated a gain on disposal of €0.5 billion.

AS Latvijas Gāze

On December 22, 2015, Uniper entered into an agreement to sell 28.974% of the shares in its associate AS Latvijas Gāze, Riga, Latvia, to the Luxembourg company Marguerite Gas I S.à r.l. The carrying amount of the investment, which had been reported in the Global Commodities segment, had amounted to around €0.1 billion as of December 31, 2015. The transaction, which closed in January 2016 at a sale price of around €0.1 billion, resulted in a marginal gain on disposal.

(5) Revenues

At €72,238 million, sales revenues in the 2017 fiscal year were 7% higher than in the previous year (2016: €67,285 million). The overall increase in sales was primarily attributable to a volume- and price-related sales increase in the gas business of the Global Commodities segment. In addition to the increase in gas sales, electricity sales also rose due to higher volumes.

The classification of revenues by segment is presented in Note 31.

(6) Own Work Capitalized

Own work capitalized amounted to €145 million in the 2017 fiscal year (2016: €60 million) and was generated from engineering and IT services, among other items.

(7) Other Operating Income and Expenses

The table below provides details of other operating income for the periods indicated:

Other Operating Income

€ in millions	2017	2016
Income from exchange rate differences	874	1,163
Gain on derivative financial instruments	8,128	4,714
Gain on disposal of equity investments and securities	31	568
Write-ups of non-current assets	273	460
Gain on disposal of property, plant and equipment	24	29
Miscellaneous	669	543
Total	**9,999**	**7,477**

The Uniper Group generally employs derivatives to hedge commodity and currency risks. Gains and losses on derivative financial instruments relate to the fair value measurement of derivatives under IAS 39. The principal effects for this item resulted from changes in commodity derivatives measured at market values.

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €400 million (2016: €548 million) and from the translation of foreign currency assets and liabilities in the amount of €425 million (2016: €567 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €49 million (2016: €48 million).

Gains on disposals of equity investments and securities did not involve material transactions in the 2017 fiscal year. Gains on disposals of equity investments and securities in the previous year had consisted primarily of the gain on the sale of the shareholding in PEGI, including its equity interest in Nord Stream AG, to E.ON Beteiligungen GmbH (2016: €528 million).

Write-ups of non-current assets are described in more detail in Note 14.

Miscellaneous other operating income includes €310 million in insurance payments awarded in the reporting year for the damage sustained in the previous year by the Berezovskaya 3 power plant unit in Russia (2016: €76 million). In addition, as in previous years, income from goods and services recharged was reported under this item in the amount of €99 million (2016: €138 million). Gains on the reversal of provisions, which are also reported as other operating income, amounted to €32 million (2016: €13 million). Gains on the reversal of impairments on loans and receivables amounted to €24 million (2016: 20 million).

The following table provides details of other operating expenses for the periods indicated:

Other Operating Expenses

€ in millions	2017	2016
Loss from exchange rate differences	917	1,019
Loss on derivative financial instruments	7,982	6,404
Taxes other than income taxes	164	439
Loss on disposal of equity investments and securities	911	10
Miscellaneous	836	2,132
Total	**10,810**	**10,004**

For the reasons for the changes in losses from derivative financial instruments, please refer to the information on other operating income.

Expenses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €365 million (2016: €429 million) and from the translation of foreign currency assets and liabilities in the amount of €516 million (2016: €538 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €34 million (2016: €40 million).

Other taxes in the previous year had included, in particular, the expense recognized for the recognition of a provision for German real-estate transfer tax in the amount of €236 million, which had arisen in the context of the spin-off.

The losses on the disposal of equity investments and securities in the reporting year resulted predominantly from the sale of the stake in the Russian gas field Yuzhno-Russkoye, in the amount of €890 million. The loss on disposal includes the realized loss of €890 million from foreign exchange translation differences that had previously been presented in other comprehensive income.

Miscellaneous other operating expenses in 2017 included third-party services of €155 million (2016: €182 million) and IT expenditure of €205 million (2016: €215 million).

The line item additionally includes a large number of other transactions and expenses including, for example, rentals and leases, insurance premiums, and fees.

In the previous year, miscellaneous other operating expenses had included especially an expense of €1,068 million for the recognition of a provision for onerous contracts in the Global Commodities segment. Also included in the previous year was the loss of €176 million recognized on the disposal of property, plant and equipment, which had arisen as a consequence of a fire in Unit 3 of the Berezovskaya power plant in Russia.

(8) Cost of Materials

The following table provides details of the cost of materials for the periods indicated:

Cost of Materials

€ in millions	2017	2016
Expenses for raw materials and supplies and for purchased goods	68,628	62,675
Expenses for purchased services	851	860
Total	**69,479**	**63,535**

The cost of materials rose to €69,479 million in the 2017 fiscal year (2016: €63,535 million). The increase in the cost of materials is primarily attributable to higher volumes in electricity procurement and to higher volumes and prices in gas procurement. Accordingly, the trend in the cost of materials was almost identical to the trend in sales.

Expenses for raw materials and supplies and for purchased goods consisted especially of purchases of gas and electricity in the amount of €61 billion (2016: €58 billion). Network usage charges of €1,156 million (2016 €1,005 million) are also included in this line item.

Expenses for purchased services mainly comprised maintenance costs totaling €224 million (2016: €235 million) and other purchased services totaling €505 million (2016: €400 million).

(9) Financial Results

The following table provides details of financial results for the periods indicated:

Financial Results

€ in millions	2017	2016
Income from companies in which equity investments are held	3	12
Impairment charges on other financial assets	-27	-2
Income from equity investments	**-24**	**10**
Income from securities, interest and similar income[1]	172	170
Available for sale	*3*	*3*
Loans and receivables	*66*	*61*
Other interest income	*103*	*106*
Interest and similar expenses[1]	-190	-465
Amortized cost	*-4*	*-198*
Other interest expenses	*-186*	*-267*
Net interest income	**-18**	**-295**
Financial results	**-42**	**-285**

[1]The measurement categories are described in detail in Note 2.

The improvement in financial results for the 2017 fiscal year relative to 2016 was primarily attributable to the positive change in net interest income, caused by the elimination on non-recurring effects from the early repayment of a loan in 2016.

Additional positive impacts came from lower interest payments on financial liabilities of €3 million (2016: €60 million) and from changes in interest rates applied to the discounting of non-current provisions amounting to €12 million (2016: -€36 million). Interest and similar expenses were reduced by higher capitalized borrowing costs, at €68 million, compared with the previous year (2016: €35 million).

A lower valuation result from the Swedish Nuclear Waste Fund in the amount of -€44 million (2016: -€21 million) produced a negative effect. Interest and similar expenses further included, aside from periodic interest accrued on provisions for asset retirement obligations amounting to €85 million (2016: €67 million), the net interest cost arising from pension provisions in the amount of €19 million (2016: €17 million). In addition, income from equity investments deteriorated by €34 million to -€24 million because of higher impairments.

(10) Income Taxes

The following table provides details of income taxes, including deferred taxes, for the periods indicated:

Income Taxes

€ in millions	2017	2016
Domestic income taxes	-27	177
Foreign income taxes	126	-17
Current taxes	**99**	**160**
Domestic	305	-1,048
Foreign	4	-136
Deferred taxes	**309**	**-1,184**
Total income taxes	**408**	**-1,024**

The tax expense in the fiscal year amounted to €408 million, compared with tax income of €1,024 million in the previous year. The income before taxes produced a tax expense in 2017 with an associated tax rate of -314% (2016: 24%), which primarily reflects the level of expenses that are not deductible for tax purposes. The tax income reported for 2016 had been mainly due to tax-reducing effects on temporary differences. Of the amount reported as current taxes in the 2017 fiscal year, -€69 million related to prior periods (2016: -€9 million).

Of the €309 million in deferred taxes reported in total, an amount of €340 million (2016: -€1,083 million) resulted from changes in temporary differences, and an amount of -€31 million (2016: -€101 million) from changes in loss carryforwards.

Deferred tax liabilities were not recognized as of the reporting date in respect of differences between the net assets and the tax bases of subsidiaries and associates ("outside basis differences") to the extent that Uniper can control the reversal effect and it is probable that temporary differences will not be reversed in the foreseeable future. Accordingly, no deferred taxes were recognized on these outside basis differences totaling €65 million (2016: €544 million).

The income tax rate of 31% applicable in Germany is made up of corporate income tax (15%), trade tax (15%) and the solidarity surcharge (1%). The differences between this rate and the effective rate of tax are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2017		2016	
	€ in millions	%	€ in millions	%
Income/Loss before taxes	**-130**	**100**	**-4,258**	**100**
Expected income taxes	-40	31	-1,320	31
Foreign tax rate differentials	-53	40	106	-2
Changes in tax rate / tax law[1]	15	-11	-2	–
Tax effects on tax-free income	-84	65	-45	1
Tax effects of non-deductible outlays and permanent differences	206	-158	250	-6
Tax effects on income from companies accounted for under the equity method	-1	1	-30	1
Tax effects of goodwill impairment and deconsolidation[2]	347	-267	-164	4
Tax effects of changes in value and non-recognition of deferred taxes	16	-12	125	-3
Tax effects of other taxes on income	36	-28	38	-1
Tax effects of income taxes related to other periods	-23	17	19	-1
Other	-11	8	-1	–
Effective income taxes/tax rate	**408**	**-314**	**-1,024**	**24**

[1]Primarily reflects the lower tax rates from the U.S. tax reform.
[2]The figure for 2017 primarily reflects the disposals of AO Gazprom YRGM Development and OAO Severneftegazprom (€68 million from goodwill impairment, €279 million from deconsolidation).

Deferred tax assets and liabilities break down as shown in the following table:

Deferred Tax Assets and Liabilities

	December 31, 2017		December 31, 2016	
€ in millions	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Intangible assets	86	214	109	459
Property, plant and equipment	150	673	343	689
Financial assets	8	15	11	21
Inventories	30	48	41	12
Receivables	63	4,143	45	4,701
Provisions	1,645	104	2,812	454
Liabilities	3,761	152	4,239	581
Loss carryforwards	220	–	286	–
Other	162	182	194	195
Subtotal	**6,125**	**5,531**	**8,080**	**7,112**
Changes in value	-94	–	-364	–
Deferred taxes (gross)	**6,031**	**5,531**	**7,716**	**7,112**
Offsetting	-5,141	-5,141	-5,511	-5,511
Deferred taxes (net)	**890**	**390**	**2,205**	**1,601**
Current	*48*	*24*	*897*	*448*

Of the deferred taxes reported, a total of €73 million was recognized directly in equity (2016: 113 million).

Income taxes recognized in other comprehensive income during the reporting year break down as follows:

Income Taxes on Components of Other Comprehensive Income

€ in millions	2017 Before income taxes	2017 Income taxes	2017 After income taxes	2016 Before income taxes	2016 Income taxes	2016 After income taxes
Cash flow hedges	-11	2	-9	-22	14	-8
Available-for-sale securities	159	4	163	240	-2	238
Currency translation adjustments	528	-10	518	545	4	549
Remeasurements of defined benefit plans	148	-47	101	-240	109	-131
Companies accounted for under the equity method	-33	–	-33	156	–	156
Total	**791**	**-51**	**740**	**679**	**125**	**804**

The declared tax loss carryforwards as of the dates indicated are as follows:

Tax Loss Carryforwards

€ in millions	December 31 2017	December 31 2016
Domestic tax loss carryforwards	261	160
Foreign tax loss carryforwards	1,896	1,697
Total	**2,157**	**1,857**

Domestic tax loss carryforwards can only be offset against a maximum of €1 million plus 60% of the total amount of taxable income over €1 million reported for the respective assessment period ("minimum taxation" rule); any remaining loss carryforwards can be carried forward without limitation in terms of time. This rule relating to minimum taxation for corporate income tax purposes also applies to trade tax loss carryforwards. The domestic tax loss carryforwards result from adding corporate income tax loss carryforwards amounting to €128 million (2016: €93 million) and trade tax loss carryforwards amounting to €133 million (2016: €67 million).

Foreign tax loss carryforwards consist primarily of corporate income tax loss carryforwards. A significant portion of the foreign tax loss carryforwards relates to previous years.

Deferred taxes were not recognized, or were no longer recognized, as of the December 31, 2017, reporting date on a total of €942 million (2016: €1,194 million) in foreign loss carryforwards that, for the most part, do not expire.

No deferred tax assets were recognized in respect of temporary differences amounting to €2,322 million (2016: €1,157 million).

As of December 31, 2017, Uniper reported deferred tax assets for companies that incurred losses in the reporting period or in the prior-year period that exceed the reported deferred tax liabilities by €842 million. As of December 31, 2016, the excess amount had been €267 million. The basis for recognizing deferred tax assets is an estimate by management of the extent to which it is probable that the respective companies will achieve taxable earnings in the future against which the as yet unused tax losses, tax credits and deductible temporary differences can be offset.

(11) Personnel-Related Information

Personnel Costs

The following table provides details of personnel costs for the periods indicated:

Personnel Costs

€ in millions	2017	2016
Wages and salaries	734	932
Social security contributions	127	135
Occupational Pension costs and other employee benefits	130	112
Occupational Pension costs	*129*	*111*
Total	**991**	**1.179**

The personnel costs of the Uniper Group fell by €188 million in the 2017 fiscal year to €991 million (2016: €1,179 million). The decline relative to the previous year is mainly attributable to lower restructuring expenses. In addition, expenses for wages and salaries and social security contributions were also lower, mainly as a result of the measures taken under restructuring programs and the associated reduction in the workforce. These effects were slightly offset by the integration of service functions of E.ON Business Services, which in the previous year had been reportable under other operating expenses as services received, and by an increase in expenses for occupational retirement benefits.

Employees

During the reporting year, Uniper employed an average of 12,575 persons (2016: 12,890). This figure does not include an average of 221 apprentices (2016: 238), nor does it include interns, board members and managing directors.

The average headcount by segment broke down as shown in the table below:

Employees

	2017	2016
European Generation	5.822	6.248
Global Commodities	1.290	1.263
International Power Generation	4.734	4.953
Administration/Consolidation	729	426
Total	**12.575**	**12.890**
Domestic	*4.689*	*4.555*
Foreign	*7.886*	*8.335*

Share-based Payment

In the 2017 and 2016 fiscal years, employees of the Uniper Group participated in the share-based payment programs of the Uniper Group and in those of the E.ON Group. In addition, Uniper Group Supervisory Board members receive a component of their compensation in the form of virtual shares.

Share-based payment plans (employee stock purchase programs in Germany and the UK, as well as the multi-year bonus, the Uniper Performance Cash Plan and the virtual shares for the Supervisory Board) generated expenses in 2017 amounting to €25.6 million (2016: €10.5 million).

Employee Stock Purchase Program

Employees of the Uniper Group were promised a one-time special payment after the successful completion of the spin-off. Employees in Germany will receive this special payment in the form of a package of Uniper stock with an equivalent value of around €600. The intention is to distribute the stock package to employees in Germany in two annual tranches with an equivalent value of around €300 each in 2017 and 2018. Employees in the other European countries, except those in Russia, will receive a corresponding gross cash payment. The issue of the first tranche of Uniper shares, as well as the corresponding payments of around €300, took place in the first half of 2017. No personnel costs were incurred for this special payment in the 2017 fiscal year (2016: €5 million), since the expense had already been recognized in 2016 through recognition of a corresponding provision at the time the obligation to make the payment was assumed.

Since the stock exchange listing of Uniper SE in September 2016, Uniper employees in the United Kingdom have the opportunity to purchase Uniper shares as part of an employee stock purchase program and to acquire bonus shares in addition. The expense for the Uniper companies resulting from the issue of these shares amounted to €0.4 million in 2017 (2016: €0.1 million) and is recorded under "Wages and salaries" as personnel costs.

Prior to the stock exchange listing of Uniper SE in September 2016, Uniper employees in the United Kingdom had the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire bonus shares in addition. The expense for the Uniper companies resulting from the issue of these shares had amounted to €0.3 million in 2016 and was also recorded under "Wages and salaries" as personnel costs.

Long-Term Variable Compensation

Members of the Management Board of Uniper SE and selected executives of the Uniper Group receive share-based payment as a voluntary component of their long-term variable compensation. The purpose of such compensation is to reward the contribution made to increasing enterprise value and to further the long-term success of the Company. This variable compensation component, comprising a long-term incentive effect along with a certain element of risk, provides for a sensible linking of the interests of shareholders and management.

The following discussion includes reports on the multi-year bonus introduced in 2015 and on the Uniper Performance Cash Plan introduced for members of the Management Board of Uniper SE in 2016 and expanded to include selected executives of the Uniper Group in 2017. The Supervisory Board additionally receives long-term variable compensation in the form of virtual shares.

Multi-Year Bonus

In 2015 and 2016, selected executives were granted a multi-year bonus extending over a term of four years. One Management Board member also received an allocation under the multi-year bonus for 2015. Beneficiaries were informed individually of the target value of the multi-year bonus.

The amount paid out corresponds to the target value if the Uniper share price at the end of the term is equal to the price after the spin-off. If the share price at the end of the term is higher or lower than the share price after the spin-off, the amount paid out will increase or decrease relative to the target value in proportion to the deviation of the share price from the target value. Dividend payments that took place during the term are included when determining the amount for the multi-year bonus that was promised in the 2016 fiscal year. However, the maximum allowed payout is twice the target value.

A payout will generally not take place before the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. However, the spin-off of Uniper SE from E.ON SE is not treated as a change of control. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, there is no entitlement to a multi-year bonus payout.

Sixty-day average prices are used to determine both the share price after the spin-off and the final price in order to mitigate the effects of incidental, short-lived price movements.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

For accounting purposes, a notional payout determined as of each balance sheet date that is based on the 60-day average price and prorated according to the respective period elapsed is generally used as the basis.

The provision for the multi-year bonus as of December 31, 2017, is €14.3 million (2016: €5.0 million). The expense amounted to €10.8 million in the 2017 fiscal year (2016: €3.5 million).

Uniper Performance Cash Plan

The members of the Management Board and selected executives of Uniper SE received allocations under the Uniper Performance Cash Plan in 2017. The amounts paid out under the Performance Cash Plan are based on a Long-Term Incentive ("LTI") target amount, which is granted at the start of the performance period as a future entitlement. The plan has a performance period of four years. The performance factor on which the payout is based is determined at the end of the performance period using the absolute Total Shareholder Return ("TSR"). The payout amount is capped at 400% of the target amount (payout cap). Long-term compensation is generally paid out in cash after the end of the performance period.

The absolute TSR refers to the total return on Uniper's stock, and takes into account the performance of the share price and dividend payments during the four-year performance period. The TSR reflects the Company's capital-market performance and thus serves to align the interests and objectives of both management and shareholders. The initial price is the equal-weighted average closing price (arithmetic mean) of the last 60 trading days prior to the beginning of the performance period. The final price is determined by analogy as the arithmetic mean of the closing prices of the last 60 trading days prior to the end of the performance period. This mitigates the effects of incidental, short-lived price changes.

The LTI payout is subject to firm predefined parameters for the absolute TSR and takes place only upon reaching a calibrated threshold. If an absolute TSR of 15% is achieved, a payout equivalent to 50% of the target amount takes place. If the TSR threshold of 15% is not achieved, no LTI payment takes place. An absolute TSR of 25% constitutes 100% target attainment and therefore results in a payout of the full LTI target amount. The maximum payout of 400% of the target amount is obtained only upon reaching an absolute TSR of 80%. Additional increases in the absolute TSR will not result in additional payouts. Linear interpolation is used to translate intermediate figures between the specified parameters.

The provision for the Uniper Performance Cash Plan as of December 31, 2017, is €14.2 million (2016: €0 million). The expense also amounted to €14.2 million in the 2017 fiscal year (2016: €0 million).

