uniper

Annual Report 2018

Financial Results

Performance Indicators at a Glance

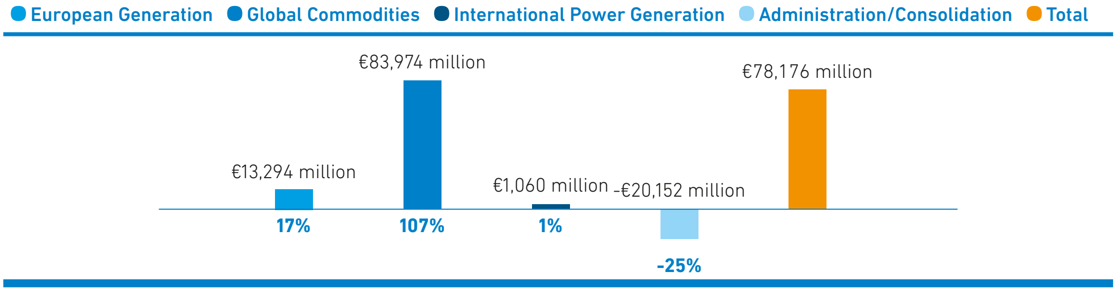
Financial and Non-Financial Indicators for the Uniper Group[1]

	Unit	2018	2017	2016
Power procurement and owned generation	Billion kWh	709.9	728.2	693.8
Electricity sales	Billion kWh	707.0	725.9	691.3
Gas sales	Billion kWh	2,019.3	1,944.8	1,725.7
CO_2 intensity[2]	g/kWh	499	506	502
Sales[3]	€ in millions	78,176	72,238	67,285
Adjusted EBIT[4]	€ in millions	865	1,114	1,362
For information purposes: Adjusted EBITDA[4]	€ in millions	1,543	1,741	2,122
Net income/loss	€ in millions	-492	-538	-3,234
Earnings per share[5, 6]	€	-1.23	-1.79	-8.79
Dividend proposal / Dividend per share[4]	€	0.90	0.74	0.55
Cash provided by operating activities	€ in millions	1,241	1,385	2,184
Adjusted FFO[7]	€ in millions	756	753	(479)[8]
Investments	€ in millions	642	843	781
Growth	*€ in millions*	*325*	*451*	*381*
Maintenance and replacement	*€ in millions*	*317*	*392*	*400*
Economic net debt	€ in millions	-3,208	-2,445	-4,167
Employees as of the reporting date		11,780	12,180	12,635
Proportion of female employees	*%*	*24.2*	*23.9*	*24.1*
Average age	Years	*44*	*44*	*44*
Employee turnover rate	%	4.7	5.0	4.0
TRIF (Uniper employees)		0.90	1.41	1.24
For information purposes: TRIF (combined)		1.47	1.53	1.72

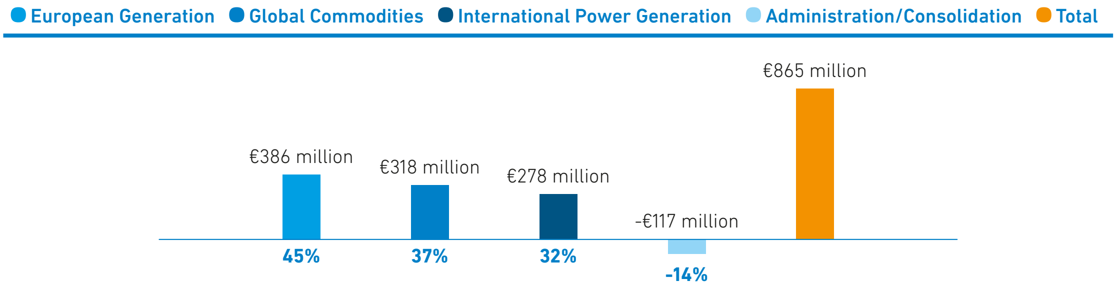
[1]Comparative disclosures are not adjusted when the scope of consolidation changes. [2]Uniper's carbon intensity is defined as the ratio between direct fossil fuel-derived CO_2 emissions from electricity and heat generation from Uniper's fully consolidated stationary facilities (financial control approach) and Uniper's generation volume. Dedicated Heat/Steam facilities are not included. [3]See also "Business Report" and "Newly Adopted Standards and Interpretations." [4]Adjusted for non-operating effects. [5]Basis: outstanding shares as of reporting date. [6]For the respective fiscal year. [7]Primarily adjusted for operating cash flows not permanently available for distribution. [8]Figure provided for information purposes, not a principal indicator in 2016.

Selected Financial Performance Indicators by Segment

External Sales Revenues



Adjusted EBIT



Main Events in the 2018 Fiscal Year

January

- E.ON announced its intention to sell its 46.65% stake in Uniper to Fortum, a Finnish energy utility, for a total of €22 per Uniper share.

February

- Uniper showcased itself with its own stand at the energy trade fair “E-World” in Essen.
- Fortum announced that after the expiry of the further acceptance period of the takeover offer to Uniper shareholders, 0.47% of the shares had been tendered in addition to E.ON’s block of shares. The overall acceptance rate was 47.12%.

March

- Uniper announced at its second annual financial statements press conference that it achieved its earnings targets for fiscal 2017 and plans to increase its dividend again for 2018.

April

- Standard & Poor’s raised Uniper’s rating to BBB with a stable outlook.

May

- Uniper expanded its power-to-gas plant in Falkenhagen to produce “green” methane.
- At Uniper’s Datteln 4 coal-fired power plant, which is under construction, findings from the analysis of the extent and causes of the damage to the boiler plant have shown that a complete replacement of the boiler walls is necessary. This has delayed commissioning, which is now expected in summer 2020.

June

- At the second Annual Shareholders Meeting, Uniper presented its shareholders with a solid performance for the 2017 fiscal year and an attractive proposed dividend.
- Uniper showcased itself successfully at the World Gas Conference in Washington D.C.
- Fortum completed the takeover offer and held around 47.37% of the voting rights in Uniper on June 26, 2018. This makes Fortum Uniper’s largest shareholder.

July

- Uniper CEO Klaus Schäfer presented Uniper’s proposals for a socially acceptable and climate-friendly phase-out of coal to media representatives in Berlin.

August

- Uniper CEO Klaus Schäfer informed the Chairman of the Uniper Supervisory Board, Dr. Bernhard Reutersberg, that he was seriously ill and that the treatment would take several months. His tasks have been transferred to the other members of the Management Board.
- Uniper decided to build a new gas-fired power plant at the Scholven power plant site.

September

- Uniper successfully completed the early refinancing of its syndicated credit facility.
- Uniper showcased itself at its own stand at the international “GasTech” trade fair in Barcelona.

October

- Uniper board member Eckhardt Rümmler presented Uniper’s position on the coal exit to the Commission “Growth, Structural Change and Employment” (Coal Commission) in Bergheim, North Rhine-Westphalia.

November

- The Uniper subsidiary Liqvis strengthened liquefied natural gas (LNG) as an environmentally friendly fuel alternative for heavy goods vehicles and opened another LNG filling station.

December

- Uniper and Mitsui O.S.K. Lines signed an agreement for an LNG terminal in Wilhelmshaven.
- Uniper is in exclusive negotiations with Energetický a průmyslový holding, a. s. (EPH) on the sale of Uniper’s generation and distribution activities in France.
- Uniper was awarded the contract to build a gas-fired power plant with a capacity of 300 megawatts (MW) by TenneT, the transmission system operator, in response to a call for tenders for “special network equipment”.

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

Contents

Dear Shareholders,

2018 was another eventful and interesting year for Uniper. The entire environment in our core markets was in a constant state of change last year – both in terms of politics and on the global energy markets. Generating solid returns as a company in this volatile environment remains a challenging undertaking. For the first time, our operating performance was somewhat weaker than we had expected, and we also had to take far-reaching measures and revise our targets for a number of projects as a result of changes in the general conditions. We were also affected by the illness of our CEO Klaus Schäfer and his treatment, which lasted several months. This has brought the Uniper team even closer together, however, and we are working with combined strength and tireless commitment to lead Uniper into a successful future.

Despite all the challenges, Uniper delivered again in 2018 and remains a reliable force – for our customers, employees, business partners and, of course, for you, our shareholders. We kept our promise to pay you an attractive dividend once again in 2018. The dividend was €0.55 in 2017, and was raised to €0.74 per Uniper share in June 2018. Each year it has been a little higher than we had originally announced. We remain committed to our goal of increasing the dividend by an average of 25% per year until 2020.

We supplied our customers with electricity and gas with our usual reliability. This is Uniper's core business: security of the energy supply and tailor-made energy solutions. Some 12,000 dedicated, committed employees are working hard to achieve this. We are a global energy company that is firmly anchored in many regions of Europe and Russia, with around 36 gigawatts (GW) of generation capacity. In Germany alone, Uniper operates around 10 GW of generation capacity. This includes five system-relevant power plants, which together account for almost half of the reserve capacity currently required in Germany to ensure the security of the energy supply.

But Uniper is not only active in power generation from fossil fuels. We are also one of the largest operators of hydroelectric power plants in Germany and Sweden. This benefits our customers, who can rely on us generating power for them – regardless of wind or sun. To state it clearly: We believe it is good and right that the share of wind and sun in the power mix is constantly growing. We see ourselves as partners on the road to a lower CO_2 energy future and we intend to provide constructive support in achieving this goal. This also applies to the planned phase-out of coal-fired power generation in many European countries. Uniper is often affected by this, for example in France, and in the Netherlands, where we commissioned a state-of-the-art hard-coal power plant at our Maasvlakte site just a few years ago. At the end of January 2019, the commission appointed by the German federal government submitted proposals for structural measures to end coal-fired power generation in our German home market. The compromise reached after difficult negotiations establishes the basis for the federal government to give legal effect to the proposals for the exit from coal in Germany.

The phasing out of coal-fired power generation is an important issue for us and especially for our employees in all our locations. But we are also dealing with many other important topics. In fact, Uniper's portfolio is broadly diversified, both geographically and in terms of types of generation. In order to position ourselves successfully for the future and make ourselves even more independent of coal-fired power generation, we are constantly working to further develop our strategy. As part of these efforts, we are further expanding our capabilities and activities in the generation, energy marketing and trading and storage businesses. In the future, however, Uniper will focus even more on gas – the sensible, forward-looking energy source. Gas represents security of supply, climate friendliness and affordability in one attractive package. To meet current and future demand, we offer a broad-based, and therefore secure, mix of sources from which we can flexibly deliver natural gas to our customers when and where it is needed. We deliver from our storage facilities via pipeline and, increasingly, also in liquefied form by ship (liquefied natural gas; LNG). In the LNG business, the trading volume was several times higher than in the previous year and we also made considerable progress on the possible establishment of an import terminal in Wilhelmshaven.

At the same time, we are focusing on solutions in partnership with our industrial customers in the transition to a lower-emission energy future. Our regional ties to our existing locations are of great help in these efforts. For example, at our Scholven site in Gelsenkirchen, a combined heat and power plant with two gas turbines and a steam boiler is being built at the hard-coal power plant in Gelsenkirchen, which will initially supplement the existing coal-fired plant and then completely replace it. We will use existing infrastructure and long-standing partnerships to develop joint solutions to redevelop the site. In December 2018, Uniper was awarded the contract by transmission grid operator TenneT to build a new 300 MW gas-fired power plant in Irsching near Ingolstadt. From 2022, the power plant will serve as a "safety buffer" for the power supply in special emergency situations. These two investment projects show that we are making substantial progress in implementing our strategy, which aims to increase the proportion of results that are not dependent on market prices. This year we also came a step closer to our goal of positioning ourselves as a producer, distributor and direct marketer of green hydrogen and methane by adding methanization to our power-to-gas plant in Falkenhagen, Brandenburg. In this process, electrolysis is used to convert wind power into synthetic methane, which can then be fed back into the natural gas grid. This makes renewable energies storable and a little more reliable.

Looking at developments in our most important financial performance indicators, we are in line with the targets we set ourselves for the 2018 fiscal year. Operating earnings (adjusted EBIT) came in at €0.9 billion. The decrease relative to the previous year resulted primarily from portfolio changes and the absence of positive non-recurring effects from the previous year. Risk provisioning for price renegotiations and the postponement of Datteln 4's commissioning also contributed to a somewhat weaker operating performance. For fiscal 2018, we posted a net loss of €492 million. This resulted in part from negative effects in connection with the marking-to-market of our commodity derivatives in the amount of €0.3 billion. In addition, our generation and storage portfolio was adversely affected by impairment charges. By contrast, there was no change from the previous year in adjusted funds from operations – a key figure that Uniper uses, among other things, to measure the potential distribution available to shareholders. We will therefore propose to the Annual Shareholders Meeting on May 22 that a total dividend of €329 million be paid for the 2018 fiscal year. This is again somewhat more than we had announced at the beginning of 2018.

We are also on schedule with the development of our balance sheet. In April 2018, the rating agency Standard & Poor's rewarded Uniper's hard work in reducing costs and debt by raising our credit rating to BBB with a stable outlook. With this upgrade, we achieved our goal of a comfortable investment-grade rating, which has always been our objective.

In terms of our shareholder structure, there was one major change in the 2018 fiscal year. On June 26, 2018, the Finnish energy company Fortum completed the acquisition of approximately 47.37% of Uniper and has since been our largest shareholder. According to Fortum, it now holds 49.99% of Uniper. Over the next few months, we will work with Fortum to identify areas in which the two companies can work together and in what ways it makes sense for the companies to cooperate. The aim is to have an open-ended discussion on the form a strategic partnership should take in order to create added value for all shareholders.

In our view, the international energy and commodity markets moved in the right direction in fiscal 2018. Wholesale electricity prices averaging around €45 per megawatt-hour (MWh), as achieved in Germany in 2018, were not expected when Uniper went public in September 2016. Gas and CO_2 prices have also recovered noticeably since then. These positive trends will give Uniper's business a further boost, especially from 2020 onwards. At the same time, we will continue to resolutely move forward with the implementation of our strategy and we will actively shape the energy future. We believe this makes us well prepared for the challenges and opportunities that lie ahead for our business in the 2019 fiscal year and far beyond. At Uniper, we want to continue to use our energy in the best interests of our shareholders, employees and customers.

We are proud of the trust you have placed in Uniper and look forward to your continued support of the company on its exciting journey.

With best wishes,

Christopher Delbrück   Keith Martin   Eckhardt Rümmler

Dear Shareholders,

Uniper faced major challenges again in 2018. Above all, the upcoming changes in the Management Board mark a turning point at Uniper.

In the summer of 2018, the company was shaken by the announcement that CEO Klaus Schäfer was seriously ill. Mr. Schäfer's duties were temporarily assigned to the other members of the Management Board by the Executive Committee of the Supervisory Board to ensure the continuity of the business. The Supervisory Board was continuously informed about the state of Klaus Schäfer's health.

At the beginning of the current fiscal year, Uniper SE agreed with its new largest shareholder, the Finnish energy utility Fortum, to establish a structured process for future cooperation between the two companies. Klaus Schäfer, who would not have been able to provide the necessary support in the development of strategic cooperation with Fortum due to his illness, made the decision to clear the way for someone who could devote all his energy to this task. At the beginning of February 2019, the Executive Committee of the Supervisory Board therefore reached an amicable agreement with Klaus Schäfer to terminate his employment contract and his appointment as CEO of Uniper SE as of August 31, 2019. The same applies to CFO Christopher Delbrück, who also decided, in agreement with the Executive Committee of the Supervisory Board, to terminate his employment contract and resign from his position as Management Board member at the end of August in order to pave the way for a strategic cooperation between Fortum and Uniper. In terms of content, this process will now be led in the coming months by Keith Martin and Eckhardt Rümmler, the members of Uniper's Management Board responsible for commercial and operational business. The Supervisory Board would like to thank Klaus Schäfer and Christopher Delbrück for their outstanding performance over the past three fiscal years, during which Uniper SE has become one of the most successful companies in the MDAX.

In terms of business, the market environment remained challenging last year. Although the energy markets in Germany and Europe initially recovered, with rising fuel and energy prices on the national and international markets, the overall generation margins for thermal power plants remained at a low level. In addition, towards the end of the year, there was a sharp drop in oil prices, which also had a noticeable impact on global gas and coal prices.

Operationally, the key topics for Uniper in 2018 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 adjustment of cost structures to the ongoing challenging market environment.

Another major focus in the first half of the year was the discussion of Fortum's takeover bid and the resulting issues, in particular the relationship with Fortum as the new major shareholder and the changed shareholder structure.

In the 2018 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 four regular meetings and two extraordinary meetings and passed resolutions as required. One member of the Supervisory Board did not participate in a resolution due to a conflict of interest in connection with his membership of a major shareholder's executive body. A list of the meetings and the participation of individuals in the meetings can be found on page 88 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 ongoing implementation of the Company's strategy adopted at the end of 2017 was discussed in detail. In addition, projects in the strategic fields of "Innovation" and "Digitalization" were discussed. The strategy also included the divestments planned by the Company, e.g. with regard to the French business. In December, Uniper received a (unilateral and binding) offer from the Czech EPH Group to acquire Uniper's generating and sales activities and assets in France.

We thoroughly discussed current developments in our business activities. With regard to generation activities, the Management Board informed us, among other things, about the progress of Datteln 4, a new generating unit under construction in Germany, where boiler walls had to be replaced due to material damage. We also continuously discussed with the Management Board the progress of the reconstruction of the Russian Berezovskaya 3 power plant and the associated capacity contracts.

With regard to the global commodities business, we were informed in detail about new procurement and supply contracts and requests by major gas suppliers to renegotiate prices. We also received reports on Uniper's involvement in the Nord Stream 2 pipeline project on an ongoing basis, particularly in light of possible sanction risks. In the LNG business, we focused on activities to build up business in the United Arab Emirates and on the development of a regasification terminal in Wilhelmshaven to diversify gas procurement in Germany.

Among the new business approaches we were informed about were strategic initiatives in the areas of industrial customer solutions and the modernization of our power plant fleet in Russia. For example, the expansion of an existing partnership with an industrial customer for the Scholven power plant and an auction process for a 300 MW safety reserve at the Irsching site were successfully concluded.

Furthermore, the Management Board discussed with us in detail the Uniper Group's financing requirements. In addition, we were kept constantly informed about the development of the Uniper share on the market and analyst ratings. We also dealt regularly with the relevant rating agencies' views of the Company.

In addition, we discussed in detail with the Management Board the Uniper Group's medium-term planning for the years 2019 to 2021 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 2019.

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; this restructuring program was concluded at the end of the year. 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 and the associated risks.

In the first half of the reporting year, the activities of the Supervisory Board continued to be dominated by Fortum's takeover bid to the shareholders of Uniper SE. The Supervisory Board and the special committee set up for this purpose in 2017 dealt with this issue intensively in several regular and extraordinary meetings, and closely advised the Management Board on the legal, strategic, regulatory and financial implications of the takeover bid. One focus in this context was the Supervisory Board's consideration of the application for the appointment of a special auditor by Cornwall (Luxembourg) S.à r.l., which, in its capacity as shareholder of Uniper SE, had submitted a request to this effect for the 2018 Annual Shareholders Meeting. The Supervisory Board comprehensively examined and legally assessed the allegations made against the Uniper Management Board. In the view of the Supervisory Board, the Management Board acted on the basis of sufficient information, complied with all legal and statutory requirements and acted with the diligence of a prudent and conscientious manager exclusively in the interest of Uniper and its shareholders. In the opinion of the Supervisory Board, there were no indications of any breaches of duty by the Management Board, in particular with regard to the prohibition of obstructions within the meaning of Section 33 WpÜG (German Securities Acquisition and Takeover Act).

The Supervisory Board also dealt with the Combined Separate Non-financial Report as of December 31, 2018, 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 for Uniper SE in February of 2019, 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 2018, 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 87 and 88 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 three times in the 2018 fiscal year. In particular, this committee prepared the meetings of the full Supervisory Board. It also discussed and approved the temporary reassignment of the responsibilities of Mr. Schäfer, the Chairman of the Management Board, to the other members of the Management Board, and discussed Fortum's view of the Management Board. In addition, the Executive Committee prepared the Supervisory Board's resolutions to determine that the Management Board met its targets for 2017 and to set the targets for 2018. Furthermore, the Executive Committee discussed Management Board compensation and did comprehensive preparatory work for the Supervisory Board's resolutions on these matters.

  In 2019, the Executive Committee prepared for the achievement of the Management Board's targets for 2018 and for setting the Management Board's targets for 2019.

- The Audit and Risk Committee met four times in the 2018 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 2018 fiscal year and the interim reports of Uniper SE in 2018. 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. 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.

The Audit and Risk Committee met one time in 2019 and the committee discussed in detail the Combined Management Report 2018 and the proposal for the appropriation of profits, prepared the corresponding recommendations to the Supervisory Board and reported to the Supervisory Board.

Extensive discussions were also held on issues relating to accounting, the internal control system (ICS) 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 2018, and dealt with audit planning and the determination of audit priorities. Furthermore, the committee discussed the internal control system, 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 Special Committee on Takeover Matters met five times in 2018 and dealt mainly with the legal, strategic, regulatory and financial implications of the planned takeover by Fortum and its status as a new major shareholder.
- In contrast, the Nomination Committee did not meet in the 2018 fiscal year as there were no relevant issues.

Examination and Approval of the Annual Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2018

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, 2018.

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 11, 2019, 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 €0.90 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 Supervisory Board and its Committees

Dr. Marc Spieker (previously Deputy Chairman and shareholder representative) resigned from the Supervisory Board on July 16, 2018.

Markus Rauramo was appointed by the court as a member of the Supervisory Board (shareholder representative) on July 30, 2018, until the conclusion of a regular election by the Annual Shareholders Meeting. On August 22, 2018, he was then elected Deputy Chairman of the Supervisory Board, member of the Executive Committee and member of the Nomination Committee.

Further changes in the Supervisory Board's committees are explained in detail in the Corporate Governance Report on page 88.

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 2018 fiscal year.

Düsseldorf, March 11, 2019

The Supervisory Board

Sincerely,

Dr. Bernhard Reutersberg
Chairman

Uniper Stock

- → Uniper share price reaches new high in 2018
- → Uniper share unable to avoid impact of more volatile equity market environment
- → Dividend proposal of €0.90 per share (fiscal year 2017: €0.74)

Good Stock Market Year for the Energy Utilities Sector in 2018

In 2018, global stock markets were unable to continue their upward trend of recent years. After an optimistic start in January, based on robust worldwide economic growth, signs of a global slowdown increased in the course of the year. The unsettled conditions resulting from the effects of international trade conflicts on economic prospects led to increasing uncertainty. There were few signs that the European countries would be able to join forces to make common policy in order to defend their international position in a changed geopolitical environment.

The asset class "equities" continued to be regarded as attractive due to the success of many companies with positive growth expectations and rising dividends. However, a number of companies were unable to meet these expectations in an environment of more intense competition and had to lower their earnings forecasts in the course of the year. The slowdown in growth drivers in a number of leading economic nations strengthened expectations of a slowdown in the global economy.

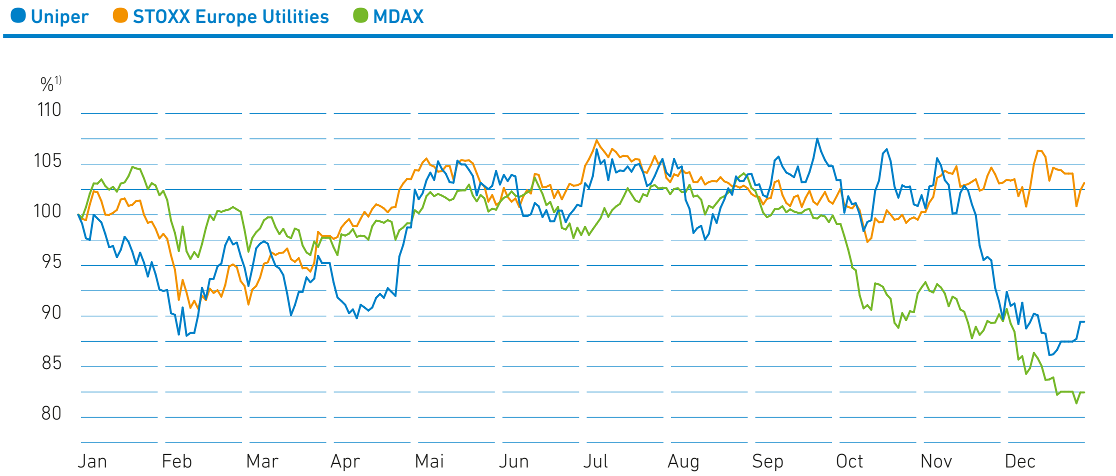
The deterioration in economic expectations led to a shift of equity holdings to more defensive sectors and stocks over the course of 2018. In Europe, energy utilities were one of only three sectors that closed the 2018 European stock market year with a positive total return. In a direct industry comparison, energy utilities led the way in Europe. Among the best performers within the European energy utility sector were companies that benefited from rising energy prices.

Uniper Share Price Outperforms the German Market as a Whole in 2018

The Uniper share price turned in a mixed performance in 2018. Supported by further takeover speculation and positive fundamental prospects, the share price reached a new historic high in May 2018. Until autumn 2018, the share showed relative market strength compared to the German and European market as a whole. The performance of the Uniper share was weaker in the fourth quarter of 2018. In an uncertain stock market environment, the correction of excessively high expectations for Uniper's current earnings development had an impact in this period.

Overall, the performance of the Uniper share – after the share price doubled in an exceptionally good year in 2017 – lagged behind the overall performance of the European energy utility sector in 2018. The Uniper share performed better in a national comparison. Uniper is one of the leading companies in the German MDAX index. In 2018, the Uniper share was one of the outperformers. At the beginning of the year, the Uniper share recovered significantly and made up for its earlier losses.

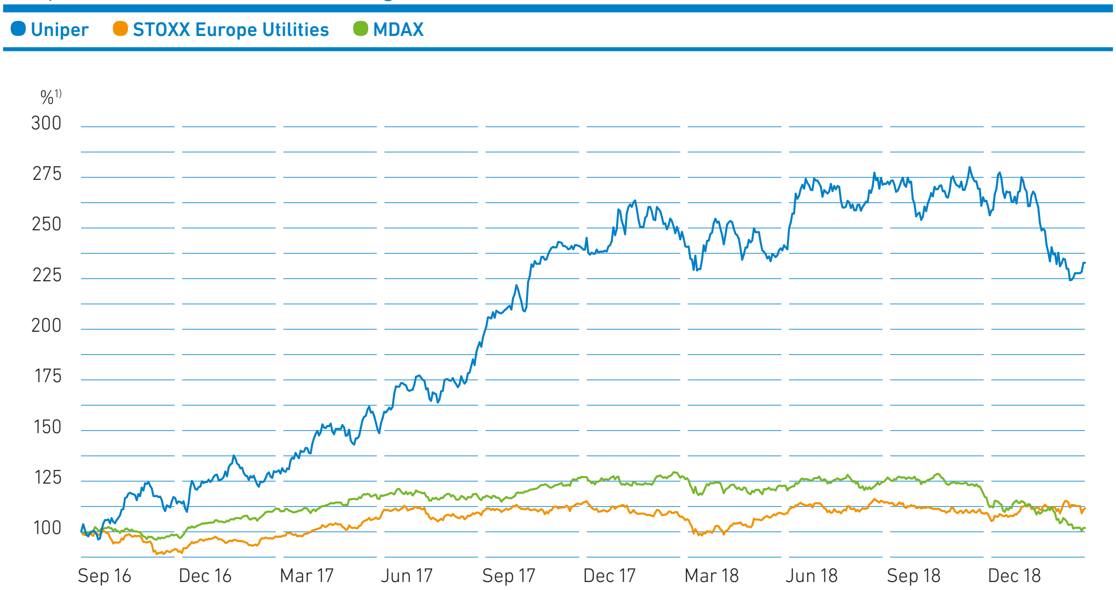
Performance of Uniper Stock Compared with Overall Market
January through December 2018



[1]Total return of Uniper stock and of the MDAX and STOXX Europe Utilities; indexed, 100 = Xetra closing price at year-end 2017.
Source: Bloomberg

The Uniper share has proved to be an attractive investment for investors with a long-term horizon since its IPO on September 12, 2016. The total return at the end of the 2018 fiscal year was 44.4% per year on average. A Uniper shareholder who invested the equivalent of €1,000 at the time of the IPO would have had a portfolio worth €2,328 at the end of 2018, including the reinvestment of the dividends received.

Performance of Uniper Stock Since Initial Listing
September 12, 2016, through December 2018



[1]Total return of Uniper stock and of the MDAX and STOXX Europe Utilities; indexed, 100 = Xetra closing price on September 12, 2016.
Source: Bloomberg

Uniper - Further Increase in the Dividend

Uniper pursues a clear dividend policy. This policy is an integral part of Uniper's financial policy. Uniper strives to strike a balance between attractive cash flows to the shareholders and balance sheet stability. Uniper aims to achieve a solid financial structure with a comfortable investment-grade rating, which gives management sufficient economic options for the strategic development of the company.

The distribution is a dividend linked to the success of the company's activities and is calculated from the free cash flow from operations (FCfO). Uniper's dividend policy aims at a dividend payout ratio of at least 75% to 100% of FCfO and thus allows shareholders to participate to a large extent in the company's business success.

Facts and Figures on Uniper Stock

	Unit	2018	2017	2016
Year-end closing price[1]	€	22.60	26.00	13.12
High for the year[1]	€	27.74	26.00	13.19
Low for the year[1]	€	21.55	12.31	9.80
Number of shares	Units in millions	365.96	365.96	365.96
Market capitalization[2]	€ in billions	8.27	9.51	4.8
Dividend	€	0.90[3]	0.74	0.55
Total distribution	€ in millions	329.4[3]	270.8	201.3
Dividend yield[3]	%	4.0	2.8	4.2
Distribution ratio[4]	%	75.0	75.0	157.3

[1]Xetra prices.
[2]Based on the year-end price.
[3]Proposal to Uniper shareholders for Annual Shareholders Meeting on May 22, 2019.
[4]Based on free cash flow from operating activities (FCfO).

In December 2017, Uniper presented an update on the company's strategic direction. For the first time, Uniper set itself a medium-term dividend growth target. Based on the dividend payout for the 2016 fiscal year, the dividend is to increase by an average of 25% annually until the 2020 fiscal year. The distribution target for the 2020 fiscal year has thus been set, but there is still scope for temporary deviations from this trajectory.

For the 2018 fiscal year, Uniper plans a total dividend payout of €329 million (2017: €271 million). This corresponds to a payout ratio of 75% of the free cash flow from operations and a dividend increase of 22% compared to the previous year. This means that the payout remains on target to achieve the 25% annual growth planned through 2020.

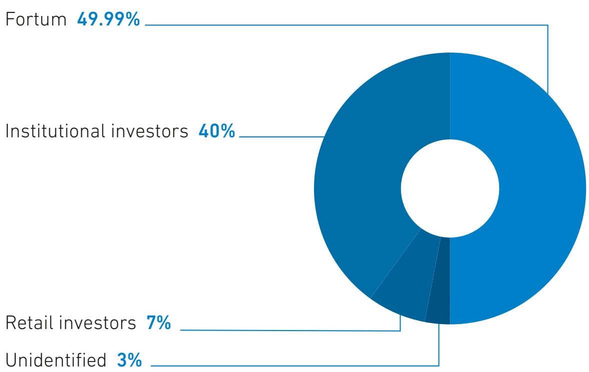
The Management Board and the Supervisory Board intend to propose to the Annual Shareholders Meeting on May 22, 2019, that the net income available for distribution be used to pay a dividend of €0.90 per share on the dividend-paying capital stock. If this proposal is accepted, this will be the second year in a row that Uniper will have distributed more than communicated at the beginning of the respective year.

Broad International Investor Base – New Major Shareholder

The shareholders' register currently shows a total number of Uniper shareholders of around 338,000. Institutional investors represented the largest group of investors with a share of over 90%. Around 7% of Uniper's shares were held by private investors, most of whom are resident in Germany. An analysis carried out in December 2018 and information from the share register showed a number of changes in Uniper's shareholder structure. Since mid-2018, the Finnish utility Fortum Oyj – through its indirect subsidiary Fortum Deutschland SE, Düsseldorf – has been a major shareholder of Uniper.

E.ON SE ceased to be a major shareholder in 2018. On January 8, 2018, E.ON SE exercised its right to tender its 46.65% stake in Uniper SE as part of Fortum Deutschland SE's takeover offer dated November 7, 2017. After the further acceptance period expired, Fortum Deutschland SE announced on February 7, 2018, that the offer had been accepted by Uniper shareholders holding a total of 172,439,375 shares. This corresponded to around 47.12% of the share capital and voting rights of Uniper SE. On June 26, 2018, Fortum Deutschland SE announced that the takeover offer of Fortum Deutschland SE to the shareholders of Uniper SE had been completed and the acceptance rate was 47.12%. The takeover was subject to the approval of various jurisdictions. According to the information published by Fortum Oyj, Fortum is entitled to hold additional Uniper shares up to a total stake of up to 50% according to the approval granted by the Russian regulatory authorities.

Shareholder Structure of Uniper SE by Investor Group



Sources: Fortum Oyj, Ipreo, Share register, Voting rights notifications as of 31, December 2018

Current information on the shareholder structure in the context of reported changes in shares pursuant to Sections 33 et seq. of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act) is published on the Investor Relations website under the topic "Notifications of voting rights". In 2018, Uniper was informed by several institutional investors via voting rights notifications that their shareholdings had reached or fallen below the notification threshold. On June 26, 2018, the Republic of Finland notified Uniper that the share of voting rights in Uniper SE attributable to it and held directly by Fortum Deutschland SE amounted to 47.37% on that date. Fortum Deutschland SE is an indirect wholly-owned subsidiary of Fortum Oyj, Espoo, Finland. According to Fortum Oyj's public announcement of February 1, 2019 (publication of Fortum Oyj's 2018 financial statements and operating and financial review), the share of voting rights in Uniper SE attributable to Fortum Oyj amounted to 49.99% as of December 31, 2018. According to the last voting rights notification by Paul E. Singer, U.S., dated January 7, 2019, he and companies controlled by him held 17.84% of the voting rights in Uniper SE on December 31, 2018 (3.84% of which were directly held).

Market Capitalization and Weighting

At the end of 2018, Uniper's market capitalization was €8.27 billion (2017: €9.51 billion). According to a publication by Deutsche Börse, 52.62% of Uniper shares were included in its indices as free float at that time. Based on this free float, Uniper's market capitalization in Deutsche Börse's MDAX index at the end of 2018 was €4.35 billion (2017: €4.60 billion). With a weighting of 2.05% as of December 31, 2018, Uniper ranked twelfth among the sixty companies listed in the MDAX.

Uniper in Dialog with the Capital Market

The focus of investor relations work is on providing transparent information for Uniper's 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 conducts a continuous dialog with institutional and private investors. An important communications platform is the regular presentation of the Management Board in its quarterly reporting. Information was provided to institutional investors through regular roadshows and increased participation in international industry conferences for institutional investors. A total of sixteen roadshows were held in Germany, Europe, the U.S. and Asia in 2018. We also participated in eleven conferences. In addition, Uniper continues to receive extensive attention from analysts. More than twenty analysts publish regular commentaries and studies on Uniper.

Detailed financial information on the Uniper share can be found on the Uniper website at https://ir.uniper.energy/. All reports and presentations on Uniper's results, strategy and specific topics are also available for download. Live broadcasts of all important events are available, in particular telephone conferences on the quarterly results and special investor events.

Strategy and Objectives

Uniper Offers Tailored Solutions to the Complex Energy Issues

Decarbonization while continuing to ensure a secure energy supply remains the main force influencing the energy industry as carbon-abatement efforts intensify in Europe and play an increasingly important role globally, resulting in a significant expansion of renewables.

Decarbonization is putting increasing pressure on conventional power generation technologies. At the same time, customers continue to require reliable and affordable supply. This applies not only to European markets, but also to many markets outside Europe in which energy consumption continues to increase steadily. The increase in global energy demand is being driven primarily by the emerging countries.

Uniper helps to meet the challenges of changing energy markets and to ensure a sustainable, stable and cost-effective energy supply for modern economies, their industrial enterprises and the general population through its competitive and diversified plant and fuel portfolio, as well as its superior capabilities in power generation, gas storage and energy trading.

The global energy market and Uniper are subject to a number of medium- and long-term trends. These include market changes as well as technological, regulatory and social developments. However, these trends vary from region to region.

Looking into the Future: Managing Uncertainty

As the energy system carries on its transformation, carbon, gas, coal and consequently power prices have increased significantly in the last year. German 1-year forward baseload contracts went up from €37/MWh to €54/MWh, while in Nordpool similar contracts rose from €26/MWh to €48/MWh. Uniper expects the market environment to stay constructive, and with its generation fleet, it is well positioned to reap resulting benefits.

Despite the recent positive developments, due to political and technological factors there are uncertainties regarding the speed of the transformation of the energy markets.

To reduce such risks, Uniper is gradually moving the focus of its project development to businesses where it can better manage risks. In this context, Uniper will be using expected upsides from the wholesale markets to support development of its portfolio towards the non-wholesale business activities. In 2018, Uniper focused its efforts on the implementation of the defined strategy. The company successfully realized several projects in operational and commercial areas with low wholesale market risk, and developed many more attractive opportunities for the years ahead.

Generation: Maintain and Optimize, Develop New Customer Solutions

Operating a vast generation portfolio of 26 GW in Europe and more than 10 GW in Russia, Uniper relies not only on market developments but continuously seeks opportunities to further optimize individual plants through lifetime extension projects, brownfield organic development, and modernization of assets in order to maximize the value of its generation fleet.

In 2018, Uniper successfully implemented several optimization projects at its power plants, including those at Maasvlakte in the Netherlands (responding to increasing demand for reactive power from the Dutch transmission system operator) and at Ratcliffe in the United Kingdom (upgrade of fuel logistics and handling system). Such optimization projects usually require limited investments while featuring high rates of return and short payback periods.

Furthermore, in response to the transmission system operator's call for construction and operation of special grid facilities in Germany, Uniper participated with its 300 MW gas-fired project at Irsching and won the tender. This project represents a meaningful step in the implementation of the company's strategy and builds on Uniper's core strengths as a provider of security of supply amid industry transformation.

To enhance its non-wholesale activities and build up on its existing capabilities, which are largely independent of market prices, last year Uniper also defined a business model for its Industrial Customer Solutions growth initiative. The model enables the company to tailor offerings to specific customer requirements, focusing on process steam and including heat, compressed air and carbon dioxide. At the end of the year Uniper started implementation of a major project for an industrial customer near one of its power plants in Germany. In the next few years, Uniper will be further developing projects under the Industrial Customer Solutions initiative.

In Russia, federal authorities set out parameters for investments in the modernization of existing assets, and the first auction for modernization projects is expected to take place in the first half of 2019. Uniper will consider taking part in the auctions with a view to contributing to the modernization of the country's ageing generation fleet and to realizing a stable regulated return on investments.

Energy Trading: Diversification, Global Activity

Uniper's integrated gas midstream portfolio and trading and optimization capabilities in power, gas, oil, coal and freight make Uniper a leading commodity trader and supplier in Europe. Uniper builds on this strong foundation to diversify its commodities business and exploit further opportunities by linking increasingly interconnected global energy markets.

In the gas midstream business, Uniper intends to replenish its European portfolio of long-term gas procurement contracts. Uniper is working to expand its gas marketing activities in Eastern Europe, especially in Poland and Hungary. Moreover, to diversify Europe's gas supply and to strengthen the security of gas supply in Germany, Uniper started the development of the first German LNG import terminal at its site in Wilhelmshaven. The terminal will be able to handle the import of approximately 10 bn cubic meters (m^3) per year of natural gas. To capitalize on the strong growth of global gas demand, Uniper keeps developing its LNG portfolio: in 2018, the company achieved a more than threefold increase in LNG volumes managed compared to 2017. This comes along with a significant increase of utilization of regasification terminals in the Netherlands and the United Kingdom, where Uniper has long-term capacity bookings.

Another element of the growth strategy involves trading activities in North America. Uniper extended its geographic reach to most of the United States in both power and gas, and ventured into the Canadian gas business.

Last but not least, the coal and freight business opens up considerable potential for regional diversification and growth in Asia. Uniper is therefore increasingly focusing its trading activities in this area on the Pacific region. Last year, a number of contracts were concluded with Japanese and Chinese shipowners as well as Australian, Israeli and Chinese ship charter companies. The first coal supply contract with a Japanese power generation company was also concluded in 2018.

Innovation and Digitalization: Making it Work

Uniper has been successfully using new technologies in its operations for many years. In 2018, the company began to further intensify its efforts in this area and to identify additional business areas within the framework of the "Digitization Vision 2025" and the "Innovation Agenda 2019+", which are expected to contribute additional revenues in the medium term.

Creating Value: Invest Selectively, Focus on Capital Markets

Since becoming operationally independent in 2016, Uniper has successfully delivered on its strategic priorities of the post spin-off phase: the company has considerably reduced its cost base, improved working capital, made the organization more efficient and enhanced the balance sheet. This gives Uniper greater financial flexibility to focus on the execution of the strategic priorities discussed above. 2018 saw substantial progress in executing Uniper's strategy for the benefit of the markets and economies where it operates and in creating value for its customers, employees and investors.

Combined Management Report

- → At €0.87 billion Adjusted EBIT in line with forecast; decline mainly due to known portfolio changes and absence of non-recurring prior-year effects

- → Adjusted FFO of €0.76 billion remains at prior-year's level

- → Dividend proposal of €329 million (€0.90 per share) once again above target

- → Outlook for 2019:
  Adjusted EBIT between €0.55 billion and €0.85 billion;
  Adjusted FFO between €0.65 billion and €0.95 billion expected

- → Implementation of strategy moves forward with key projects

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 sub-segment 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 engineering to asset management to operational and maintenance services to trading services.

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 generated 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. In the 2017 fiscal year, this segment also included all activities of the Uniper Group in connection with the sale of the stake in the Russian Yuzhno-Russkoye gas field in 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, a 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. In addition, before it was sold in the first half of 2018, Uniper had a 50% shareholding in Pecém II Participações S.A., which operates a coal-fired power plant.

Technology and Innovation

Uniper will continue to be confronted with a rapidly changing energy landscape: decarbonization, decentralization and digitalization 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 and was recently reaffirmed at the climate change conference in Katowice in 2018. 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"M5BAT" project is funded by the German Federal Ministry of Economics and Energy and offers opportunities for technical and commercial testing of various battery types. Uniper is successfully working on this project together with RWTH Aachen University and other partners. The battery storage system uses five different battery technologies with a total capacity of 5 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. Together with RWTH Aachen University, Uniper is reviewing the use of the existing battery storage in a successor to the previously funded project.

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 2018 "WindGas Falkenhagen" was expanded to include a methanization plant, which was opened in May. In this new part of the plant, renewable energy is first converted to hydrogen and then converted into a synthetic natural gas with the help of CO_2. In cooperation with BP Europe, a concept for the use of regeneratively produced hydrogen in the refinery process is being developed for the refinery site in Lingen.

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). In a pilot phase, 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. The first stationary LNG tank facility covered by this funding was commissioned in Berlin on November 5, 2018.

Another area in which Uniper is active is the commercial use of CO_2 as a commodity (carbon capture and usage - "CCU"). For example, Uniper is a founding member of the European industrial initiative "CO_2 Value Europe", which, following its foundation in 2017, now comprises a total of around 60 partners from industry and research. The organization promotes the development of a scalable CCU industry. It supports the development of sustainable technologies and their market conditions, e.g. to produce building materials, chemicals and fuels on an industrial scale using CO_2.

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 (as in the cases of the above-mentioned power-to-gas plants) 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.

Uniper also analyzes the impact of the general progress in digitalization on its business segments and work processes and evaluates the extent to which this trend represents new business opportunities and risks. For example, together with a cooperation partner, Uniper has launched a comparison platform for electricity and gas for commercial and industrial customers. Customers can digitally obtain supply offers from various suppliers and conclude a contract directly on this platform. As a platform operator, Uniper can thus gain market share in the digital brokerage of energy supply contracts in this customer segment. In addition, Uniper is investigating new business opportunities based on blockchain technology in various initiatives. In addition, Uniper uses digitalization specifically to streamline the efficiency and automate internal processes, for example in the power plant fleet, in energy trading, in security or in the maintenance and repair of plants. Uniper won the Talend Data Masters Award for its newly developed "Atonyx" platform for the consistent integration of a wide variety of data and its analytical use.

Management System

The principal indicators for managing the operating business and assessing the Uniper Group's financial condition are adjusted EBIT, 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

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/income 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

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 FFO 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.

The Management Board, with the approval of the Supervisory Board, decided in 2017 to make an additional one-time adjustment to adjusted FFO for the 2018 fiscal year for the non-recurring effect resulting at the end of June from the premature ending of the term of allocations of the 2015–2017 long-term incentive plan (LTI). This means that the premature LTI vesting, triggered by an exogenous event, will not be reflected in the performance indicator adjusted FFO, and will therefore have no impact on the dividend proposal for the 2018 fiscal year.

Macroeconomic and Industry Environment

Macroeconomic Environment

Global economic growth continued virtually unchanged in 2018. According to estimates by the Organisation for Economic Cooperation and Development (OECD), global GDP growth of around 3.7% is likely to have reached the previous year's level. The upswing is also continuing on the labor markets, with the OECD-wide unemployment rate falling to its lowest level since 1980. However, there are increasing signs that the pace of growth has now reached a temporary peak. Financing conditions have deteriorated as a result of higher long-term interest rates, particularly in the U.S. Growth in global trade has slowed noticeably amid the tensions in trade policy. Growth in industrial production and retail sales is showing signs of slowing and sentiment indicators of the business climate as well as declining order intake in industry also point to a slowdown in global economic growth in the near future.

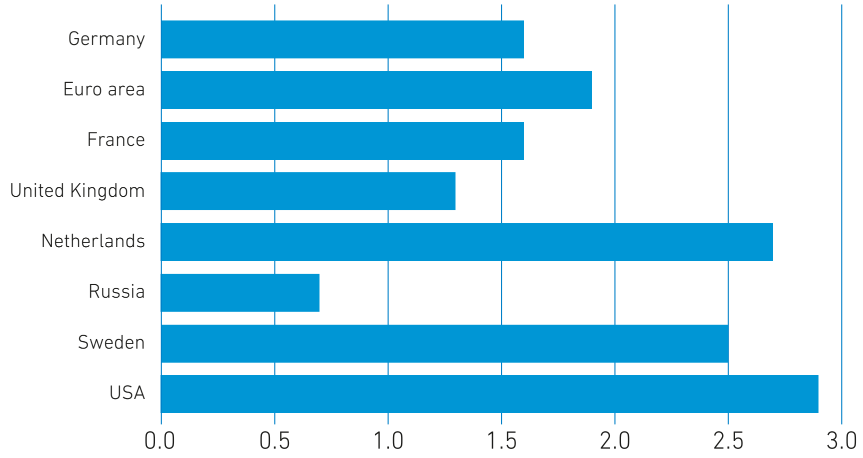
Growth in the euro area is likely to have slowed noticeably in 2018. Against the backdrop of global trade conflicts, the decline in export growth was the main reason for this, while domestic demand remained robust overall. Although consumer demand slowed despite the continued robust development of the labor market, investment activity continued to pick up, with financing conditions remaining favorable. After several years, the inflation rate has again reached the target set by the European Central Bank (ECB) and even exceeded it in a few months. Nonetheless, the continued subdued wage growth and low core inflation cast doubt on the sustainability of this development. In September 2018, the ECB reiterated that it would be reducing bond purchases, although interest rate hikes by the ECB are not expected before summer 2019. Politically, the situation remains highly uncertain against the background of the discussions on the United Kingdom's withdrawal from the EU ("Brexit") and the debt situation of some countries, especially Italy.

As an exporting nation, Germany was affected to a greater extent by the global trade policy turbulence, which is likely to have resulted in a negative contribution to growth from exports. Domestic demand, on the other hand, remained robust. Here, immigration, rising incomes and low interest rates were reflected in strong construction activity. In the UK, growth momentum continued to deteriorate. Weak construction activity had a negative impact on investment demand, and inflation depressed consumption. In addition, exports were no longer supported by the decline in the exchange rate, as in previous years, and the British pound remained relatively stable. In Sweden, on the other hand, growth remained robust. Here, exports benefited from a weaker Swedish krona. In France, domestic demand recovered after a weak start to the year, driven by strong employment growth. The Netherlands continued to record high growth rates, although the contribution of exports was lower. The Russian economy benefited from higher oil prices. However, the increased uncertainty resulting from the announced sanctions is weighing on the investment climate and thus also on the Russian ruble, which came under heavy pressure both in April and August and was only able to make up part of the losses in the final quarter of 2018 when oil prices fell again.

In the U.S., economic growth accelerated again. This was primarily due to consumer demand, which benefited from sustained employment growth. Investment demand was also boosted by the recent tax reform and the rise in oil prices. The U.S. Federal Reserve raised key interest rates several times during the year after inflation had again reached the target level of 2%. The U.S. dollar came under pressure against the euro at the beginning of the year, but was able to make up for these losses in the second quarter of 2018 and continued to rise in the second half of the year.

2018 GDP Growth in Real Terms

Annual change in percent



Source: OECD (November 2018)

Energy Policy and Regulatory Environment

European Union

Uniper is closely involved in the European energy markets, from power generation, to the storage of power and gas, to the trading and 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 2018 regarding the further development of climate policy and the 2016 legislative package "Clean Energy for all Europeans" were of great importance for Uniper's business. The legislative package was almost fully adopted in 2018. The extent to which these regulations will have a concrete impact on Uniper's business depends in many cases on the respective national design of the regulations.

New regulations in the Electricity Markets Directive and the Electricity Markets Ordinance were adopted in the course of the project to further develop the electricity market. The Directive and the Regulation regulate the basic functioning of the electricity markets in the European member states. Particularly noteworthy are the criteria laid down in the Electricity Market Ordinance for the participation of power plants in capacity markets. These criteria, which contain specific CO_2 emission limits, essentially limit payments to more emission-intensive power plants (e.g. coal-fired power plants) until 2025. For existing capacity mechanisms with a duration beyond 2025, protection of the existing capacity has been agreed. For Uniper, the protection of existing capacity is positive, as Uniper participates in existing capacity regimes with its generation units.

At the end of 2017, the European Commission presented a proposal to revise the EU Gas Directive. The Commission also intends to make gas pipelines connected to the gas networks of non-EU countries subject to EU law. On the basis of a Franco-German compromise, an agreement on the controversial proposal was reached by a large majority in the Council on February 8, 2019, which was also confirmed in the subsequent trialogue between the Council, the European Parliament and the Commission on February 12, 2019. With regard to the Nord Stream 2 project, the regulatory requirements of the EU Gas Directive (network access, unbundling and tariff regulation) would only apply to the section of the pipeline on German territory, including German territorial waters. On the basis of the agreement, the legal act still has to be formally adopted by the Council and the European Parliament. Following adoption in Brussels, the amended Gas Directive must be transposed into national law within nine months.

Germany

In Germany, the debate on the future of coal-fired power generation dominated the energy and climate policy agenda. In June 2018, the German federal government set up the "Growth, Structural Change and Employment" commission (Coal Commission), which presented recommendations on January 26, 2019 for, among other things, an end date for coal-fired power generation and accompanying structural measures in lignite mining areas. The commission conducted a series of expert hearings and site visits in the lignite regions. Uniper had the opportunity to make a statement to the commission during a site visit on October 24, 2018, in which Uniper explained its willingness to engage in dialogue while respecting the rights of owners, customers and employees. The report recommends an end to coal-fired power generation in several steps by 2038. Discussions with the owners of the power plants are to be held in order to reach agreement on the closure of the coal-fired power plants and on compensation. With regard to the Datteln 4 power plant, Uniper aims to have it in commercial operation as planned from mid-2020 as one of the most modern and efficient coal-fired power plants in Europe. Work on this will continue unabated. It cannot be ruled out, however, that the German government could ask Uniper, as part of the recommended political discussions, to consider not putting Datteln 4 into operation in return for appropriate compensation. It is not yet possible to determine the effects that the legislative proposals may have on Uniper, as the recommendations have yet to be legally substantiated.