Virtual Shares for the Supervisory Board

Supervisory Board members receive a component of 20% of their compensation in the form of variable compensation. That compensation is granted as a future right to payment in the form of virtual shares. The virtual shares are used purely for calculation purposes and do not confer on the beneficiary any entitlements or shareholder rights—particularly voting rights or dividend rights. To determine the number of virtual shares, the variable compensation from the previous year is divided in January of each calendar year by the 60-day average share price of the Company from the last 60 trading days prior to January 1 of the current year. After four calendar years, the virtual shares are multiplied by the trading-volume-weighted average share price of the Company from the last 60 trading days prior to January 1 of the fourth calendar year and increased by the amount of dividends paid to shareholders on each share of the Company over the previous four years. The variable compensation is paid within the first month after the end of the four-year period and is limited to 200% of the allocation amount.

The provision for the Supervisory Board's virtual shares as of December 31, 2017, is €0.2 million (2016: €0 million). The expense also amounted to €0.2 million in the 2017 fiscal year (2016: €0 million).

(12) Other Information

Compensation of Supervisory Board and Management Board

Supervisory Board

Total compensation paid to the Supervisory Board for the 2017 fiscal year amounted to roughly €1.4 million (2016: €1.0 million). Supervisory Board compensation for 2016 was paid out only after the first Annual Shareholders Meeting of Uniper SE held on June 8, 2017. A total of €65 thousand (2016: €13 thousand) was reimbursed for outlays.

In 2017, members of the Supervisory Board were granted a total of 9,925 virtual shares having a fair value of €0.3 million when they were granted.

There were no outstanding loans or advances to members of the Supervisory Board in the 2017 fiscal year, nor have any contingencies been entered into in favor of the Supervisory Board.

The Supervisory Board's compensation plan is presented on pages 84 through 95 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on page 232.

Management Board

Total compensation paid to members of the Management Board amounted to €13.0 million (2016: €14.6 million). They receive a fixed base salary and other compensation elements (fringe benefits) unrelated to performance, as well as performance-based compensation components including the bonus and share-based payments (as a long-term incentive).

The members of the Management Board were granted allocations under the Uniper Performance Cash Plan having a fair value of €5.3 million when they were granted.

The one-time special incentive bonus was paid to the members of the Management Board in December 2016. As of the 2016 balance sheet date, however, owing to the terms providing for prorated repayment of the bonus (repayment provisions), no component of the bonus had yet vested. Accordingly, the special incentive bonus of €4.1 million in total had not yet been included in the total compensation to be reported for the 2016 fiscal year. A total of 25% of the special incentive bonus vests following the close of each full year after the registration of the spin-off of Uniper SE from E.ON SE. The vested portion of the special incentive bonus for the members of the Management Board thus amounted to approximately €1.0 million in total in the 2017 fiscal year.

Uniper SE has no former Management Board members or managing directors. Accordingly, no payments to former Management Board members were made either in the reporting year or in the previous year. Likewise, there are no reportable pension obligations to this group of persons.

Uniper SE and its subsidiaries granted no loans to, and did not enter into any contingencies benefiting, Management Board members in the 2017 fiscal year.

The compensation plan for the Management Board and the amounts paid to each member of the Management Board are presented on pages 84 through 95 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 233.

Fees and Services of the Independent Auditor

During the 2017 fiscal year, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") GmbH Wirtschaftsprüfungsgesellschaft (domestic), and by companies in the international PwC network, were recorded as expenses:

Independent Auditor Fees

€ in millions	2017	2016
Financial statement audits	10,9	12,6
Domestic	*8,4*	*10,0*
Other attestation services	0,4	0,2
Domestic	*0,4*	*0,2*
Tax advisory services	0,3	0,1
Domestic	*0,3*	*0,1*
Other services	0,2	0,6
Domestic	*0,2*	*0,6*
Total	**11,8**	**13,5**
Domestic	*9,3*	*10,9*

The fees for financial statement audits concern the audit of the Consolidated Financial Statements and the financial statements of Uniper SE and its affiliates, as well as the review of the interim financial statements. Additionally included within this category are the examinations of internal control systems at service providers and project-related reviews performed in the context of the introduction of IT and internal control systems.

Fees for other attestation services concern, in particular, fees charged for other mandatory and voluntary audits.

Fees for tax advisory services primarily include analyses of income tax issues and ongoing consulting related to the preparation of tax returns.

Fees for other services consist primarily of specialist support in regulatory issues, as well as advice on accounting issues for planned transactions.

(13) Earnings per Share

The computation of basic and diluted earnings per share for the periods indicated is shown below:

Earnings per Share

€ in millions	2017	2016
Income/Loss from continuing operations	-538	-3,234
Less: Non-controlling interests	-118	17
Loss from continuing operations (attributable to shareholders of Uniper SE)	**-656**	**-3,217**
Net income/loss attributable to shareholders of Uniper SE	**-656**	**-3,217**
in €		
Earnings per share (attributable to shareholders of Uniper SE)		
from continuing operations	-1.79	-8.79
from net income/loss	**-1.79**	**-8.79**
Weighted-average number of shares outstanding (in millions)	366	366

The computation of diluted earnings per share is identical to that of basic earnings per share because Uniper SE has issued no potentially dilutive ordinary shares.

Regarding the change in the number of shares outstanding, see also Note 19.

(14) Goodwill, Intangible Assets and Property, Plant and Equipment

The changes in goodwill and intangible assets, and in property, plant and equipment, are presented in the tables on the following pages:

Goodwill, Intangible Assets and Property, Plant and Equipment

	Acquisition and production costs						
€ in millions	January 1, 2017	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	December 31, 2017
Goodwill	**5,864**	**-156**	**-758**	**0**	**0**	**0**	**4,950**
Customer-related intangible assets	74	–	–	–	–	–	74
Contract-based intangible assets	3,191	-126	-1,600	–	-1	–	1,464
Technology-based intangible assets	178	-1	4	25	-6	6	206
Internally generated intangible assets	127	–	–	16	–	12	155
Intangible assets subject to amortization	**3,570**	**-127**	**-1,596**	**41**	**-7**	**18**	**1,899**
Intangible assets not subject to amortization	188	-1	–	151	-281	-2	55
Advance payments on intangible assets	42	–	–	47	-18	-15	56
Intangible assets	**3,800**	**-129**	**-1,596**	**240**	**-306**	**2**	**2,011**
Real estate and leasehold rights	1,915	-44	-43	2	-3	1	1,828
Buildings	3,505	-103	-64	28	-14	31	3,383
Technical equipment, plant and machinery	29,291	-504	-407	265	-117	97	28,625
Other equipment, fixtures, furniture and office equipment	363	-5	-2	13	-61	6	314
Advance payments and construction in progress	2,578	-39	10	571	-7	-138	2,975
Property, plant and equipment	**37,652**	**-695**	**-504**	**878**	**-202**	**-2**	**37,127**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2017

€ in millions	European Genera-tion	Global Commodi-ties	International Power Generation[2]	Uniper Group
Net carrying amount of good-will as of January 1, 2017	**0**	**2,077**	**624**	**2,701**
Changes resulting from acquisitions and disposals	–	-534	–	-534
Impairment charges	–	-224	–	-224
Exchange rate differences	–	-8	-45	-53
Net carrying amount of good-will as of December 31, 2017	**0**	**1,311**	**579**	**1,890**
Growth rate (in %)	–	1.0	4.0	–
Cost of capital (in %)	–	5.1	10.6	–
Other non-current assets[1]				
Impairment	339	5	5	349
Reversals	157	135	–	292

[1]Other non-current assets consist of intangible assets and of property, plant and equipment.
[2]Growth rate and cost of capital in local currency.

January 1, 2017	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	Impairment	Reversals	Accumulated depreciation December 31, 2017	Net carrying amounts December 31, 2017
-3,163	**103**	**224**	**0**	**0**	**0**	**-224**	**0**	**-3,060**	**1,890**
-55	–	–	-9	–	–	–	–	-64	9
-1,394	44	506	-34	1	–	-1	–	-878	587
-137	1	–	-26	6	–	-1	–	-157	49
-70	–	–	-21	–	–	–	–	-91	65
-1,656	**45**	**506**	**-90**	**7**	**–**	**-2**	**–**	**-1,190**	**710**
-21	–	–	–	5	–	-4	19	-1	54
-2	–	–	–	1	–	–	–	-1	55
-1,679	**46**	**505**	**-90**	**13**	**–**	**-5**	**19**	**-1,191**	**819**
-328	2	8	-8	–	–	-7	3	-330	1,499
-2,194	42	21	-60	12	–	-1	26	-2,154	1,230
-22,418	317	400	-451	74	–	-125	244	-21,959	6,667
-279	4	2	-19	41	–	–	–	-251	61
-733	5	–	–	5	–	-212	–	-935	2,040
-25,952	**371**	**431**	**-539**	**132**	**0**	**-344**	**273**	**-25,628**	**11,496**

Goodwill, Intangible Assets and Property, Plant and Equipment

	Acquisition and production costs						
€ in millions	January 1, 2016	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	December 31, 2016
Goodwill	**6,013**	**-149**	**0**	**0**	**0**	**0**	**5,864**
Customer-related intangible assets	60	–	–	14	–	–	74
Contract-based intangible assets	2,859	330	1	1	–	–	3,191
Technology-based intangible assets	163	1	–	14	-3	3	178
Internally generated intangible assets	104	–	1	22	–	–	127
Intangible assets subject to amortization	**3,186**	**331**	**2**	**51**	**-3**	**3**	**3,570**
Intangible assets not subject to amortization	307	-2	–	205	-321	-1	188
Advance payments on intangible assets	32	–	–	20	-9	-1	42
Intangible assets	**3,525**	**329**	**2**	**276**	**-333**	**1**	**3,800**
Real estate and leasehold rights	1,988	-57	1	–	-19	2	1,915
Buildings	3,289	171	–	58	-53	40	3,505
Technical equipment, plant and machinery	29,820	-552	60	298	-504	169	29,291
Other equipment, fixtures, furniture and office equipment	357	–	–	17	-26	15	363
Advance payments and construction in progress	2,326	18	-13	483	-9	-227	2,578
Property, plant and equipment	**37,780**	**-420**	**48**	**856**	**-611**	**-1**	**37,652**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2016

€ in millions	European Genera-tion	Global Commodi-ties	International Power Generation[2]	Uniper Group
Net carrying amount of good-will as of January 1, 2016	**0**	**2,057**	**498**	**2,555**
Changes resulting from acquisitions and disposals	–	–	–	–
Impairment charges	–	–	–	–
Exchange rate differences	–	20	126	146
Net carrying amount of good-will as of December 31, 2016	**0**	**2,077**	**624**	**2,701**
Growth rate (in %)	–	1.5	4.0	–
Cost of capital (in %)	–	5.1 and 9.5	10.8	–
Other non-current assets[1]				
Impairment	-2,145	-1,184	-68	-3,397
Reversals	367	93	–	460

[1]Other non-current assets consist of intangible assets and of property, plant and equipment.
[2]Growth rate and cost of capital in local currency.

							Accumulated depreciation		Net carrying amounts
January 1, 2016	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2016	December 31, 2016
-3,458	**295**	**0**	**0**	**0**	**0**	**0**	**0**	**-3,163**	**2,701**
-46	–	–	-9	–	–	–	–	-55	19
-1,129	-87	–	-66	–	–	-112	–	-1,394	1,797
-119	–	1	-20	2	–	-1	–	-137	41
-56	–	–	-14	–	–	–	–	-70	57
-1,350	**-87**	**1**	**-109**	**2**	**–**	**-113**	**–**	**-1,656**	**1,914**
-14	–	–	–	–	–	-7	–	-21	167
-2	–	–	–	–	–	–	–	-2	40
-1,366	**-87**	**1**	**-109**	**2**	**–**	**-120**	**–**	**-1,679**	**2,121**
-321	-3	-1	-4	15	–	-14	–	-328	1,587
-2,012	-34	–	-56	9	-1	-115	15	-2,194	1,311
-20,271	601	5	-553	359	1	-2,967	407	-22,418	6,873
-275	3	–	-23	17	–	-1	–	-279	84
-604	7	–	–	6	–	-180	38	-733	1,845
-23,483	**574**	**4**	**-636**	**406**	**0**	**-3,277**	**460**	**-25,952**	**11,700**

Goodwill and Non-Current Assets

Impairments

IFRS 3 prohibits the amortization of goodwill. Instead, goodwill is tested for impairment at least annually at the level of the cash-generating units. Goodwill must also be tested for impairment at the level of individual CGUs between these annual tests if events or changes in circumstances indicate that the recoverable amount of a particular CGU might be impaired. Intangible assets subject to amortization and property, plant and equipment must generally be tested for impairment whenever there are particular events or external circumstances indicating the possibility of impairment. Uniper performs its annual goodwill impairment test in the fourth quarter of the fiscal year. To determine the recoverable amounts used to test goodwill for impairment in the Global Commodities and International Power Generation CGUs, Uniper applies the "value in use" concept. The European Generation CGU carries no goodwill.

The impairment testing of goodwill is generally derived from the respective individual measurements of the particular sub-units ("sum of the parts" measurement). Within the Global Commodities CGU, valuations are based on the medium-term corporate planning authorized by the Management Board. The calculations are generally based on the three planning years of the medium-term plan plus a period of long-term planning. Subsequent to the long-term planning calculations, a terminal value is assessed. Long-term planning was based on a period ending in 2035, particularly against the backdrop of long-term contractual relationships in trading and in the gas-storage business.

The value in use for the International Power Generation CGU is determined to a great extent by the Russian generation activities and is deemed to be the value in use in local currency, established in line with the regulatory framework over a detailed planning period of 15 years. The after-tax cost of capital at the International Power Generation CGU was 10.6% in local currency (2016: 10.8%); at the Global Commodities CGU, it was 5.1% (2016: 5.1% and 9.5% respectively).

The cash flow assumptions extending beyond the detailed planning period are determined using segment-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used are generally derived from the inflation rates in the respective countries where the CGUs operate. The growth rate used for the Global Commodities CGU was 1.0% (2016: 1.5%), and the growth rate used for the International Power Generation CGU was 4.0% (2016: 4.0%).

The principal assumptions underlying the determination by management of the recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, the seasonal price difference in gas markets (known as the "summer-winter spread") in the gas-storage business, Uniper's investment activity, changes in the regulatory framework, as well as for rates of growth and the cost of capital. These assumptions are based on publicly available market data, on external market analyses and on internal estimates based on past experience.

The growth rates and costs of capital given in the preceding tables headed "Changes in Goodwill and in Other Reversals and Impairment Charges by Segment" relate only to those units making a significant value contribution to the respective CGU.

Goodwill impairment testing performed in the fourth quarter of the 2017 fiscal year necessitated no recognition of impairment charges (2016: €0 million). The recoverable amounts of both the Global Commodities and the International Power Generation CGUs significantly exceed their respective carrying amounts with the result that, based on the current assessment of the economic situation, only a significant change in the material valuation parameters would necessitate the recognition of impairment charges on goodwill.

In the course of the sale of the stake in the Russian gas field Yuzhno-Russkoye, an impairment charge on the goodwill attributable to the disposal group was recognized in the amount of €0.2 billion (for details on the disposal, see Note 4).

The above discussion for goodwill applies accordingly to the testing for impairment of intangible assets and of property, plant and equipment, and of groups of these assets. In the European Generation segment, for example, the tests are based on the respective remaining useful life and on other plant-specific valuation parameters. Uniper makes the general assumption that the electricity market in Europe will not return to equilibrium without regulatory involvement. Appropriate compensation elements are taken into account. Uncertainties relating to the deteriorated regulatory environment have been taken into account by means of scenario evaluations. The recoverable amounts were generally calculated as fair values using Level 3 inputs pursuant to IFRS 13.

Because impairments were recognized on a large number of assets in previous years, especially relating to property, plant and equipment in the European Generation segment, the assets involved are particularly sensitive in subsequent years to future changes in the principal assumptions used to determine their recoverable amounts. Accordingly, the medium-term corporate planning authorized by the Management Board in the fourth quarter, combined with the regular updates of the cost of capital and of the forecasts for commodity market prices and for future electricity and gas prices in the wholesale and retail markets, led to a large number of adjustments. The most substantial individual impairments in terms of amount related to two power plants within and outside Germany held in the European Generation segment and amounted to approximately €0.1 billion each. The impairments had in each case been necessitated by amended estimates relative to the previous year concerning their future operation. The after-tax interest rates used for discounting cash flows were determined using market data for each CGU and ranged between 5.2% and 5.8% as of the valuation date. The remaining impairments and reversals recognized in the reporting year were not material.

During the previous year, in the second quarter of 2016, Uniper had determined impairments on property, plant and equipment totaling €2.8 billion, of which €1.8 billion had been attributable to the European Generation segment and €1.0 billion to the Global Commodities segment, as well as an additional impairment of €0.1 billion on intangible assets in the Global Commodities segment. The most substantial individual items in terms of amount had related to two conventional power plants outside Germany, at €0.8 billion and €0.7 billion (recoverable amounts: €0.7 billion and €0.3 billion), respectively, and to storage infrastructure outside Germany, at €0.5 billion (recoverable amount: €0 billion). Reasons for these impairments had included, in particular, amended estimates of the regulatory conditions and the change in the market environment, which had led to a deterioration in forecast earnings for the affected assets. The after-tax interest rates used for discounting cash flows had been determined using market data for each CGU and had ranged between 5.4% and 6.1% as of the valuation date.

A large number of individual impairments (totaling approximately €0.5 billion) and reversals (totaling approximately €0.5 billion) had also been recognized on property, plant and equipment in the fourth quarter of the 2016 fiscal year. Of the impairments, approximately €0.4 billion was attributable to the European Generation segment and approximately €0.1 billion each to the Global Commodities and International Power Generation segments. In European Generation, the most substantial individual items in terms of amount related to two conventional power plants in Germany (€0.1 billion each) and a further charge relating to the two conventional power plants outside Germany that had already been written down in the second quarter (€0.1 billion each). The recoverable amounts of the two conventional power plants outside Germany as of December 31, 2016, were €0.7 billion and €0.2 billion, respectively. Of the reversals, approximately €0.3 billion was attributable to the European Generation segment and €0.1 billion to the Global Commodities segment. The after-tax interest rates used for discounting cash flows had ranged between 5.2% and 5.9% as of the valuation date, and the rate used for the impairment tests on conventional power plants in Russia had been 10.8% in local currency after taxes.

A total of €0.3 billion (2016: €3.3 billion) in impairments was charged to property, plant and equipment in the 2017 fiscal year.

Impairments on intangible assets totaled €5 million in the 2017 fiscal year (2016: €120 million).

Reversals of impairments recognized in previous years totaled roughly €0.3 billion in the 2017 fiscal year (2016: €0.4 billion).

Intangible Assets

Amortization of intangible assets amounted to €90 million in 2017 (2016: €109 million). Impairment charges on intangible assets amounted to €5 million in the reporting year (2016: €120 million).

Reversals of impairments on intangible assets totaled €19 million in 2017 (2016: €0 million).

€2 million in research and development costs as defined by IAS 38 were expensed in the reporting year (2016: €5 million).

Intangible assets decreased by €1,093 million in 2017 in connection with the disposal of the stake in the Russian gas field Yuzhno-Russkoye.

Property, Plant and Equipment

Borrowing costs in the amount of €68 million were capitalized in the reporting year (2016: €35 million) as part of the historical cost of property, plant and equipment.

The depreciation expense for property, plant and equipment amounted to €539 million in 2017 (2016: €636 million). Impairment charges were recognized on property, plant and equipment in the amount of €344 million (2016: €3,277 million). A total of €273 million in reversals of impairments on property, plant and equipment was recognized in the reporting year (2016: €460 million).

Especially gas storage facilities and IT infrastructure are utilized under finance leases and capitalized in the Consolidated Financial Statements because the economic ownership of the assets leased is attributable to Uniper.

The property, plant and equipment thus capitalized had the following net carrying amounts as of December 31, 2017:

Uniper as Lessee—Carrying Amounts of Capitalized Lease Assets

	December 31	
€ in millions	**2017**	**2016**
Technical equipment, plant and machinery	394	388
Other equipment, fixtures, furniture and office equipment	1	23
Net carrying amount of capitalized lease assets	**395**	**411**

Some of the leases contain price-adjustment clauses, as well as extension and purchase options. The corresponding payment obligations under finance leases are due as shown below:

Uniper as Lessee—Payment Obligations under Finance Leases

	Minimum lease payments		Covered interest share		Present values	
€ in millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Due within 1 year	47	74	37	45	10	29
Due in 1 to 5 years	183	180	143	139	40	41
Due in more than 5 years	968	1,014	566	601	402	413
Total	**1,198**	**1,268**	**746**	**785**	**452**	**483**

The present value of the minimum lease obligations is reported under liabilities from leases.