In February 2018, the European Commission approved the capacity reserve in Germany of two GW by 2025. The subsequent amendment to German energy law provides for a first auction in 2020. In addition, in June 2018 transmission system operators announced an open-technology tender for special grid technology equipment in the amount of 1,200 MW. Uniper participated in the tender and in December 2018 was awarded the contract for the construction of a 300 MW power plant at the Irsching site.

In December 2018, the legislator passed an amendment to the Act on the Maintenance, Modernization and Expansion of Combined Heat and Power (CHP Act) in the so-called "Omnibus Energy Act". Among other things, the entitlement period for subsidies will be extended to the year 2025.

France

In July 2017, the government announced that coal-fired power plants would be shut down by 2022. In November 2018, it presented the energy policy for the next ten years and reaffirmed the goal of closing coal-fired power plants. The new ten-year energy policy is to be adopted in an energy law by mid-2019. There is still neither a legal basis nor a clarification of the compensation of power plant operators for premature decommissioning.

Netherlands

The coalition agreement of the government announced an ambitious climate policy to achieve a 49% reduction in greenhouse gases by 2030 compared to 1990. The proposed measures for the electricity sector include a ban on generating electricity from coal and the introduction of a minimum CO_2 price.

On May 18, 2018, the Ministry of Economics published the draft law on the phasing out of coal-fired power generation. Plants with an efficiency of less than 44% are to be closed by 2025. Plants with a higher efficiency can remain in operation until December 31, 2029.

On July 10, 2018, the Ministry of Economics and the Ministry of Finance published the draft law for the minimum CO_2 price. During the government's negotiations with social groups for a new energy agreement, the proposed price path for the minimum CO_2 price was changed several times and has not yet been finally submitted to parliament in a draft law. The law is expected to be adopted in 2019.

In 2015, the climate protection group “Urgenda” won a court case against the Dutch government, forcing the government to implement its stated goal of reducing CO_2 emissions by 25% by 2020 compared with 1990. The government appealed and on October 9, 2018, the next higher court again ruled in favor of “Urgenda”. Although the government will appeal to the Supreme Court for a final decision, it has also indicated that it will accept the court’s decision from the appeal and act accordingly. The discussion about phasing out coal-fired power generation in the period from 2020 to 2029 must also be seen against this background.

Russia

Following the re-election of Russian President Vladimir Putin in March 2018, the government of the Russian Federation adopted a modernization program for obsolete generation capacity. Approximately 40 GW of generation capacity is to be modernized through this program. The program involves the conclusion of capacity supply agreements with guaranteed returns, which are already in use. The regulation governing the auctions entered into force at the beginning of 2019. The auction for the selection of projects for the modernization program, which is supported by guaranteed capacity payments, with re-commissioning in 2022-2024 is expected to take place in the first half of 2019.

Sweden

The implementation of the energy agreement concluded between the government and several political parties in 2016 continued. This includes the development of a new environmental permit process for existing hydroelectric power plants and the maintenance of the 2017 tax cuts for hydroelectric power and nuclear generation plants.

Under this energy agreement, which was accepted by all parties, no energy policy controversies are foreseen for the coalition government formed in January 2019 following the elections of September 2018.

United Kingdom

The Brexit negotiations between the EU and the United Kingdom, which comprises Great Britain and Northern Ireland, were concluded with a withdrawal agreement and a political declaration, which the British Parliament has thus far refused to approve. After several votes, it is currently not possible to assess whether and in what form the present withdrawal agreement could be approved.

The political declaration provides for cooperation on electricity and gas trading. The British government has taken a number of precautions in the event the negotiations fail. These include the introduction of a CO_2 tax from April 1, 2019 if the United Kingdom were no longer to participate in EU emissions trading.

The government also announced that the level of the minimum CO_2 price would be fixed for 2020 and 2021. In January 2018, the government also presented its plan to end coal-fired power generation by October 1, 2025.

On November 15, 2018, the European Union Court of Justice overturned the state-aid approval for payments from the British capacity market due to possible procedural errors in the approval by the EU Commission. As a result, payments from the capacity market are currently suspended. The EU Commission has now resumed state aid proceedings and, according to public sources, has appealed the court decision. Payments, including retroactive payments, may be resumed after renewed approval by the EU Commission or an annulment of the decision.

Energy Prices

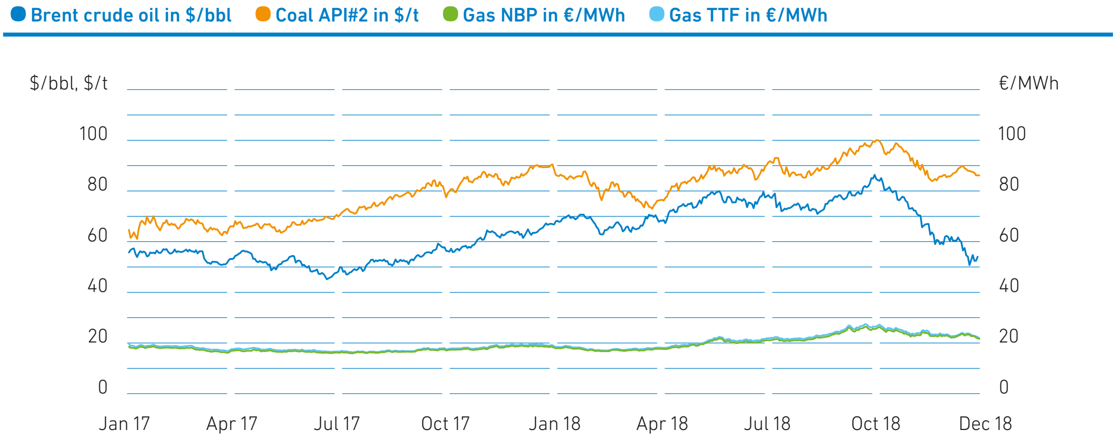
The energy markets in Europe were driven by four main factors in 2018:

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

The price of Brent crude oil rose in the first nine months of 2018, reaching an annual high of almost $87 per barrel at the beginning of October 2018. The main reasons for the price increase were a robust global economy and fears that the sanctions imposed by the U.S. on Iran would lead to a significant shortage of crude oil supplies. As a result of a significant expansion in crude oil production, particularly in the U.S., and the first signs of a weakening of the global economy and falling share prices, the prices for Brent crude oil also fell significantly towards the end of the year to just under $50 per barrel.

At around $85 per ton, European coal prices at the end of 2018 were at a level similar to that at the beginning of the year. While the first quarter of 2018 was marked by a weakening of coal-fired power generation due to the high share of renewable energies, prices rose sharply during the summer to a six-year high of just under $100 per ton. High temperatures both in Europe and in important Asian markets led to a very strong increase in demand. Added to this were high freight rates and rising crude oil and gas prices. In the last quarter of 2018, the extremely low levels of German rivers led to high coal inventories in the "ARA ports" (ports of Antwerp, Rotterdam and Amsterdam). Weaker crude oil and gas prices and the Chinese government's announcement that it would continue to adhere to its policy of strict import restrictions and controls were additional negative factors for the global coal market.

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 gas market, a cold spell presented a major challenge to northwest Europe's supply flexibility in February and March 2018. In some countries, such as Italy and the United Kingdom, contingency plans were initiated. In March 2018, prices for short-term deliveries reached record highs in some cases. Overall, gas demand in the EU increased by 4% in the first quarter of 2018 compared with the same period of the previous year. During this period, gas storage facilities in Europe were reduced to a very low level of 18% of existing capacity due to high withdrawals.

As a result, gas prices were supported in the summer months of 2018 by high gas storage injections. Until October 2018, they were also influenced by the rise in oil and coal prices. For example, NCG's prices for next month delivery rose from around €19.50/MWh at the beginning of 2018 to around €29/MWh in September 2018. By the end of the year, however, NCG's front-month contract had fallen back to around €22/MWh. LNG deliveries to Europe remained at a very low level until October 2018, but then rose sharply as temperatures in Asia remained mild in the winter months of the fourth quarter.

The mild start to the winter period contributed significantly to the recovery of gas storage levels in Europe. At the end of 2018, the storage level of around 6 billion cubic meters was even significantly higher than in the previous year, which, in addition to the decline in oil and coal prices, was responsible for the decline in gas prices.

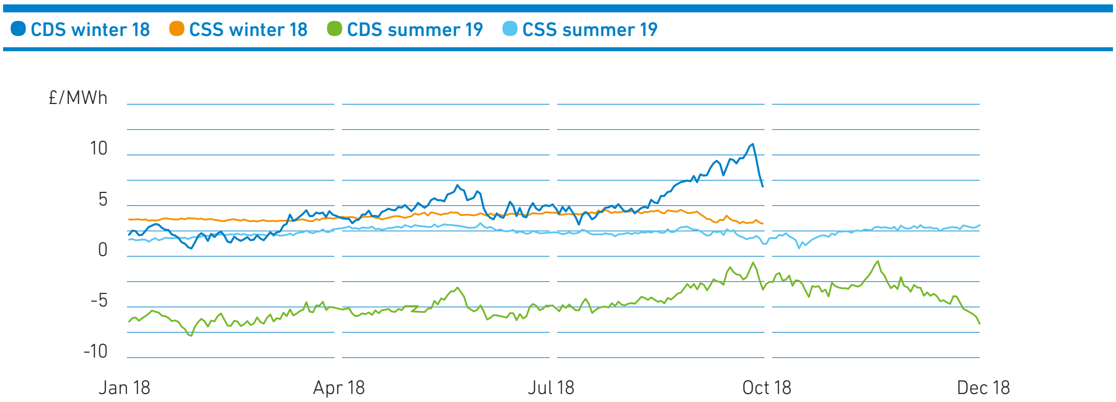
European Union Allowance Price Movements

Carbon EUA

Price in €/t for front-year contracts

Following the fundamental agreement on comprehensive reforms to emissions trading in November 2017, the European legislative process was completed on schedule at the end of February 2018. Despite the continued high supply of emission certificates in the past year, various market factors fueled a strong recovery in the price of CO_2 allowances beginning in spring 2018. The price of the benchmark contract (front-December future) tripled from just under €8/t to over €25/t at times, its highest level since 2008.

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

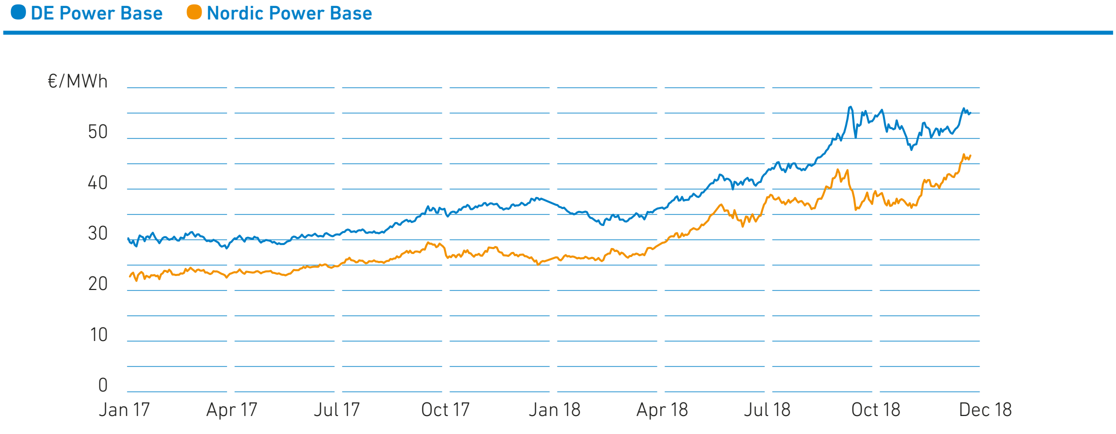


Electricity and gas: winter/summer contracts, coal: quarterly contracts, carbon: annual contracts incl. UK Carbon Price Support
CDS: Clean Dark Spread (efficiency 36.5%, emission factor: 0.33 t/MWh_{th})
CSS: Clean Spark Spread (efficiency 49.13%, emissions factor: 0.195 t/MWh_{th})

The British electricity market reached an average spot price of £57.4/MWh. Renewables accounted for 33% of total electricity generation, more than ever before. In addition, electricity demand in the UK fell to a preliminary estimate of 335 TWh in 2018, its lowest level since 1994 and 16% lower than its 2005 peak. Despite the high share of wind, solar and biomass in the electricity mix and the continuing decline in electricity demand, this was more than offset by the impact of rising gas, coal and CO_2 allowance prices on electricity prices, and ultimately led to the record high.

In addition, the discussion and lack of agreement on an orderly withdrawal of the United Kingdom from the EU and the decision of the European Court of Justice in November 2018, which resulted in the temporary suspension of the British capacity market mechanism, led to political uncertainty and increased the volatility of market prices. In particular, uncertainty about withdrawal from the EU and ongoing speculation regarding an adjustment of the UK CO_2 tax in conjunction with a sharp rise in gas prices put Clean Spark Spreads (price difference between the market price and the variable costs of generating electricity from gas, including the cost of emission allowances) under severe pressure in late summer and autumn, whereas Clean Dark Spreads (price difference for an average efficient power plant between the market price and the costs of generating electricity from coal, including the variable costs for emission allowances) benefited.

Electricity Price Movements in Uniper's Core Markets



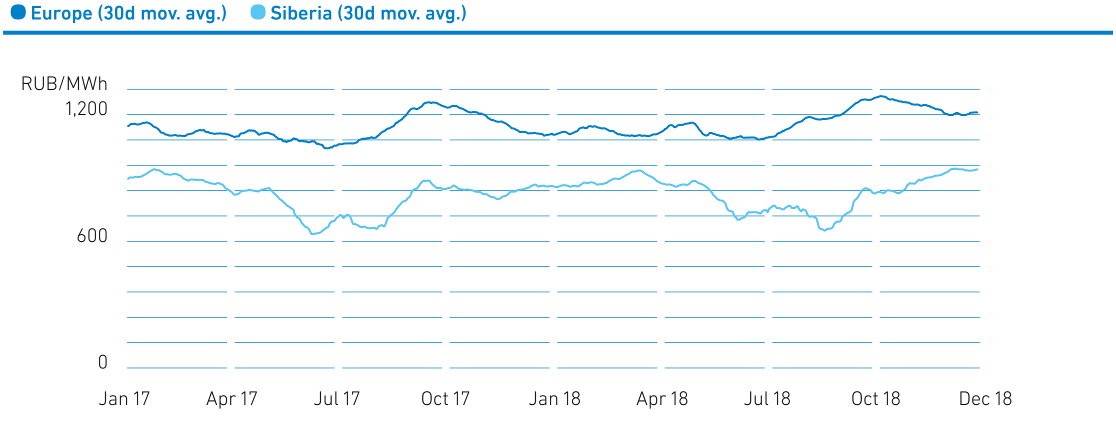
Prices in €/MWh for front-year contracts

The German electricity price for the front year developed largely positively during 2018. The main reasons for this development were an extremely strong increase in the CO_2 price and fundamentally more expensive fuel prices. At times, the high spot prices resulting from the hot and dry summer also helped to support electricity prices on the futures markets.

The Clean Dark Spread rose to an all-time high on November 16, 2018 after falling to almost zero at the end of May 2018. Also noteworthy was the development of the Clean Spark Spread, which also rose to unprecedented levels in November 2018 due to low gas prices and higher electricity prices. Prices and Clean Dark Spreads for the years 2020 to 2022 were mainly influenced by political uncertainty about possible decisions to close coal-fired power plants and their development was correspondingly volatile.

Nordic hydroelectric power producers started off 2018 with a slight energy surplus due to the high water reservoir levels and the snow situation. However, this surplus was reversed by the time the snow melted in April 2018. The snowmelt was short and could not be controlled effectively at times due to the snow distribution. Subsequent drought up to the months of August and September 2018 led to very low reservoir levels in seasonal comparison. This deficit supported electricity prices on both the spot market and the futures markets. Although the massive precipitation in September 2018 did not fully compensate for the shortfall in hydroelectric power, it did dampen the usual price increases in autumn when nuclear power plants are regularly maintained. The year 2018 ended with below-average snow cover and a slight deficit in reservoir levels. The main reason for the upward trend in the price curve for forwards was also the development of electricity prices in Western Europe, in which the basic parameters such as raw material and CO_2 prices are directly reflected.

Price Movements in the Russian Power Market



Daily spot prices (30-day average)

The Russian electricity market was somewhat stronger in 2018 than in 2017. In the European price zone, rising demand of 1.2% compared with 2017 was offset by higher nuclear generation of 1.0%. The 3.3% increase in electricity prices was also supported by rising gas prices. In the Siberian price zone, demand rose by 2.3%, but was covered by an equally robust increase in hydroelectric power generation. The main reason for the 3.1% increase in electricity prices was the higher local coal price.

Product Price Movements in Uniper's Core Markets

Product	Unit	Dec. 28, 2018	Jan. 2, 2018	Change	2018 high	2018 low
DE Power Base (Cal-19)	€/MWh	55.4	36.8	+50%	56.7	32.8
Nordic Power Base (Cal-19)	€/MWh	47.2	26.4	+79%	47.5	25.6
Brent Oil (Front Month)	$/bbl	52.2	66.6	-22%	86.3	50.5
Coal API #2 (Cal-19)	$/t	86.0	86.1	-0%	99.9	72.8
Gas NBP (Cal-19)	€/MWh	22.2	18.1	+22%	27.3	16.8
Gas TTF (Cal-19)	€/MWh	21.7	17.7	+23%	26.3	16.4
Carbon E U A (Dec-19)	€/t	25.0	7.9	+217%	25.6	7.7
UK CDS Base (Sum-19)	£/MWh	-5.9	-6.4	+7%	-0.4	-7.8
UK CSS Peak (Sum-19)	£/MWh	2.9	1.6	+80%	3.3	0.7

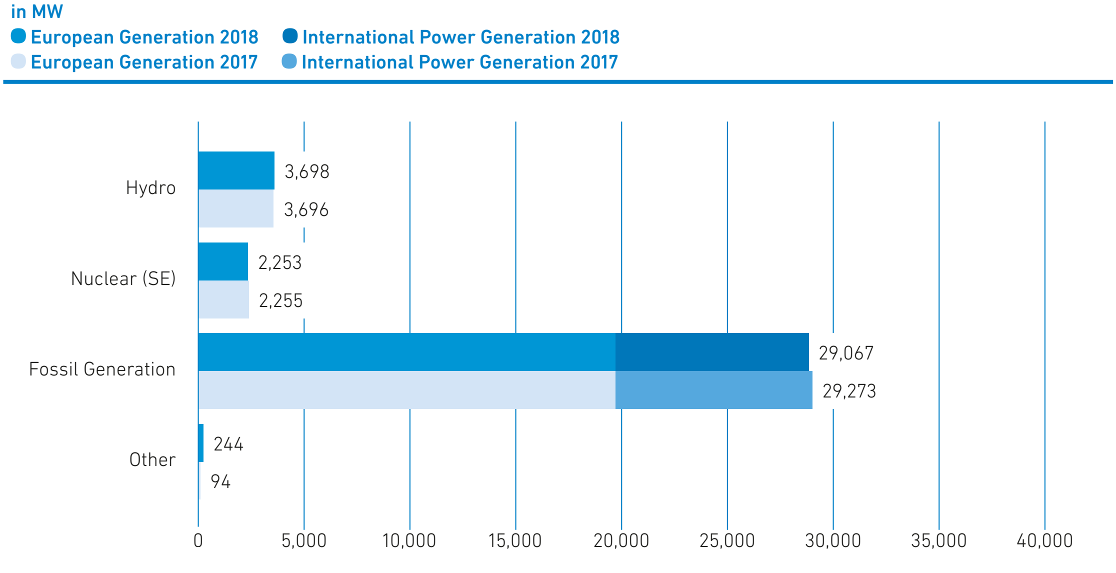
CDS: Clean Dark Spread (efficiency 36.5%, emission factor: 0.33 t/MWh_{th})
CSS: Clean Spark Spread (efficiency 49.1%, emission factor: 0.195 t/MWh_{th})

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 35,262 MW or 0.2% (56 MW) below that of the previous year (35,318 MW).

Uniper Group: Legally Attributable Generation Capacity[1]

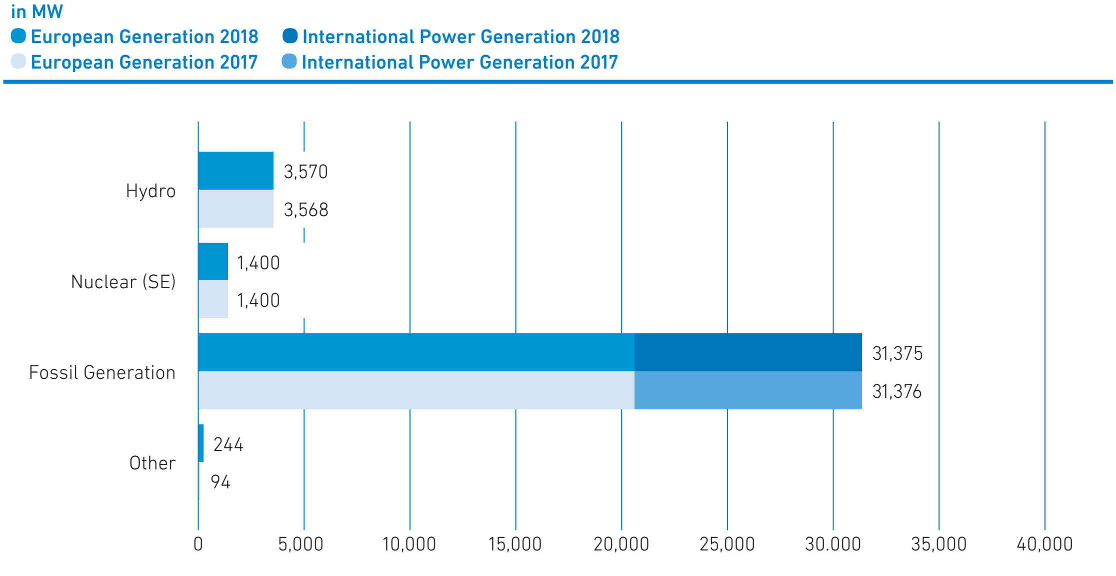


[1]Any rounding differences between individual volumes and totals are accepted.

Changes in the Group's generation assets primarily reflect the disposal of Pecém II Participações S.A. in Brazil, which operated a coal-fired power plant, in the first half of 2018. This was counteracted by the entry into service of the Provence 4 biomass power plant unit in France and the expansion of the Rothenfels hydroelectric power plant in Germany.

Fully consolidated generation capacity increased from 36,438 MW by 0.4% (151 MW) to 36,589 MW. The reasons outlined previously also apply here.

Uniper Group: Fully Consolidated Generation Capacity[1]



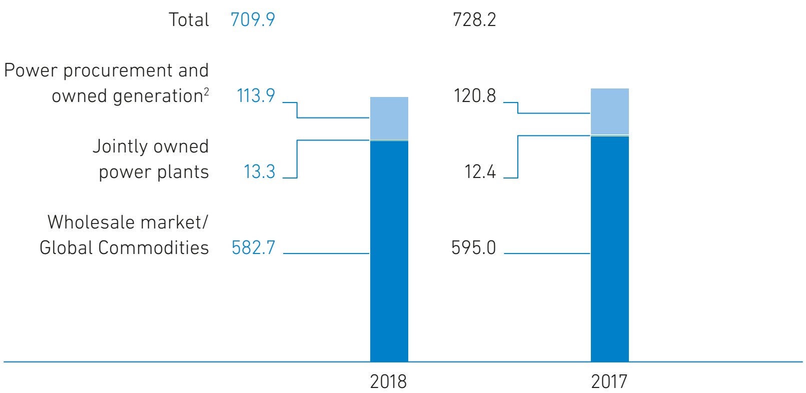
[1]Any rounding differences between individual volumes and totals are accepted.

Power Procurement and Owned Generation

In 2018, the amount of electricity generated by our own power plants stood at 113.9 billion kWh, a significant decline of 6.9 billion kWh, or 5.7%, from the previous year's level of 120.8 billion kWh. Purchased electricity decreased by 12.3 billion kWh, or 2.1%, from 595.0 billion kWh to 582.7 billion kWh.

Power Procurement and Owned Generation[1]

Billion kWh



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

[2]The consolidation approach used in financial control means that only fully consolidated power plants (shareholding of more than 50%) are included in the generation volume, regardless of who operates these power plants.

The European Generation segment's owned generation amounted to 67.3 billion kWh, a significant decline of 5.1 billion kWh (7.1%) below the previous year's level of 72.4 billion kWh. There were various reasons for this, including effects from the decommissioning of the Oskarshamn 1 nuclear power plant unit in Sweden and of the coal-fired power plants Maasvlakte 1 and 2 in the Netherlands during 2017. In addition, power production in the fossil-fuel power plants in the Netherlands and France was lower due to maintenance and repair work in some power plants. In France, strikes also had a negative impact on the availability of one power plant. Furthermore, the low level of precipitation, especially in the third and fourth quarters, led to a decline in electricity generation from hydroelectric power plants. In contrast, electricity generation in the fossil-fuel power plants in the United Kingdom developed positively due to improved market conditions.

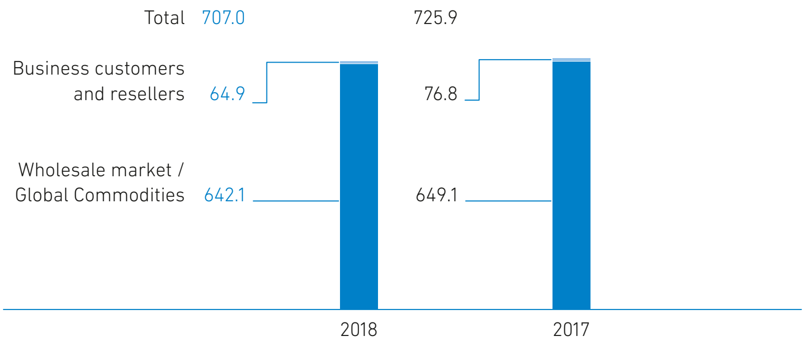
In the International Power Generation segment (Russia), owned generation declined by 1.8 billion kWh, or 3.7%, from 48.4 billion kWh to 46.6 billion kWh. This was mainly due to the higher downtimes of the Surgutskaya power plant due to the general overhaul of Unit 7 of that plant in the first half of 2018 and to the Berezovskaya power plant (Units 1 and 2), whose capacities were placed in cold reserve more frequently than in the previous year.

Electricity Sales

In 2018, electricity sales of the Uniper Group stood at 707.0 billion kWh, 2.6% below the previous year's sales of 725.9 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 2018 came to 40.3 billion kWh, slightly below the previous year (46.0 billion kWh). The decrease is mainly due to expiring contracts with customers.

Gas Procurement

In 2018, the Global Commodities segment procured roughly 2,043.2 billion kWh of gas from domestic and foreign producers and at gas trading points. This represented a slight increase in gas procurement in comparison to the previous year (1,977.2 billion kWh).

Long-Term Gas Supply Contracts

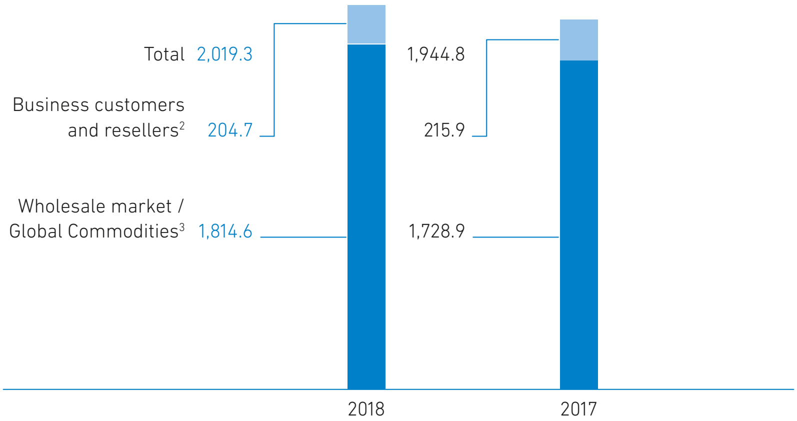
The procurement of gas takes place to a significant extent on the basis of various long-term contracts with gas producers. The gas required by the Uniper Group is supplied mainly by providers in Germany, the Netherlands, Norway and Russia. In 2018, Uniper had long-term contracts amounting to 390 billion kWh (2017: 406 billion kWh).

Gas Sales

The Uniper Group's gas sales increased to 2,019.3 billion kWh in 2018, slightly higher than the previous year's sales (1,944.8 billion kWh).

Gas Sales[1]

Billion kWh



[1]Any rounding differences between individual volumes and totals are accepted.
[2]Business customers and resellers of the UES sales unit and of the business in France
[3]Total sales of the trading unit in the Global Commodities segment via various sales channels (exchanges, customers, etc.)

The shifts in gas sales relate to the Global Commodities segment. The increase was driven mainly by significantly higher activities at gas trading points.

Alongside gas trading in energy markets, a portion of the Uniper Group's gas sales on the energy markets and sales to customers by the trading unit in the Global Commodities segment is transacted through the internal sales unit UES by means of contracts with major customers, such as municipal utilities, regional gas suppliers, industrial customers and power plants. The volume of gas sold by the UES in fiscal 2018 came to 203.6 billion kWh, which is slightly below the previous year (213.2 billion kWh). The decrease is due to the intensely competitive environment.

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 and Austria and through a subsidiary in the UK. In 2018, gas storage capacity stood at 7.9 billion m^3, slightly below the level of the previous year (8.2 billion m^3), due primarily to the expiration of a storage agreement.

Key Events and Business Development in 2018

On November 7, 2017, Fortum Deutschland SE, a wholly-owned subsidiary of the Finnish energy company Fortum Oyj, had issued an offer to purchase all of the shares of Uniper SE. In total, shareholders of Uniper SE representing an interest of approximately 47.12% in the Company had accepted Fortum Deutschland SE's offer to acquire the shares of Uniper SE. In particular, E.ON SE had tendered its 46.65% stake in Uniper SE – held indirectly via E.ON Beteiligungen GmbH – to Fortum Deutschland SE as part of the takeover offer. When the offer was completed effective June 26, 2018, Fortum Deutschland SE became the Company's new major shareholder.

According to public announcements by Fortum Oyj on February 1, 2019 (publication of Fortum Oyj's financial statements and operating and financial review for 2018), the share of voting rights in Uniper SE attributable to Fortum Oyj as of December 31, 2018 was 49.99%.

The following events had a significant impact on business in 2018:

Heavy snowfalls in the winter months were followed by a rapid rise in temperatures at the beginning of April, which led to higher inflows and increased production from running water in Germany in the second quarter; however, the sustained drought in the third and fourth quarters resulted in generation levels below those of the previous year. In Sweden, the second quarter was similarly characterized by a short, but strong, spring flood due to the snow situation. In the third quarter of 2018, the continuing drought led to declines in generation volumes, and although the volumes in the fourth quarter were back in line with the long-term average, total generation in 2018 was below that of the previous year.

The hot, dry summer and the relatively high price levels associated with it contributed to good optimization results for the entire generation fleet in most of Europe's electricity markets.

The decisions on reducing surplus carbon allowances by transferring them to the market stability reserve within the EU Emissions Trading System ("EU ETS") led to a sharp increase in carbon prices in the first nine months of the year. The price then exhibited considerable volatility in the fourth quarter of 2018.

The low temperatures in the second half of the first quarter of 2018 led to increased short-term demand for gas products and triggered extreme price fluctuations at individual gas trading points, which challenged gas utilities to deliver on the agreed supply contracts without resorting to significant gas-market purchases. Uniper successfully mastered this challenge thanks to its diversified, flexible gas portfolio consisting of gas storage facilities and flexible contracts. The subsequent months of the reporting period were characterized by an overall volatile market of rising prices. This was due to the need to refill gas storage facilities after extensive gas volumes were taken out of them in the first half of the year.

In the context of ongoing arbitration proceedings regarding various long-term gas supply contracts, Uniper is making preparations for the arbitration while at the same time pursuing a commercial agreement with the gas suppliers. An appropriate loss allowance has been recognized for the risk.

In the Datteln 4 hard-coal power plant currently under construction, initial supportable findings from the analysis of the extent and causes of the damage to the boiler unit indicated in the spring of 2018 that the boiler walls will have to be replaced to remedy the damage. A corresponding change in the assessment of future commissioning during the preparation of the first quarter financial statements compared with the previous year led to a non-operating impairment charge. The update of the assumptions in the fourth quarter resulted in a further non-operating impairment charge. At the same time – in order to adequately reflect the effects of the Coal Commission's report – the existing scenarios were adjusted and further scenarios defined as part of the impairment test in the fourth quarter of 2018.

The conversion from coal to biomass firing at Unit 4 of the Provence power plant in France (Provence 4) is complete. The power plant was brought on stream in the second quarter of 2018. This, however, was followed by temporary production stoppages at the site in the third and fourth quarters of 2018 due to technical problems and to strikes, and Provence 4 will therefore not be able to achieve the specified minimum runtime hours in 2018. Given the associated future loss of revenue, a non-operating impairment charge was recognized for the power plant unit in 2018.

Due to 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, once again announced on April 26, 2018, the temporary closure of the two units to the German Federal Network Agency and the network operator TenneT.

In the first half of 2018, the decision was made to build a new gas-fired power plant at the Scholven site with projected capital expenditure in the low three-digit million euro range. With this investment, Uniper will be able to continue to successfully expand its direct-to-consumer business.

The earnings performance of the Russian majority shareholding Unipro was affected mainly by the negative movement of the ruble's exchange rate in the reporting period.

The expected outstanding investments for the boiler repair project in the Berezovskaya 3 power plant unit amount to approximately 15 billion rubles at the end of 2018. The risk reserve is being used for the expected increase in outstanding investments in additional fire protection measures and personnel compared to the third quarter of 2018; this has no impact on profitability or the recommissioning schedule. Recommissioning is expected to take place in the fourth quarter of 2019.

On November 15, 2018, the European Union Court of Justice overturned the state aid approval for payments from the British capacity market due to possible procedural errors in the approval by the EU Commission. As a result, payments from the capacity market are currently suspended. The EU Commission has now resumed state aid proceedings and, according to public sources, has appealed the court decision. Payments, including retroactive payments, may be resumed after renewed approval by the EU Commission or an annulment of the decision.

In December 2018, Uniper revoked the notice of closure of the Staudinger 5 hard-coal-fired power plant for the summer months of 2019 and 2020. Due to the changed price situation in the market, Uniper currently sees better opportunities for the power plant to generate revenue from electricity generation.

In December 2018, Uniper and Mitsui O.S.K. Lines, Ltd. (MOL) reached an agreement to continue and intensify their efforts to implement an FSRU (Floating Storage and Regasification Unit) at the Uniper site in Wilhelmshaven, Germany. The FSRU has a planned send-out capacity of 10 bcm/a and an LNG storage capacity of 263,000 m^3.

In addition, Uniper and MOL entered into a binding transportation agreement. Under the agreement MOL will provide Uniper with shipping capacity equivalent to a 180,000 m^3 LNG carrier.

Following a strategic review of its generation and distribution activities in France, Uniper is currently in exclusive negotiations with Energetický a průmyslový holding, a. s. (EPH) on the sale of all Uniper activities in France. Uniper received a unilateral and binding offer for these assets at the end of the 2018 fiscal year.

After submitting a bid in 2018 for the construction of a gas-fired power plant in Irsching, Uniper was awarded the contract in December 2018 by the transmission grid operator TenneT as part of the tender for "special grid technology equipment". The gas-fired power plant with a planned capacity of 300 MW will serve as a "safety buffer" in special emergency situations for the electricity supply system from October 2022.

On September 26, 2018, Uniper successfully concluded the early refinancing under improved conditions of the syndicated credit facility of €2.5 billion arranged in 2016. The new syndicated credit facility in the amount of €1.8 billion secures Uniper's backup liquidity reserve for the coming years. The facility has a tenor of five years plus two options to extend the maturity by one year each.

Changes in Ratings

On April 27, 2018, Standard & Poor's Global Ratings ("S&P") raised Uniper's rating from BBB- with a positive outlook to BBB with a stable outlook. S&P decided to upgrade the rating on the back of Uniper's sustained strong financial position, as well as S&P's expectation of improved earnings stability and profitability at the Company.

The rating upgrade and the stable outlook reflect S&P's view of a reduced risk of a negative impact from changes in Uniper's shareholder structure on the Company's credit quality, in particular its independence, strategy and financial policy. S&P has also elevated Uniper's business risk profile, which has been positively affected by recent electricity price trends in Germany and the Nordic countries, achieved cost savings, renegotiations of gas contracts and the successful sale of the Russian gas field Yuzhno-Russkoye in 2017.

Uniper has been assigned a long-term issuer credit rating of BBB+ by the rating agency Scope Ratings. That rating was reaffirmed in June 2018, and the outlook continues to be stable.

Earnings

Transfer Pricing System

All energy-related contracts with Uniper Group companies are accounted for at market prices or market-price-based transfer prices. In forward transactions, transfer prices are derived from current forward prices for a specified time prior to delivery.

At the beginning of 2018, the transfer pricing system previously used in connection with the electricity generation of the Uniper Group was replaced by a new portfolio management system, in which Uniper Global Commodities SE (UGC) hedges the expected electricity generation of the power plant companies by concluding hedging transactions (physical and financial) on the basis of current market prices and makes use of spot optimization.

The previous contracts were terminated at the end of 2017 and the delivery and acceptance obligations existing at that time were transferred to the new system. This transfer had no substantial effect on the asset situation, financial condition and earnings of the Uniper Group.

Sales Performance

In the 2018 fiscal year, sales revenues rose significantly, increasing by around 8% to €78,176 million over the previous year's level (2017: €72,238 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. Emissions trading and the electricity business also contributed to sales growth.

The initial application of IFRS 15 has, in particular, led to a change in the presentation of income from financial hedging transactions and, to a limited extent, from proprietary trading, which for the 2018 fiscal year is shown within other operating income and, in contrast to the prior-year period, no longer as sales. Further information is provided in the "Significant Earnings Trends" section.

Sales

€ in millions	2018	2017	+/- in %
European Generation	13,294	7,107	87.1
Global Commodities	83,974	71,034	18.2
International Power Generation	1,060	1,170	-9.4
Administration/Consolidation	-20,152	-7,073	-184.9
Total	**78,176**	**72,238**	**8.2**

European Generation

Sales revenues in the European Generation segment rose compared with the previous year, from €7,107 million by €6,187 million to €13,294 million in 2018.

The increase in sales resulted primarily from higher intersegment sales. The background here is the changed transfer-pricing mechanism between the power plant operating companies and the trading unit in the Global Commodities segment, which has been in effect since January 1, 2018. Through the new interface, the latter locks in a future selling price for the electricity expected to be generated by the power plant operating companies by entering into hedges at current market prices in the context of a portfolio management contract, so that the resulting revenues are ultimately reported directly in the European Generation segment, while the power plant operating companies show the financial effect of price hedging of their generation positions. The change in the mechanism is also reflected in a corresponding increase in the cost of materials. The preceding effect was offset, in part, by the decommissioning of the Maasvlakte 1 and 2 power plant units in the Netherlands, and of the Oskarshamn 1 nuclear power plant in Sweden, all of which had still been in operation in the prior-year period before they were decommissioned in June 2017.

Global Commodities

Sales revenues in the Global Commodities segment increased from €71,034 million in 2017 by €12,940 million to €83,974 million in 2018.

Internal sales in the electricity business were increased by the changed transfer-pricing mechanism between the trading unit in the Global Commodities segment and the power plant operating companies (see "European Generation").

Overall, external sales were noticeably above the prior-year level. In the gas business, there was a significant increase in sales due to higher prices and higher sales volumes at gas trading points. Increased prices and trading activity led to a significant increase in the trading of emission allowances. There was a noticeable increase in the electricity business from optimization and trading activities involving physically settled transactions. External sales in the gas and electricity businesses were reduced because of the initial application of the new IFRS 15, which provides that income from financial hedging transactions and, to a limited extent, from proprietary trading, are recognized as other operating income in the 2018 fiscal year.

International Power Generation

Sales revenues in the International Power Generation segment declined by €110 million in comparison to the previous year, from €1,170 million in 2017 to €1,060 million in the 2018 fiscal year.

The decline in sales was due to negative currency effects, in particular. A further negative impact came from lower generation volumes, which were due mainly to the increased downtime periods at the Surgutskaya and Berezovskaya (Units 1 and 2) power plants, and to the general overhaul of the Surgutskaya plant's Unit 7. The Shaturskaya (Unit 7) and Yaivinskaya (Unit 2) power plants had a positive effect on generation volumes, as they underwent general overhauls in the second half of 2017 and were reconnected to the grid in 2018. Higher tariff payments for new capacity at the Surgutskaya power plant, on the other hand, had a positive effect.

Administration/Consolidation

This reconciliation item consists primarily of consolidation entries, which changed by -€13,079 million from -€7,073 million in 2017 to -€20,152 million in the 2018 fiscal year. This resulted mainly from the consolidation of intersegment effects due to the changed interface between the European Generation segment's power plant operating companies and the trading unit in the Global Commodities segment. The resulting changes in transfer pricing will have no impact on the earnings, financial condition and net assets of the Uniper Group.

Sales revenues by product break down as follows:

Sales

€ in millions	2018	2017	+/- in %
Electricity	29,067	28,777	1.0
Gas	43,603	38,560	13.1
Other	5,506	4,901	12.3
Total	**78,176**	**72,238**	**8.2**

Significant Earnings Trends

The net loss of the Group improved to €492 million (2017: net loss of €538 million). Income before financial results and taxes declined to -€161 million (2017: -€88 million).

The principal factors driving this earnings trend are presented below:

Other operating income increased to €14,681 million in the 2018 fiscal year (2017: €9,999 million). The main reason for this increase was the reclassification of income from financial hedges and, to a lesser extent, proprietary trading amounting to €5,884 million, which, as a result of the first-time application of IFRS 15, from the 2018 fiscal year will be shown under other operating income rather than revenue. The discontinuation of the insurance payments awarded in the previous year for the damages at the Berezovskaya 3 power plant unit in Russia had an offsetting effect. Furthermore, income from derivative financial instruments decreased by €761 million to €7,367 million (2017: €8,128 million). This is due to changes in commodity derivatives carried at fair value.

Other operating expenses increased to €15,951 million in the 2018 fiscal year (2017: €10,810 million). The increase resulted mainly from expenses from financial hedging transactions and, to a lesser extent, from proprietary trading in a total amount of €6,444 million, which was shown under cost of materials in the previous year. This change in presentation is also related to the first-time application of IFRS 15. The absence of the expenses included in the previous year in connection with the disposal of the shareholding in the Russian Yuzhno-Russkoye gas field and the recognition of currency translation adjustments in the income statement as an expense instead of their previous recognition in other comprehensive income (€890 million) had an offsetting effect. In addition, expenses from derivative financial instruments declined by €261 million to €7,721 million (2017: €7,982 million) due to the changes in commodity derivatives carried at fair value.

In 2018, the cost of materials increased to €74,690 million (2017: €69,479 million), thereby largely following the sales trend.

Depreciation, amortization and impairment charges amounted to €1,532 million in the 2018 fiscal year (2017: €1,198 million). Impairment charges on property, plant and equipment increased to €861 million (2017: €344 million); these were mainly related to impairments on the Datteln 4 coal-fired power plant under construction, the Provence 4 power plant in France and the domestic gas storage infrastructure. Depreciation of property, plant and equipment and amortization of intangible assets increased to €670 million in the 2018 fiscal year (2017: €631 million). This slight increase is due mainly to the first-time application of IFRS 16 in 2018 and the related recognition of rights of use within property, plant and equipment. The reduction in depreciation volume due to the disposal of assets in connection with the sale of the stake in the Russian Yuzhno-Russkoye gas field in 2017 had an offsetting effect. In addition, an impairment loss of €224 million was recognized in the prior-year period in connection with the sale of the interest in the Russian Yuzhno-Russkoye gas field.

Personnel costs fell by €14 million in the 2018 fiscal year to €977 million (2017: €991 million). This decline was mainly due to lower expenses for occupational retirement benefits and lower wages and salaries, which are attributable to the restructuring measures implemented in previous years. In wages and salaries, this was offset by the non-recurring expense from the revaluation and settlement of allocations under the long-term incentive ("LTI") packages for the years 2015, 2016 and 2017 in connection with the occurrence of the change-of-control event that took place with the completion of the takeover offer by Fortum Deutschland SE. In return, there will be no more charges to personnel costs for future reporting periods from 2019 through 2021 from the now-settled LTIs for the years 2015–2017.

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.

In order to increase its meaningfulness as an indicator of the operating performance of Uniper's business, EBIT is adjusted for certain non-operating effects to produce a reliable adjusted EBIT, which is used for internal management purposes.

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	2018	2017
Income/Loss before financial results and taxes	**-161**	**-88**
Net income/loss from equity investments	9	-24
EBIT	**-152**	**-112**
Non-operating adjustments	1,017	1,226
Net book gains (-)/losses (+)	*31*	*890*
Fair value measurement of derivative financial instruments	*343*	*-88*
Restructuring / cost-management expenses (+)/income (-)[1, 2]	*-73*	*18*
Non-operating impairment charges (+)/reversals (-)[3]	*681*	*400*
Miscellaneous other non-operating earnings	*35*	*6*
Adjusted EBIT	**865**	**1,114**

[1]Expenses for (and income from) restructuring and cost management in the Global Commodities segment included depreciation and amortization of €12 million in 2018 (2017: €14 million).
[2]Not included in restructuring and cost-management expenses/income are 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 income statement 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, a loss of €31 million was realized from the sale of the investment in the joint venture Pecém II Participações S.A. This loss resulted primarily from the reclassification to the income statement of currency translation differences that previously had been recognized in equity as accumulated other comprehensive income.

In the 2017 fiscal year, the sale of the interest in the Russian Yuzhno-Russkoye gas field to the Austrian oil and gas company OMV had been finalized. The disposal at the end of November 2017 had 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.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement of derivatives used to hedge the operating business against price fluctuations resulted in a net expense of €343 million as of the December 31, 2018, reporting date due to higher market values (2017: net income of €88 million).

Restructuring / Cost Management

The income of €73 million reported for the 2018 fiscal year (2017: €18 million expense) resulted largely from the partial reversal of miscellaneous provisions that had been recognized for non-operating effects in the course of the spin-off from E.ON. In addition, restructuring provisions that had been recognized before the spin-off for non-operating effects were reversed.

Non-operating Impairment Charges/Reversals

In the reporting period, non-operating impairment charges were recognized, net of non-operating impairment reversals, in the amount of €681 million (2017: €400 million), mainly in the European Generation and Global Commodities segments. A charge of €369 million was recognized for the Datteln 4 hard-coal power plant currently under construction. In addition to a change in the assessment from the previous year with regard to its future commissioning due to the need to replace the boiler walls as reported in the first half of the year, the proposals made by the Coal Commission to end coal-fired power generation by 2038 at the latest were taken into account. Furthermore, an impairment loss of €206 million was recognized on the French Provence 4 power plant unit in the European Generation segment, and an impairment loss of €132 million on German gas storage infrastructure in the Global Commodities segment. Reversals of impairment losses recognized in prior years amounted to €165 million in fiscal 2018, and related mainly to British power plants.

In the previous year, non-operating impairments had been recognized on goodwill allocated to Yuzhno-Russkoye and on fossil-fuel power plants in the European Generation segment. This had been offset by reversals of impairments on fossil-fuel power plants in the European Generation segment and on gas infrastructure in the Global Commodities segment.

Further details on impairment losses and reversals of impairment losses are provided in Note 17 to the Consolidated Financial Statements.

Miscellaneous Other Non-operating Earnings

Miscellaneous other non-operating earnings amounted to -€35 million in the 2018 fiscal year (2017: -€6 million). The deterioration resulted primarily from a charge recognized as part of the revaluation and settlement of allocations that vested prematurely under the long-term incentive ("LTI") packages for the years 2015, 2016 and 2017. These allocations arose from the change-of-control event that followed the completion of the takeover offer by Fortum Deutschland SE.

Adjusted EBIT

Segments

The following table shows adjusted EBIT for fiscal 2018 and 2017 broken down by segment.

Adjusted EBIT

€ in millions	2018	2017	+/- in %
European Generation	386	337	14.5
Global Commodities	318	341	-6.7
International Power Generation	278	616	-54.9
Administration/Consolidation	-117	-180	35.0
Total	**865**	**1,114**	**-22.4**

European Generation

Adjusted EBIT in the European Generation segment increased from €337 million in the previous year by €49 million to €386 million in 2018. This result, which was due to non-recurring effects, was significantly above expectations.

This positive development compared to the previous year is mainly attributable to the elimination of the special taxation of Swedish nuclear power plants and the reduction of the special taxation of hydroelectric power plants in Sweden. The year-on-year increase in revenues from capacity market premiums in the UK also led to an increase in earnings, although these were suspended from November 2018. A further positive contribution to the European Generation segment's earnings came from reversals of provisions for other asset retirement obligations due to an altered dismantling plan for redevelopment obligations relating to hydroelectric power plants and infrastructure. The implementation of the restructuring program also contributed to an improvement in earnings.

This was offset in particular by lower prices achieved compared with 2017 for nuclear and hydroelectric power plant volumes that had been hedged in the past. The low precipitation in summer 2018 also had a negative impact on electricity generation from hydroelectric power plants in Germany and Sweden. The decommissioning of the Maasvlakte 1 and 2 power plant units in the Netherlands and the Oskarshamn 1 nuclear power plant unit in Sweden in June 2017 also led to a decline in earnings compared with the previous year.

Global Commodities

The adjusted EBIT of the Global Commodities segment fell by €23 million from €341 million in the prior year to €318 million in 2018. As a result, earnings were below expectations, partly due to the risk provision for price negotiations in the gas sector, which had an effect compared to the previous year.

In the electricity business, there were higher earnings contributions compared with the previous year as a result of optimization and a positive effect from the premature termination of forward transactions in 2017. Adjusted EBIT also benefited from the realization of hedging transactions for LNG activities in the reporting period. Negative factors included the non-recurrence of the earnings contribution due to the completion of the sale of the shareholding in the Russian Yuzhno-Russkoye gas field at the end of 2017, weaker operations development in the gas business, and the recognition of risk provisions for price negotiations related to long-term gas purchase agreements.

International Power Generation

At €278 million, adjusted EBIT in the International Power Generation segment for the reporting period was in line with expectations and well below the prior-year figure of €616 million, mainly due to one-time insurance payments received in 2017 in the amount of €310 million for the fire in the Berezovskaya 3 power plant unit.

Furthermore, adjusted EBIT was adversely affected by negative currency translation effects and lower generation volumes. Higher tariff payments relative to 2017 for new capacity at the Surgutskaya power plant had a positive effect.

Administration/Consolidation

The adjusted EBIT attributable to the reconciliation item Administration/Consolidation changed from -€180 million in 2017 by €63 million to -€117 million in fiscal 2018, due to consolidation effects in the reporting period related mainly the increase in CO_2 prices and the non-recurrence of positive one-time effects from 2017.