Regarding future obligations under operating leases where economic ownership is not transferred to Uniper, see Note 25.

The Uniper Group also functions in the capacity of lessor. Future lease installments receivable under operating leases are due as shown below:

Uniper as Lessor—Operating Leases

€ in millions	2017	2016
Due within 1 year	4	5
Due in 1 to 5 years	6	12
Due in more than 5 years	4	6
Total	**14**	**23**

See Note 17 for information on receivables from finance leases.

(15) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

Companies Accounted for under the Equity Method and Other Financial Assets

	December 31, 2017			December 31, 2016		
€ in millions	Uniper Group	Associates[1]	Joint ventures[1]	Uniper Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	448	422	26	827	707	120
Equity investments	710	22	13	568	22	26
Non-current securities	104	–	–	160	–	–
Total	**1,262**	**444**	**39**	**1,555**	**729**	**146**

[1]The associates and Joint ventures presented as equity investments are associated companies and Joint ventures accounted for at cost on materiality grounds.

The amount shown for non-current securities relates primarily to fixed-income securities.

In the 2017 fiscal year, impairment charges on companies accounted for under the equity method amounted to €88 million (2016: €12 million) and related to a Brazilian investment in the International Power Generation segment in the amount of €59 million and an Italian investment in the Global Commodities segment in the amount of €29 million. The impairment charges in the 2016 fiscal year related mainly to an Italian investment in the Global Commodities segment in the amount of €12 million.

Impairments on other financial assets amounted to €27 million (2016: €2 million). The carrying amount of impaired other financial assets was €13 million as of December 31, 2016 (2016: €0 million).

Shares in Companies Accounted for under the Equity Method

OAO Severneftegazprom had been presented as a material associate in 2016. It was sold in 2017. As a result, disclosures according to IFRS 12 are no longer required for this company. The proportional share of net income attributable to the Company in the reporting year was €42 million (2016: €59 million), and the corresponding proportional share of other comprehensive income was -€18 million (2016: €46 million). For the 2017 fiscal year, no other companies are considered to be material associates.

The carrying amounts of the immaterial associates accounted for under the equity method amounted to €422 million (2016: €470 million), and those of the joint ventures amounted to €26 million (2016: €120 million).

Investment income received by Uniper from companies accounted for under the equity method amounted to €109 million in the reporting year (2016: €99 million).

The following table summarizes significant line items of the aggregated statements of comprehensive income of the individually immaterial associates and joint ventures that are accounted for under the equity method:

Summarized Financial Information for Individually Immaterial Associates and Joint Ventures Accounted for under the Equity Method

	Associates		Joint ventures		Total	
€ in millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Proportional share of net income	52	46	-80	-23	-28	23
Proportional share of other comprehensive income	-4	2	-11	20	-15	22
Proportional share of total comprehensive income	48	48	-91	-3	-43	45

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €22 million (2016: €71 million). The fair values of those shares amounted to €72 million (2016: €61 million).

As of the balance sheet date, no investments in associates were restricted as collateral for financing (2016: €237 million).

There are no further material restrictions apart from those contained in standard legal and contractual provisions.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

€ in millions	December 31 2017	2016
Raw materials and supplies	592	707
Goods purchased for resale	1,031	997
Work in progress and finished products	36	42
Total	**1,659**	**1,746**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Valuation allowances in 2017 amounted to €37 million (2016: €130 million) and related primarily to uranium and nuclear fuel rods and to raw materials and supplies. No material reversals were recognized in 2017 (2016: €22 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

The following table lists receivables and other assets by remaining time to maturity as of the dates indicated:

Receivables and Other Assets

	December 31, 2017		December 31, 2016	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	16	194	15	209
Other financial receivables and financial assets	1,179	3,114	1,253	2,845
Financial receivables and other financial assets	**1,195**	**3,308**	**1,268**	**3,054**
Trade receivables	7,126	–	7,353	–
Receivables from derivative financial instruments	8,241	3,008	10,139	3,638
Other operating assets	796	198	758	219
Trade receivables and other operating assets	**16,163**	**3,206**	**18,250**	**3,857**
Total	**17,358**	**6,514**	**19,518**	**6,911**

Based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €2,331 million (2016: €2,388 million) in connection with the decommissioning and dismantling of nuclear power plants and nuclear waste disposal. Of this total, €138 million (2016: €117 million) is reported under current financial assets, and €2,193 million (2016: €2,271 million) under non-current financial assets. Since this asset is designated for a particular purpose, the Uniper Group's access to it is restricted.

In addition, current financial receivables include margin account deposits for stock exchange futures transactions amounting to €432 million (2016: €449 million), and non-current financial receivables include shareholder loans amounting to €525 million (2016: €558 million).

Other financial receivables include restricted cash of €65 million (2016: €55 million) deposited in the context of OTC transactions.

The aging schedule for trade receivables is as follows:

Aging Schedule of Trade Receivables

	December 31	
€ in millions	**2017**	**2016**
Not impaired and not past-due	6,907	6,988
Not impaired and past-due by	149	239
up to 60 days	*138*	*222*
61 to 90 days	*–*	*3*
91 to 180 days	*7*	*4*
181 to 360 days	*3*	*–*
more than 360 days	*1*	*10*
Net value of impaired receivables	70	126
Total trade receivables	**7,126**	**7,353**

Valuation Allowances for Trade Receivables

€ in millions	**2017**	**2016**
Balance as of January 1	-128	-120
Change in scope of consolidation	-1	2
Write-downs	-4	-23
Reversals of write-downs	24	20
Disposals	32	5
Other[1]	5	-12
Balance as of December 31	**-72**	**-128**

[1] "Other" includes also currency translation adjustments.

The individual impaired receivables are due from customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored within the individual companies.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

Uniper as Lessor—Finance Leases

	Gross investment in finance lease arrangements		Unrealized interest income		Present value of minimum lease payments	
€ in millions	2017	2016	2017	2016	2017	2016
Due within 1 year	28	32	16	17	12	15
Due in 1 to 5 years	109	115	58	63	51	52
Due in more than 5 years	217	242	70	85	147	157
Total	**354**	**389**	**144**	**165**	**210**	**224**

The present value of the outstanding lease payments is reported under receivables from finance leases.

(18) Liquid Funds

The following table provides a breakdown of liquid funds by original maturity as of the dates indicated:

Liquid Funds

	December 31	
€ in millions	2017	2016
Current securities with an original maturity greater than 3 months	64	162
Restricted cash and cash equivalents	112	10
Cash and cash equivalents	851	169
Total	**1,027**	**341**

In the reporting year, there was €112 million in restricted cash (2016: €10 million) with a maturity of less than three months.

Cash and cash equivalents include €831 million (2016: €138 million) in cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Equity

Upon completion of the reorganization under corporate law at the start of the 2016 fiscal year, the Uniper Group came into existence within the meaning of IFRS, with Uniper SE as the parent company. Since January 1, 2016, Uniper SE has thus been the sole parent company of the Uniper Group.

On January 19, 2016, the Annual Shareholders Meeting of Uniper AG (today's Uniper SE), in preparation for the spin-off, resolved to increase the capital stock of €283,445,000 by €6,779,578 to €290,224,578 and to divide it into 170,720,340 no-par-value registered shares, each representing a notional interest in the capital stock of €1.70.

The conversion of Uniper AG into a European Company ("SE"), which was resolved by the Annual Shareholders Meeting of Uniper AG on March 23, 2016, and took effect on April 14, 2016, when it was entered in the relevant commercial register, did not change the capital stock of €290,224,578 or the division thereof into 170,720,340 no-par value registered shares, each representing a notional interest in the capital stock of €1.70. There are no restrictions on the transferability of the Company's shares.

The no-par-value shares are fully paid in. Each no-par-value share represents a notional interest in the capital stock of €1.70 and carries full dividend rights from January 1, 2016. On March 30, 2016, E.ON Beteiligungen GmbH paid an amount of €120 million into the free capital reserves of Uniper SE.

Also on March 30, 2016, Uniper Beteiligungs GmbH paid an amount of €145 million into the free capital reserves of Uniper Holding GmbH.

The Annual Shareholders Meeting of Uniper SE approved the spin-off on May 24, 2016; the Annual Shareholders Meeting of E.ON SE gave its approval on June 8, 2016. After the spin-off was recorded in the commercial register file for Uniper SE, and then in the corresponding file for E.ON SE, all of the shares in Uniper Beteiligungs GmbH were spun off from E.ON SE to Uniper SE on September 9, 2016. Shareholders of E.ON SE were allotted new shares of Uniper SE as consideration for this spin-off, as a result of which shareholders of E.ON SE have acquired 53.35% of the shares of Uniper SE and the ownership interest of the E.ON Group—held indirectly via E.ON Beteiligungen GmbH—has been diluted to 46.65%. In this context, the capital stock of Uniper SE was increased by €331,907,422, and the additional paid-in capital by €6,637 million. A total of €7,623 million was reclassified from non-controlling interests to equity attributable to shareholders of Uniper SE; accordingly, retained earnings of €2,750 million and other comprehensive income ("OCI") of -€2,096 million were recognized. With the spin-off of Uniper Beteiligungs GmbH, the number of shares increased to 365,960,000.

The shares of Uniper SE were admitted to the Frankfurt Stock Exchange's regulated market for trading in its subsegment with additional post-admission obligations (the "Prime Standard") on September 9, 2016, and official trading commenced on September 12, 2016.

At the Annual Shareholders Meeting on June 6, 2018, shareholders will vote on a proposal that the net income available for distribution of €270,810,400 be used to distribute a dividend of €0.74 per share (365,960,000 shares) of the dividend-paying capital stock of €622.1 million.

Retained Earnings

As of December 31, 2017, retained earnings amounted to €3,399 million (2016: €4,156 million). Of this amount, €21.6 million is subject to the distribution restriction pursuant to Section 268 (8), sentence 3, in conjunction with sentence 1, of the German Commercial Code ("HGB") and in accordance with Section 253 (6), sentence 2, HGB.

The individual components of equity and their development are presented in the Statement of Changes in Equity of the Uniper Group.

Information on Stockholders of Uniper SE

The following ownership interests pursuant to Section 160 (1), no. 8, of the German Stock Corporation Act existing as of the reporting date have been communicated to the Company:

Information on Stockholders of Uniper SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights Percent-ages	Voting rights Absolute
E.ON Beteiligungen GmbH, Düsseldorf	Sep. 13, 2016	50%	Sep. 9, 2016	direct	46,65%	170.720.340
Republic of Finland, Helsinki, Finland	Sep. 27, 2017	30%	Sep. 26, 2017	indirect	46,65%[1]	170.720.340
BlackRock Inc. Wilmington, U.S.	Dec. 6, 2017	3%	Nov. 30, 2017	indirect	4,19%	15.326.768
Paul E. Singer	Dec. 19, 2017	5%	Dec. 12, 2017	indirect	7,38%	26.996.906
Eric Knight	Dec. 22, 2017	5%	Dec. 21, 2017	indirect	5,02%	18.374.165

[1]Instrument pursuant to Section 25, WpHG

Authorized Capital

The Management Board was authorized, subject to the Supervisory Board's consent, to increase the Company's capital stock until June 30, 2021, by up to €145,112,289 through the issue on one or more occasions of up to 85,360,170 new no-par-value registered shares against cash and/or non-cash contributions. The Management Board may, subject to the Supervisory Board's consent, exclude the subscription right that must, in principle, be granted to shareholders. Such exclusion of subscription rights is possible when shares are issued against cash contributions in the amount of up to 10% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Subscription rights may also be excluded when shares are issued against non-cash contributions, but only to the extent that the shares issued under such authorization against non-cash contributions do not represent in the aggregate more than 20% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Furthermore, shareholder subscription rights may also be excluded with regard to fractional amounts and when shares are issued to persons employed by the Company or one of its affiliates.

Contingent Capital

The Management Board is authorized, subject to the Supervisory Board's consent, to issue debt instruments during the period up to June 30, 2021, having a total nominal value of up to €1,000,000,000 that, respectively, grant rights or impose obligations of conversion or purchase, in accordance with the relevant terms and conditions of the bonds and warrants, with respect to up to 85,360,170 no-par-value registered shares of the Company, representing a pro-rata interest in its capital stock of up to €145,112,289 in total, to or on the holders or creditors of the bonds or warrants. The bonds may also be issued by an affiliate of the Company against cash and/or non-cash contributions. Here, too, the Management Board may, with the Supervisory Board's consent, exclude the subscription right to which shareholders are entitled in principle. In connection with these convertible bonds and warrant-linked bonds, conditional capital was created by shareholder resolution. Pursuant thereto, the capital stock is conditionally increased by up to €145,112,289 through the issue of up to 85,360,170 no-par-value registered shares for the purpose of granting shares upon exercise of rights and obligations of conversion or purchase.

Treasury Shares

By resolution dated August 30, 2016, the Company is authorized to purchase own shares representing up to a total of 10% of the capital stock existing when the resolution was adopted until June 30, 2021. At the Management Board's discretion, such purchase may take place on the stock exchange, by way of a purchase offer addressed to all shareholders, a public offering or a public solicitation of offers for the exchange of liquid exchange shares for Company shares (a so-called "exchange offer"), or through the use of derivatives (put or call options or a combination of both). The Management Board is also authorized, subject to the Supervisory Board's consent and excluding shareholder subscription rights, to use shares of the Company in a specified manner. The Management Board is further authorized to cancel treasury shares without requiring a separate shareholder resolution to that effect.

(20) Accumulated Other Comprehensive Income

Cumulative currency translation differences represent the principal component of accumulated OCI. Cumulative translation losses of €890 million were reclassified to the income statement in connection with the disposal of the stake in the Russian gas field Yuzhno-Russkoye.

The share of accumulated OCI attributable to companies accounted for under the equity method is illustrated in the table below:

Share of OCI Attributable to Companies Accounted for under the Equity Method

€ in millions	2017	2016
Balance as of December 31 (before taxes)	**-183**	**-150**
Taxes	3	3
Balance as of December 31 (after taxes)	**-180**	**-147**

(21) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table:

Non-controlling interests

	December 31	
€ in millions	2017	2016
European Generation	381	342
Global Commodities	–	1
International Power Generation	261	239
Administration/Consolidation	–	–
Total	**642**	**582**

The increase of €60 million in non-controlling interests in 2017 resulted primarily from current earnings in the International Power Generation and European Generation segments. In the 2016 comparative period, the increase of €42 million in non-controlling interests had resulted mainly from currency effects in the International Power Generation segment.

The table below illustrates the share of accumulated OCI that is attributable to non-controlling interests:

Share of OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Available-for-sale securities	Currency translation adjustments	Remeasurements of defined benefit plans
Balance as of January 1, 2016	**5**	**1**	**-557**	**1**
Changes	-3	2	95	-1
Balance as of December 31, 2016	**2**	**3**	**-462**	**–**
Changes	-1	-2	-41	1
Balance as of December 31, 2017	**1**	**1**	**-503**	**1**

The currency translation adjustments mostly reflect the translation of Russian and Swedish operations.

Uniper companies with significant non-controlling interests operate in a variety of sectors within the energy industry. Information relating to company names, registered offices and equity interests as required by IFRS 12 for subsidiaries with non-controlling interests can be found in the disclosures on the scope of consolidation (see Note 33).

The following tables provide a summary overview of the cash flow and significant line items in the aggregated income statements and aggregated balance sheets of Uniper companies with material non-controlling interests:

Subsidiaries with Material Non-Controlling Interests—Balance Sheet Data

	Uniper Russia Group[1]		OKG AB	
€ in millions	2017	2016	2017	2016
Non-controlling interests in equity	252	231	94	82
Non-controlling interests in equity (in %)	16.3	16.3	45.5	45.5
Dividends paid out to non-controlling interests	35	43	–	–
Operating cash flow	522	324	158	841
Non-current assets	3,074	3,172	2,181	2,291
Current assets	260	151	318	416
Non-current liabilities	281	300	2,107	2,332
Current liabilities	91	135	185	195

[1]Non-controlling interests in the lead company of the group

Subsidiaries with Material Non-Controlling Interests—Earnings Data

	Uniper Russia Group		OKG AB	
€ in millions	2017	2016	2017	2016
Share of earnings attributable to non-controlling interests	85	6	16	1
Sales	1,160	1,053	324	434
Net income	521	35	34	17
Comprehensive income	274	625	28	9

There are no major restrictions beyond those under customary corporate or contractual provisions. Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases.

(22) Provisions for Pensions and Similar Obligations

The principal assumptions and procedures underlying the measurement and presentation of the provisions for pensions and similar obligations are set out in Note 2.

The obligations for pensions and other benefits for former and active employees of the Uniper Group amounting to €2.9 billion (2016: €2.8 billion) were covered as of December 31, 2017, by plan assets with a fair value of €2.2 billion (2016: €2.0 billion). This corresponds to a funding level of 77% (2016: 72%).

There also are additional assets held for the purpose of covering defined benefit obligations that do not qualify as plan assets within the meaning of IAS 19 and are therefore not included in the funding level. This applies in particular to pension liability receivables due from Versorgungskasse Energie ("VKE").

As of December 31, 2016, there remained only a minimal amount of such pension liability receivables that were actually reported as such up to and including December 30, 2017. In connection with the liquidation of VKE beginning December 31, 2017, these pension liability receivables are now reported as "receivables due from VKE and pledged to eligible individuals." The amount of these receivables as of December 31, 2017, remains minimal.

The present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) are presented in the following table for the dates indicated:

Provisions for Pensions and Similar Obligations

	December 31	
€ in millions	**2017**	**2016**
Present value of all defined benefit obligations		
Germany	2,228	2,209
United Kingdom	526	456
Other countries	138	152
Total	**2,892**	**2,817**
Fair value of plan assets		
Germany	1,724	1,597
United Kingdom	491	424
Other countries	1	11
Total	**2,216**	**2,032**
Net defined benefit liability (+)/asset (-)		
Germany	504	612
United Kingdom	35	32
Other countries	137	141
Total	**676**	**785**
Presented as provisions for pensions and similar obligations	*676*	*785*

Description of the Benefit Plans

In addition to their entitlements under government retirement systems and the income from private retirement planning, most active and former Uniper Group employees are also covered by occupational benefit plans. Both defined benefit plans and defined contribution plans are in place at Uniper. Benefits under defined benefit plans are generally paid upon reaching retirement age, or in the event of disability or death.

The pension plans within the Uniper Group are regularly reviewed with respect to their financial risks. Typical risk factors for defined benefit plans are longevity and changes in nominal interest rates, as well as increases in inflation and rising wages and salaries. In order to avoid exposure to future risks from occupational benefit plans, newly designed pension plans were introduced at the major German and foreign Uniper Group companies beginning in 1998. Virtually all employees hired at Uniper Group companies after 1998 are now covered by benefit plans for which the risk factors can be better calculated and controlled as presented below.

The existing entitlements under defined benefit plans as of the balance sheet date cover about 10,500 active employees (2016: 10,700), about 4,900 retirees and surviving dependents (2016: 4,600) and about 2,900 former employees with vested entitlements (2016: 2,600). The corresponding present value of the defined benefit obligations is attributable to active employees in the amount of roughly €1.5 billion (2016: €1.5 billion), to retirees and surviving dependents in the amount of roughly €0.7 billion (2016: €0.6 billion) and to former employees with vested entitlements in the amount of roughly €0.7 billion (2016: €0.7 billion).

The features and risks of defined benefit plans are regularly shaped by the general legal, tax and regulatory conditions prevailing in the respective country. Described below are the configurations of the major defined benefit and defined contribution pension plans within the Uniper Group.

Germany

Active employees at German Uniper companies are predominantly covered by defined contribution benefit plans. In addition, some final-pay arrangements, and a small number of fixed-amount arrangements, still exist under individual contracts.