Adjusted Funds from Operations

Adjusted FFO for the 2018 fiscal year amounted to €756 million, a year-on-year increase of €3 million (2017: €753 million) and therefore in line with the forecast. The increase primarily reflected lower usage of provisions and positive tax effects. A lower cash EBIT had a compensating effect; non-cash components mainly comprise depreciation and impairment (see Notes 15 to 17 in the notes to the consolidated financial statements), additions to and reversals of provisions (see Notes 23 and 24 in the notes to the consolidated financial statements) and book gains and losses (see Note 7 in the notes to the consolidated financial statements). Please see the "Adjusted EBIT" section in the management report for more information.

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.

In addition, Uniper aims to achieve a debt factor, i.e., a ratio of economic net debt to adjusted EBITDA of 1.8 to 2.0. This ratio may be higher than targeted as long as Uniper's target of achieving a comfortable investment-grade rating is warranted. As of December 31, 2018, the debt factor was 2.1 (2017: 1.4). The increase in the debt-to-equity ratio is mainly the result of the €763 million increase in net economic debt, mainly due to higher collateral requirements for forward contracts in Uniper's commodity business and correspondingly increased financial liabilities (see the chapter "Debt" on page 47 for more information) and the reduction in adjusted EBITDA to €1,543 million (2017: €1,741 million).

The target for the debt factor is in line with Uniper's aim of achieving a comfortable investment-grade rating, which will enable Uniper 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 provided in the form of a revolving credit line by a total of 15 banks under improved conditions. The revolving credit facility was refinanced in the third quarter of 2018 in the amount of €1.8 billion. The term of the credit line is five years and can be extended by a further year under two extension options with the approval of the banks. Uniper has also secured the option to increase the credit line by €500 million.

The revolving credit line is available to Uniper as a general liquidity reserve and serves as a back-up facility for the Commercial Paper Program, which was increased from €1.0 billion to €1.8 billion in the third quarter.

The Debt Issuance Program ("DIP") 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 is €2.0 billion. As of December 31, 2018, there were no bonds outstanding. A bond in the amount of €500 million was not refinanced until its maturity on December 8, 2018, and was repaid on maturity.

Financial Liabilities

€ in millions	Dec. 31, 2018	Dec. 31, 2017
Bonds[1]	–	499
Commercial paper	493	–
Liabilities to banks	108	97[2]
Other financial liabilities (including liabilities to affiliated companies)	*2,338*	*1,327*
Lease liabilities[3]	*813*	*452*
Margining liabilities	*976*	*297*
Liabilities to co-shareholders from shareholder loans	*425*	*454*
Other financing	*124*	*124*
Total	**2,939**	**1,923**

[1]Nominal amount of €500 million, see Note 25 to the Consolidated Financial Statements.
[2]Liabilities to banks, which were previously reported under other financial liabilities, were disclosed separately for the first time in the current fiscal year.
[3]First-time application of IFRS 16 "Leases" from January 1, 2018.

Uniper additionally has arranged various guarantee credit lines with banks to cover guarantee requirements in its operations. Note 25 to the Consolidated Financial Statements contains more information about outstanding Uniper bonds and financial liabilities.

Debt

The following table breaks down economic net debt by major balance sheet item as of December 31, 2018, and December 31, 2017, respectively:

Economic Net Debt

€ in millions	Dec. 31, 2018	Dec. 31, 2017
Liquid funds	1,400	1,027
Non-current securities	83	104
Financial liabilities and liabilities from leases	-2,939	-1,923
Lease liabilities	*-813*	*-452*
Margining liabilities	*-976*	*-297*
Other financial liabilities	*-1,150*	*-1,174*
Net financial position	**-1,456**	**-792**
Provisions for pensions and similar obligations	-804	-676
Provisions for asset retirement obligations[1]	-948	-977
Other asset retirement obligations	*-743*	*-911*
Asset retirement obligations for Swedish nuclear power plants[2]	*-2,476*	*-2,397*
Receivables from the Swedish Nuclear Waste Fund recognized on the balance sheet[2]	*2,271*	*2,331*
Economic net debt	**-3,208**	**-2,445**
For informational purposes: Margining receivables[3]	698	432
For informational purposes: Receivables from the Swedish Nuclear Waste Fund (KAF) ineligible for capitalization[2]	348	242
For informational purposes: Fundamental economic net debt	**-2,162**	**-1,771**

[1]Reduced by receivables from the Swedish Nuclear Waste Fund (KAF) in accordance with IFRIC 5.
[2]Due to IFRS valuation rules (IFRIC 5), €348 million (2017: €242 million) of Uniper's share of the fair value of the net assets of the Swedish Nuclear Waste Fund (KAF) may not be recognized on the balance sheet. Accordingly, there exists an additional receivable from the Swedish Nuclear Waste Fund (KAF) ineligible for recognition on the balance sheet, and the economic net obligation for the decommissioning of the Swedish nuclear power plants is thus reported too high by the amount of this receivable.
[3]Margining liabilities are offset by receivables of €698 million (December 31, 2017: €432 million), which are reported as other financial receivables and are not included in economic net debt.

Compared with December 31, 2017, Uniper's net financial position changed by -€664 million to -€1,456 million (December 31, 2017: -€792 million). This effect was caused primarily by higher margin deposits for futures transactions on exchanges ("margining"), which amid rising commodity prices reduced liquid funds in 2018. These margin deposits rose to €698 million (December 31, 2017: €432 million) and correspondingly increased financial liabilities. Lease liabilities initially recognized owing to the initial application of IFRS 16 effective January 1, 2018, in the amount of -€324 million, as well as further new leases to be recognized in the course of the year, additionally led to an increase in financial liabilities and liabilities from leases. The €500 million bond due in December 2018 was repaid on maturity. This resulted in a corresponding utilization of the Commercial Paper Program of €493 million at year-end. The revolving credit line had not been drawn as of the reporting date.

Economic net debt amounted to -€3,208 million as of December 31, 2018 (2017: -€2,445 million). The -€763 million increase is mainly due to the increase in net financial position. The pension provisions at year-end 2018 amounted to - €804 million (2017: -€676 million), an increase of -€128 million. This was mainly due to the net actuarial losses incurred in 2018, which include net losses from the change in the discount rates used in the Uniper Group and further actuarial losses from the first-time application of K. Heubeck's 2018 G mortality tables in Germany. The decrease in provisions for asset retirement obligations to -€948 million (December 31, 2017: -€977 million) had the opposite effect. Both items no longer include the respective provisions for Uniper's activities in France (see Note 4 to the Consolidated Financial Statements).

For the first time, the fundamental economic net debt is disclosed for information purposes, which also includes receivables not shown in the balance sheet as part of economic net debt. These include €698 million in receivables from margining as of December 31, 2018, resulting from cash outflows from collateral to be provided for forward exchange transactions. These receivables are offset by liabilities from margining of -€976 million resulting from cash inflows from collateral received for forward exchange transactions. The inclusion of receivables and liabilities from margining in the fundamental economic net debt represents Uniper's indebtedness without the influence of collateral due to market price developments. Also included in the fundamental economic debt are receivables not included on the balance sheet due to IFRIC 5 non-capitalizable claims against the Swedish Nuclear Waste Fund (KAF), which arose from cash outflows into the fund and amounted to €348 million at year-end 2018 (2017: €242 million). Uniper's underlying net economic debt was -€2,162 million as of December 31, 2018, compared to -€1,771 million at the end of 2017. The increase mainly corresponds to the change resulting from the first-time application of IFRS 16 as of January 1, 2018.

Investments

Investments

€ in millions	2018	2017
Investments		
European Generation	*397*	*518*
Global Commodities	*32*	*49*
International Power Generation	*190*	*222*
Administration/Consolidation	*23*	*54*
Total	**642**	**843**
Growth	*325*	*451*
Maintenance and replacement	*317*	*392*

At €642 million, the investments of the Uniper Group as a whole were below the prior-year level of €843 million.

In 2018, €397 million was invested in the European Generation segment, €121 million less than the €518 million reported for the prior-year period. The change was due especially to lower investment spending on the growth projects Datteln 4 due to delays and the completion of the Provence 4 biomass power plant. Lower maintenance investments for coal-fired power plants also contributed to the drop in investments.

€32 million was invested in the Global Commodities segment in 2018, down €17 million from the prior-year level, primarily due to lower investments in IT projects and gas storage.

Investments in the International Power Generation segment totaled €190 million. These investments mostly related to the construction of Unit 3 of the Berezovskaya power plant and were €32 million lower than in the prior-year period (€222 million), due mainly to exchange-rate effects.

Investment spending in the Administration/Consolidation segment totaled €23 million in 2018, down €31 million compared with the 2017 fiscal year. This development was attributable to the non-recurrence of spending on the acquisition of licenses by Uniper IT and on the ownership transfer from E.ON of Uniper HR Services Hannover GmbH in 2017.

Cash Flow

Cash Flow

€ in millions	2018	2017
Cash provided by operating activities (operating cash flow)	**1,241**	**1,385**
Cash provided by investing activities	**-1,263**	**517**
Cash provided by financing activities	**319**	**-1,129**

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

Cash provided by operating activities (operating cash flow) fell by €144 million to €1,241 million in 2018 (2017: €1,385 million). The principal driver of this reduction in operating cash flow was the reduction in cash EBIT, separated here from non-cash EBIT components consisting mostly of depreciation, amortization and impairments (see Notes 15 through 17 to the Consolidated Financial Statements), additions to and reversals of provisions (see Notes 23 and 24) and book gains and losses (see Note 7 to the Consolidated Financial Statements). Further information is also provided in the "Adjusted EBIT" section of the Management Report. Furthermore, an increase in working capital, due to a difference in the timing of payments and a more intensive, price-driven build-up of emission allowances compared with the previous year also led to a reduction in operating cash flow.

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

Operating Cash Flow before Interest and Taxes

€ in millions	2018	2017	Difference
Operating cash flow	**1,241**	**1,385**	**-144**
Interest payments	15	1	14
Tax payments (+) / refunds (-)	-67	332	-399
Operating cash flow before interest and taxes	**1,189**	**1,718**	**-529**

Cash Flow from Investing Activities

Cash flow from investing activities fell by €1,780 million, from €517 million in 2017 to -€1,263 million in the 2018 fiscal year. This was mainly due to the non-recurrence of the cash received from the sale of the stake in the Russian Yuzhno-Russkoye gas field in 2017. Furthermore, higher cash payments for margining and for investments in institutional investment funds led to a reduction in cash flow from investing activities. In contrast, lower cash payments of €642 million for investments in property, plant and equipment (2017: €843 million) had a positive effect. Investment cash flow was additionally enhanced by lower cash payments of €275 million in fiscal 2018 (2017: €324 million) for financing the Nord Stream 2 project.

Cash Flow from Financing Activities

In 2018, cash flow from financing activities amounted to €319 million in 2018 (2017: -€1,129 million). The dividend payment to shareholders of Uniper SE led to an outflow of -€271 million (2017: -€201 million outflow). The Commercial Paper Program was used for short-term financing in 2018. At year-end, €493 million was still outstanding under the program (2017: €0 million), resulting in a net inflow of cash as of the reporting date. The repayment of the €500 million bond maturing in December 2018 had an offsetting effect. Margin deposits received for commodity forward contracts in the amount of €679 million (2017: €3 million) – primarily carbon certificates – also provided an inflow of cash in the 2018 fiscal year.

Assets

Consolidated Assets, Liabilities and Equity

€ in millions	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	24,156	22,877
Current assets	26,449	20,284
Total assets	**50,605**	**43,161**
Equity	11,445	12,789
Non-current liabilities	12,657	11,713
Current liabilities	26,503	18,659
Total equity and liabilities	**50,605**	**43,161**

Non-current assets as of December 31, 2018, rose relative to the previous year, from €22,877 million to €24,156 million. This was caused primarily by the valuation-related increase of €1,683 million in assets from derivative financial instruments. Non-current assets increased as non-current leased assets now have to be accounted for in property, plant and equipment in connection with the first-time application of IFRS 16. The reclassification of non-current assets to current assets from Uniper's activities in France in the amount of €278 million due to Uniper's intention to sell these assets had an offsetting effect.

Current assets increased from €20,284 million as of December 31, 2017, to €26,449 million. The principal cause of the increase was the valuation-related increase of €3,973 million in assets from derivative financial instruments, which rose from €8,241 million to €12,214 million. In addition, trade receivables increased by €1,227 million to €8,353 million. Collateral for trading transactions increased by €266 million to €698 million. Furthermore, Uniper's French operations were reported separately as assets held for sale at €546 million at the end of the fiscal year.

Equity as of December 31, 2018 fell to €11,445 million compared with €12,789 million in the previous year. The net loss of the Group made a negative contribution of €492 million to equity. Apart from the dividend distributed to Uniper shareholders in the amount of €271 million, the effect of foreign exchange rates on assets and liabilities amounting to €412 million and the effects from the initial application of IFRS 9 and IFRS 16 amounting to €55 million in total also had negative impacts on equity. The revaluation of defined benefit pension plans reduced equity by €254 million, while the revaluation of investments in the amount of €102 million had an offsetting effect.

Non-current liabilities increased from €11,713 million at the end of the previous year to €12,657 million as of December 31, 2018. Significant effects resulted from the valuation-related increase of €1,287 million in liabilities from derivative financial instruments, which rose from €3,040 million to €4,327 million, as well as from the increase in non-current lease liabilities additionally recognized in connection with the initial application of IFRS 16. The reclassification of non-current liabilities in Uniper's French operations to current liabilities in the amount of €484 million due to the intention to sell had an offsetting effect.

Current liabilities increased from €18,659 million at the end of the previous year to €26,503 million. This development is attributable especially to the valuation-related increase of €4,513 million in liabilities from derivative financial instruments, which rose from €8,033 million to €12,546 million. Trade payables and accrued liabilities for outstanding invoices also increased by €1,435 million. Current contract liabilities increased by €484 million to €1,163 million due to advance payments. In addition, Uniper recorded an increase of €679 million in collateral for trading transactions to €976 million. Liabilities related to the sale of Uniper's French operations amounted to €757 million as of December 31, 2018.

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	**2018**	**2017**
Financial assets	18,746.2	11,463.0
Fixed assets	**18,746.2**	**11,463.0**
Receivables and other assets	10,160.8	11,016.9
Securities	200.7	–
Bank balances	749.1	797.3
Current assets	**11,110.6**	**11,814.2**
Accrued expenses	**7.8**	**4.7**
Excess of plan assets over pension liability	**–**	**0.2**
Total assets	**29,864.6**	**23,282.1**
Capital stock (contingent capital €145.1 million)	622.1	622.1
Additional paid-in capital	10,824.9	10,824.9
Retained earnings	44.8	33.0
Net income/loss available for distribution / carried forward	329.4	270.8
Equity	**11,821.2**	**11,750.8**
Provisions for pensions and similar obligations	15.4	2.8
Provisions for taxes	107.2	132.2
Miscellaneous provisions	60.9	89.9
Provisions	**183.5**	**224.9**
Bonds	–	500.0
Bank loans/liabilities to banks	35.2	7.0
Liabilities to affiliated companies	17,280.2	10,745.7
Miscellaneous liabilities	540.3	45.2
Liabilities	**17,855.7**	**11,297.9**
Deferred income	**4.2**	**8.5**
Total equity and liabilities	**29,864.6**	**23,282.1**

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 the 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 63% of total assets. The proportion of receivables from affiliated companies is 34% of total assets.

Due to changes in the investment structure, Uniper SE acquired financial assets of €7,283 million from affiliated companies in 2018.

Bank balances fell by €48.2 million in the reporting year to €749.1 million. In 2018, Uniper SE repaid a bond in the amount of €500 million.

Provisions for pensions and similar expenses amounted to €15.4 million in the reporting year. 84% of the pension obligations are covered by these pension plan assets.

Income Statement of Uniper SE (HGB)

€ in millions	2018	2017
Other operating income	1,205.3	937.7
Personnel costs	-77.6	-76.2
Other operating expenses	-1,358.2	-1,054.9
Income from equity investments	708.5	137.1
Other interest and similar income	84.0	96.8
Write-downs of financial assets and current securities	-6.3	–
Other interest and similar expenses	15.5	-13.8
Income from transfers of profits	–	204.1
Expense from assumptions of losses	-203.6	–
Income taxes	-26.4	20.9
Income/loss after taxes	341.2	279.3
Net income/loss	**341.2**	**279.3**
Addition to retained earnings	-11.8	-8.5
Net income/loss available for distribution/carrying forward	**329.4**	**270.8**

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 €504.9 million was the result of earnings contributed by the equity investments.

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

Earnings before taxes were €367.6 million. After subtraction of taxes, Uniper SE generated net income for the year of €341.2 million (2017: €279.3 million). After a transfer of €11.8 million to retained earnings, the net income available for distribution amounted to €329.4 million.

The Management Board and the Supervisory Board will propose to the Annual Shareholders Meeting to be held on May 22, 2019, that the net income available for distribution be used to distribute a dividend of €0.90 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 104), 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 for the period from July 1, 2017, through June 30, 2022, of 25% for the proportion of women in the first management level below the Management Board, and one of 25% for the proportion of women in the second management level below the Management Board to be achieved by June 30, 2022. Neither of the two targets were attained as of December 31, 2018.

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.

TRIF for the Group's own employees was 0.90 in 2018 (2017: 1.41). This substantial improvement was due to significantly fewer injuries to employees in the Engineering function, which operates across Germany and the UK and includes Uniper's Anlagenservice GmbH. Safety performance in this business was an area of focus in 2018, with a particular emphasis on human factors that can be involved in safety incidents and risk assessments.

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, 2018, the Uniper Group had 11,780 employees and 218 apprentices, as well as 125 work-study students and interns worldwide. The workforce thus declined by 3.3% compared with December 31, 2017.

Employees[1]

	Dec. 31, 2018	Dec. 31, 2017	+/- in %
European Generation	5,357	5,765	-7.1
Global Commodities	1,243	1,265	-1.7
International Power Generation	4,257	4,354	-2.2
Administration/Consolidation	923	796	16.0
Total	**11,780**	**12,180**	**-3.3**

[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 divestments in the Benelux countries, the closure of power plant units in Sweden and cost-cutting measures as part of the current restructuring program.

In the Global Commodities segment, cost-cutting measures resulted in a slight decrease in the number of employees.

The number of employees in the International Power Generation segment decreased due to organizational changes at associated companies in the Czech Republic.

In the Administration/Consolidation segment, the inclusion of a German company and its employees as fully consolidated companies for the first time in 2018 led to an increase in the number of employees.

The proportion of employees working outside Germany (7,174) decreased from 62% in the previous year to 61%.

Employees by Region[1]

	Headcount		FTE	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Germany	4,606	4,687	4,481.3	4,548.9
France	508	490	506.9	489.1
UK	960	976	947.3	961.9
Netherlands	335	498	331.3	479.3
Russia	4,258	4,264	4,256.8	4,261.4
Sweden	992	1,068	981.6	1,060.0
Other[2]	121	197	120.3	195.9
Total	**11,780**	**12,180**	**11,625.5**	**11,996.5**

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

Gender and Age Profile, Part-Time Staff

The proportion of women in the workforce as of December 31, 2018, was 24.2%, slightly up from the prior-year figure of 23.9%.

Proportion of Female Employees

Percentage	Dec. 31, 2018	Dec. 31, 2017
European Generation	15.7	16.6
Global Commodities	33.4	33.6
International Power Generation	27.5	27.6
Administration/Consolidation	45.8	41.6
Uniper Group	**24.2**	**23.9**

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

Employees by Age

Percentage	Dec. 31, 2018	Dec. 31, 2017
30 and younger	11.8	11.5
31 to 50	54.8	55.2
51 and older	33.5	33.3

A total of 519 employees or 4.4% of the Uniper Group's workforce, worked on a part-time schedule at year-end. Of these, 390 (75%), were women.

Part-Time Rates

Percentage	Dec. 31, 2018	Dec. 31, 2017
European Generation	5.0	7.4
Global Commodities	10.4	10.7
International Power Generation	0.1	0.3
Administration/Consolidation	12.5	13.2
Uniper Group	**4.4**	**5.6**

Employee turnover averaged 4.7% across the Group, lower than in the previous year.

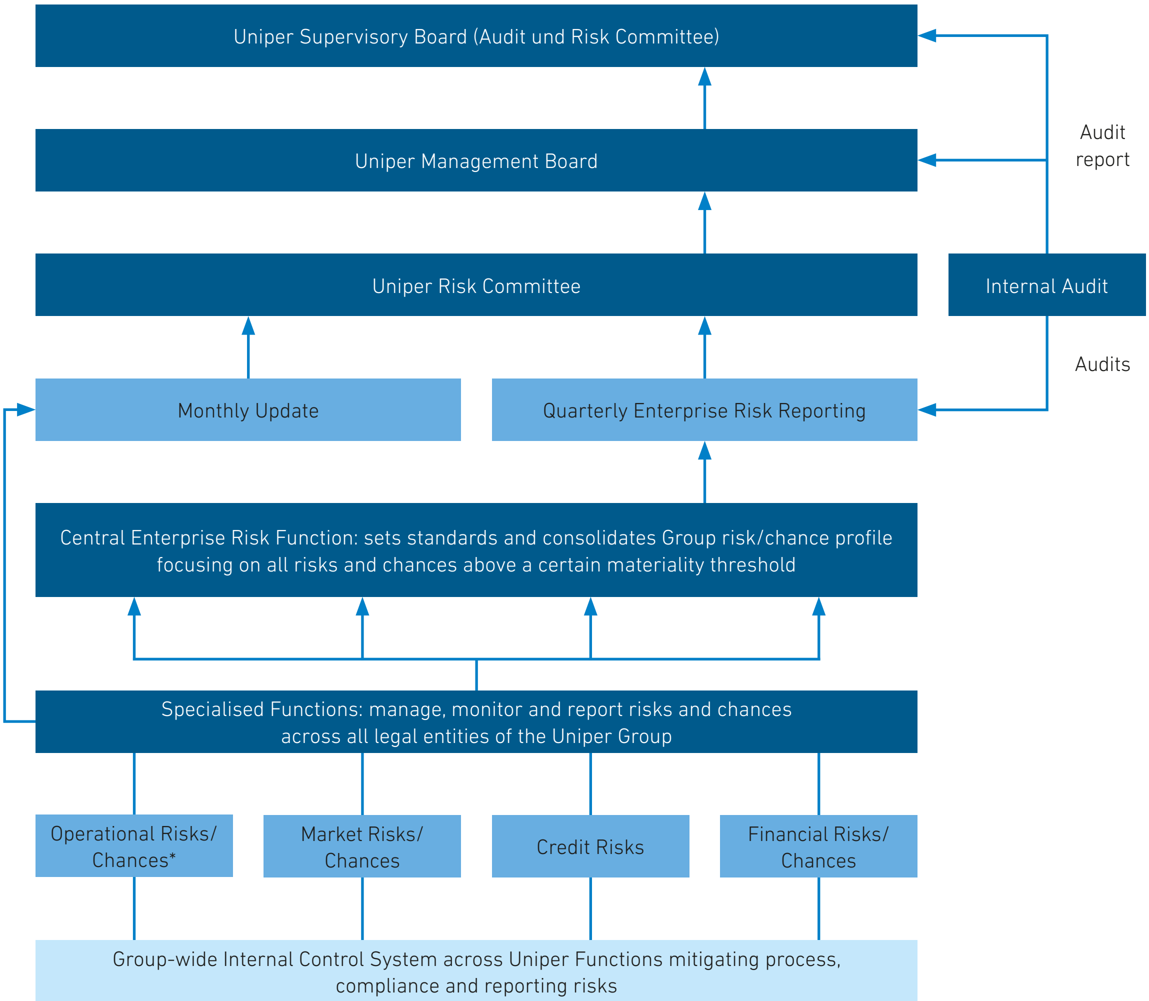
Employee Turnover Rates

Percentage	2018	2017
European Generation	4.2	5.0
Global Commodities	5.9	4.7
International Power Generation	4.5	5.0
Administration/Consolidation	7.6	4.8
Uniper Group	**4.7**	**5.0**

Risk and Chances Report

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 exposure 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 Group-wide 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. The Risk Management function has the responsibility for the Group's central risk management system. This function is headed by the CRO, who reports directly to the CFO. The Risk Management function 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 the risk management function via a centralized IT tool, where they are evaluated for plausibility and subjected to quality control in cooperation 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 about 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. Additional effects can result from the further development of national and international law through enactments and decrees of the respective tax authorities, 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

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

The Uniper Group 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 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. The 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.

For the 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 limits. Where necessary, additional portfolio-specific restrictions are set.

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

Due to its participation in business activities outside the euro area, the Uniper Group is exposed to currency risks/chances. These risks/chances result mainly from the following activities being carried out in foreign currency and fluctuating currency exchange rates: Physical and financial trading of commodities, existing and new investments, obligations, external financing, and shareholder loans within the Uniper Group.

The Uniper Group companies are responsible for managing their FX risks/chances from commodity trading, goods and services provided and received as well as investment activities. Uniper SE assumes responsibility for overall coordination of hedging measures by the companies and hedges the Group's net financial position per currency also making use of derivative instruments which are executed in the external market where economically appropriate. Derivative financial instruments (mainly 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 analysed and monitored daily by a team of specialists applying the same standards as for commodity risk. 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 short-term or variable-rate borrowings as well as liabilities on the balance sheet such as pension liabilities and asset retirement obligations. The Uniper Group currently primarily uses flexible financing instruments like revolving credit facilities and a commercial paper program for external financing. In case of an increase in interest rates, the Uniper Group's financing costs will also increase. Changes in market interest rates and related discount factors will also impact the value of the Uniper Group's pension and asset retirement provisions.

Interest rate risk for the Uniper Group is centrally monitored and managed by the Finance function. Having access to financing instruments and derivative instruments with different maturities and fix or floating interest rates allows Uniper to manage its interest rate risk.

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 damages (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 and Chances

Part of the Uniper Group's business activities involve the construction, expansion, renovation, conversion or decommissioning of power plants or other energy industry 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 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 and Chances

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 an effective business continuity management system in place for cases where people or process risks arise.