The majority of the reported benefit obligation toward active employees is centered on the “BAS Plan,” a pension unit system launched in 2001, and on the “Zukunftssicherung” plan, a variant of the "BAS Plan" that emerged from the harmonization in 2004 of numerous benefit plans granted in the past. In the “Zukunftssicherung” benefit plan, vested final-pay entitlements are considered in addition to the defined contribution pension units when determining the benefit. These plans are closed to new hires.

The plans described in the preceding paragraph generally provide for ongoing pension benefits that generally are payable upon reaching the age threshold, or in the event of disability or death.

The only plan open for new hires is a defined contribution plan. This plan is a “units of capital” system that provides for the alternative payout options of a prorated single payment and payments of installments in addition to the payment of a regular pension.

The benefit expense for all the defined contribution plans mentioned above is dependent on compensation and is determined at different percentage rates based on the ratio between compensation and the contribution limit in the statutory retirement pension system in Germany. Employees can additionally choose to defer compensation. The defined contribution plans contain different interest rate assumptions for the pension units and the units of capital, respectively. Whereas fixed interest rate assumptions apply for both the “BAS Plan” and the “Zukunftssicherung” plan, the units of capital for the open defined contribution plan earn interest at the average yield of long-term government bonds of the Federal Republic of Germany observed in the fiscal year. Future pension increases at a rate of 1% p.a. are guaranteed for a portion of the eligible individuals including, in particular, a large number of active employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate of inflation, usually in a three-year cycle.

Pension plans at the German Uniper companies are funded through designated pension vehicles that are legally distinct from the Company.

In addition to plan assets administered by smaller German pension vehicles ("*Pensionskassen*"), plan assets in the form of a Contractual Trust Arrangement ("CTA") were established to fund domestic pension plans for most of the German Uniper companies. The plan assets of the CTA are administered by Uniper Pension Trust e. V. as trustee on the basis of the investment principles specified for it.

With regard to the funding of pension commitments that to date had been covered by VKE, the method of occupational retirement provision was changed to a pension fund commitment in the first quarter of 2016. As part of the transition, corresponding pension liability receivables of €0.2 billion were settled by VKE by way of direct payments to the newly established Group-wide pension fund, which is qualified under IAS 19 as plan assets, to repay the Uniper companies' one-off contribution obligations owed to the pension fund. The assets contributed to the pension fund thus provide the funding for the obligations transferred to the pension fund that had previously been covered through VKE.

In the first quarter of 2018, owing to the liquidation of VKE beginning December 31, 2017, the method of occupational retirement provision for those pension commitments that were still almost entirely covered by VKE up to and including December 30, 2017, will be changed to a pension fund commitment, as had previously been done in the first quarter of 2016. In this context, the "receivables due from VKE and pledged to eligible individuals" that were reported up to and including December 30, 2017, as pension liability receivables due from VKE and accounted for as of December 31, 2017, in the "Operating receivables and other operating assets" line item, will be transferred to the Group-wide pension fund by way of a direct payment by VKE.

Only the *Pensionskassen* vehicles and the pension fund are subject to regulatory provisions in relation to the investment of capital and funding requirements.

United Kingdom

In the United Kingdom, there are various pension plans. During the reporting period, Uniper employees in the United Kingdom participated in pension plans set up by Uniper UK Limited, which have now replaced the corresponding formerly applicable pension plans of E.ON UK plc.

The structure of the pension plans of Uniper UK Limited is as follows: Until 2008, employees were covered by defined benefit plans, which for the most part were final salary plans and made up the majority of the pension obligations then reported for Uniper's employees in the United Kingdom. These plans were closed to employees hired subsequently. Since December 2008, new hires have been offered a pure defined contribution plan. Aside from the payment of employer and employee contributions, this plan entails no additional risks for the employer.

Plan assets in the United Kingdom covering the benefit obligations under the final salary and retirement balance plans (excluding those of the defined contribution plan, which is established by contract) are administered by Uniper UK Trustees Limited in its capacity as trustee of the Uniper Group of the Electricity Supply Pensions Scheme ("Uniper Group of the ESPS"). The trustees are respectively chosen by the members of the Uniper Group of the ESPS or appointed by the company Uniper UK Limited. In that capacity, the trustees are wholly responsible for the investment of the plan assets and to that end they have appointed a fiduciary manager.

Employees who had transferred from E.ON companies in the United Kingdom to Uniper companies in the United Kingdom during 2017 had the choice of leaving their entitlements earned prior to the transfer with the E.ON companies in the United Kingdom or having them transferred to the Uniper Group of the ESPS. Based on the employees' decision, the plan assets actually transferred to the Uniper Group of the ESPS were ultimately determined by the trustees of E.ON UK Pension Trust as the transferring trustee, in coordination with the trustees of the Uniper Group of the ESPS.

Benefit payments to the beneficiaries of the existing defined benefit pension plans are adjusted for inflation as measured by the UK Retail Price Index ("RPI").

The Pensions Regulator in the United Kingdom requires that a valuation of the funding of pension plans in the United Kingdom be performed at least once every three years. The actuarial assumptions underlying the valuation are agreed between the trustees of Uniper UK Pension Trustees Limited and Uniper UK Limited. They include presumed life expectancy, wage and salary growth rates, investment returns, inflationary assumptions and interest rate levels. The effective date for the initial valuation of the Uniper Group of the ESPS was March 31, 2016. The valuation resulted in a technical funding deficit of £43 million. The agreed deficit repair plan provides for a one-off repair payment of £10 million in 2017 and further annual payments of £3.2 million to the Uniper Group of the ESPS from 2020 through 2025. The results from the valuation were communicated to members in September 2017.

Other Countries

The remaining pension obligations are spread across various international activities of the Uniper Group.

However, the defined benefit and defined contribution plans in Belgium, France, the Netherlands, Russia, Sweden, Hungary, the Czech Republic and the USA are largely of minor significance from the perspective of the Uniper Group.

Description of the Benefit Obligation

The following table shows the changes in the present value of the defined benefit obligations for the periods indicated:

Changes in the Defined Benefit Obligation

€ in millions	2017 Total	2017 Germany	2017 United Kingdom	2017 Other countries	2016 Total	2016 Germany	2016 United Kingdom	2016 Other countries
Defined benefit obligation as of January 1	**2,817**	**2,209**	**456**	**152**	**2,366**	**1,850**	**378**	**138**
Employer service cost	80	56	21	3	71	49	19	3
Past service cost	13	7	7	-1	2	1	2	-1
Gains (-) and losses (+) on settlements	7	5	2	–	10	10	–	–
Interest cost on the present value of the defined benefit obligations	71	53	14	4	75	57	14	4
Remeasurements	-83	-104	29	-8	350	236	105	9
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*-4*	*–*	*-3*	*-1*	*–*	*–*	*–*	*–*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*-24*	*-86*	*61*	*1*	*371*	*240*	*113*	*18*
Actuarial gains (-)/losses (+) arising from experience adjustments	*-55*	*-18*	*-29*	*-8*	*-21*	*-4*	*-8*	*-9*
Benefit payments	-48	-40	-6	-2	-41	-36	-2	-3
Exchange rate differences	-17	–	-17	–	-58	–	-60	2
Other	52	42	20	-10	42	42	–	–
Defined benefit obligation as of December 31	**2,892**	**2,228**	**526**	**138**	**2,817**	**2,209**	**456**	**152**

The benefit obligations in the other countries as of the December 31, 2017, reporting date relate mostly to the Uniper companies in France, in the amount of €126 million (2016: €129 million).

The actuarial assumptions used to measure the defined benefit obligations and to compute the net periodic pension cost for the Uniper companies in Germany and the United Kingdom as of the respective balance sheet dates are as follows:

Actuarial Assumptions

		December 31	January 1
Percentages	**2017**	**2016**	**2016**
Discount rate			
Germany	2.60	2.40	3.00
United Kingdom	2.60	3.10	4.10
Wage and salary growth rate			
Germany	2.25	2.25	2.50
United Kingdom	3.30	3.30	3.20
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.10	3.10	3.00

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

The discount rates used by the Uniper Group are essentially based on the currency-specific returns available at the end of the respective fiscal year on high-quality corporate bonds with a duration corresponding to the average period to maturity of the respective obligations.

As of December 31, 2016, an adjustment was made to refine the determination of discount rates for the euro currency area. This change led to an increase of 30 basis points in the discount rate in Germany. Consequently, a corresponding actuarial gain of €135 million was generated. For the 2017 fiscal year, this has resulted in reductions of €1.1 million in the net interest cost for the German Uniper companies and of €4.6 million in the employer service cost for 2017.

To measure the Uniper Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations:

Actuarial Assumptions (Mortality Tables)

Germany	2005 G versions of the Klaus Heubeck biometric tables (2005)
United Kingdom	S2' series base mortality tables, taking into account future changes in mortality (CMI 2016 projection table)

Changes in the actuarial assumptions described previously would lead to the following changes in the present value of the defined benefit obligations at the respective reporting dates:

Sensitivities

	Change in the present value of the defined benefit obligations			
	December 31, 2017		December 31, 2016	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-9.35*	*10.67*	*-9.42*	*10.96*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.76*	*-0.74*	*0.81*	*-0.79*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.39*	*-1.34*	*1.42*	*-1.29*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-2.36*	*2.62*	*-2.39*	*2.64*

A 10% decrease in mortality would result in a higher life expectancy of beneficiaries, depending on the age of each individual beneficiary. As of the December 31, 2017 and 2016, reporting dates, the life expectancy of a 63-year-old male Uniper retiree would increase by approximately one year if mortality were to decrease by 10%.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged. Potential correlation effects between the individual actuarial assumptions are not taken into account in the computation of sensitivities.

When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Description of Plan Assets and the Investment Policy

The defined benefit plans are funded by plan assets held in designated pension vehicles that are legally distinct from the Company. The fair value of these plan assets changed as follows:

Changes in the Fair Value of Plan Assets

€ in millions	2017 Total	2017 Germany	2017 United Kingdom	2017 Other countries	2016 Total	2016 Germany	2016 United Kingdom	2016 Other countries
Fair value of plan assets as of January 1	**2,032**	**1,597**	**424**	**11**	**1,572**	**1,181**	**380**	**11**
Interest income on plan assets	52	39	13	–	58	44	14	–
Remeasurements	66	49	17	–	110	47	63	–
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*66*	*49*	*17*	–	*110*	*47*	*63*	–
Employer contributions	118	78	39	1	360	332	27	1
Benefit payments	-46	-39	-6	-1	-37	-34	-2	-1
Exchange rate differences	-16	–	-16	–	-58	–	-58	–
Other	10	–	20	-10	27	27	–	–
Fair value of plan assets as of December 31	**2,216**	**1,724**	**491**	**1**	**2,032**	**1,597**	**424**	**11**

The increase in plan assets in the 2017 fiscal year is principally attributable to the addition of further employer contributions and the return generated.

In 2016, the increase in plan assets had primarily resulted from the implementation of the Group-wide pension fund and its funding in the amount of the former liability receivables of Uniper companies due from VKE, as well as from the addition of further employer contributions and the return generated.

The actual return on plan assets in 2017 was a gain of €118 million (2016: €168 million).

Plan assets during the reporting period included virtually no owner-occupied real estate, and virtually no equity or debt instruments, of Uniper companies.

Each of the individual plan asset components has been allocated to an asset class based on its substance. The plan assets thus classified break down as shown in the following table:

Classification of Plan Assets

Percentages	December 31, 2017 Total	Germany	United Kingdom[1]	Other countries	December 31, 2016 Total	Germany	United Kingdom[1]	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	27	34	–	24	24	30	–	2
Debt securities	42	54	–	40	46	59	–	97
Government bonds	*25*	*33*	–	–	*29*	*37*	–	–
Corporate bonds	*17*	*21*	–	*40*	*17*	*22*	–	*97*
Other investment funds	–	–	–	8	–	–	–	–
Total listed plan assets	**69**	**88**	**0**	**72**	**70**	**89**	**0**	**99**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	6	–	28	–	7	–	33	–
Debt securities	2	–	8	15	2	–	8	1
Real estate	9	10	5	–	9	10	5	–
Cash and cash equivalents	3	2	9	13	2	1	7	–
Other[1]	11	–	50	–	10	–	47	–
Total unlisted plan assets	**31**	**12**	**100**	**28**	**30**	**11**	**100**	**1**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]Since 2016, asset management in the United Kingdom has been performed by an appointed fiduciary manager. Plan assets are invested in investment funds ("pooled funds") that are not listed in an active market. The "Other" category of assets consists primarily of "liability hedging" assets and hedge funds.

The primary investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding benefit plans. To that end, the target portfolio structure is reviewed periodically in the context of asset-liability management ("ALM") studies on the basis of existing investment principles, the structure of the benefit obligations and the condition of the capital markets, and is adjusted as necessary. The long-term investment strategy thus derived seeks to ensure that any changes in the defined benefit obligation, especially those caused by fluctuating inflation and interest rates are, to a certain degree, offset by simultaneous corresponding changes in the fair value of plan assets. The investment strategy may also involve the use of derivatives (for example, interest rate swaps and inflation swaps, as well as currency hedging instruments) to facilitate the control of specific risk factors of pension liabilities. In the table above, derivatives have been allocated, based on their substance, to the respective asset classes in which they are used. In order to improve the funded status and the funding level at the Uniper Group over the long term, a portion of the plan assets is also invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments and thus in excess of the discount rate. Asset managers are tasked with implementing the target portfolio structure and monitored for target attainment on a regular basis.

Since the spring of 2017, portfolio management for the CTA has been based on the first ever ALM study performed by Uniper, which has replaced the E.ON study previously used as the basis.

This investment policy stems from the corresponding governance guidelines of the Uniper Group, which have replaced the guidelines of the E.ON Group that had applied prior to the spin-off. In these guidelines, a deterioration of the funding level and the funded status, as well as the cumulative loss of value of the plan assets, are identified as a risk for the CTA and controlled accordingly by specifying risk budgets. Changes in these indicators are also regularly reviewed in order to monitor this risk.

In the United Kingdom, Uniper's plan assets are invested by a fiduciary manager appointed by the trustee of the Uniper Group of the ESPS. Within the confines of previously defined general terms, the fiduciary manager invests the plan assets in a liability hedging component and a growth component. The liability hedging component aims to match a percentage of the fixed interest- and inflation-linked pension obligations through the use of "leveraged gilt funds" and cash. The growth component invests in a diverse range of asset classes and investment funds, with the target of achieving asset growth in excess of the growth of the liabilities over the long term. The appointment of the fiduciary manager notwithstanding, the trustee retains overall responsibility for the plan assets and, accordingly, for their investment. The trustee further controls how much plan assets should be invested in each component, as well as the percentage of the liabilities to be hedged.

Description of the Pension Cost

The net periodic pension cost for defined benefit plans included in the "Provisions for pensions and similar obligations" balance sheet item is shown in the table below:

Net Periodic Pension Cost

€ in millions	2017 Total	2017 Germany	2017 United Kingdom	2017 Other countries	2016 Total	2016 Germany	2016 United Kingdom	2016 Other countries
Employer service cost	80	56	21	3	71	49	19	3
Past service cost	13	7	7	-1	2	1	2	-1
Gains (-) and losses (+) on settlements	7	5	2	–	10	10	–	–
Net interest on the net defined benefit liability/asset	19	14	1	4	17	13	–	4
Total	**119**	**82**	**31**	**6**	**100**	**73**	**21**	**6**

The past service cost for 2017 and 2016 consists mostly of expenses incurred in the context of restructuring measures.

In addition to the total net periodic pension cost for defined benefit plans, an amount of €26 million in fixed contributions to external insurers or similar institutions was paid in 2017 (2016: €26 million) for pure defined contribution plans.

Contributions to state plans totaled €0.1 billion (2016: €0.1 billion).

Description of Contributions and Benefit Payments

In 2017, Uniper made employer contributions to plan assets totaling €118 million (2016: €360 million) to fund existing defined benefit obligations.

For the 2018 fiscal year, it is expected that employer contributions to plan assets for the Uniper Group will amount to a total of €86 million and primarily involve the funding of new and existing benefit obligations, with an amount of €22 million attributable to foreign companies.

Benefit payments to cover defined benefit obligations totaled €48 million in 2017 (2016: €41 million); of this amount, €2 million (2016: €4 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2017, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2018	57	47	3	7
2019	63	55	3	5
2020	65	56	3	6
2021	71	62	4	5
2022	80	69	6	5
2023–2027	488	421	43	24
Total	**824**	**710**	**62**	**52**

As of December 31, 2017, the duration of the defined benefit obligations measured within the Uniper Group was 23.5 years (2016: 23.8 years).

Description of the Net Defined Benefit Liability

The recognized net liability from the Uniper Group's defined benefit plans results from the difference between the present value of the defined benefit obligations and the fair value of plan assets:

Changes in the Net Defined Benefit Liability

	2017				2016			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Net liability as of January 1	**785**	**612**	**32**	**141**	**794**	**669**	**-2**	**127**
Net periodic pension cost	119	82	31	6	100	73	21	6
Changes from remeasurements	-149	-153	12	-8	240	189	42	9
Employer contributions to plan assets	-118	-78	-39	-1	-360	-332	-27	-1
Net benefit payments	-2	-1	–	-1	-4	-2	–	-2
Exchange rate differences	-1	–	-1	–	–	–	-2	2
Other	42	42	–	–	15	15	–	–
Net liability as of December 31	**676**	**504**	**35**	**137**	**785**	**612**	**32**	**141**

(23) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

	December 31, 2017		December 31, 2016	
€ in millions	Current	Non-current	Current	Non-current
Nuclear waste management obligations	142	2,256	117	2,343
Personnel obligations	110	353	214	402
Other asset retirement obligations	52	859	33	909
Supplier-related obligations	105	999	197	1,133
Generation-related obligations	228	576	215	582
Distribution-related obligations	125	362	165	528
Customer-related obligations	136	16	190	11
Environmental remediation and similar obligations	19	350	52	304
Other	445	297	583	305
Total	**1,362**	**6,068**	**1,766**	**6,517**

The changes in the miscellaneous provisions are shown in the tables below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2017	Exchange rate differences	Changes in scope of consol-idation
Nuclear waste management obligations	2,460	-73	–
Personnel obligations	616	–	-10
Other asset retirement obligations	942	-6	–
Supplier-related obligations	1,330	–	–
Generation-related obligations	797	-1	–
Distribution-related obligations	693	-1	–
Customer-related obligations	201	–	–
Environmental remediation and similar obligations	356	–	–
Other	888	-5	-3
Total	**8,283**	**-86**	**-13**

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2016	Exchange rate differences	Changes in scope of consol-idation
Nuclear waste management obligations	2,329	-91	–
Personnel obligations	561	-1	4
Other asset retirement obligations	916	-28	–
Supplier-related obligations	1,431	–	–
Generation-related obligations	776	-8	–
Distribution-related obligations	896	-1	–
Customer-related obligations	200	–	–
Environmental remediation and similar obligations	371	-2	–
Other	898	-10	-1
Total	**8,378**	**-141**	**3**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

The interest rate used in the nuclear power sector in Sweden is determined based on country-specific factors and stands at 3.0% as of December 31, 2017, unchanged from previous years. The miscellaneous provision amounts relate almost entirely to issues in euro-area countries, as well as in the United Kingdom and Sweden. The interest rates used with regard to these issues ranged from 0% to 1.76%, depending on the term (2016: 0% to 2.05%).

Provisions for Nuclear Waste Management Obligations

As of December 31, 2017, the provision based on the requirements of Swedish nuclear energy law amounted to €2.4 billion (2016: €2.5 billion). The provisions comprise all those nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies and cost estimates, taking into account nuclear-specific cost inflation rates and risk premiums.

Provisions relating to the nuclear power sector in Sweden are offset by other financial assets from the Swedish Nuclear Waste Fund (see Note 17).

Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2017
73	11	-103	–	–	30	2,398
2	139	-166	-5	-113	–	463
12	2	-16	–	–	-23	911
-16	22	-87	27	-172	–	1,104
2	254	-219	–	-29	–	804
-1	21	-160	–	-65	–	487
–	67	-14	–	-102	–	152
–	22	-6	–	-3	–	369
–	101	-185	-3	-51	–	742
72	**639**	**-956**	**19**	**-535**	**7**	**7,430**

Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2016
68	11	-70	–	–	213	2,460
10	242	-165	-3	-35	3	616
-1	17	-16	–	–	54	942
-31	1,146	-615	-153	-448	–	1,330
3	309	-270	–	-13	–	797
7	54	-158	–	-105	–	693
–	96	-19	–	-76	–	201
–	3	-14	–	-2	–	356
4	332	-172	2	-165	–	888
60	**2,210**	**-1,499**	**-154**	**-844**	**270**	**8,283**

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

The asset retirement obligations recognized for nuclear obligations include the anticipated costs of post-operation and service operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Changes in estimates affecting provisions for the Swedish operations were recognized in the amount of €30 million (2016: €213 million). Provisions were utilized in the amount of €103 million (2016: €70 million), of which €32 million (2016: €30 million) is attributable to the Barsebäck nuclear power plant, which is in post-operation.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Nuclear Waste Management Obligations

	December 31,	
€ in millions	**2017**	**2016**
Decommissioning	838	859
Disposal of nuclear fuel rods and operational waste	1,560	1,601
Total	**2,398**	**2,460**

Personnel-Related Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations, restructuring and other deferred personnel costs. Other than those for early retirement that continue to be reportable, the provisions recognized in 2016 in the context of the Uniper restructuring program have been utilized virtually in full, or have been reversed.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, which are based on legally binding civil agreements and public regulations. Also reported here are provisions for environmental improvements at gas storage facilities and for the dismantling of installed infrastructure.

Supplier-Related Obligations

Provisions for supplier-related obligations include, among other things, provisions for potential losses on open purchase contracts and for onerous contracts in the amount of €1.0 billion (2016: €1.1 billion). These provisions relate to infrastructure used by Uniper in the gas-storage business on the basis of long-term contracts. Where reclassifications are reported, they relate to matters that have become more concrete and are therefore required to be recognized as liabilities. Reversals of provisions have primarily resulted from the adjustment of price terms for long-term gas delivery contracts to reflect current market conditions.

Generation-Related Obligations

Generation-related obligations consist primarily of provisions from the hydroelectric power business segment and of provisions for emission rights.

Distribution-Related Obligations

Distribution-related obligations consist primarily of provisions for gas transportation and for regasification.

Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on rebates and on open sales contracts.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures, the rehabilitation of contaminated sites, and other environmental improvement measures.

Other

Aside from a large number of individual items, other provisions also include provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes.

(24) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2017 Current	Non-current	Total	December 31, 2016 Current	Non-current	Total
Financial liabilities	**962**	**961**	**1,923**	**494**	**2,376**	**2,870**
Trade payables	923	–	923	1,349	–	1,349
Liabilities from derivatives	8,033	3,040	11,073	10,532	3,315	13,847
Advance payments	641	100	741	113	135	248
Other operating liabilities	6,680	478	7,158	6,354	543	6,897
Trade payables and other operating liabilities	**16,277**	**3,618**	**19,895**	**18,348**	**3,993**	**22,341**
Total	**17,239**	**4,579**	**21,818**	**18,842**	**6,369**	**25,211**

Financial Liabilities

The following is a description of the Uniper Group's most significant credit arrangements and of the existing programs for issuing bonds and commercial paper.

€1 Billion Euro Commercial Paper Program

In the first quarter of 2017, Uniper launched its Euro Commercial Paper Program for an amount of €1 billion as an additional instrument for financing its current assets. As of year-end 2017, no commercial paper was outstanding under this program.

€2 Billion Debt Issuance Program

Initially launched in November 2016, the Debt Issuance Program ("DIP") is a flexible instrument for issuing debt securities to investors in public, syndicated and private placements. Volumes, currencies and maturities of the debt to be issued depend on Uniper's financial requirements. The amount available under the program, which expired in November 2017, was €2 billion. An update or relaunch of this bond program, in the same amount, is planned for the first half of 2018.

At the end of 2017, a bond with a nominal value of €500 million was outstanding. This fixed-rate bond was issued under the DIP in December 2016 with a two-year term.

Bonds Outstanding

Currency	Volume in original currency (in millions)	Term in years	Maturity	Coupon (%)	Security Codes[1]
Euro	500	2 years	Dec 8, 2018	0.125	ISIN: XS1529854280 CC: 152985428 WKN: A2BPEB

[1]Security codes are abbreviated as follows: ISIN (International Securities Identification Number), CC (Common Code) and WKN (Wertpapierkennnummer).

€2.5 Billion Credit Facilities

The revolving, syndicated credit facility of Uniper SE for an amount of €2.5 billion has been provided since its debut financing in June 2016. The original term of three years can be extended by up to two additional years with the consent of the banks. The first option to extend the term for one year through 2020 was successfully implemented with the banks in 2017. This credit line had not been drawn on as of year-end 2017. It is available to Uniper as a general liquidity reserve.

The amount of €0.8 billion still outstanding under the syndicated loan (originally €2.0 billion) that had also been arranged in the debut financing in June 2016 was repaid early and in full in the first quarter of 2017.

Uniper additionally has arranged guarantee credit lines amounting to €555 million with banks to cover guarantee requirements in its operations.

Covenants

In its financing activities, Uniper has agreed to enter into covenants consisting primarily of change-of-control clauses, negative pledges and pari-passu clauses, each referring to a restricted set of significant circumstances. The syndicated bank financing agreement additionally provides for a financial covenant (not to exceed a defined financial ratio).

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	European Generation		Global Commodities	
€ in millions	**2017**	**2016**	**2017**	**2016**
Bonds[1]	–	–	–	–
Bank loans/Liabilities to banks	90	118	–	–
Liabilities from finance leases	4	6	448	458
Other financial liabilities	530	611	297	314
Financial liabilities	**624**	**735**	**745**	**772**

[1]The bond was issued at a price of 99.86 % of the nominal amount of €500 million, less further issuing costs.

Other financial liabilities as of December 31, 2017, comprise financial liabilities to third parties in the amount of €458 million (2016: €552 million) and to companies in which Uniper holds an equity investment in the amount of €120 million (2016: €108 million).

Margin payments in connection with stock exchange futures transactions amounting to €297 million (2016: €312 million) are also reported under other financial liabilities.

International Power Generation		Administration/Consolidation		Uniper Group	
2017	2016	2017	2016	2017	2016
–	–	499	498	499	498
–	–	7	800	97	918
–	–	–	19	452	483
–	–	48	46	875	971
0	**0**	**554**	**1,363**	**1,923**	**2,870**

Trade Payables and Other Operating Liabilities

Trade payables amounted to €923 million as of December 31, 2016 (2016: €1,349 million).

The other operating liabilities principally comprised accruals of €5,898 million (2016: €5,556 million) and liabilities for taxes in the amount of €293 million (2016: €297 million). Also included in other operating liabilities are non-controlling interests in fully consolidated partnerships with legal structures that give their investors a statutory right of withdrawal combined with a compensation claim amounting to €97 million (2016: €98 million).

(25) Contingencies and Other Financial Obligations

As part of its business activities, the Uniper Group is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims for damages (as discussed in more detail in Note 26), short- and long-term contractual, legal and other obligations and commitments.

Contingencies

The settlement amount of the Uniper Group's contingent liabilities arising from existing contingencies was €9 million as of December 31, 2017 (2016: €10 million). The Uniper Group does not currently have any significant reimbursement rights relating to these contingent liabilities.

The Uniper Group has issued direct and indirect guarantees to third parties and to parties outside of the Uniper Group, which require Uniper to make contingent payments based on the occurrence of certain events. These consist primarily of financial guarantees and warranties.

In addition, the Uniper Group has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Uniper companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases, obligations are covered in the first instance by provisions of the companies sold before Uniper itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON SE (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, the Uniper Group has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

With respect to the activities of the Swedish nuclear plants, the companies of the Swedish generation units and E.ON Sverige AB have issued guarantees to governmental authorities in accordance with Swedish law. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the asset retirement and decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the companies of the Swedish generation unit are responsible for all costs related to the disposal of low-level radioactive waste.

E.ON Sverige AB is not part of the Uniper Group. The transfer of these guarantees from E.ON to Uniper requires the approval of the Swedish National Debt Office ("Riksgälden"), the competent authority for such matters, which had not been granted as of December 31, 2017. Until approval is received, the Uniper Group has released E.ON from any obligations arising from the guarantees referred to above by means of an indemnification agreement.

In Sweden, owners of nuclear facilities are liable for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. The liability per incident as of December 31, 2017, was limited to SEK 3,517 million, or €357 million (2016: SEK 3,669 million, or €384 million). This amount must be insured according to the Law Concerning Nuclear Liability. The necessary insurance for the affected nuclear power plants has been purchased. On July 1, 2010, the Swedish Parliament passed a law that requires the operator of a nuclear power plant in operation to have liability insurance or other financial cover in an amount equivalent to €1.2 billion per facility. As of December 31, 2017, the conditions enabling this law to take effect were not yet in place.

The European Generation segment operates nuclear power plants exclusively in Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties, or on the basis of legal requirements.

As of December 31, 2017, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €0.5 billion (2016: €0.5 billion). This item mainly includes financial obligations totaling €0.4 billion (2016: €0.3 billion) for as yet outstanding investments in connection with new power plant construction projects and the expansion and modernization of existing generation assets, as well as with gas infrastructure projects, particularly in the European Generation segment. Of the total purchase commitments mentioned above, an amount of €0.3 billion (2016: €0.3 billion) is due within one year.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

Uniper as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	**2017**	**2016**
Due within 1 year	122	115
Due in 1 to 5 years	153	189
Due in more than 5 years	181	173
Total	**456**	**477**

The expenses reported in the income statement for such contracts amounted to €115 million (2016: €83 million).

Additional long-term contractual obligations in place at the Uniper Group as of the balance sheet date related primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. The financial obligations under these purchase contracts amounted to approximately €143.3 billion on December 31, 2017 (due within one year: €6.6 billion) and to €171.9 billion on December 31, 2016 (due within one year: €7.1 billion).

Gas is usually procured on the basis of long-term purchase contracts with large international producers of natural gas. Such contracts are generally of a "take-or-pay" nature. The prices paid for natural gas are tied to the prices of competing energy sources or market reference prices, as dictated by market conditions. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly. In the absence of agreement on a pricing review, a neutral board of arbitration makes a final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Furthermore, the take-or-pay conditions in the individual contracts are also considered in the calculations.

The contractual obligations for purchases of fossil fuels registered a decline in the 2017 fiscal year compared with the previous year. The decrease in contractual obligations for the purchase of fossil fuels, and gas procurement in particular, is primarily attributable to a reduction in the minimum purchase requirement and to an increase in contracts measured at fair value. The latter have already been accounted for at their market values.

Contractual obligations for the purchase of electricity amounted to approximately €0.5 billion as of December 31, 2017 (due within one year: €0.3 billion) and to approximately €0.6 billion as of December 31, 2016 (due within one year: €0.3 billion), and relate in part to purchases from jointly operated power plants in the generation units. The purchase price of electricity from jointly operated power plants is normally based on the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital.

Further purchase obligations amounted to approximately €4.4 billion as of December 31, 2017 (due within one year: €0.4 billion) and to approximately €3.9 billion as of December 31, 2016 (due within one year: €0.3 billion). In addition to purchase obligations mainly for heat and alternative fuels, the European Generation segment has long-term contractual obligations for services relating to the interim and permanent storage of fuel rods in connection with the Uniper Group's Swedish nuclear power plants.

There were additional financial obligations of approximately €1.0 billion as of December 31, 2017 (due within one year: €0.3 billion) and approximately €1.0 billion as of December 31, 2016 (due within one year: €0.3 billion). Among other items, they include financial obligations for future purchases of services.

(26) Litigation

A number of different court actions, arbitration proceedings and regulatory investigations and proceedings are currently pending against the Uniper Group, and further actions or proceedings may be instituted or asserted in the future. In addition to disputes under public law, this in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) concerning price increases and anticompetitive practices.

These aforementioned proceedings include several court or arbitration proceedings with major customers and major suppliers, also initiated in some instances by the Uniper Group, on contract amendments and price adjustments in long-term supply contracts and procurement options for electricity and gas, and in certain cases for other commodities, as well as long-term bookings of line capacity and long-term contracts for storage capacity in response to the altered situation brought about by market upheavals, and also reimbursements of costs. In some of these cases, the validity of the price-adjustment clauses and of the contracts in their entirety is being challenged; in others, the effectiveness of contract terminations is in dispute. Long-term gas-procurement contracts generally include the option for producers and importers to adjust the terms in line with constantly changing market conditions. On this basis, Uniper continuously conducts extensive negotiations with producers. The possibility of further legal disputes cannot be excluded.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

The Uniper Group is also engaged in proceedings with suppliers in connection with construction and other work on power-plant projects. In addition, proceedings are pending concerning the obligation to pay statutory energy-sector levies and the clarification of regulatory requirements.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

Public-law disputes are pending in particular in connection with the operating license of the hard coal power station in Datteln and for the biomass power plant Provence 4 in France, as well as with the coal tax in the Netherlands and with a capacity agreement in Russia.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

(27) Supplemental Cash Flow Disclosures

Supplemental Cash Flow Disclosures

€ in millions	2017	2016
Non-cash investing and financing activities		
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	118	360

Cash provided by operating activities (operating cash flow) fell by €799 million in 2017 to €1,385 million (prior-year period: €2,184 million). The principal driver of this reduction in operating cash flow was a comparatively low outflow for gas procurement under long-term supply contracts in the prior-year period due, in particular, to changes in the timing of payments. Operating cash flow had additionally been augmented in the prior-year period by extraordinary cash proceeds from gas optimization activities and by a one-time payment from the Finnish energy utility Fortum in relation to its pro-rata assumption of costs for the partial decommissioning of the Oskarshamn nuclear power plant in Sweden.

There were positive effects from the insurance payment for the damage caused by a boiler fire in the Berezovskaya 3 power plant unit and, compared with the previous year, from the elimination of the use of provisions due to the conclusion of the price negotiations for long-term gas procurement contracts in 2016.

Cash provided by (used for) investing activities rose from -€328 million in the previous year by €845 million to €517 million in the 2017 fiscal year. The €1,796 million increase in proceeds from divestments (2016: €1,235 million), which resulted mainly from the sale of the investment in the Russian Yuzhno-Russkoye gas field, had a positive impact. This was offset by the non-recurrence of the disposal of the stake in PEGI, including its equity interest in Nord Stream AG, to E.ON. In addition, lower payments to the Swedish Nuclear Waste Fund in the European Generation segment, as well as lower payments for investment loans extended to power plant operating companies in Sweden in which Uniper is a minority shareholder, resulted in higher cash flow from investing activities.

Cash used for financing activities amounted to -€1,129 million in 2017 (2016: -€2,000 million). The net increase compared with the previous year is primarily attributable to the non-recurrence of special effects in 2016. This is mainly due to the fact that financial liabilities to the E.ON Group were repaid in the first quarter of 2016 and therefore did not have a negative effect on cash flow from financing activities in the 2017 fiscal year. This positive effect was offset in 2017 by the repayment of the €800 million syndicated bank loan and by the first dividend distribution to Uniper shareholders in the amount of €201 million.

The disposal of its stake in the Russian gas field Yuzhno-Russkoye provided a cash consideration to Uniper of €1,719 million in the reporting year when the transaction closed. Cash and cash equivalents divested in connection with the disposal amounted to €79 million. The closing of the transaction led to disposals of goodwill in the amount of €0.5 billion, other non-current assets in the amount of €1.3 billion and current assets in the amount of €0.1 billion, and of liabilities in the amount of €0.3 billion. In the 2016 fiscal year, Uniper had received a cash consideration of €1,024 million from the disposal of PEGI, including its equity interest in Nord Stream AG. The sale had reduced non-current assets by €0.4 billion. The other asset and liability items were not material.

The following table presents the reconciliation of financial liabilities:

Reconciliation of Financial Liabilities

€ in millions	2017	2016
Balance as of January 1	**2,870**	**12,847**
Cash proceeds from financial liabilities	*23*	*1,662*
Cash repayments of financial liabilities	*-931*	*-1,007*
Change in scope of consolidation	*–*	*-131*
Foreign currency translation	*83*	*-130*
Other	*-122*	*-10,371*
Balance as of December 31	**1,923**	**2,870**

The reconciliation of financial liabilities for 2016 contains a non-cash change in other financial liabilities of €9,901 million. This change resulted from the repayment of liabilities due to E.ON SE under the cash-pooling arrangement and is shown under “Other.” The actual repayment of the liabilities due to E.ON SE took place after netting with the receivables from cash pooling.

(28) Hedging Transactions

Strategy and Objectives

Hedge accounting in accordance with IAS 39 is employed primarily to hedge long-term receivables and debts denominated in foreign currency, as well as planned capital investments.

In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Cross-currency interest rate swaps are the principal instruments used to limit currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing receivables and liabilities and from capital investments denominated in foreign currency and euro by using cash flow hedge accounting in the functional currency of the respective Uniper company.

As of December 31, 2017, hedged transactions outstanding included foreign currency cash flow hedges with maturities of up to 6 years (2016: up to 7 years).

There were no ineffective portions of the cash flow hedges in 2017 or 2016.

Pursuant to the information available as of the balance sheet date, the following effects will accompany the reclassifications from accumulated other comprehensive income to the income statement in subsequent periods:

Timing of Reclassifications from OCI[1] to the Income Statement—2017

€ in millions	Carrying amount	Expected gains/losses			
		2018	2019	2020–2022	>2022
OCI—Currency cash flow hedges	6	-1	-1	-2	-2

[1] = Other comprehensive income; Figures are pre-tax

Timing of Reclassifications from OCI[1] to the Income Statement—2016

€ in millions	Carrying amount	Expected gains/losses			
		2017	2018	2019–2021	>2021
OCI—Currency cash flow hedges	15	-8	-1	-1	-5

[1] = Other comprehensive income; Figures are pre-tax

Other comprehensive income includes effects from cash flow hedges that are recognized proportionally under the equity method of accounting.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. The fair values of the designated derivatives in cash flow hedges totaled €39 million (2016: €48 million)

A gain of €1 million (2016: €10 million loss) was posted to other comprehensive income in 2017. In the same period, a gain amounting to €10 million (2016: €12 million gain) was reclassified to the income statement.

Measurement of Derivative Instruments

The fair value of derivative financial instruments is sensitive to movements in the underlying market variables. The Company assesses and monitors the fair value of derivative instruments at regular intervals. The fair value to be determined for each derivative instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). Uniper also takes into account the counterparty credit risk when determining fair value (credit value adjustment). The fair values of derivative instruments are calculated using common market valuation methods with reference to available market data on the measurement date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments:

- Currency, electricity, gas, oil and coal forward contracts and swaps, and emissions-related derivatives, are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for electricity and gas options are valued using standard pricing models commonly used in the market. The fair values of caps, floors and collars are determined using quoted market prices or on the basis of option pricing models.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking account of time components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Initial margins paid are disclosed under other assets. Variation margins received or paid during the term of such contracts are reported under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 10% increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €120 million (2016: €55 million) or an increase of €120 million (2016: €54 million), respectively.

At the beginning of 2017, a gain of €219 million (2016: €30 million loss) from the initial measurement of derivatives was deferred. The realization of gains and losses during 2017 generated an additional loss of €37 million and an additional gain of €20 million (2016: €16 million loss and €22 million gain). This resulted in a net deferred gain of €202 million at year-end (2016: €219 million gain), which will be realized as the contract terms end.