Information Technology (IT) Risks and Chances

Operational and strategic management of the Uniper Group is highly dependent on complex information and communication technology. 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. In addition, Uniper is operating critical infrastructure in several European countries. This includes power stations and gas storage facilities. To manage Uniper assets according to legal requirements we have implemented an Information Management System based on ISO/IEC 27001. First certifications were done in 2018. Uniper will continue to ensure implementations of security catalogues as they were released at the end of 2018 in Germany. In addition, Uniper has implemented a Cyber Defense Center to protect beside the Operational Technology area also Uniper's Sales & Trading business and the standard office environment.

With the implementation of the new General Data Protection Regulation (GDPR) mid of 2018 Uniper also focused on the risk of information leakage and the management of personal data to avoid any breach of Data Privacy relevant processes. The storing of, and the access to, data was analysed and documented according to good practice. Additional security measures were introduced to avoid misuse of business-relevant data or 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 policies.

Due to constant changes in the area of cyber threats, the Uniper Group keeps investing into information security and data privacy. Uniper is constantly improving the protection measures and will keep on updating its processes and technologies.

Legal Risks and Chances

The Uniper Group'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

Political and 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, tightening emission standards, sanctions and implications from the UK leaving the EU. 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 the 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. In a first step, all quantified material 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 is set to €20 million. 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 of the three-year medium-term planning time horizon. Similarly, all quantified chances are considered which, in the best-case scenario (1% confidence interval), will have a positive impact of at least €20 million in one year of the three-year medium-term planning time horizon.

Risks/chances which impact the cashflow of the Uniper Group, but not the planned Adjusted EBIT and/or Net Income (pure Liquidity Risks/Chances) are analyzed separately. Extreme risks and chances with a likelihood of occurrence <1% but a potentially very high impact, are not considered. Those risks and chances are however monitored regularly.

In a second step, the risks/chances are aggregated in each category/subcategory. For this purpose, 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. Based on 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 million and ≤€20 million
Moderate	> €20 million and ≤€100 million
Significant	> €100 million and ≤€300 million
Major	> €300 million

For example, if a category/subcategory is rated as "moderate", this means that any loss from this category/subcategory is expected not to be higher than on average €20 to €100 million per year in the worst case (99%). In the best case (1%) a positive effect is expected not to be higher than on average €20 to €100 million per year.

Assessment of the Risk and Chances Profile (Worst Case Scenario)

The following table provides an overview of the risk and chances profile in the worst-case scenario for the Uniper Group as of December 31, 2018, compared to the risk and chances profile as per December 31, 2017.

Potential Average Impact on Earnings (Worst Case)

		Potential average impact on earnings in a worst case (99%)	
Category	**Subcategory**	**Dec. 31, 2018**	**Dec. 31, 2017**
Financial Risks/Chances		Moderate	Significant
Credit Risks		Major	Significant
	Commodity Price Risks/Chances	Significant	Significant
	Foreign Currency and Interest Rate Risks/Chances	Significant	Moderate
Market Risks/Chances	Market Environment Risks/Chances	Significant	Significant
	Asset Operation Risks/Chances	Significant	Significant
	Asset Project Risks/Chances	Major	Major
	Employee and Processes Risks/Chances	Significant	Significant
	Information Technology (IT) Risks/Chances	Significant	Moderate
	Legal Risks/Chances	Major	Major
Operational Risks/Chances	Political and Regulatory Risks/Chances	Significant	Moderate

Changes in the Risk and Chances Profile (Worst Case) Compared to the Previous Year

- Improvements in the assessment of the financial risk/chances category can be explained by the closure of previously included risks as well as the reduction of remaining risks.
- The potential worst case for Credit Risks shows increased losses compared to previous year which is related to enhancements in the credit risk quantification approach. Factually the portfolio of credit risk is considered stable compared to the previous year.
- The category of Foreign Currency and Interest Rate Risks/Chances shows increased potential losses compared to the previous year. This results from an increase in external financing volumes at flexible interest rates and an assumed wider range of possible interest rate fluctuations.
- The assessment of the IT risks/chances has worsened compared to the previous year. This is due to a comprehensive review and reassessment of IT risks to better reflect the increased focus and dependency on automation and digitization of data and information processing as well as IT infrastructure changes.
- The worsened assessment of the Political and Regulatory Risks/Chances category is driven by changes in the composition of risks/chances in that category due to developments in the political and regulatory environment and related risks.

The following sections cover major individual risks, additional risk developments to note and risk information on strategically important asset projects for the Uniper Group.

Information on Major Individual Risks

Major individual risks from the risk and chances 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 more than €300 million in any one year of the planning horizon. In addition, certain individual risks that have not been included in the above risk and chances profile are also described. These include pure liquidity risks, which can have an impact of more than €300 million on the cash flow of a year, as well as qualitatively assessed individual risks, if their level of loss may exceed €300 million in a year.

Fortum Takeover Risk
Fortum is a major shareholder of the Uniper Group with a (according to own statement) voting interest of 49.99 percent. As of February 5, 2019, the Supervisory Board of Uniper has announced the intended departure of the Uniper Group's CEO and CFO and a cooperative restart of potential value-added collaboration between the two companies. However, uncertainty in the future relationship between the Uniper Group and Fortum remain and as such entails risks regarding the Uniper Group's ability to pursue its strategic, operational and financial objectives independently. This also leads to an increased risk for employee turnover in terms of employee attrition and a loss of core competencies. Moreover, the Uniper Group faces a risk of a possible loss of its investment-grade rating and consequent negative effects on the Uniper Group's financial structure in the event of a change in its ownership and control.

Risks from Europe Exiting Coal-fired Power Generation
European governments are at varying stages of decision-making on the coal exit. In case the governments decide on earlier exit dates than the current financial planning assumes, without offering compensation, the Uniper Group faces a major individual risk from potential impairments across its European coal asset fleet. In addition to this there is a risk of lost Adjusted EBIT as well as social plan and dismantling costs.

Specifically, in Germany the Coal Commission on January 26, 2019, published a report with recommendations for a stepwise coal exit with milestones in 2022, 2030 and 2038. These recommendations now need to be transferred into binding law while discussions with the plant owners are recommended to find agreements over the plant closure against an appropriate compensation.

With respect to Datteln 4 – one of the most modern and efficient coal plants in Europe – the Uniper Group still aims to start commercial operation according to plan from summer 2020 onwards. The project to replace the boiler walls continues with undiminished speed. However, it cannot be ruled out that the German government within the scope of the recommended discussions asks the Uniper Group to assess not taking Datteln 4 into operation against an appropriate compensation.

The ultimate size of a potential impact on the Uniper Group depends on the confirmed dates, the consultation processes and the specifics of the coal exit implementation.

Datteln 4: Permitting Risk
The Uniper Group continues with its construction of 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. The current planned commercial operation date is summer 2020. Construction and operation is based on the current granted immission control permit from the district government of Munster and the project-based development plan No. 105a by the city of Datteln. However, the project continues to be the subject of several lawsuits against its full immission control permit. If, as a result of the pending legal proceedings, the permit is revoked, or the development plan is declared ineffective, there is the major individual risk that all investments made and planned to date will have to be written off. The recently announced coal exit plans from the German Coal Commission have not yet changed the potential for this permitting risk. The political effects of the Coal Commission's report are under constant examination.

Nord Stream 2: Project Failure Risk
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. As a mitigation to this risk, the Uniper Group's financing subsidiary has contractual rights should certain key project milestones not be fulfilled. As a result, the default risk is considered to be lower than for comparable financial assets.

US Sanctions Risk
Due to the ongoing political tensions between the US and Russia and the unpredictable nature of the threat of sanctions, US sanctions present a major individual risk for the Uniper Group. Transactions from Unipro, the Uniper Group's global trading business, as well as the Uniper Group's financing of the Nord Stream 2 project, are the main sources of potential US sanctions risk. The Uniper Group con-

tinues to actively monitor the situation and take all required actions to ensure compliance with prevailing rules, as well as preventing any impacts by continuous consulting with and seeking advice from the US authorities and the cancelling of contracts with sanctioned entities. Specifically relating to the Nord Stream 2 project, the Uniper Group continues to act fully in line with US Department of State public guidance, grandfathering the financing agreement and its fulfillment.

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 flat. 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, liquid assets).

The Uniper Group's long-term rating was upgraded to BBB flat (S&P) and BBB+ (Scope) in 2018. Uniper is committed to maintain a comfortable investment-grade rating and has therefore set up a prudent financial policy focusing on a debt factor of 1.8 –2.0x, a sustainable dividend payout based on FCfO, limited add-on M&A activity and strict capex management. A strong liquidity position is ensured by Uniper's solid relationship with banks and well-established access to capital markets. The Group is in ongoing and regular dialogue with rating agencies to ensure a high degree of transparency and the communication of Uniper's financial policy and strategy.

Credit Risk
On total portfolio level, credit risks belong to the Uniper Group's major individual risks. The main credit risk contributors are contracts to hedge the Uniper Group's assets, European energy sales and energy procurement via long-term contracts. Credit Risk is monitored and managed as outlined in the chapter "Risk and Chances Management by Category".

Provisioning Regasification Capacities Risk
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.

Additional Risk Developments to Note

This section covers additional risk developments which do not classify as major risks for the Uniper Group individually, however are worthy of note.

Brexit No-Deal Risk
In the event of the United Kingdom (UK) leaving its membership to the European Union (EU) under a no-deal Brexit scenario (hard Brexit) on the March 29, 2019, (or a date thereafter), the Uniper Group could face additional risks. Potential commodity price and GBP exchange-rate fluctuations as a direct result of a no-deal Brexit could impact the value of the Uniper Group's UK, Central Europe and Nordic trading portfolios as well as leading to potential additional margining and counterparty credit risks.

These risks, as they would be materializing as part of the general commodity price and credit risks if at all, are monitored closely and managed by the standard measures for managing commodity price and credit risks by the Uniper Group.

The Uniper Group's assets could be impacted by unplanned outages due to customs delays of critical asset spare parts. The Uniper Group could also face additional operational costs which could include additional custom fees, the undertaking of any required contract novations, the application for required work permits and the implementation of any specific UK regulatory reporting post Brexit.

In addition, and specifically in the event of a no-deal Brexit, the UK government has announced that a new Carbon Emissions Tax (CET) would be introduced from April 1, 2019, and would replace the UK's membership in the European Union Emissions Trading System (EU ETS). This tax could present the Uniper Group with a potential opportunity as carbon certificates already purchased for the UK portfolio would no longer be needed and could be sold. EU ETS Certificates currently trade at a premium to the UK's proposed Carbon Emissions Tax due to which this opportunity could partially compensate the above mentioned risks.

Uniper France Strategy
At the year-end it was announced that the Uniper Group has entered into exclusive negotiations with Energetický a průmyslový holding, a. s. (EPH) for the sale of the Generation and Sales activities of Uniper France. The inherent risks of Uniper France continue to be assessed and reported on a going-concern basis. The risk situation will reflect the sale only upon deconsolidation.

Risk Information on Strategically Important Asset Projects

This section provides information on the risk situation of strategically important asset projects for the Uniper Group. These risks do not classify as major risks for the Uniper Group individually, however are worthy of note.

Datteln 4
Following the identification of cracks on the T24 heating surface of the steam generator at the end of 2017 and the confirmation in the second quarter 2018 that a replacement with T12 heating surfaces is required, the dedicated project has worked relentlessly to achieve the revised planned commercial operation date of summer 2020. Intensive project milestone tracking techniques, quality checking mechanisms and continuous partnering with the boiler supplier continues to support in the avoidance of any further delays. However, due to the complexities of the project, the risk of further unplanned delays cannot be completely ruled out.

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. Based on this, but also due to other reasons, one of the customers has unilaterally terminated its purchase contract. This case is currently in judicial clarification. 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.

Berezovskaya 3
Following the fire in the boiler house at the GRES TG 3 unit of the Berezovskaya power plant in Russia on February 1, 2016, a dedicated project has focused on replacing the damaged essential components of the 800 MW boiler. The planned commercial operation date is the fourth quarter of 2019 and the power plant unit is out of operation while repairs are underway. The risk of the ongoing repairs being more expensive than planned and delays in recommissioning remain and may result in lower revenues being generated than originally planned.

In addition, major customers are attempting to demand the return of capacity payments made in 2016 after the fire for the non-operational unit, in accordance with valid market regulations. 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.

Assessment of the Risk and Chances Profile (Best Case Scenario)

The following table provides an overview of the chances and risk profile in the best-case scenario for the Uniper Group as of December 31, 2018 compared to the chances and risk profile as per December 31, 2017.

Potential Average Impact on Earnings (Best Case)

		Potential average impact on earnings in a best case (1%)	
Category	Subcategory	Dec. 31, 2018	Dec. 31, 2017
Financial Risks/Chances		Moderate	Low
Credit Risks		-	Low
	Commodity Price Risks/Chances	Significant	Significant
	Foreign Currency and Interest Rate Risks/Chances	Significant	Moderate
Market Risks/Chances	Market Environment Risks/Chances	Moderate	Moderate
	Asset Operation Risks/Chances	Low	Low
	Asset Project Risks/Chances	Low	-
	Employee and Processes Risks/Chances	-	-
	Information Technology (IT) Risks/Chances	Low	-
	Legal Risks/Chances	Significant	Significant
Operational Risks/Chances	Political and Regulatory Risks/Chances	Moderate	Insignificant

Changes in the Risk and Chances Profile (Best Case) Compared to the Previous Year

- The best-case assessment for Financial Risks/Chances improved due to changes in the composition of risks/chances in that category, especially through inclusion of identified new chances.
- With the introduction of an enhanced credit risk quantification approach, the category of Credit Risks shows no upside potential in the best case, in line with the definition of credit risk.
- The category of Foreign Currency and Interest Rate Risks/Chances shows increased upside potential in the best case. This results from an increase in external financing volumes at flexible interest rates and an assumed wider range of possible interest rate fluctuations which bears chances for Uniper.
- The chance situation in the Asset Project subcategory improved due to new chances of projects going live earlier than assumed in the medium-term planning.
- The best-case assessment for IT risk/chances enhanced compared to previous year, driven by the quantification of chances related to digitization.
- The improved assessment of the Political and Regulatory Risks/Chances category is driven by changes in the composition of risks/chances in that category due to developments in the political and regulatory environment and related chances.

Chances to Note

This section covers additional chances which do not classify as major chances for the Uniper Group individually, however are worthy of note.

Portfolio Optimization Chances

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.

Assessment of the Risk and Chances Profile (Worst Case and Best Case Scenario)

This section covers both major individual risks which also present a potential major chance for the Uniper Group as well as additional risks which also present a chance which are worthy of note.

Major Individual Risks which also Present a Potential Major Individual Chance for the Uniper Group

Renegotiation of Long-Term Gas Contracts Risk/Chance

Long-term gas supply contracts generally include the possibility for the customer and the supplier to adapt contractual terms to changed market conditions. On the one hand, this entails the major risk for Uniper that suppliers will impose conditions that are detrimental to the company. On the other hand, it can be a major chance as renegotiated conditions may be beneficial for Uniper. In order to limit the risk and realize the associated chance, 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.

Margining Risk/Chance

The Uniper Group regularly concludes transactions on trading exchanges or – with selected counterparties – over the counter under bilateral margining agreements. These trading channels require cash amounts to be provided to cover counterparty credit risk, which are dependent on the market price developments of the transactions. As a result, the Uniper Group has a potential major liquidity risk of needing to provide additional cash amounts when market prices develop negatively whilst equally having a potential major chance of benefiting from liquidity relief when prices develop positively. The margining-related liquidity risk is measured, monitored and managed against a given limit. The Uniper Group utilizes credit facilities to mitigate the liquidity risk from margining.

Additional Risks which also Present a Potential Chance for the Uniper Group

Market Development Risks and Chances

With regard to operating activities, risks and chances could arise from the negative and positive development of the Uniper Group'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 for the Uniper Group. Equally in periods of milder weather, demand for electricity and gas can lead to reduced sales volume. As the Uniper Group is active worldwide, foreign exchange developments can have both a positive and negative effect on the net assets and results of operations.

Political and Regulatory Development Risks and Chances

Developments in the political and regulatory environment in the countries in which Uniper is active can have both a positive and negative 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. Equally, any suspension of established capacity markets by authorities, such as in the UK, can also have a negative impact on planned earnings. 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. At the same time, the introduction of political and regulatory requirements can lead to additional operating costs for the Uniper Group as well as the restriction of specific activities which can negatively impact the earnings, financial and asset situation of the Uniper Group.

Assessment of Overall Risk Situation

The overall risk situation of the Uniper Group is assessed on the basis of its risk-bearing capacity concept. This concept defines the market value of the Uniper Group equity as the given risk-bearing capacity. To assess the utilization of the Uniper Group risk-bearing capacity it is compared with the maximum potential loss of income (99%) at Group level in any year of the three-year planning horizon. This potential loss of income is calculated based on the risk/chances profile described above while considering correlations between the categories of risks/chances.

Based on this analysis, the overall risk situation of the Uniper Group and Uniper SE as of December 31, 2018 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 a slight slowdown in global growth in 2019. This assessment is based on the expectation of a lower degree of monetary and fiscal expansion and the consequences of the ongoing trade policy conflicts.

In Germany, France and the Netherlands, the economy as a whole is expected to remain robust, driven by domestic demand, with continued favorable financing conditions and sustained employment growth. The same is true for the euro area as a whole, where rising wage growth and higher capacity utilization should also support inflation. Nevertheless, trade disputes and the debt situation, with rising financing costs in a number of countries in the euro area, continue to present a significant risk potential.

For the United Kingdom, the OECD expects a slightly higher growth rate in 2019, assuming an orderly withdrawal from the EU against the backdrop of planned higher government spending and income tax cuts. According to OECD analyses, a "hard Brexit" would reduce the British gross domestic product by around 2% in two years. Growth in Sweden is also likely to slow somewhat, as an increasing labor shortage is slowing investment, especially in the construction sector. In Russia, on the other hand, despite a VAT increase at the beginning of 2019 and a somewhat more restrictive monetary and fiscal policy, there are signs of robust growth, driven by rising real incomes and government investment. However, the high dependence on the oil price and the threat of a tightening of the sanctions imposed by the U.S. represent significant sources of uncertainty.

In the U.S., the economy is likely to deteriorate somewhat against the backdrop of rising interest rates and the gradual phasing out of the effects of the latest tax cuts. Employment growth is gradually reaching its limits with increasing labor shortages, and export growth is likely to remain subdued, especially as there is a risk of introducing further tariffs, for example in China.

Energy Markets

Overall, the energy markets are likely to experience increased volatility in 2019 in comparison to the previous year because they are still significantly influenced by macroeconomic developments and policy decisions.

As a result of the rapid fall in the price of crude oil, an agreement was reached at the end of 2018 between the OPEC states and Russia, among others, to reduce crude oil production by 1.2 million barrels per day. This agreement should help to stabilize the price of crude oil, especially since bottlenecks in the pipeline system in the U.S. are hampering further growth in North American oil production. In addition, there are geopolitical risks in the Middle East and the continued tightening of U.S. sanctions against Iran. Overall, global demand for crude oil is expected to rise again in 2019.

The development of demand in China in 2019 is expected to become the central factor for the global coal market. A strong increase in domestic production with weakening demand and continued import controls is likely to have a dampening effect on global coal prices. The increasing supply in the Asian market, especially from Indonesia, and in Australia and Russia, is offset by the decrease in supply in the Atlantic market, which is expected to lead to a rise in price volatility there. Global economic development will also play an important role in the development of demand from high-growth countries such as Vietnam, Bangladesh and India. In addition, crude oil prices and gas prices are expected to remain important price drivers for the coal market.

Another drop in EU gas production would probably further increase Europe's dependence on imports. This means that the fundamental factors of the global LNG markets will have a greater impact on pricing at the European hubs. Due to a strong increase in LNG capacities worldwide, the overall supply situation for gas should improve.

The introduction of the market stability reserve has resulted in a shortage in the primary supply of allowances; this will support the price of emission allowances in 2019. This effect may, however, be significantly mitigated by advance purchases made in the 2018 calendar year in anticipation of this shortage. At the same time, there are considerable risks on the demand side. If the macroeconomic environment cools down, the associated decline in industrial activity would most likely lead to lower emissions. Furthermore, favorable weather conditions and falling gas prices could lead to lower emissions in the power generation sector. In addition, the ongoing Brexit process will have an impact on the price of emission allowances. If no transitional agreement between the UK and the EU is concluded for the period after the withdrawal, the UK would withdraw from emissions trading retroactively to January 1, 2019. If this were to prompt British companies to sell their allowances within a relatively short period of time, this would at least temporarily have a negative impact on price development.

In 2019, German electricity prices are likely to continue to be determined primarily by the prices of hard coal and emission allowances. In its report, the Coal Commission recommended a reduction of 12.5 GW by 2022 (compared to the end of 2017). However, this also includes announced and already completed closures, so that the amount of additional capacity leaving the market is likely to be lower, although the exact capacity has not yet been determined. There is still some uncertainty about the exact timetable and the power plants this will affect. Overall, the commission's recommendation - if implemented by policymakers - as well as announced and completed decommissioning of coal-fired power plants, the full entry into force of the lignite reserve and the phase-out of nuclear power will have a positive impact on electricity prices in Germany in the coming years and further increase volatility. On the other hand, a further expansion of photovoltaic and wind capacities should dampen the price increase, although here, too, there is increased uncertainty regarding the legal situation, for example with respect to the elimination of the capacity limit for subsidies for new photovoltaic systems or the effect of technology-neutral auctions. An increase in interconnector capacity will further increase networking with neighboring European countries.

In all probability, the political uncertainty surrounding the UK's withdrawal from the EU and the resumption of the capacity market mechanism will continue to make headlines in 2019, ensuring that price volatility in the markets remains elevated. The decision on Britain's exit from the EU, whether regulated or not, will determine the exact pricing of CO_2, which currently consists of the components of the EU ETS and an additional, country-specific CO_2 tax. At the same time, the lack of premium payments through the capacity market mechanism to power plant operators is likely to lead to speculation about power plant closures. From a fundamental perspective, in addition to the usual factors such as electricity demand, power plant availability, fuel prices and weather, the expected commissioning of the high-voltage cable between the UK and Belgium during the first quarter of 2019 will be significant. As with the existing cables to the mainland, this cable should generally deliver power to the UK and only reverse the flow in extreme market situations.

Price trends in Western Europe, including the UK, will continue to be the main reference point for the Nordic market. Infrastructure projects, such as the interconnector expansion from Denmark and Western Norway, support this anchoring. In the fourth quarter of 2019, the Ringhals 2 nuclear power plant in Sweden with an output of around 1,000 MW will be decommissioned, while the planned commissioning of the Olkiluoto 3 nuclear power plant in Finland with an output of 1,600 MW has been postponed until 2020. The expansion of wind energy will also continue to change the production mix in Scandinavia and, together with the available hydroelectric power, will determine short-term and intra-year price movements in particular.

Human Resources

The workforce will be reduced as planned in the 2019 fiscal year.

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 2019 fiscal year continues to be significantly influenced by the difficult conditions in the energy industry and political environment and the associated volatile development of prices in all the European electricity markets. The continuing discussions about the phasing out of coal in Continental Europe, the ongoing process of the UK's withdrawal from the EU and the suspension of the local capacity market mechanism are contributing to political uncertainty. In addition, the non-recurrence of positive effects in 2018 and the earnings contribution from the realization of LNG hedging transactions have a negative impact on the forecast adjusted EBIT. These effects are partially offset by higher prices in all the European electricity markets and higher volumes at hydroelectric power plants in Germany and Sweden. For 2019, Uniper expects adjusted EBIT to be significantly lower than the prior-year figure, in the range of €550 million to €850 million.

For each of the operating segments, this means:

Adjusted EBIT

€ in billions	2018	Forecast 2019
European Generation	0.4	significantly below prior year
Global Commodities	0.3	significantly below prior year
International Power Generation	0.3	significantly below prior year

For the European Generation segment, adjusted EBIT for 2019 is expected to be significantly lower than in the previous year. The non-recurrence of positive prior-year effects, for example due to the reversal of provisions, will be the main factor in the decline in adjusted EBIT in 2019. These effects will be partly offset by higher prices in all the European electricity markets and higher volumes at hydroelectric power plants in Germany and Sweden.

For the Global Commodities segment, Uniper expects adjusted EBIT in 2019 to be significantly lower than in 2018. The electricity and gas businesses are expected to make lower contributions to earnings due to lower earnings generated relative to previous years. The positive development of the day-to-day business will be able to offset this only in part. Furthermore, the absence of positive contributions from the realization of hedging transactions in the LNG area will have a negative impact on the forecast adjusted EBIT.

For the International Power Generation segment, Uniper expects adjusted EBIT for 2019 to be significantly below the prior-year figure, mainly due to the expected development of ruble exchange rates and electricity prices, which it will not be possible to offset with higher production volumes.

For adjusted FFO, Uniper anticipates a noticeable increase compared to the previous year and expects the indicator to lie within a range of €650 million to €950 million. Adjusted FFO tends to follow the development of EBIT, for the most part, although the non-recurrence of positive prior-year effects from 2018 is largely irrelevant to cash flows and adjusted FFO.

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 2019 and the dividend payout for the 2018 fiscal year from the operating cash flow it expects to generate in 2019. The revolving credit facility and the Commercial Paper Program are the main instruments used to cover any peaks in the Group's financing needs during the year.

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 ("IFRS IC") 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 2 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 and interpret accounting rules 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 and Group packages of subsidiaries included in 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 and accuracy of relevant information on a regular basis, and, where appropriate, to present it in the consolidated financial statements.

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 outsourced to an external service provider and were transferred to UFS as of November 1, 2018. The processes relating to the general ledgers were transferred to UFS as in the previous year. 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 to 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. In the areas where there are issues, measures to improve the ICS are developed together with process managers; the implementation of these measures is tracked by the Internal Audit department in a related process.

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.

Closing Statement by the Management Board in Accordance with Section 312 (3) AktG

In summary, the Management Board of Uniper SE issues the following closing statement in accordance with Section 312 (3) AktG: Under the circumstances that were known to us at the time of such legal transactions being undertaken, the company was not disadvantaged in the reporting period between June 26 and December 31, 2018 as a result of the legal transactions listed in the report on relationships with affiliated companies. During the reporting period, no measures were taken or refrained from at the initiative of the controlling entities (Fortum Deutschland SE and the companies and persons directly or indirectly involved in Fortum Deutschland SE, including Fortum Oyj and the Republic of Finland) or an affiliated company to these controlling entities.

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

Composition of Capital Stock

As in the previous year, 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 objective of the agreement was ensuring the deconsolidation of Uniper SE on the part of E.ON SE. The deconsolidation had been initiated as of December 31, 2016. This agreement ended on June 26, 2018 with the full transfer of the Uniper SE shares held by E.ON SE to Fortum Deutschland SE.

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

Direct or Indirect Shareholdings Exceeding 10% of Voting Rights

On June 26, 2018, the Republic of Finland notified Uniper that the share of voting rights in Uniper SE attributable to it and held directly by Fortum Deutschland SE amounted to 47.37% on that date. Fortum Deutschland SE is an indirect wholly-owned subsidiary of Fortum Oyj, Espoo, Finland. According to Fortum Oyj's public announcement of February 1, 2019 (publication of Fortum Oyj's 2018 financial statements and operating and financial review), the share of voting rights in Uniper SE attributable to Fortum Oyj amounted to 49.99% as of December 31, 2018.

According to the last voting rights notification by Paul E. Singer, U.S., dated January 7, 2019, he and companies controlled by him held 17.84% of the voting rights in Uniper SE on December 31, 2018.

All notifications received by the Company in accordance with Sections 33 et seq. of the German Securities Trading Act ("WpHG") can be viewed on the company's website or on the Internet platform of Deutsche Gesellschaft für Ad-hoc-Publizität mbH.

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 material contracts for the financing of the Company provide for a right of termination for the lending parties in the event of a change of control. The right of termination is partly subject to further conditions. The revolving syndicated credit facility of Uniper SE contains an exception to this 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 25 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 long-term Performance Cash Plan, which is tied to the performance of Uniper stock.

The completion of the takeover offer by Fortum Deutschland SE on June 26, 2018, resulted in such a change-of-control event as defined in the terms of the Performance Cash Plan.

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

The remaining items of Sections 289a and 315a 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. Since issuing the last declaration of conformity in February 2018, Uniper SE has complied with all recommendations of the Code in the version as of 7 February 2017.

2. Uniper SE will comply with all recommendations of the Code in the version as of 7 February 2017.

Düsseldorf, February 2019

For the Board of Management

Christopher Delbrück Eckhardt Rümmler

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).

At the time this report was prepared, the current members of the Management Board and the Supervisory Board of Uniper SE together hold 102,995 shares of the Company. This corresponds to a share of 0.028% relative to the total of 365,960,000 shares issued.

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 integration 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 3,000 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 its corporate culture, "The Uniper Way". Anchoring diversity in the Company is a long-term goal that can and will be achieved by commitment at both the executive and employee levels.

In 2017, the Management Board decided to develop a concrete plan to improve diversity in these six dimensions as well as integration at Uniper for the years 2018 to 2020. This plan was designed to apply to the entire company, including management levels. A working group consisting of managers and employees from different divisions was set up to implement cross-company measures to promote an innovative and creative corporate culture. In 2018, the emphasis was on "Diversity" and "Awareness". The focus of the measures was on International Women's Day, Diversity Day and training on the topics of "unconscious prejudices" and "reverse mentoring". An employee survey conducted on "Diversity at Uniper" created greater awareness of this topic among all employees. Managers discussed the results with their teams and will now jointly develop measures in 2019 to strengthen the diversity of their teams and to promote diverse teamwork.

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

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.

Shareholders are represented on the Supervisory Board by Dr. Bernhard Reutersberg (Chairman), Jean-Francois Cirelli, David Charles Davies, Dr. Marion Helmes, Rebecca Ranich and Markus Rauramo (appointed by the court as a member as of July 30, 2018, elected Deputy Chairman on August 22, 2018). Dr. Marc Spieker (previously Deputy Chairman) resigned from office on July 16, 2018.

The employees are represented on the Supervisory Board by Ingrid Asander, Oliver Biniek, Barbara Jagodzinski, Andre Muilwijk, Immo Schlepper and Harald Seegatz (Deputy Chairman).

The Supervisory Board is required to provide information on the number of independent shareholder representatives which it considers to be appropriate, including their names, in the Corporate Governance Report (cf. section 5.4.1 (4) of the German Corporate Governance Code). According to the competency profile of the Supervisory Board, ten members of the Supervisory Board of Uniper SE must be independent, whereby all employee representatives are to be regarded as independent, which is also the case. In the opinion of the Supervisory Board, the shareholder representatives Dr. Bernhard Reutersberg, Jean-Francois Cirelli, David Charles Davies, Dr. Marion Helmes and Rebecca Ranich are considered independent within the meaning of the German Corporate Governance Code.

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'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. One member of the Supervisory Board did not participate in a resolution due to a conflict of interest in connection with his membership of a major shareholder's executive body. 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 last efficiency review took place in July 2018. The review confirmed the efficiency of the Supervisory Board's activities. The Supervisory Board decided on a small number of measures to further increase efficiency.

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 Markus Rauramo, who was elected to the committee on August 22, 2018. Dr. Marc Spieker was a member of this committee until July 16, 2018.

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.

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 Markus Rauramo, who was elected to the committee on August 22, 2018. Dr. Marc Spieker was a member of this committee until July 16, 2018.

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	6/6	3/3	-	5/5	-
Harald Seegatz	6/6	3/3	-	5/5	-
Markus Rauramo	2/2 (since July 30)	1/1 (since August 22)	-	-	- (since August 22)
Dr. Marc Spieker	4/4 (until July 16)	1/1 (until July 16)	-	-	- (until July 16)
Ingrid Marie Åsander	6/6	-	-	-	-
Oliver Biniek	6/6	-	4/4	-	-
Jean-Francois Cirelli	6/6	3/3	-	5/5	-
David Charles Davies	6/6	-	4/4	-	-
Dr. Marion Helmes	4/6	-	4/4	5/5	-
Immo Schlepper	6/6	3/3	-	-	-
Barbara Jagodzinski	6/6	3/3	-	5/5	-
Andre Muilwijk	5/6	-	4/4	5/5	-
Rebecca Ranich	6/6	-	-	-	-

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 6, 2018. The audit mandate will run until the next Annual Shareholders Meeting in May 2019. 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.

A target figure of 30% for the proportion of women was set for the Supervisory Board; 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. As of December 31, 2018, the target figure for the Supervisory Board had been exceeded; the target figure for the Management Board had not been reached.

For the two management levels below the Management Board, targets of 30% for the first management level and of 30% for the second management level were set for the proportion of women for the period from July 1, 2017 to June 30, 2022. As of December 31, 2018, both target figures had been exceeded.

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

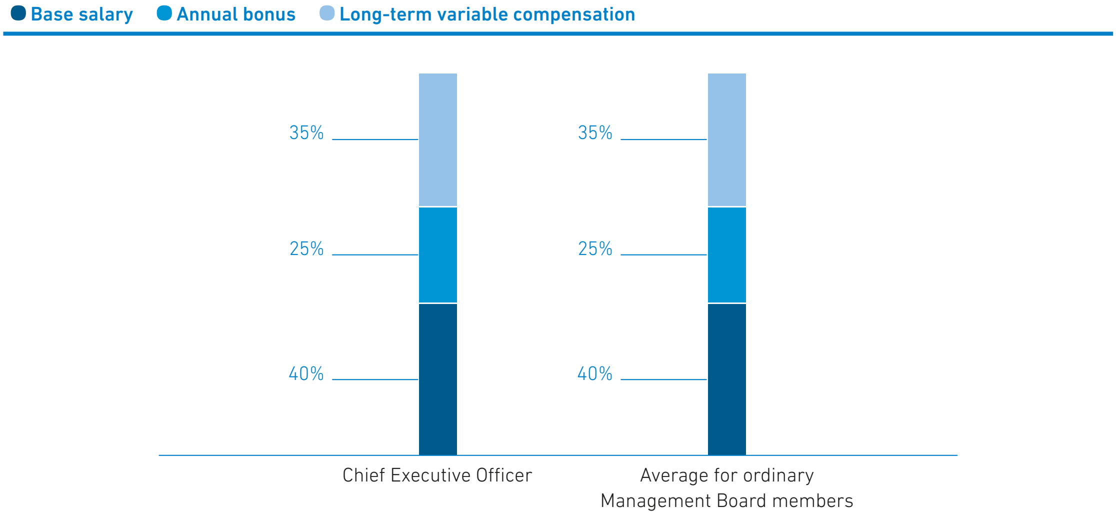
The compensation report describes the basic features of the compensation plans for members of the Management Board and of the Supervisory Board of Uniper SE and provides information about the compensation granted and paid in the 2018 fiscal year. It applies the provisions of accounting standards for 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 in place since 2016 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 Uniper'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.

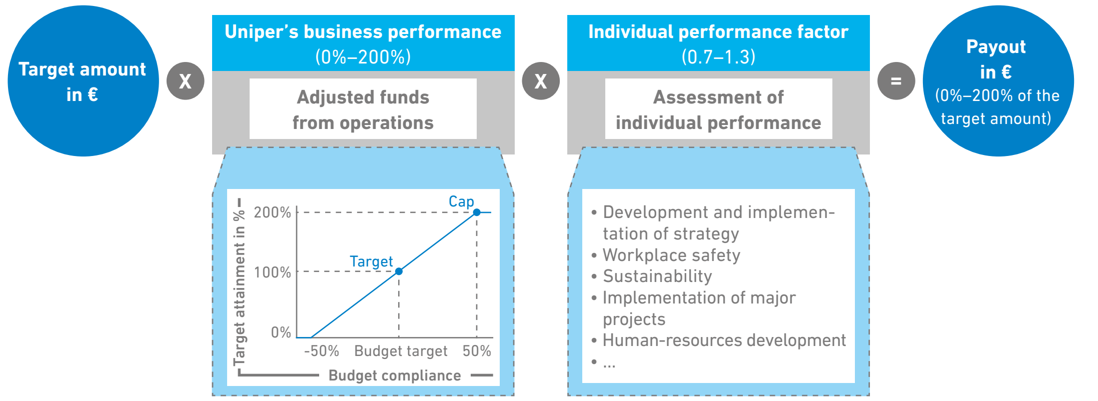
In assigning Management Board members their individual performance factors, the Supervisory Board applies concrete criteria to evaluate the individual contribution of the members of the Management Board to the achievement of collective goals, as well as the attainment of their individual targets. Collective 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 2018 fiscal year, these goals and targets included the development and implementation of strategy, as well as workplace safety, sustainability, implementation of major projects and human-resources development. The agreed goals and targets for the 2019 fiscal year include the development and implementation of strategy, as well as sustainability, workplace quality and cultural and personal 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 2018 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.

Annual Bonus



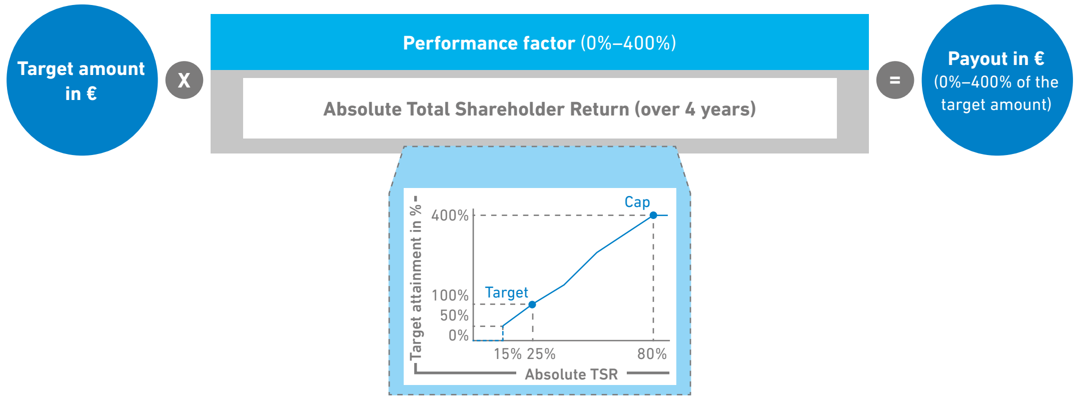
Long-Term Variable Compensation

Members of the Management Board are granted payments under a long-term incentive ("LTI") plan introduced in the 2016 fiscal year. Uniper's LTI plan 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 distributions 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.

Performance Cash Plan



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.

Members of the Management Board must accumulate holdings of Uniper shares having an equivalent value of 100% of their relevant annual fixed base salary at the start of each accumulation year, 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. By Supervisory Board resolution dated September 8, 2017, further accumulation of shares has been temporarily suspended in light of Fortum's takeover offer for Uniper SE. On June 6, 2018, the Supervisory Board resolved to lift the suspension of the share purchase obligation, subject to the fulfillment of the conditions for the transfer to Fortum of the block of Uniper shares indirectly held by E.ON. The share purchase obligation has thus been reinstated subject to the condition that the second accumulation year shall end on September 11, 2019.

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 a settlement payment.

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.

Unless waived unilaterally by the Company, 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 2018 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 course of the Voyager restructuring program, Management Board members offered to reduce the amount of their own compensation. The Supervisory Board approved this proposal and lowered the amounts of each compensation element (i.e., base salary, annual bonus, long-term variable compensation and pension plan contributions) for each Management Board member's current term of office by about 7% on average relative to the previous year.

Performance-Based Compensation for the 2018 Fiscal Year

The Supervisory Board fixed the annual bonus amounts to be paid to the Management Board members for the 2018 fiscal year as follows: €0.8 million for Mr. Schäfer and €0.6 million each for Mr. Delbrück, Mr. Rümmler and Mr. Martin. The total annual bonus amount payable thus amounted to approximately 2.8 million. At the beginning of the 2018 fiscal year, the Supervisory Board decided that an actually achieved adjusted FFO of €659 million would constitute 100% attainment of the Company's financial performance target. The actual adjusted FFO for fiscal 2018 came in at €756 million. 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 2018 fiscal year were achieved.

Owing to Mr. Schäfer's absence due to ill health, Mr. Delbrück, Mr. Rümmler and Mr. Martin performed additional duties on the Management Board during the 2018 fiscal year that extend beyond the normal area of responsibility of an ordinary Management Board member. In appropriate recognition of the resulting situation, the Supervisory Board decided to set the individual performance factors for Mr. Delbrück, Mr. Rümmler and Mr. Martin at 1.2.

The Supervisory Board launched the third tranche (planned performance period: 2018–2021) as part of the Uniper Performance Cash Plan for the 2018 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 2022 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%) for the full 2018 fiscal year amounts to €1.0 million for Mr. Schäfer and to €0.6 million each for Mr. Delbrück, Mr. Rümmler and Mr. Martin.

The completion of the takeover offer by Fortum Deutschland SE, which led to the acquisition of 47.37% of the capital stock and voting rights of Uniper SE on June 26, 2018, triggered a change-of-control event as defined in the terms of the Performance Cash Plan. This led to the premature ending of the terms of the allocations granted under the Performance Cash Plan in the 2016 and 2017 fiscal years.

The corresponding obligations were required to be remeasured as of June 30, 2018. The payout took place in the third quarter of 2018 and must therefore be reported as allocated compensation for 2018. The change-of-control provisions were revised for the third tranche of the Performance Cash Plan granted in the 2018 fiscal year. From the 2018 fiscal year forward, a change-of-control event in the form of direct or indirect acquisition of voting rights by a third party shall have occurred only when 75% of the voting rights (representing a "qualified" majority) are secured, so there is no early payout for this tranche.

Accordingly, the following expenses have been incurred under the Performance Cash Plan of the Management Board members for the 2018 fiscal year:

Total Share-based Payment Expense

€ in thousands	Expense in 2018 (Tranche 1, 2016–2019)	Expense in 2018 (Tranche 2, 2017–2020)	Expense in 2018[1] (Tranche 3, 2018–2021)	Expense in 2018 (Total)	Expense in 2017 (Total)
Klaus Schäfer	1,085	3,255	0	4,340	3,255
Christopher Delbrück	615	1,845	0	2,460	1,845
Keith Martin	512	1,845	0	2,357	1,640
Eckhardt Rümmler	615	1,845	0	2,460	1,845
Total	**2,827**	**8,790**	**0**	**11,617**	**8,585**

[1]No expense has yet been recognized for the allocations granted under the Performance Cash Plan in the 2018 fiscal year because the threshold previously defined for the performance of Uniper stock had not yet been reached.

The expense for the multi-year bonus granted to Mr. Schäfer for the last time in 2016, and also paid out early in the third quarter of 2018, amounted to €0.4 million in the 2018 fiscal year (2017: €0.6 million).

Management Board Pensions for the 2018 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 IFRS actuarial interest rate of 2.30% (2017: 2.60%) and a HGB actuarial interest rate of 3.21% (2017: 3.68%) were used for discounting. The increased expense thus represents a result from changes in discount rates. In addition, biometric computations were based on the 2018 G Heubeck biometric tables ("Richttafeln") for the first time.

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			
€ in thousands	2018	2017	2018	2017	2018	2017
Klaus Schäfer	322	324	114	105	4,700	4,379
Christopher Delbrück	229	228	68	61	2,832	2,612
Keith Martin	238	258	11	6	616	423
Eckhardt Rümmler	252	248	82	73	3,402	3,170

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			
€ in thousands	2018	2017	2018	2017	2018	2017
Klaus Schäfer	379	299	396	303	4,159	3,780
Christopher Delbrück	251	248	239	179	2,504	2,253
Keith Martin	179	176	45	22	549	370
Eckhardt Rümmler	265	251	219	180	3,180	2,915

Total Compensation for the 2018 Fiscal Year

The total compensation of the Management Board members pursuant to HGB for the 2018 fiscal year amounted to €10.0 million (2017: €13.0 million). The special incentive bonus paid in recognition of the successful spin-off of Uniper SE from E.ON SE 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 2018 fiscal year.

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

Total Compensation of the Management Board

	Fixed compensation		Annual bonus		One-time special incentive bonus[1]		Other compensation		Multi-year variable compensation[2]		Total compensation	
€ in thousands	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Klaus Schäfer[3]	760	1.240	835	1.201	403	403	341	23	1.102	1.974	3.440	4.842
Christopher Delbrück	665	700	640	674	228	228	26	22	659	1.119	2.218	2.743
Keith Martin	665	700	640	674	193	193	13	49	659	1.119	2.169	2.735
Eckhardt Rümmler	665	700	640	674	193	193	22	21	659	1.119	2.178	2.707
Total	**2.755**	**3.340**	**2.755**	**3.224**	**1.016**	**1.016**	**402**	**116**	**3.079**	**5.332**	**10.005**	**13.027**

[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 and 2018, 25% of each special incentive bonus has vested and is therefore presented pro rata.

[2]Fair value of share-based payment under the Performance Cash Plan when granted.

[3]Owing to his absence due to ill health, Mr. Schäfer received prorated fixed compensation. The supplementary paid sick leave remitted by the Company is reported under other compensation.

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

€ in thousands	Klaus Schäfer (Chief Executive Officer) target value 2018	minimum 2018	maximum 2018	target value 2017	Christopher Delbrück (Chief Financial Officer) target value 2018	minimum 2018	maximum 2018	target value 2017
Fixed compensation	760	760	760	1,240	665	665	665	700
Fringe benefits	341	341	341	23	26	26	26	22
Total	**1,100**	**1,100**	**1,100**	**1,263**	**691**	**691**	**691**	**722**
One-year variable compensation	698	0	1,395	775	413	0	827	435
Annual bonus	*698*	*0*	*1,395*	*775*	*413*	*0*	*827*	*435*
Multi-year variable compensation	1,102	0	3,906	1,974	659	0	2,337	1,119
Performance Cash Plan (2017–2020)	-	-	-	*1,974*	-	-	-	*1,119*
Performance Cash Plan (2018–2021)	*1,102*	*0*	*3,906*	-	*659*	*0*	*2,337*	-
Total	**2,899**	**1,100**	**6,401**	**4,012**	**1,764**	**691**	**3,855**	**2,277**
Service cost	208	208	208	219	161	161	161	167
Total compensation	**3,107**	**1,308**	**6,609**	**4,231**	**1,925**	**853**	**4,016**	**2,443**

Compensation Granted

€ in thousands	Keith Martin (Chief Commercial Officer) target value 2018	minimum 2018	maximum 2018	target value 2017	Eckhardt Rümmler (Chief Operating Officer) target value 2018	minimum 2018	maximum 2018	target value 2017
Fixed compensation	665	665	665	700	665	665	665	700
Fringe benefits	13	13	13	49	22	22	22	21
Total	**678**	**678**	**678**	**749**	**687**	**687**	**687**	**721**
One-year variable compensation	413	0	827	435	413	0	827	435
Annual bonus	*413*	*0*	*827*	*435*	*413*	*0*	*827*	*435*
Multi-year variable compensation	659	0	2,337	1,119	659	0	2,337	1,119
Performance Cash Plan (2017–2020)	-	-	-	*1,119*	-	-	-	*1,119*
Performance Cash Plan (2018–2021)	*659*	*0*	*2,337*	-	*659*	*0*	*2,337*	-
Total	**1,750**	**678**	**3,841**	**2,303**	**1,759**	**687**	**3,851**	**2,276**
Service cost	227	227	227	252	170	170	170	174
Total compensation	**1,977**	**905**	**4,068**	**2,556**	**1,929**	**857**	**4,020**	**2,450**

Compensation Allocated

€ in thousands	Klaus Schäfer (Chief Executive Officer) 2018	2017	Christopher Delbrück (Chief Financial Officer) 2018	2017	Keith Martin (Chief Commercial Officer) 2018	2017	Eckhardt Rümmler (Chief Operating Officer) 2018	2017
Fixed compensation	760	1,240	665	700	665	700	665	700
Fringe benefits	341	23	26	22	13	49	22	21
Total	**1,100**	**1,263**	**691**	**722**	**678**	**749**	**687**	**721**
One-year variable compensation	835	1,201	640	674	640	674	640	674
Annual bonus	*835*	*1,201*	*640*	*674*	*640*	*674*	*640*	*674*
Multi-year variable compensation[1]	8,867	0	4,305	0	3,998	0	4,305	0
Multi year Bonus	*1,272*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Performance Cash Plan (2016–2019)	*3,255*	*0*	*1,845*	*0*	*1,538*	*0*	*1,845*	*0*
Performance Cash Plan (2017–2020)	*4,340*	*0*	*2,460*	*0*	*2,460*	*0*	*2,460*	*0*
Total	**10,803**	**2,464**	**5,636**	**1,397**	**5,315**	**1,423**	**5,632**	**1,396**
Service cost	208	219	161	167	227	252	170	174
Total compensation	**11,011**	**2,683**	**5,797**	**1,564**	**5,542**	**1,676**	**5,802**	**1,570**

[1]The completion of the takeover offer by Fortum Deutschland SE, which led to the acquisition of 47.37% of the capital stock and voting rights of Uniper SE, triggered a change-of-control event as defined in the terms governing the multi-year variable compensation on June 26, 2018. This led to the premature ending of the terms of the allocation of the multi-year bonus and of the allocations granted under the Performance Cash Plan in the 2016 and 2017 fiscal years. The corresponding obligations were required to be remeasured as of June 30, 2018. The payout took place in the third quarter of 2018 and must therefore be reported as allocated compensation for 2018.

As in the previous year, Uniper SE and its subsidiaries neither granted loans to nor entered into any contingencies benefiting Management Board members in the 2018 fiscal year. Additional information about the members of the Management Board is provided on page 241.

Payments Made to Former Members of the Management Board

As of December 31, 2018, 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 2017 fiscal year.

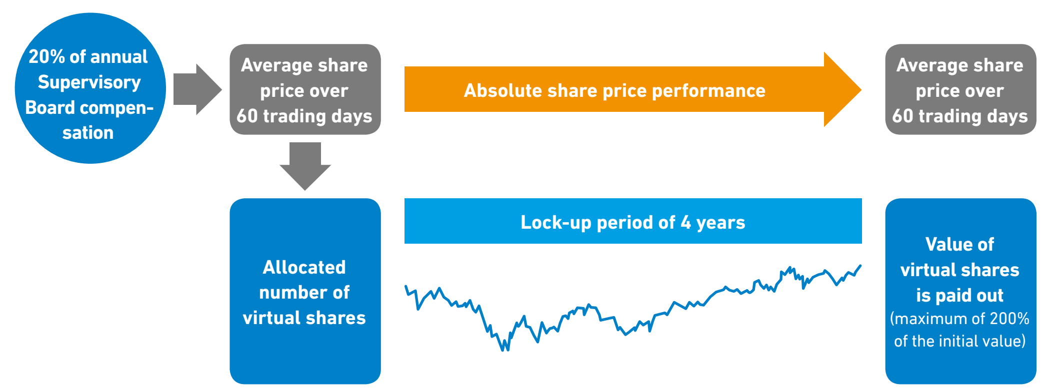
Compensation Plan for the Supervisory Board

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 thousand in compensation, and the Chairman's deputies receive compensation of €140 thousand. Other Supervisory Board members receive €70 thousand in compensation. The Chairman of the Audit and Risk Committee receives an additional €70 thousand; members of the Audit and Risk Committee receive an additional €35 thousand. Other committee chairs receive an additional €35 thousand; other committee members receive an additional €15 thousand. 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 volume-weighted average share price of Uniper SE from the last 60 trading days before January of the current year. After four calendar years, the virtual shares are multiplied by the 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).

Supervisory Board's Virtual Shares



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.

Dr. Spieker departed from the Supervisory Board of Uniper SE effective July 16, 2018. An early payment was made for the virtual shares granted in the 2016 and 2017 fiscal years. Applying the provision described above, his prorated compensation for the period from January 1, 2018, through July 16, 2018, is fully paid out as fixed compensation. There is no conversion into virtual shares.