(29) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2017

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	710	710	AfS	710	80	104
Financial receivables and other financial assets	4,503	4,503		4,570	–	–
Receivables from finance leases	*210*	*210*	*n/a*	*210*	–	–
Financial reimbursement rights relating to asset retirement obligations	*2,331*	*2,331*	*n/a*	*2,331*	–	–
Other financial receivables and financial assets	*1,962*	*1,962*	*LaR*	*2,029*	–	–
Trade receivables and other operating assets	19,369	18,729		18,729	3,906	6,890
Trade receivables	*7,126*	*7,126*	*LaR*	*7,126*	–	–
Derivatives with no hedging relationships	*11,249*	*11,249*	*HfT*	*11,249*	*3,906*	*6,890*
Other operating assets	*994*	*354*	*LaR*	*354*	–	–
Securities and fixed-term deposits	168	168	AfS	168	114	54
Cash and cash equivalents	851	851	LaR	851	831	20
Restricted cash	112	112	LaR	112	112	–
Total assets	**25,713**	**25,073**		**25,140**	**5,043**	**7,068**
Financial liabilities	1,923	1,923		2,150	512	919
Bonds	499	499	AmC	501	501	–
Commercial paper	–	–	*AmC*	–	–	–
Bank loans/Liabilities to banks	*97*	*97*	*AmC*	*97*	–	*97*
Liabilities from finance leases	*452*	*452*	*n/a*	*719*	–	–
Other financial liabilities	*875*	*875*	*AmC*	*833*	*11*	*822*
Trade payables and other operating liabilities	19,895	18,095		18,095	3,970	6,973
Trade payables	923	923	AmC	923	–	–
Derivatives with no hedging relationships	*11,073*	*11,073*	*HfT*	*11,073*	*3,970*	*6,973*
Put option liabilities under IAS 32[2]	*97*	*97*	*AmC*	*97*	–	–
Other operating liabilities	*7,802*	*6,002*	*AmC*	*6,002*	–	–
Total liabilities	**21,818**	**20,018**		**20,245**	**4,482**	**7,892**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 2. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 24).

The carrying amounts of cash and cash equivalents and of trade receivables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This is the case, for example, for equities held.

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2016

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measure-ment category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	568	568	AfS	568	98	107
Financial receivables and other financial assets	4,322	4,322		4,322	–	–
Receivables from finance leases	*224*	*224*	*n/a*	*224*	–	–
Financial reimbursement rights relating to asset retirement obligations	*2,388*	*2,388*	*n/a*	*2,388*	–	–
Other financial receivables and financial assets	*1,710*	*1,710*	*LaR*	*1,710*	–	–
Trade receivables and other operating assets	22,107	21,544		21,544	4,844	8,384
Trade receivables	*7,353*	*7,353*	*LaR*	*7,353*	–	–
Derivatives with no hedging relationships	*13,777*	*13,777*	*HfT*	*13,777*	*4,844*	*8,384*
Derivatives with hedging relationships	–	–	*n/a*	–	–	–
Other operating assets	*977*	*414*	*LaR*	*414*	–	–
Securities and fixed-term deposits	322	322	AfS	322	172	150
Cash and cash equivalents	169	169	LaR	169	138	31
Restricted cash	10	10	LaR	10	10	–
Assets held for sale	3	–	AfS	–	–	–
Total assets	**27,501**	**26,935**		**26,935**	**5,262**	**8,672**
Financial liabilities	2,870	2,870		3,128	797	1,544
Bonds	*498*	*498*	*AmC*	*501*	*501*	–
Commercial paper	–	–	*AmC*	–	–	–
Bank loans/Liabilities to banks	*918*	*918*	*AmC*	*918*	–	*918*
Liabilities from finance leases	*483*	*483*	*n/a*	*787*	–	–
Other financial liabilities	*971*	*971*	*AmC*	*922*	*296*	*626*
Trade payables and other operating liabilities	22,341	21,118		21,118	5,185	8,452
Trade payables	*1,349*	*1,349*	*AmC*	*1,349*	–	–
Derivatives with no hedging relationships	*13,839*	*13,839*	*HfT*	*13,839*	*5,185*	*8,444*
Derivatives with hedging relationships	*8*	*8*	*n/a*	*8*	–	*8*
Put option liabilities under IAS 32[2]	*98*	*98*	*AmC*	*98*	–	–
Other operating liabilities	*7,047*	*5,824*	*AmC*	*5,824*	–	–
Total liabilities	**25,211**	**23,988**		**24,246**	**5,982**	**9,996**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 2. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 24).

The fair value of shareholdings in unlisted companies and of financial receivables and financial liabilities that are not actively traded is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Shareholdings for which fair value measurement was not applied as the cash flows could not be reliably determined are not material in comparison with the overall position of the Uniper Group.

The carrying amount of borrowings under short-term credit facilities and of trade payables is used as the fair value due to the short maturities of these items. The determination of the fair value of derivative financial instruments is discussed in Note 28.

In the 2017 fiscal year, there were no material reclassifications between Levels 1 and 2 of the fair value hierarchy. At the end of each reporting period, Uniper assesses whether there might be grounds for reclassification between hierarchy levels.

The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data (see also Note 2). In 2017, equity investments were reclassified into Level 3 of the fair value hierarchy in the amount of €9 million, and none were reclassified out of Level 3 into Level 2. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

€ in millions	Jan. 1, 2017	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/ Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	Dec. 31, 2017
Equity investments	363	9	–	–	-10	–	–	164	526
Derivative financial instruments	339	11	–	–	-27	–	–	–	323
Total	**702**	**20**	**0**	**0**	**-37**	**0**	**0**	**164**	**849**

The extent to which the offsetting of financial assets is covered by netting agreements is presented in the following table:

Netting Agreements for Financial Assets and Liabilities as of December 31, 2017

€ in millions	Gross amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets				
Trade receivables	*7,126*	*3,748*	*–*	*3,378*
Interest-rate and currency derivatives	*83*	*–*	*–*	*83*
Commodity derivatives	*11,166*	*5,355*	*310*	*5,501*
Total	**18,375**	**9,103**	**310**	**8,962**
Financial liabilities				
Interest-rate and currency derivatives	*211*	*–*	*–*	*211*
Commodity derivatives	*10,862*	*5,355*	*472*	*5,035*
Trade payables and other operating liabilities	*8,725*	*3,748*	*–*	*4,977*
Total	**19,798**	**9,103**	**472**	**10,223**

Transactions and business relationships resulting in the derivative financial receivables and liabilities presented are generally concluded on the basis of standard contracts that permit the netting of open transactions in the event that a counterparty becomes insolvent.

Netting Agreements for Financial Assets and Liabilities as of December 31, 2016

€ in millions	Gross amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets				
Trade receivables	*7,353*	*3,381*	*–*	*3,972*
Interest-rate and currency derivatives	*151*	*–*	*–*	*151*
Commodity derivatives	*13,626*	*6,456*	*310*	*6,860*
Total	**21,130**	**9,837**	**310**	**10,983**
Financial liabilities				
Interest-rate and currency derivatives	*148*	*–*	*–*	*148*
Commodity derivatives	*13,699*	*6,456*	*539*	*6,704*
Trade payables and other operating liabilities	*8,396*	*3,381*	*–*	*5,015*
Total	**22,243**	**9,837**	**539**	**11,867**

The netting agreements are derived from netting clauses contained in master agreements including those of the International Swaps and Derivatives Association (ISDA) and the European Federation of Energy Traders (EFET), as well as the German Master Agreement for Financial Derivatives Transactions ("DRV") and the Financial Energy Master Agreement ("FEMA"). For commodity derivatives, the netting option is not presented in the accounting because the legal enforceability of netting agreements varies by country. As of December 31, 2017, other financial assets amounting to €472 million (2016: €539 million) had been deposited as collateral.

The following tables illustrate the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

Cash Flow Analysis as of December 31, 2017

€ in millions	Cash outflows 2018	Cash outflows 2019	Cash outflows 2020–2022	Cash outflows from 2023
Bonds	500	–	–	–
Bank loans/Liabilities to banks	24	30	42	–
Liabilities from finance leases	47	48	135	969
Other financial liabilities	429	22	15	443
Cash outflows for financial liabilities	**1,000**	**100**	**192**	**1,412**
Trade payables	923	–	–	–
Derivatives (with/without hedging relationships)	3,842	1,274	595	289
Put option liabilities under IAS 32	13	–	–	84
Other operating liabilities	6,002	–	–	–
Cash outflows for trade payables and other operating liabilities	**10,780**	**1,274**	**595**	**373**
Cash outflows for liabilities within the scope of IFRS 7	**11,780**	**1,374**	**787**	**1,785**

Cash Flow Analysis as of December 31, 2016

€ in millions	Cash outflows 2017	Cash outflows 2018	Cash outflows 2019–2021	Cash outflows from 2022
Bonds	–	500	–	–
Bank loans/Liabilities to banks	828	17	67	6
Liabilities from finance leases	74	48	132	1,014
Other financial liabilities	555	145	20	500
Cash outflows for financial liabilities	**1,457**	**710**	**219**	**1,520**
Trade payables	1,349	–	–	–
Derivatives (with/without hedging relationships)	8,752	2,262	442	20
Put option liabilities under IAS 32	11	–	–	87
Other operating liabilities	5,800	1	38	–
Cash outflows for trade payables and other operating liabilities	**15,912**	**2,263**	**480**	**107**
Cash outflows for liabilities within the scope of IFRS 7	**17,369**	**2,973**	**699**	**1,627**

As in the previous year, no financial guarantees were issued in the 2017 fiscal year.

For financial liabilities that bear floating interest rates, the rates that were fixed on the balance sheet date are used to calculate future interest payments for subsequent periods as well. Financial liabilities that can be terminated at any time are assigned to the earliest maturity band in the same way as put options that are exercisable at any time.

In gross-settled derivatives (usually currency derivatives and commodity derivatives), outflows are accompanied by related inflows of funds or commodities.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

Net Gains and Losses by Category[1]

€ in millions	2017	2016
Loans and receivables	81	35
Available for sale	1	-352
Held for trading	-54	-1,833
Amortized cost	-4	-198
Total	**24**	**-2,348**

[1]The categories are described in detail in Note 2.

In addition to interest income and valuation allowances from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables and loans.

Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest and potential prepayment penalties on financial liabilities, reduced by capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives and of realized gains and losses on currency derivatives is the most important factor in the net result for this category.

Risk Management

Principles

The risk management system at the Uniper Group is based on centrally developed, globally applicable principles.

The organizational structure, specialist expertise, systems, processes and policies are material components of the Group's risk management system and ensure that risks are appropriately identified, analyzed, quantified, aggregated and managed.

The risk from financial instruments is primarily bundled within the trading unit and managed centrally. The risk management system for financial instruments is based on the fundamental principle that risks are accepted and authorized according to existing policies and mandates, and that they are kept within permissible limits and continuously analyzed, monitored and managed. Key to the risk management system for financial instruments are the principles of managing market-price and credit risks, as well as financing activities and associated liquidity risks.

The management and control of the aforementioned risks is organized along three "lines of defense," each of which operates separately from the other two. The first line consists of the Group's trading operations, which decide on the assumption of risk and, as risk owners, actively manage those risks. The second line consists of risk and control units that are responsible for the processing of trades and for risk analysis and monitoring. The third line of defense is the realm of internal audit, which reviews and supervises the activities of the first and second lines.

One of the central responsibilities of Uniper SE's Management Board is to ensure that an effective risk management system is put in place. Functions and tasks to support and aid the operational implementation of the central risk management principles are delegated appropriately within the Uniper organization, with due consideration given to functional responsibilities.

The Risk Committee of the Uniper Group is the supreme body in charge of monitoring the risks associated with the Uniper Group's business activities. Headed by the Group's Chief Financial Officer, it is further composed of the Chief Risk Officer, the Chief Commercial Officer, the Chief Operating Officer and the Executive Vice President for Group Finance. This committee discusses material risks exposures and decides on their disposition. Risk monitoring and the management of countermeasures include the determination of necessary risk capital, the allocation of risk limits and the development of effective risk management policies and risk control methods.

1. Liquidity Management

The primary objectives of liquidity management consist of ensuring ability to pay at all times, the timely satisfaction of contractual payment obligations and the optimization of costs within the Uniper Group.

The key component of liquidity management is central cash pooling and the centralization of external financing at Uniper SE. All liquid funds are provided to the other Group companies as needed on the basis of an "in-house banking" solution.

The financing requirements of the Uniper Group companies are determined on the basis of short- and medium-term liquidity planning. The financing of the Uniper Group is controlled and implemented centrally on a forward-looking basis in accordance with the planned liquidity requirement or surplus. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, divestments, margin payments and the maturities of financial liabilities.

2. Market Risks

The Uniper Group is exposed to the risk of changes in prices in foreign currencies, interest rates and commodities as part of its ordinary business activities. Uniper SE has developed-risk reduction strategies to limit the resulting fluctuations in earnings, equity, indebtedness and cash flows that are applicable across the entire Uniper Group. Financial derivatives are used for the purpose of reducing risk and optimizing earnings.

Foreign Exchange Risk Management

Uniper SE is responsible for controlling the currency risks to which the Uniper Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the Uniper Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of items in the balance sheets and income statements of the consolidated foreign Uniper companies included in the Consolidated Financial Statements. Translation risks are hedged through borrowing in the corresponding local currency, which may also include shareholder loans in foreign currency. In addition, derivative and primary financial instruments are employed as needed. The Uniper Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The Uniper Group is also exposed to operating and financial transaction risks attributable to foreign currency transactions. These risks arise for the Uniper Group companies primarily from physical and financial trading in commodities, from business relations within the Uniper Group and from capital spending projects in foreign currencies. The Uniper companies are responsible for controlling their operating currency risks. Uniper SE is responsible for the overall coordination of the companies' hedging activities and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and also by shareholder loans within the Uniper Group denominated in foreign currency.

As of December 31, 2017, the one-day value-at-risk (99% confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €22.8 million (2016: €24.6 million) and resulted primarily from the positions in U.S. dollars, Swedish kronor, British pounds and Russian rubles.

Interest Risk Management

The Uniper companies are generally financed using the Uniper Group's cash pooling system. Cash pooling balances bear interest at market rates specific to maturities and currencies. Individual Uniper companies that are not included in the cash pool due to legal restrictions arrange financing independently or deposit their excess liquidity with leading local banks.

Uniper SE funds itself primarily on the basis of fixed interest rates. At this time, floating-rate financial liabilities are temporary and exist only on very a short-term basis, so there is no resulting material interest risk for Uniper. Accordingly, a disclosure about interest rate risk is not made.

Commodity Price Risk Management

The Uniper portfolio of physical assets, long-term contracts and wholesale customer contracts is exposed to substantial risks from fluctuations in commodity prices. The commodity price risks to which Uniper is exposed relate to electricity, gas, coal, freight charters, petroleum products, liquefied natural gas and emission allowances.

The Uniper Group manages the majority of its commodity risks through a central trading function. Risk management for commodity trading activities is based on general standards in the industry for trading operations and also involves the segregation of tasks, as well as daily income and risk calculation and reporting. The objective of commodity risk management is to optimize the value of the Uniper Group's commodity portfolio while limiting associated potential losses.

The key elements of commodity risk management are governed by the market price risk policy. These key elements include the new-product process, which supports the identification of new risks, a series of key indicators to aid the quantification of the commodity risk, and a system of risk controls and limits. Commodity price risks are measured based on a value-at-risk approach with a 95% confidence interval and take into account the amount of the open position, as well as the prices, their volatility and the liquidity on the respective markets. The value-at-risk figures are supplemented by stop-loss and volume-based indicators. Where necessary, additional portfolio-specific restrictions are set.

Commodity positions are aggregated into portfolios based on internal organizational responsibilities and trading strategies. In the calculations of commodity risk, market correlations and portfolio diversification are taken into account together with adopted risk policies. The methods for quantifying and analyzing commodity risk are reviewed and enhanced on a regular basis to ensure that they appropriately reflect the risk positions and the resulting exposure. Commodity price risks are incurred within the caps approved by the Management Board and the Supervisory Board.

Two complementary approaches are followed to manage commodity risks at Uniper. Viewed firstly from an economic perspective, risks are limited over the entire tradable time horizon, with market liquidity taken into account. At the same time, these risks are also limited in line with accounting policies over a three-year planning horizon. The second approach supports the limitation of potential negative deviations from target adjusted EBIT.

The specification and approval of commodity risk caps is embedded in the higher-level Group-wide risk-assessment procedure, in which all known obligations and quantifiable risks are incorporated.

Commodity price risks are analyzed and monitored daily by a dedicated team of specialists. Responsible management is informed daily about gains and losses associated with commodity-trading activities and about existing risks.

Based on the current Uniper portfolio, as of December 31, 2017, the calendar-year-based, weighted value-at-risk, which takes market liquidities into account and ignores correlations between the years, was €326 million for financial and physical commodity positions covering a planning horizon of three years (2016: €681 million). The reduction of the risk can be attributed in part to methodology, as Uniper now takes diversification between the business areas into account. But it is also due to a very great extent to reduced price volatility in the electricity market.

Commodity risk management as presented above reflects the Uniper Group's internal management reporting and also covers the financial instruments within the scope of IFRS 7.

3. Credit Risks

Uniper is exposed to credit risk in its operating activities and through the use of financial instruments.

Credit risk is the risk that the Uniper Group might incur a financial loss as a consequence of the non-settlement or partial settlement of outstanding receivables by counterparties and from replacement risks for open transactions.

Credit Risk Management

As part of centralized credit risk management, the credit rating of business partners is systematically assessed and monitored on the basis of Group-wide minimum standards, which in certain business operations where most of the risks are incurred are supplemented by specific internal control processes.

Uniper applies appropriate measures to manage credit risks. They include setting limits for individual counterparties, counterparty groups and at portfolio level, as well as securing collateral, structuring contracts and/or transferring credit risk to third parties (such as insurers). Credit risks are continuously measured and monitored to ensure that the measures taken are in fact appropriate. The Risk Committee is kept informed about material credit risks on a regular basis. An additional foundation for the management of risk is a conservative investment strategy and a broadly diversified portfolio.

Guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness are accepted as collateral for credit risks. The Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Collateral amounting to €3,372 million (2016: €4,226 million) has been accepted in the context of risk management.

The amounts and backgrounds of financial assets received as collateral are described in more detail in Note 17.

To reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Margining involves paying cash into a margin account to cover unfavorable price movements in contracts entered into on a margin basis. The inherent margining and liquidity risk is linked directly to actual or potential market price movements. The resulting margining risk is measured, monitored and managed using an overall limit for the entire Uniper Group.

To further reduce credit risk, derivative transactions are generally executed on the basis of standard agreements under which the netting of all open transactions can in principle be agreed with individual counterparties.

Liquid funds are generally invested with counterparties with good credit ratings. Uniper companies that are not included in the Uniper Group cash pool due to legal restrictions deposit money with leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels, stock prices and other market-relevant information at the banks and at other significant counterparties.

(30) Transactions with Related Parties

Uniper exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties of both the E.ON Group and the Uniper Group.

The deconsolidation agreement entered into by E.ON SE, E.ON Beteiligungen GmbH and Uniper SE took effect at the end of the day on December 31, 2016 (see also Note 1). The signing of the deconsolidation agreement led to E.ON SE losing control of the Uniper Group.

For that reason, for the purposes of the disclosure of transactions with related parties, the relationships with E.ON SE and its subsidiaries and joint ventures have been presented as transactions involving entities with significant influence over Uniper. Transactions with associated companies of the Uniper Group and their subsidiaries, as well as with joint ventures of the Uniper Group, are presented separately. Transactions with subsidiaries of the Uniper Group that are not fully consolidated are presented as transactions with other related parties.

The share of transactions with other related parties is not material in terms of the extent of the transactions mentioned in the following section.

The following were the principal transactions with related parties in the 2017 and 2016 fiscal years.

Related-Party Transactions—Income Statement

€ in millions	2017	2016
Income	**7,462**	**10,955**
Entities with significant influence over Uniper	*7,034*	*10,356*
Associated companies	*371*	*341*
Joint ventures	*26*	*21*
Other related parties	*31*	*237*
Expenses	**3,601**	**7,008**
Entities with significant influence over Uniper	*3,108*	*6,500*
Associated companies	*357*	*259*
Joint ventures	*47*	*45*
Other related parties	*89*	*204*

Related-Party Transactions—Balance Sheet

€ in millions	Dec. 31, 2017	Dec. 31, 2016
Receivables	**2,262**	**2,245**
Entities with significant influence over Uniper	*1,235*	*1,253*
Associated companies	*531*	*482*
Joint ventures	*454*	*446*
Other related parties	*42*	*64*
Liabilities	**1,500**	**2,012**
Entities with significant influence over Uniper	*1,166*	*1,835*
Associated companies	*144*	*3*
Joint ventures	*48*	*42*
Other related parties	*142*	*132*

Transactions for Goods and Services

Business relationships with related parties primarily consist of the Group-wide procurement and sales activities of Uniper Global Commodities SE, mainly in connection with electricity and gas in the commodity markets, for the E.ON Group. These relationships are responsible for the extensive mutual obligations and trade relations.

Income generated from transactions with E.ON SE and E.ON Group companies included, in particular, revenues from deliveries of electricity and gas in the amount of €5,922 million (2016: €8,073 million). Expenses from transactions with E.ON SE and E.ON Group companies principally related to material costs associated with electricity and gas procurement in the amount of €2,524 million (2016: €3,118 million). Both revenues and cost of materials result from spot and forward transactions concluded at market terms that were conducted by Uniper Global Commodities SE as part of the provision of market access for the E.ON Group's companies.

Accordingly, receivables from and liabilities to related parties consist primarily of trade receivables relating to electricity and gas transactions amounting to €589 million (2016: €822 million) and trade payables relating to electricity and gas transactions amounting to €245 million (2016: €337 million).

Hedging Transactions and Derivative Financial Instruments

With the organizational restructuring of the Uniper Finance department subsequent to the completion of the spin-off from the E.ON Group, hedging transactions to protect against exchange rate movements are conducted by Uniper SE. The derivative receivables and liabilities from currency hedging transactions with E.ON SE that had still existed in 2016 already had a carrying amount of zero as of year-end 2016. No new hedging transactions have been entered into with related parties in the 2017 fiscal year. Accordingly, there was no corresponding income or expense from currency hedging transactions with E.ON SE in 2017. In the 2016 fiscal year, income from these hedging transactions had amounted to €429 million, while expenses from these hedging transactions had amounted to €442 million.

In the 2017 fiscal year, gains from the marking to market of commodity futures transactions with E.ON companies amounted to €1,002 million (2016: €957 million); corresponding losses amounted to €460 million (2016: €2,230 million). Derivative receivables relating to the marking to market of commodity futures transactions were recognized in the amount of €581 million (2016: €382 million); corresponding derivative liabilities relating to the marking to market of commodity futures transactions were recognized in the amount of €880 million (2016: €1,250 million).

Collateral, Global Letters of Awareness, Guarantees

The E.ON Group has provided collateral in favor of the Uniper Group. The guarantees issued by the E.ON Group had a value of €2,488 million as of December 31, 2017 (2016: €3,855 million). The reduction in 2017 resulted primarily from the expiration of guarantees. An additional factor in the decline is that Uniper has now itself issued guarantees that E.ON SE had previously given in favor of Uniper companies prior to the spin-off.

The guarantees from E.ON for the Uniper Group referred to above include guarantees in connection with the Swedish nuclear power activities. Those guarantees had been issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. The transfer of these guarantees and obligations from E.ON to Uniper requires the approval of the Swedish National Debt Office ("Riksgälden"), the competent authority for such matters, which had not been granted as of December 31, 2017. Until approval is received, the Uniper Group has released E.ON from any obligations arising from the aforementioned guarantees by means of an indemnification agreement.

Other

In the 2016 comparative period, a gain of €528 million had been recognized on the sale of PEGI, including its equity interest in Nord Stream AG, to E.ON.

Related Parties

Under IAS 24, compensation paid to key management personnel (members of the Management Board and of the Supervisory Board) must be disclosed.

The expense for the 2017 fiscal year for members of the Uniper Management Board amounted to €6.7 million (2016: €15.2 million) in short-term benefits, €0.0 million (2016: €0.0 million) in termination benefits and €1.1 million (2016: €1.0 million) in post-employment benefits. The expense determined in accordance with IFRS 2 for the share-based payment tranches in existence in 2017 was €9.2 million (2016: €0.3 million).

Accordingly, the total expense recognized was €17.0 million (2016: €16.5 million). Other provisions have been recognized in the amount of €12.4 million (2016: €4.1 million).

Additionally taken into account in 2017 were actuarial gains totaling €0.7 million (2016: losses of €0.7 million). The cost of post-employment benefits is equal to the service and interest cost of the provisions for pensions.

A provision for variable compensation of €0.2 million (2016: €0.0 million) was recognized to cover Uniper SE Supervisory Board compensation for 2017. Reimbursements paid by Uniper SE to Supervisory Board members for outlays, as well as Supervisory Board compensation paid to Supervisory Board members by subsidiaries of Uniper SE, totaled roughly €73 thousand for the 2017 fiscal year (2016: €19 thousand).

The expense for short-term compensation of members of the Supervisory Board amounted to €1.1 million for the 2017 fiscal year, and the expense for variable compensation determined pursuant to the requirements of IFRS 2 amounted to €0.2 million (2016: €1.0 million). Employee representatives on the Supervisory Board were awarded compensation under the existing employment contracts with subsidiaries of Uniper SE totaling €0.5 million (2016: €0.4 million).

For further details on the compensation of key management personnel, see also the Compensation Report beginning on page 84.

(31) Segment Information

The following information is provided on the basis of the Uniper Group's internal reporting system in order to enable an assessment to be made of the nature and financial consequences of the business activities conducted by the Uniper Group and of the economic environment in which the Group operates.

Operating Segments

The following operating segments are reported separately, in accordance with IFRS 8, in line with the management of the Group by the Management Board of Uniper SE in its capacity as the Group's chief operating decision maker.

European Generation

The European Generation segment comprises the various power and heat generation facilities that the Uniper Group operates in Europe. In addition to fossil-fuel power plants (coal, gas, oil and combined gas-and-steam power plants) and hydroelectric power plants, these generation facilities also include nuclear power plants in Sweden, a biomass plant in France, and a small number of photovoltaic and wind power facilities. The majority of the energy generated is sold to the Global Commodities segment, which is responsible for the marketing and sale of the energy to major customers via the trading markets and its own sales organization. A further portion of the energy generated is marketed by means of long-term electricity and heat supply contracts. In addition to the power plant business, this segment is also engaged in the marketing of energy services ranging from fuel procurement and engineering to operational and maintenance services to trading services (under the "Energy Services" brand).

Global Commodities

The Global Commodities segment bundles the energy trading activities and forms the commercial interface between the Uniper Group and the global wholesale markets for energy as well as the major customers. Within this segment, the fuels required for power generation (mainly coal and gas) are procured, emission allowances are traded, the electricity produced is marketed and the portfolio is optimized by managing the use of the power plants. The gas business is engaged in the supply of gas to industrial and municipal-utility customers and in the importation of gas from various sources. In addition, this segment includes infrastructure investments and the gas storage operations, as well as all the activities of the Uniper Group relating to the equity investment in the Russian gas field Yuzhno-Russkoye, which was sold at the end of November 2017.

International Power Generation

The International Power Generation segment brings together the operating power generation business of the Uniper Group in Russia and Brazil. PAO Unipro, an indirect subsidiary of Uniper SE listed in Russia, is responsible for conducting all business in connection with power generation and associated activities in Russia. These include the procurement of the fuels needed for the power plants, the operation and management of the plants and the trading and sale of the energy produced. The Uniper Group's business in Brazil primarily comprises a 6.1% financial investment in the energy utility ENEVA S.A held by the Uniper Group and a 50% shareholding in Pecém II Participações S.A., which operates a coal-fired power plant.

In addition, the Group-wide non-operating functions carried out centrally for all segments of the Uniper Group are brought together under Administration/Consolidation. The consolidations required to be carried out at Group level are also made here.

Management System

Adjusted EBIT, earnings before interest and taxes adjusted for non-operating effects, is the key measure at Uniper for purposes of internal management control and as the most important indicator of a business's operating performance. Because it was still included in the E.ON Group for part of the 2016 fiscal year, a measure of earnings before interest, taxes, depreciation and amortization adjusted for non-operating effects ("adjusted EBITDA") was additionally taken into account in the internal reporting organization.

Unadjusted earnings before interest and taxes ("EBIT") represents the Uniper Group's income/loss before financial results and taxes in accordance with IFRS, taking into account the net income/loss from equity investments. Unadjusted EBIT is adjusted for certain non-operating effects in order to increase its meaningfulness as an indicator of the operating performance of Uniper's business. Operating income also includes income from investment subsidies for which liabilities are recognized.

The non-operating effects on earnings for which EBIT is adjusted include, in particular, income and expenses from the fair value measurement of derivative financial instruments used in hedges and, where material, book gains/losses, expenses for restructuring / cost-management programs initiated prior to the spin-off and impairment charges/reversals on non-current assets, on companies accounted for under the equity method and other long-term financial assets and on goodwill in the context of impairment tests, as well as other contributions to non-operating earnings.

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of derivatives are also included in other operating expenses and income. Expenses for restructuring/cost management programs initiated prior to the spin-off represent additional expenses that are not directly attributable to the operating business. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement.

The table below presents the reconciliation of the Group's earnings under IFRS to adjusted earnings before interest and taxes:

Reconciliation of Income/Loss before Financial Results and Taxes

€ in millions	2017	2016
Income/Loss before financial results and taxes	**-88**	**-3,973**
Net income/loss from equity investments	-24	10
EBIT	**-112**	**-3,963**
Non-operating adjustments	1,226	5,325
Net book gains/losses	*890*	*-522*
Marking to market of derivative financial instruments	*-88*	*1,636*
Restructuring / Cost-management expenses[1, 2]	*18*	*344*
Non-operating impairment charges (+)/reversals (-)[3]	*400*	*2,921*
Miscellaneous other non-operating earnings	*6*	*946*
Adjusted EBIT	**1,114**	**1,362**
Adjusted EBITDA	*1,741*	*2,122*

[1]Expenses for restructuring/cost-management in the Global Commodities segment included depreciation and amortization of €14 million in 2017 (2016: €16 million).
[2]Expenses for restructuring/cost-management do not include expenses incurred for the current restructuring program and its related subprojects.
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the statement of income since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring / cost-management expenses and in miscellaneous other non-operating earnings.

Owing to the adjustments made, the earnings items shown here may differ from the figures determined in accordance with IFRS.

Net Book Gains/Losses

In the reporting period, the sale of the shareholding in the Russian gas field Yuzhno-Russkoye to the Austrian oil and gas company OMV was finalized. The disposal at the end of November 2017 resulted in a net loss of €890 million due to the reclassification to the income statement of currency translation losses previously recognized in equity as accumulated other comprehensive income.

The net book gains of €522 million in 2016 had resulted primarily from the disposal of PEGI, including its equity interest in Nord Stream AG, and from the partial disposal of Uniper's stake in AS Latvijas Gāze.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement of derivatives used to hedge the operating business against price fluctuations generated income of €88 million as of the December 31, 2017, reporting date (2016: €1,636 million expense).

Restructuring / Cost Management

In the 2017 fiscal year, restructuring and cost-management expenses decreased by €326 million year over year. They amounted to €18 million in 2017 (2016: €344 million). The reduction resulted primarily from a one-time expense of €236 million for real-estate transfer taxes that arose in the context of the spin-off in 2016.

Non-operating Impairments/Reversals

In the reporting period, non-operating impairments were recognized, net of reversals, in the amount of -€400 million (2016: -€2,921 million).

The decrease relative to the previous year resulted primarily from the fact that impairment charges were recognized in the previous year at a level that was not required in the 2017 fiscal year. In addition, a non-operating impairment loss was recognized on the goodwill allocated to Yuzhno-Russkoye.

Miscellaneous Other Non-operating Earnings

Miscellaneous other non-operating earnings amounted to -€6 million in the 2017 fiscal year (2016: -€946 million). The improvement resulted primarily from the fact that a provision recognized for onerous contracts in the comparative period no longer had to be recognized in 2017.

Financial Information by Business Segment

	European Generation		Global Commodities	
€ in millions	**2017**	**2016**	**2017**	**2016**
External sales	3,199	2,988	67,862	63,233
Intersegment sales	3,908	3,847	3,172	3,232
Sales	**7,107**	**6,835**	**71,034**	**66,465**
Adjusted EBIT (segment result)	337	126	341	1,327
Equity-method earnings[1]	–	–	105	121
Operating cash flow before interest and taxes	**545**	**942**	**800**	**1,096**
Investments	518	494	49	99

[1]The income/loss from companies accounted for under the equity method presented here is generally adjusted for non-operating effects and therefore differs from the income/loss from companies accou

The investments presented in the financial information by business segment tables are the purchases of investments reported in the Consolidated Statements of Cash Flows.

Transactions within the Uniper Group are generally executed at market prices.

The following table shows the reconciliation of operating cash flow to operating cash flow before interest and taxes:

Operating Cash Flow before Interest and Taxes

€ in millions	2017	2016	Difference
Operating cash flow	**1,385**	**2,184**	**-799**
Interest payments	1	186	-185
Tax payments	332	-6	338
Operating cash flow before interest and taxes	**1,718**	**2,364**	**-646**

	International Power Generation		Administration/Consolidation		Uniper Group	
	2017	2016	2017	2016	2017	2016
	1,170	1,063	7	1	72,238	67,285
	–	–	-7,080	-7,079	–	–
	1,170	**1,063**	**-7,073**	**-7,078**	**72,238**	**67,285**
	616	106	-180	-197	1,114	1,362
	-5	-9	2	–	102	112
	671	**340**	**-298**	**-14**	**1,718**	**2,364**
	222	187	54	1	843	781

unted for under the equity method as presented in the income statement in accordance with IFRS.

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2017	2016
Electricity	28,777	27,623
Gas	38,560	37,146
Other	4,901	2,516
Total	**72,238**	**67,285**

The "Other" item consists, in particular, of revenues generated from services and from other trading activities.

The following table breaks down external sales (by customer and company location), intangible assets and property, plant and equipment, as well as the carrying amounts of companies accounted for under the equity method, by geographic area:

Geographic Segment Information

	Germany		United Kingdom	
€ in millions	**2017**	**2016**	**2017**	**2016**
External sales by location of customer	23,393	21,036	16,881	17,395
External sales by location of seller	66,425	63,572	100	97
Intangible assets	720	800	2	1
Property, plant and equipment	3,935	3,768	1,090	1,204
Companies accounted for under the equity method	312	697	37	27

The Group's customer structure did not result in any major concentration in any given geographical region or business area, with the exception of the business relationships with the E.ON Group described in Note 30. Due to the Company's large number of customers and the variety of its business activities, there are no customers whose business volume is material in relation to the total business volume of the Group.

	Sweden		Netherlands		Europe (other)		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	1,049	1,529	17,299	15,407	10,111	10,808	3,505	1,110	72,238	67,285
	182	236	733	699	2,869	2,565	1,929	116	72,238	67,285
	60	63	14	22	21	1,232	2	3	819	2,121
	2,775	2,885	759	797	2,884	2,979	53	67	11,496	11,700
	51	53	39	40	–	–	9	10	448	827

(32) Other Significant Issues after the Balance Sheet Date

An investigation initiated by the Federal Antimonopoly Service of Russia ("FAS") in July 2017 led to the decision in January 2018 to accuse Uniper and the system operator of having illegally received, through abuse of a dominant position in the electricity and capacity market, capacity payments for the third power plant unit at the Berezovskaya site following its shutdown due to an accident. On the basis of the available data, Unipro does not have a dominant market position with its share of installed power plant capacity and received the capacity payments in accordance with the market regulations in force at the time. Accordingly, Unipro intends to appeal against the FAS decision.

On February 7, 2018, following the expiration of the extended acceptance period for its takeover offer to Uniper shareholders, the Finnish energy group Fortum announced that, aside from the block of shares controlled by E.ON, an additional 0.47% of the shares had been tendered. This corresponds to an overall acceptance rate of 47.12%. Were the takeover offer to be finalized, a total of 172,439,375 shares would change owners. This event has no impact on the 2017 annual financial statements.

In February 2018, Gazprom initiated arbitration proceedings against a company of the Uniper Group regarding price adjustments for existing gas supply contracts. This event has no impact on the 2017 annual financial statements. Any potential impact on the current fiscal year also cannot be adequately determined at this time.

Declaration of the Management Board

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group Management Report, which is combined with the management report of Uniper SE, provides a fair review of the development and performance of the business and the position of the Uniper Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, February 26, 2018

The Management Board

Klaus Schäfer

Christopher Delbrück

Keith Martin

Eckhardt Rümmler

(33) List of Shareholdings Pursuant to Section 313 (2) HGB

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2017)

Legal name, Registered Office	Percentages
AB Svafo, SE, Stockholm[5]	22.00
Aerodis, S.A., FR, Colombes[1]	100.00
B.V. NEA, NL, Dodewaard[5]	25.00
Barsebäck Kraft AB, SE, Löddeköpinge[2]	100.00
BauMineral GmbH, DE, Herten[1, 7]	100.00
BBL Company V.O.F., NL, Groningen[4]	20.00
Bergeforsens Kraftaktiebolag, SE, Bispgården[4]	40.00
BIOPLYN Třeboň spol. s r.o., CZ, Třeboň[5]	24.67
Blackjewel Marketing and Sales Holdings LLC, US, Wilmington[4]	30.00
Blåsjön Kraft AB, SE, Arbrå[4]	50.00
Deutsche Flüssigerdgas Terminal beschränkt haftende oHG, DE, Düsseldorf[2]	90.00
DFTG-Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2]	90.00
Donau-Wasserkraft Aktiengesellschaft, DE, München[1]	100.00
E.ON Belgium N.V., BE, Vilvoorde[1]	100.00
E.ON Benelux Geothermie B.V. (in liquidation), NL, Rotterdam[2]	100.00
E.ON Benelux Levering B.V., NL, Eindhoven[1]	100.00
E.ON Perspekt GmbH, DE, Essen[5]	30.00
E.ON Ruhrgas Austria GmbH in Liqu., AT, Wien[2]	100.00
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.00
EASYCHARGE.me GmbH, DE, Düsseldorf[2]	100.00
EGC UAE SUPPLY & PROCESSING LTD FZE, AE, Fujairah free zone[2]	100.00
Energie-Pensions-Management GmbH, DE, Hannover[5]	30.00
Ergon Holdings Ltd, MT, St. Julians[1]	100.00
Ergon Insurance Ltd, MT, St. Julians[1]	100.00
Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[4]	75.22
Etzel Gas-Lager Management GmbH, DE, Friedeburg-Etzel[5]	75.20
Exporting Commodities International LLC, US, Marlton[4]	49.00
Freya Bunde-Etzel GmbH & Co. KG, DE, Essen[3]	59.98
Gas-Union GmbH, DE, Frankfurt am Main[4]	23.58
Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1]	50.20
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[5]	50.00
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1]	66.67
Greanex LLC, US, Wilmington[2]	51.00
Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2]	100.00
Holford Gas Storage Limited, GB, Edinburgh[1]	100.00
Hydropower Evolutions GmbH, DE, Düsseldorf[2]	100.00
India Uniper Power Services Private Limited, IN, Kolkata[5]	50.00
Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[2]	100.00
Javelin Global Commodities Holdings LLP, GB, London[4]	28.00
Kärnkraftsäkerhet & Utbildning AB, SE, Nyköping[5]	33.00
Klåvbens AB, SE, Olofström[5]	50.00
Kokereigasnetz Ruhr GmbH, DE, Essen[1, 7]	100.00
Kolbäckens Kraft KB, SE, Sundsvall[1]	100.00

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company (accounted for at cost for reasons of immateriality)
[3]Joint venture pursuant to IFRS 11
[4]Associated company (accounted for under the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other company in which share investments is held
[7]This company exercised its exemption option under either Section 264 (3) or Section 264b of the German Commercial Code
[8]IFRS figures as of December 31, 2016, in EUR
[9]Local-GAAP figures as of December 31, 2016, in EUR
[10]Change of legal form into "GmbH" in 2018

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2017)

Legal name, Registered Office	Percentages
Kraftwerk Buer GbR, DE, Gelsenkirchen[5]	50.00
Kraftwerk Schkopau Betriebsgesellschaft mbH, DE, Schkopau[1]	55.60
Kraftwerk Schkopau GbR, DE, Schkopau[1]	58.10
Liqvis GmbH, DE, Düsseldorf[2]	100.00
Lubmin-Brandov Gastransport GmbH, DE, Essen[1]	100.00
Maasvlakte CCS Project B.V., NL, Rotterdam[5]	50.00
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, München[2]	75.00
METHA-Methanhandel GmbH, DE, Essen[1]	100.00
Mittlere Donau Kraftwerke Aktiengesellschaft, DE, München[2]	60.00
Obere Donau Kraftwerke Aktiengesellschaft, DE, München[2]	60.00
OKG AB, SE, Oskarshamn[1]	54.50
OLT Offshore LNG Toscana S.p.A., IT, Milano[3]	48.24
OOO Agro-industrial Park «Siberia», RU, Sharypovskiy[2]	100.00
OOO E.ON Connecting Energies, RU, Moskau[5]	50.00
OOO Unipro Engineering, RU, Moskau[2]	100.00
PAO Unipro, RU, Surgut[1]	83.73
Pecém II Participações S.A., BR, Rio de Janeiro[3]	50.00
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4]	29.98
RGE Holding GmbH, DE, Essen[1, 7]	100.00
Rhein-Main-Donau Aktiengesellschaft, DE, München[1, 10]	77.49
Ringhals AB, SE, Varberg[4]	29.56
RMD Wasserstraßen GmbH, DE, München[2]	100.00
RMD-Consult GmbH Wasserbau und Energie, DE, München[2]	100.00
RuhrEnergie GmbH, EVR, DE, Gelsenkirchen[1]	100.00
SOCAR-UNIPER LLC, AZ, Sumgait[5]	49.00
Société des Eaux de l'Est S.A., FR, Saint-Avold (Creutzwald)[5]	25.00
Solar Energy s.r.o., CZ, Znojmo[5]	24.99
SQC Swedish Qualification Centre AB, SE, Stockholm[5]	33.30
Stensjön Kraft AB, SE, Stockholm[4]	50.00
store-x Storage Capacity Exchange GmbH i.L., DE, Leipzig[5]	32.00
Surschiste, S.A., FR, Mazingarbe[2]	100.00
Svensk Kärnbränslehantering AB, SE, Stockholm[5]	34.00
Sydkraft AB, SE, Malmö[1]	100.00
Sydkraft Försäkring AB, SE, Malmö[1]	100.00
Sydkraft Hydropower AB, SE, Sundsvall[1]	100.00
Sydkraft Nuclear Power AB, SE, Malmö[1]	100.00
Sydkraft Thermal Power AB, SE, Malmö[1]	100.00
Teplárna Tábor, a.s., CZ, Tábor[1]	51.95
Uniper Anlagenservice GmbH, DE, Gelsenkirchen[1]	100.00
Uniper Benelux CCS Project B.V., NL, Rotterdam[2]	100.00
Uniper Benelux Holding B.V., NL, Rotterdam[1]	100.00
Uniper Benelux N.V., NL, Rotterdam[1]	100.00
Uniper Beteiligungs GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Brasil Energia Ltda., BR, City of São Paulo[2]	100.00
Uniper Climate & Renewables France Solar S.A.S., FR, Colombes[1]	100.00

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company (accounted for at cost for reasons of immateriality)
[3]Joint venture pursuant to IFRS 11
[4]Associated company (accounted for under the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other company in which share investments is held
[7]This company exercised its exemption option under either Section 264 (3) or Section 264b of the German Commercial Code
[8]IFRS figures as of December 31, 2016, in EUR
[9]Local-GAAP figures as of December 31, 2016, in EUR
[10]Change of legal form into "GmbH" in 2018

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2017)

Legal name, Registered Office	Percentages
Uniper Energies Renouvelables S.A.S., FR, Colombes[1]	100.00
Uniper Energy DMCC, AE, Dubai[1]	100.00
Uniper Energy Limited, GB, Birmingham[2]	100.00
Uniper Energy Sales GmbH, DE, Düsseldorf[1]	100.00
Uniper Energy Sales Polska Sp. z o.o. w likwidacji, PL, Warschau[2]	100.00
Uniper Energy Southern Africa (Pty) Ltd., ZA, Johannesburg (Sandton)[2]	100.00
Uniper Energy Storage GmbH, DE, Essen[1]	100.00
Uniper Energy Storage Limited (in Liquidation), GB, Birmingham[2]	100.00
Uniper Energy Trading NL Staff Company 2 B.V., NL, Rotterdam[2]	100.00
Uniper Energy Trading NL Staff Company B.V., NL, Rotterdam[2]	100.00
Uniper Energy Trading Srbija d.o.o., RS, Belgrad[2]	100.00
Uniper Energy Trading UK Staff Company Limited, GB, Birmingham[1]	100.00
Uniper Exploration & Production GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Financial Services GmbH, DE, Regensburg[2]	100.00
Uniper France Energy Solutions S.A.S., FR, Colombes[1]	100.00
Uniper France Power S.A.S., FR, Colombes[1]	100.00
Uniper France S.A.S., FR, Colombes[1]	100.00
Uniper Gas Transportation and Finance B.V., NL, Rotterdam[1]	100.00
Uniper Global Commodities Canada Inc., CA, Toronto[2]	100.00
Uniper Global Commodities London Ltd., GB, Birmingham[2]	100.00
Uniper Global Commodities North America LLC, US, Wilmington[1]	100.00
Uniper Global Commodities SE, DE, Düsseldorf[1]	100.00
Uniper Global Commodities UK Limited, GB, Birmingham[1]	100.00
Uniper Holding GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Holdings Limited, GB, Birmingham[2]	100.00
Uniper HR Services Berlin GmbH, DE, Berlin[2]	100.00
Uniper HR Services Hannover GmbH, DE, Hannover[2]	100.00
Uniper Hungary Energetikai Kft., HU, Budapest[1]	100.00
Uniper Infrastructure Asset Management B.V., NL, Rotterdam[1]	100.00
Uniper IT GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Kraftwerke GmbH, DE, Düsseldorf[1]	100.00
Uniper Market Solutions GmbH, DE, Düsseldorf[2]	100.00
Uniper NefteGaz LLC, RU, Moskau[2]	100.00
Uniper Risk Consulting GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Ruhrgas BBL B.V., NL, Rotterdam[1]	100.00
Uniper Ruhrgas International GmbH, DE, Essen[1, 7]	100.00
Uniper Russia Beteiligungs GmbH, DE, Düsseldorf[2]	100.00
Uniper Russia Holding GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Technologies B.V., NL, Rotterdam[2]	100.00
Uniper Technologies GmbH, DE, Gelsenkirchen[1]	100.00
Uniper Technologies Limited, GB, Birmingham[1]	100.00
Uniper Trading Canada Ltd., CA, Toronto[2]	100.00
Uniper Trend s.r.o., CZ, České Budějovice[1]	100.00
Uniper UK Corby Limited, GB, Birmingham[1]	100.00
Uniper UK Cottam Limited, GB, Birmingham[2]	100.00

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company (accounted for at cost for reasons of immateriality)
[3]Joint venture pursuant to IFRS 11
[4]Associated company (accounted for under the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other company in which share investments is held
[7]This company exercised its exemption option under either Section 264 (3) or Section 264b of the German Commercial Code
[8]IFRS figures as of December 31, 2016, in EUR
[9]Local-GAAP figures as of December 31, 2016, in EUR
[10]Change of legal form into "GmbH" in 2018

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2017)

Legal name, Registered Office	Percentages
Uniper UK Gas Limited, GB, Birmingham[1]	100.00
Uniper UK Ironbridge Limited, GB, Birmingham[1]	100.00
Uniper UK Limited, GB, Birmingham[1]	100.00
Uniper UK Trustees Limited, GB, Birmingham[2]	100.00
Uniper Wärme GmbH, DE, Gelsenkirchen[1]	100.00
Untere Iller AG, DE, Landshut[2]	60.00
Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1]	100.00
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft, DE, Wolfsburg[5]	95.00

Other companies in which share investments are held

Gesellschaft, Sitz	%	Equity as at reporting date 2016	Net income as at reporting date 2016
Other companies in which share investments are held			
AS Latvijas Gaze, LV, Riga[4, 9]	18,26	599.366.000,00	37.506.000,00
ENEVA S.A., BR, Rio de Janeiro[6, 8]	6,10	1.131.082,58	-30.825,45
Forsmarks Kraftgrupp AB, SE, Östhammar[6, 9]	8,50	699.372.600,01	62.479,96
Mellansvensk Kraftgrupp AB, SE, Stockholm[6, 9]	5,35	8.141.063,41	207,57

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company (accounted for at cost for reasons of immateriality)
[3]Joint venture pursuant to IFRS 11
[4]Associated company (accounted for under the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other company in which share investments is held
[7]This company exercised its exemption option under either Section 264 (3) or Section 264b of the German Commercial Code
[8]IFRS figures as of December 31, 2016, in EUR
[9]Local-GAAP figures as of December 31, 2016, in EUR
[10]Change of legal form into "GmbH" in 2018

Information About the Supervisory Board and the Management Board

Supervisory Board (including Information on Other Directorships Held by Supervisory Board Members)

The Supervisory Board has the following members:

Supervisory Board

Name	Position	External mandate in other governing bodies	Start date/ Leaving date
Dr. Bernhard Reutersberg (Chairman of the Supervisory Board, Uniper SE)	Chairman of the Supervisoriy Board		from December 18, 2015
Harald Seegatz (Deputy Chairman of the Supervisory Board, Uniper SE)	Chairman of the employee council	Uniper Kraftwerke GmbH	from April 14, 2016
Dr. Marc Spieker (Deputy Chairman of the Supervisory Board, Uniper SE)	CFO E.ON SE	Nord Stream AG from May 2017	from April 14, 2016
Dr. Johannes Teyssen (Deputy Chairman of the Supervisory Board, Uniper SE)	Chairman and CEO, E.ON SE	Nord Stream AG from May 2017 Deutsche Bank AG	until June 8, 2017
Ingrid Marie Åsander	Project Coordinator	Sydkraft Hydropower AB	from April 14, 2016
Oliver Biniek	Employee representative	Uniper Anlagenservice GmbH, Deputy Chairman	from April 14, 2016
Jean-Francois Cirelli	Chairman Blackrock France, Belgium and Luxembourg	Idemia from 2017	from Jan. 1, 2017
David Charles Davies	Independent Board Member	Ophir Energy Plc Wienerberger AG, Deputy Chairman from 2017 Wiener Börse AG until 2017 CEESEG AG until 2017	from June 8, 2017
Dr. Marion Helmes	Consultant	Bilfinger SE ProSiebenSat.1 Media SE, Deputy Chairman NXP Semiconductors N.V. British American Tobacco Plc.	from Jan. 1, 2017
Barbara Jagodzinski	Chairwoman of the employee council Uniper Global Commodities SE		from April 14, 2016
Andre Muilwijk	Chairman of the employee council Uniper Benelux N.V.		from April 14, 2016
Rebecca Ranich	Independent Board Member	National Fuel Gas Yet Analytics Gas Technology Institute, Deputy Chairperson	from Jan. 1, 2017
Andreas Scheidt	Federal executive board, ver.di	E.ON SE, Deputy Chairman	until June 8, 2017
Immo Schlepper	Head of regional department, ver.di	EWE AG	from June 8, 2017

Management Board (including Information on Other Directorships Held by the Management Board Members)

The Management Board has the following members:

Management Board

Name	Profession	Other directorships	Entry date:
Klaus Schäfer	Chairman of the Management Board (CEO)	Nord Stream AG, until May 2017 Uniper Global Commodities SE, Chairman Uniper Kraftwerke GmbH, Chairman PAO Unipro, Chairman	Dec. 30, 2015
Christopher Delbrück	Member of the Management Board (CFO)	Nord Stream AG, until May 2017 PAO Unipro	Dec. 30, 2015
Keith Martin	Member of the Management Board (CCO)		March 1, 2016
Eckhardt Rümmler	Member of the Management Board (COO)	Uniper Technologies GmbH, Chairman PAO Unipro	Dec. 30, 2015

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Uniper SE, Düsseldorf

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Uniper SE, Düsseldorf, (hereinafter the "Company") for the period from 01 January to 31 December 2017 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

[1]PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate combined non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Düsseldorf, 27 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Hendrik Fink
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Further Financial Information

Glossary of Financial Terms

Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of variables (such as trends in wages and pensions). Actuarial gains and losses are recognized when the actual numbers turn out to be different from the projections.

Adjusted EBIT
Adjusted EBIT as applied by Uniper is a measure of earnings before interest and taxes adjusted for non-operating effects (see page 18 of this Annual Report for a detailed definition).

Adjusted EBITDA
Adjusted EBITDA is a measure of earnings before interest, taxes, depreciation, and amortization and reversals adjusted for non-operating effects.

Adjusted funds from operations ("adjusted FFO")
Cash flow measure used by Uniper. Adjusted funds from operations ("adjusted FFO"), is an adjusted cash flow from operating activities (see page 18 of this Annual Report for a detailed definition).

Bond
Debt security in which the right to repayment of the bond's nominal value plus interest is securitized. Issuers include government entities, banks and businesses. They are a form of medium- and long-term debt financing for the issuer.

Capital stock
The share capital of a stock corporation as specified in its articles of association and recorded in the commercial register. It is shown on the liabilities side of the balance sheet.

Cash flow statement
The cash flow statement assists in the determination and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing and financing activities.

Commercial paper ("CP")
Short-term, unsecured debt instruments issued by entities such as businesses and banks as part of a CP program.

Consolidation
In the Consolidated Financial Statements, all Group companies are presented together as if they formed a single legal entity. All intragroup expenses and income, all intragroup trade payables and receivables and all other transactions between Group companies are offset against each other and eliminated. Equity investments in Group companies are offset against their capital stock (consolidation of investments) and all intragroup receivables and liabilities are eliminated, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items of the annual financial statements produces the Consolidated Balance Sheet and the Consolidated Statement of Income.

Contractual Trust Arrangement ("CTA")
A model for funding pension obligations using a trust. In a CTA, a company with pension obligations transfers assets to a separate, legally independent trustee, which uses the assets to satisfy the company's pension obligations.

Controllable costs
Controllable costs are an indicator for the management of costs, and include those expenses over which operations management can exercise independent influence.

Cost of capital
The cost of capital employed is calculated as the weighted average of the costs of debt and equity financing (weighted-average cost of capital, “WACC”). The cost of equity is the return expected by an investor in a given stock. The cost of debt is geared to market terms for loans and bonds. The interest on corporate debt is tax-deductible (referred to as the tax shield on corporate debt).

Credit default swap (“CDS”)
The buyer of a CDS buys protection against risks involving a debtor’s failure to make required payments on loans, bonds or other forms of financing, and these risks are assumed by the seller of the CDS in exchange for a premium.

Credit facility
Lines of credit and other financing usually extended contractually by banks to businesses to cover their financing needs.

Debt factor
Ratio of economic net debt to adjusted EBITDA. The debt factor serves as a target value for the capital structure.

Debt Issuance Programme (“DIP”)
Uniper’s program for issuing bonds domestically and abroad.

Discontinued operations
Identifiable business units that are intended for sale or have been sold. They are subject to special disclosure rules.

Economic net debt
Measure that shows total economic debt by taking into account the net financial position and provisions for pensions and similar obligations and provisions for asset retirement obligations. Any assets allocated to these obligations (e.g., receivables from the Swedish Nuclear Waste Fund) are netted.

Equity-method accounting
Method of accounting for shareholdings in associated companies that is not included in the Consolidated Financial Statements on the basis of full consolidation with all assets and liabilities. The book value (carrying amount) recognized for such shareholdings is adjusted for the change in the owned portion of the shareholding’s equity. This change is shown in the owning company’s income statement.

Fair value
The amount for which assets, liabilities and derivative financial instruments could be exchanged or settled between knowledgeable, willing and independent parties (arm’s-length transaction).

Financial leverage
Ratio of the financial position to adjusted EBITDA. The financial net debt ratio serves as a target for the capital structure.

Free cash flow
The free cash flow target describes Uniper's aspiration to achieve neutral to positive free cash from operations after paying out the dividend while simultaneously optimizing the operating, financing and investing components of cash flow.

Free cash flow from operations ("FCFO")
Free cash from operations ("FCFO") is used by Uniper as the basis for calculating dividend payments. FCFO is adjusted FFO less investment spending for maintenance and replacement.

German Corporate Governance Code
The German Corporate Governance Code embodies material statutory provisions for the management and supervision of German listed companies. Its recommendations and suggestions contain internationally and nationally recognized standards of good and responsible corporate governance.

Goodwill
The value of a subsidiary as disclosed in the Consolidated Financial Statements resulting from the consolidation of investments (after elimination of hidden reserves and charges), calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's carrying amount (book value) with its recoverable amount (fair value). If it is determined that an asset's recoverable amount has fallen below its carrying amount, an impairment charge must be recognized on the asset.

International Financial Reporting Standards ("IFRS")
International accounting standards which must, pursuant to the relevant regulation of the European Parliament and of the European Council, be applied by publicly traded companies in the EU.

Investments
Cash-effective investments as reported in the cash flow statement. These investments are divided into growth investments and investments in fixed assets in connection with replacement of existing equipment and maintenance.

Net financial position
Balance of liquid funds and non-current securities net of financial liabilities (including financial liabilities to affiliated companies).

Net income/loss
Earnings figure that includes interest, income taxes and income from non-controlling interests, and which has not been adjusted for any extraordinary effects.

Operating cash flow before interest and taxes ("OCFbIT")
Operating cash flow before interest and taxes ("OCFbIT") is a measure of cash flow from operating activities (operating cash flow) net of cash provided by or used for interest and taxes (less refunds).

Purchase price allocation
Allocation to individual assets and liabilities of the purchase price paid for an acquired entity in a business combination.

Rating
Classification by a rating agency of short- and long-term debt issues or of issuers into grades of credit quality or into rating categories. The main function of a rating is to create transparency and thus comparability for investors and creditors with regard to the risk of default of an issuer or a debt instrument.

Spin-off
Refers to the term from German law governing the reorganization of corporate entities ("Abspaltung"). A spin-off is a separation process in which one or more parts of an entity's assets are transferred to existing or newly established entities, while the original entity remains intact. As consideration for the assets thus separated, the owners of the transferring entity receive shares in the entity that receives the separated assets.

Spot market
A spot market (or cash market) is the economic venue where offers and bids for spot or cash transactions come together. Items traded in the spot market include, in particular, currencies, securities and commodities that are traded under standardized contracts.

Value at risk ("VaR")
Statistical risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99%) over a certain period of time (for example, one day). Holding periods can be specified with market liquidities taken into account. Due to correlations between markets, the risk to a portfolio determined in VaR can be less than the sum of the individual underlying risks within the portfolio.

PEFC/04-31-1338

This Annual Report was printed on paper produced from fiber that comes from a responsibly managed forest certified by the Forest Stewardship Council.

ClimatePartner
climate neutral

Print | ID 11475-1802-1007

Financial Calendar

May 8, 2018
Quarterly Statement: January–March 2018

June 6, 2018
2018 Annual Shareholders Meeting (Grugahalle, Essen)

August 7, 2018
Half-Year Interim Report: January–June 2018

November 13, 2018
Quarterly Statement: January–September 2018

March 12, 2019
Annual Report: 2018

May 7, 2019
Quarterly Statement: January–March 2019

May 22, 2019
2019 Annual Shareholders Meeting (Düsseldorf, Congress Center)

August 8, 2019
Half-Year Interim Report: January–June 2019

November 12, 2019
Quarterly Statement: January–September 2019

Further information

Media Relations
press@uniper.energy

Investor Relations
ir@uniper.energy

Creditor Relations
creditor-relations@uniper.energy

Uniper SE
E.ON-Platz 1
40479 Düsseldorf
Germany
www.uniper.energy