Mr. Biniek and Mr. Seegatz also received further compensation for their Supervisory Board duties in Uniper Group subsidiaries in the 2018 fiscal year. Mr. Biniek received approximately €0.4 thousand (previous year: €2 thousand) and Mr. Seegatz received approximately €6 thousand (previous year: €6 thousand).

Supervisory Board compensation granted for the 2018 fiscal year totaled approximately €1.4 million (2017: €1.4 million). A total of approximately €70 thousand (2017: €65 thousand) was reimbursed to the Supervisory Board for outlays.

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.

As in the previous year, Supervisory Board members received neither loans nor advances from Uniper SE in the 2018 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 2018 and 2017 fiscal years:

Supervisory Board Compensation

	Annual compensation				Committee compensation				Income from subsidiaries		Total	
	Fixed		Variable		Fixed		Variable					
€ in thousands	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Dr. Bernhard Reutersberg (Chairman of the Supervisory Board)	168	168	46	50	0	0	0	0	0	0	214	218
Markus Rauramo (Deputy Chairman since July 30, 2018)	48	-	13	-	0	-	0	-	0	-	60	-
Harald Seegatz (as Deputy Chairman since June 8, 2017)	112	88	30	26	0	12	0	4	6	6	149	136
Dr. Marc Spieker[1] (Deputy Chairman until July 16, 2018)	76	88	0	26	0	24	0	7	0	0	76	146
Andreas Scheidt[2] (Deputy Chairman until June 8, 2017)	-	61	-	0	-	0	-	0	-	0	-	61
Dr. Johannes Teyssen[2] (Deputy Chairman until June 8, 2017)	-	61	-	0	-	0	-	0	-	0	-	61
Ingrid Marie Åsander	56	56	15	17	0	0	0	0	0	0	71	73
Oliver Biniek	56	56	15	17	28	16	8	5	0.4	2	107	96
Jean-Francois Cirelli	56	56	15	17	12	11	3	3	0	0	86	87
David Charles Davies (since June 8, 2017)	56	32	15	10	56	32	15	10	0	0	142	83
Dr. Marion Helmes	56	56	15	17	28	26	8	8	0	0	107	107
Immo Schlepper (since June 8, 2017)	56	32	15	10	12	7	3	2	0	0	86	50
Barbara Jagodzinski	56	56	15	17	12	12	3	4	0	0	86	88
Andre Muilwijk	56	56	15	17	28	28	8	8	0	0	107	109
Rebecca Ranich	56	56	15	17	0	0	0	0	0	0	71	73
Total	**907**	**921**	**226**	**240**	**176**	**168**	**48**	**50**	**7**	**8**	**1,363**	**1,388**

[1]Because Dr. Spieker departed from the Supervisory Board on July 16, 2018, his compensation for the period from January 1, 2018, through July 16, 2018, is fully paid out as fixed compensation. There is no conversion into virtual shares.

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

The component of 20% of the Supervisory Board compensation determined for the 2018 fiscal year was converted into virtual shares on the basis of a share price of €24.456 (average of Uniper's share price from the last 60 trading days prior to January 1, 2019). For the 2017 fiscal year, the variable component had been converted into virtual shares at a share price of €24.362.

The following table shows the number of virtual shares of the members of the Supervisory Board for the compensation granted in the 2018 and 2017 fiscal years:

Number of Virtual Shares

Members of the Supervisory Board	Converted in January 2019 as part of compensation for 2018	Converted in January 2018 as part of compensation for 2017	Total	Paid out through January 2019
Dr. Bernhard Reutersberg (Chairman of the Supervisory Board)	1,717	1,724	3,441	0
Markus Rauramo (Deputy Chairman since July 30, 2018)	486	-	486	0
Harald Seegatz (as Deputy Chairman since June 8, 2017)	1,145	1,025	2,170	0
Dr. Marc Spieker (Deputy Chairman until July 16, 2018)	0	1,149	1,149	1,149
Ingrid Marie Åsander	572	575	1,147	0
Oliver Biniek	859	738	1,597	0
Jean-Francois Cirelli	695	689	1,384	0
David Charles Davies (since June 8, 2017)	1,145	652	1,797	0
Dr. Marion Helmes	859	842	1,701	0
Immo Schlepper (since June 8, 2017)	695	396	1,091	0
Barbara Jagodzinski	695	698	1,393	0
Andre Muilwijk	859	862	1,721	0
Rebecca Ranich	572	575	1,147	0
Total	**10,300**	**9,925**	**20,225**	**1,149**

Combined Separate Non-Financial Report

Introduction

Uniper SE prepares and publishes a Combined Separate Non-Financial Report (CNFR) in compliance with Sections 315b and 315c combined with Sections 289b to 289e of the German Commercial Code. The disclosures made in the report apply equally to Uniper SE as a group and parent company, unless stated otherwise.

The framework of the Global Reporting Initiative (GRI) was used to prepare this report, which references "GRI Standard 103: Management Approach" for recommendations and guidance contained in Standards 103-1 and 103-2.

Key non-financial performance indicators and other information relevant for management purposes are disclosed in the respective chapter of the Combined Management Report on page 53. They are supplemented in this report by other non-financial performance indicators.

Uniper's business model is described in detail in the Corporate Profile chapter of the Combined Management Report on page 18. The present report is specifically intended for analysts and investors. Additional information, including figures based on GRI standards and details of the Group's sustainability strategy, will be made available on Uniper's sustainability website [cr.uniper.energy]. The information is not part of this report.

Material Non-Financial Aspects and Issues

The Combined Separate Non-Financial Report includes information on the five mandatory aspects defined in Sections 289c and 315c of the German Commercial Code:

- Environmental matters
- Social matters
- Employee matters
- Human rights
- Anti-corruption and anti-bribery

By law, aspects of Uniper's business model are material for the report 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. Using the 2017 materiality assessment as a starting point, Uniper's 2018 materiality assessment defined Company-specific issues and aligned them with the German Commercial Code's five mandatory reporting aspects. The materiality assessment adopted a two-dimensional approach that considered the economic, environmental and social impact of Uniper's business activities on the defined issues as well as the impacts of these issues on the Company. The expectations of important stakeholder groups such as policymakers, competitors, non-governmental organizations (NGOs) and the financial market were taken into account as well. It was analyzed whether from their perspective the impacts could have a significant influence on the Group and third parties and the importance of the impacts for understanding the Group's current and future development.

The assessment also analyzed the business relevance of the five mandatory aspects and Uniper's corresponding company-specific issues, the energy industry's influence on them and whether they correlate with one or more of the UN Sustainable Development Goals. In the final step of the assessment, experts from relevant departments discussed, validated, and approved the results.

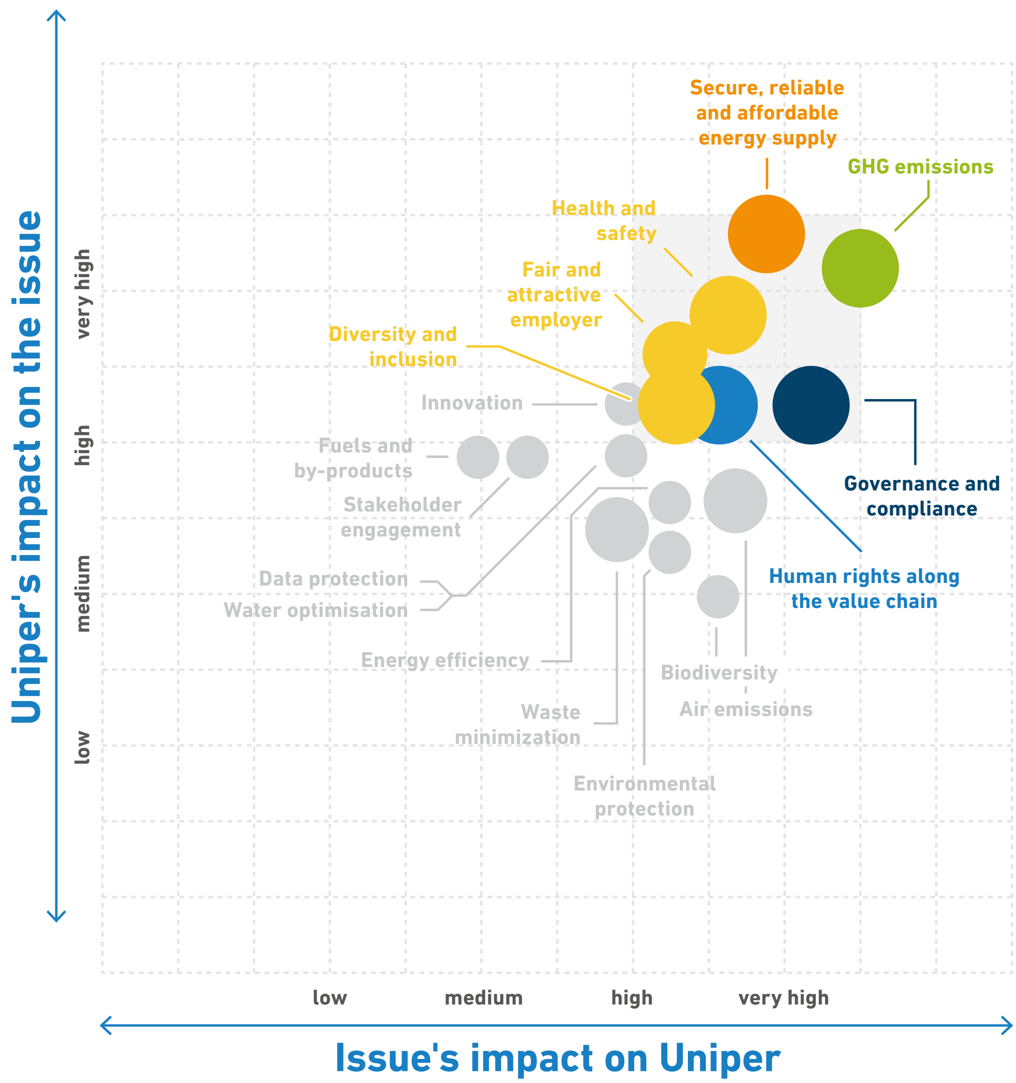
The following materiality matrix provides an overview of the assessment's results. The horizontal axis indicates the impact of the issues on Uniper from the perspective of outside stakeholders; conversely, the vertical axis represents Uniper's impact on the issues. Uniper classifies issues that are at least high on both axes as material. The result is seven material issues, each of which is addressed in this report. The various sections of this report describe Uniper's management approach for the aspects and issues, the progress it achieved in the reporting period and, where appropriate, exceptions to its definition of materiality.

Materiality Matrix

Issues reported on in CNFR linked to mandatory aspects

- Environmental matters
- Employee matters
- Social matters
- Human rights
- Anti-corruption and anti-bribery

Bubble size indicates risk potential



Environmental, Social and Governance Risks

Uniper fulfills its environmental, social and governance (ESG) due diligence requirements by conducting dedicated sustainability risk management, which it aligns with its enterprise risk management to ensure that it addresses its most significant ESG risks on a quarterly basis. Enterprise risk management is described on pages 56 to 58 of the Combined Management Report. Uniper's sustainability management includes assessing the external as well as internal environmental and social risks that could arise from its operations, their likelihood and potential severity.

There were no reportable risks in 2018 according to the requirements of Section 289c HGB. The following section outlines the most important risks identified by ESG risk management with regard to Uniper's material issues. This provides context for the subsequent description of the measures Uniper takes to address these risks.

Environmental and Social Risks[1]

Carbon emissions from burning fossil fuels increase global GHG emissions and thus contribute to climate change, which has serious consequences for ecosystems and for the living conditions and livelihoods of large parts of the global population. Investors have become more aware of the wider implications that ESG risks such as carbon emissions can have on a company. Some may be deterred from investing in the conventional energy sector owing to its carbon emissions due to the associated reputational and financial risk. Consequently, failure to adequately address these risks could potentially limit, to some degree, Uniper's access to investor capital.

The Uniper Group is also exposed to the risk of changes to policies and laws. Europe's energy, climate and environmental policy emphasizes decarbonization, the continued expansion of renewables and stricter climate-protection laws. In addition, several European countries in which Uniper has operations have already decided to phase out coal in the years ahead or discuss it concretely.

Uniper's position on the phaseout of coal-fired generation is that the transition to a low-carbon energy system should be orderly and responsible. Uniper's ongoing dialogue with analysts, policymakers and the media on its role in the energy transition helps reduce its reputational risk by emphasizing the contribution that conventional power plants continue to make to a secure and reliable power supply and grid stability.

Employee-related Risks

In 2018, Uniper completed its restructuring and cost-reduction programs. At present, there are no indications that there will be any further major restructuring that could have an impact on employees and that might prevent Uniper from being perceived as an attractive employer.

There is a risk of increased fluctuation of employees due to uncertainty caused by a possible takeover by Fortum (see Risk and Opportunity section on page 56). Uniper could face a potential long-term risk if it fails to meet the challenges of an aging workforce and does not address them by fostering diversity and inclusion. In addition, Uniper runs the risk of not being perceived as an attractive employer if it does not adapt to social trends and the changing demands younger generations have on employers. This is one of the reasons why Uniper fosters diversity and inclusion and is working on programs to increase employee retention.

[1] Social risks are included among environmental risks because of their interdependence.

Stressful situations and unsafe work habits in complex environments such as power plants and gas storage facilities could lead to serious accidents, injuries and fatalities. Accidents could involve the public near Uniper facilities as well. Uniper has in place Group-wide programs and policies that are adapted to differences in the safety practices of the countries where it operates. They are designed to provide a safe and healthy workplace for employees and contractors, particularly those working in potentially high-risk activities at the Company's assets, such as the plant decommissioning and demolition under way in Germany, Sweden, the Netherlands and the United Kingdom. In addition, Uniper's integrated health approach offers all employees access to a wide range of services, from medical checkups and extensive exercise programs to mental well-being campaigns.

Human Rights-related Risks

Severe human rights violations such as unlawful forced displacements, forced labor and child labor can be a direct or indirect consequence of business activities, particularly in countries with a history of insufficient standards for the protection of human rights. Moreover, factors such as authoritarian governments, weak democratic institutions and a widespread lack of transparency and accountability in some of these countries pose significant challenges to effective operations and supply chain management.

In such countries, Uniper takes particular care to avoid causing, contributing to, or benefitting directly from human rights violations. Human rights impacts may also increase the chance of lawsuits, cause project delays, incite social unrest and, therefore, harm the Group's reputation.

Respecting human rights is an ongoing process that requires proactivity and the commitment of the entire organization to achieve continual improvement. This includes timely and adequate measures to remediate adverse impacts on a case-by-case basis. Uniper is working actively to put in place other processes and to increase its engagement with Bettercoal and other non-governmental organizations in order to prevent its operations and supply chain from having adverse impacts on human rights.

Corruption and Bribery Risks

Corruption and bribery promote social inequality and crime, undermine confidence and increase the cost of transactions. Non-compliance with laws or Company policies aimed at combating corruption may lead to criminal and civil liability, not only for the persons involved but also for the Group and its directors and officers. It may also 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, indicating a high level of perceived corruption. Failure to fulfill the legal and regulatory requirements necessary to comply with key anti-corruption rules would likely lead to serious reputational, legal and financial impacts on the Group. Uniper considers high-risk corruption cases as a serious corruption violation. Relevant employees are regularly trained in policies and systems that help prevent corruption.

Sustainability Management

Uniper has in place measures to control, minimize and mitigate its ESG risks. The management actions it plans and implements are also incorporated into its governance structure, responsibilities and relevant policies.

The Uniper SE Management Board bears overall responsibility for the adoption 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, monitors the Group's fulfillment of its sustainability obligations.

The Management Board assigns to the Health, Safety, Security and Environment (HSSE) & Sustainability function the responsibility for defining Group-wide ESG targets and key performance indicators and for identifying ESG risks and emerging issues that could affect Uniper.

Uniper's functional units and subsidiaries have a responsibility to implement annual HSSE & Sustainability Improvement Plans to help meet the Group's overall HSSE and sustainability objectives. Employee involvement is essential for achieving a robust sustainability culture. The HSSE & Sustainability function reports on its performance to the CSO by means of HSSE & Sustainability Quarterly Performance Dialogues and engages regularly with the Group Works Council through the Consultative Council, a cross-functional committee that meets biannually. HSSE & Sustainability consults frequently with Uniper functions that are responsible for addressing material ESG issues.

Sustainability Strategy

The Sustainability Strategic Plan (SSP) describes how sustainability supports the Group's long-term business strategy and defines improvement targets for its ESG performance from 2019 to 2022. It was published on Uniper's sustainability website in February 2019. The material issues derived from the materiality assessment are clustered in five SSP impact areas which provide the framework for specific action plans and annual progress reviews in alignment with selected UN Sustainable Development Goals (SDGs). An overview is provided in the table below. Starting with this SSP, Uniper aims to build on its potential for business growth, characterized by active management to minimize the main negative environmental and social impacts caused by its operations. The SSP targets, are built around a set of long-term commitments that reflect core elements of Uniper's corporate culture and business strategy.

In line with the recommendations of international frameworks such as the OECD Guidelines for Multinational Enterprises, the SSP is Uniper's main tool for defining and managing appropriate risk-mitigation and impact-remediation measures for each material issue during a specific timeframe. This approach centers on the implementation of new processes, such as systematic qualitative analysis of the scope, scale and remediability of the Company's ESG impacts.

The HSSE & Sustainability function tracks progress toward achieving the SSP targets by conducting reviews with relevant business functions. Uniper will disclose its progress on at least an annual basis.

Uniper Sustainability Strategic Plan (SSP) 2019–2022

SSP Impact area	Material issues	Relevant SDGs	Uniper's commitments	Uniper's targets
Climate Action & Security of Supply	• **GHG emissions** • **Innovation** • **Secure, affordable, and reliable energy supply**	7 Affordable and clean energy 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action	• Monitor and optimize the carbon intensity of Uniper's generation portfolio. • Include decarbonization activities as focus area for innovation. • Promote lower-carbon fuels for energy generation.	• Group-wide carbon intensity[1] target of 500 g of CO_2 per kilowatt-hour (on average) through 2020[2]. • Conduct, by 2022, at least 20 projects whose aims include decarbonization.
Our People	• **Health and safety** • **Fair and attractive employer** • **Diversity and inclusion**	5 Gender equality 8 Decent work and economic growth	• Protect labor rights and ensure a safe, healthy, and secure work environment for all employees and contractors; promote the same standards in Uniper's joint ventures and partnerships. • Have zero tolerance of discrimination. • Ensure equal opportunity and promote inclusion in the entire workforce.	• Maintain a 1.75 combined TRIF[3] threshold at Group-level up to 2022. • Certify 100% of Uniper's operational assets to ISO45001 by 2022. • Have women account for 25% of Uniper's high-level executives by 2022. • Achieve an employee inclusion indicator[4] of over 95% by 2022.
Environmental Protection	• **Environmental protection** • **Air emissions** • **Energy efficiency** • **Biodiversity** • **Waste minimization** • **Water optimization** • **Fuels and by-products**	15 Life on land 12 Responsible consumption and production	• Promote waste reduction, land pollution prevention, and environmentally responsible mining. • Work with contractors, suppliers, and industrial customers to adopt a life-cycle approach in order to protect the environment, use resources efficiently, and market Uniper's by-products.	• Have no severe environmental incidents. • Maintain certification of 100% of Uniper's operational assets to ISO14001.
Human Rights and Compliance Culture	• **Human rights along the value chain** • **Governance and Compliance** • **Data protection**	8 Decent work and economic growth 16 Peace, justice and strong institutions	• Have zero tolerance of forced labor, child labor, modern slavery, and human trafficking. • Continue to strengthen Uniper's compliance culture and protect the business from corruption risks.	• Assess 100% of new counterparties according to Uniper's social screening system (ESG due diligence) by 2022. • Train 100% of new hires on compliance and Uniper's Code of Conduct by 2022.
Stakeholder Engagement	• **Stakeholder engagement**	8 Decent work and economic growth 16 Peace, justice and strong institutions 17 Partnerships for the goals	• Actively engage with stakeholders to ensure transparency and ongoing dialogue regarding Uniper's activities. • Foster the development of effective, accountable, and transparent institutions at all levels. • Minimize the impact on communities affected by Uniper's operations.	• At the corporate level, conduct at least three trust-building dialogues with civil society organizations each year up to 2022.

[1]Carbon intensity calculated on average from 2018 to 2020.
[2]Group-wide carbon intensity target method: electricity generation adjusted to reflect heat and steam production; consolidation approach: financial control.
[3]Total recordable incident frequency (TRIF) measures the number of incidents per million hours of work.
[4]Employee inclusion indicator: Annual employee opinion survey demonstrates that 95% employees feel included.

Sustainability Policies

Uniper has in place policies for its material ESG issues which are implemented throughout the Group and monitored regularly. These policies stipulate how the Group addresses these issues and how it coordinates the cascade effects across the organization.

The HSSE & Sustainability Policy Statement defines Uniper's ambitions and priorities for HSSE and sustainability. This statement provides the framework for developing the Strategic Sustainability Plan and for evaluating its effectiveness.

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.

Furthermore, Uniper's Code of Conduct addresses a wide range of issues, including compliance, such as combating corruption and human rights violations. The Code of Conduct is binding for all employees and defines the basic principles of conduct. It is founded on a commitment to one another, the business and communities. In 2019 Uniper has set a target of training 100% of new hires on compliance and its Code of Conduct by 2022 by making this training mandatory.

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. It also requires its suppliers to observe the Uniper Supplier Code of Conduct.

In May 2018 Uniper introduced a new Know-Your-Counterparty Business Policy. Its purpose is to enhance existing processes for identifying and reporting the main compliance risks potentially posed by new counterparties before business deals are finalized. These risks include corruption, money laundering and terrorism financing. The introduction of the policy was accompanied by an e-Learning module and classroom training entitled Know Your Counterparty, Intermediaries and Sanctions, whose purpose is to familiarize staff across the organization with the enhanced processes. In 2018 these processes were used to assess 414 new counterparties; 400 were approved and 14 were rejected for high compliance risks.

In addition, the HSSE & Sustainability ESG Due Diligence 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 business deals are finalized. In 2019 Uniper has committed to assess 100% of new counterparties according to its social screening system (ESG due diligence) by 2022.

The aforementioned policies, business directives and Code of Conduct are available to all employees electronically on the Uniper intranet.

Environmental Matters

Uniper's awareness of its environmental impacts is strategically important because the environmental performance of its assets significantly affects its operating efficiency, market position and reputation. Uniper is committed to complying with all applicable laws to prevent uncontrolled emissions to the air, water and soil. Efforts that go beyond compliance are evaluated on a cost-benefit basis and coordinated centrally with the aim of having a low exposure to reputational and legal risks. To mitigate environmental risks, the HSSE & Sustainability function at Uniper Group Management defines and implements dedicated environmental management systems (EMS).

At year-end 2018, 100% of Uniper's facilities of fully consolidated legal entities in Germany were certified to ISO 14001, an increase compared with the previous year (2017: 88%). All of Uniper's industrial facilities of fully consolidated legal entities in other countries (France, the Netherlands, Hungary, Russia, Sweden and the United Kingdom) retained their ISO 14001 certifications. In addition, all Uniper fossil-fueled power plants in Germany are certified to ISO 50001, a standard for energy management systems.

By having facilities certified to ISO 14001, Uniper aims to prevent incidents that could have adverse impacts on the environment and has therefore committed to maintaining 100% ISO14001 certification for its operational assets. Uniper investigates all significant environmental near-hits and all incidents and takes appropriate 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. Uniper had no severe environmental incidents in 2018. Its management systems define "severe environmental incidents" 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."

In March 2018, Uniper notified the Environment Agency, the environmental regulator for England, about historic under-reporting of CO_2 emissions from one of its power stations in the United Kingdom in 2015 and 2016. The Company conducted an extensive investigation and took corrective action. In its response received in February 2019, the Environment Agency accepted that the error was an isolated and unintentional, that Uniper had self-reported the error, fully co-operated and corrected the error. For these reasons, the Environment Agency issued a civil penalty which was set at the lowest possible level of the range for a large organization.

In October 2018 media reports questioned the legality of co-firing oil pellets in Uniper's Scholven power plant, which led to complaints to the authorities. Uniper investigated the claims and concluded that all regulations have been and will continue to be complied with. In February 2019 the North Rhine-Westphalian state legislature discussed the issue and tasked the state's Ministry for the Environment, Agriculture and Consumer Protection to examine the legal situation. The ministry's report confirmed that Scholven power plant's co-firing of oil pellets meets all legal requirements.

Uniper monitors legislative processes that could result in changes to the environmental compliance requirements where it operates. In 2018 Uniper was asked by national authorities in a number of countries, as required by the Industrial Emissions Directive 2010/75/EU, to provide information on its proposed approach to compliance with the updated Best Available Techniques Reference (BREF) document. The BREF sets stricter emission standards that conventional power plants must meet by 2021 unless they obtain a formal derogation. Uniper provided the requested information, which the national authorities are currently evaluating.

Germany did not issue a new guideline to implement BREF in 2018 as was required by the Industrial Emissions Directive 2010/75/EU. It is expected to do so by the end of 2019 after the Growth, Structural Change and Employment commission publishes its recommendations for coal's place in the country's future energy mix. A growing number of European countries have, or plan to, set a timetable for phasing out coal-fired power generation. These policies could affect companies' decisions regarding compliance with BREF. For example, if a power plant requires significant investment to comply with BREF's stricter emission standards but its future operating lifetime is limited by phaseout policies, the investment may not make business sense.

A cross-departmental project continues to manage compliance with BREF across Uniper's generation business in Europe. Decisions will be made on an asset-by-asset basis and will factor in the policy and regulatory environment of the country where the asset is located. The sum of these individual decisions will determine BREF's aggregate impact on Uniper's generation portfolio.

GHG Emissions

The energy industry, which is among the biggest carbon emitters, will need to play an important role in the transition to a low-carbon future, which is a significant societal challenge. Uniper is working to help gradually decarbonize the energy system while simultaneously ensuring a reliable energy supply. Since the EU Emissions Trading Scheme came into force in 2005, the legal entities in the Uniper Group have reduced their annual carbon emissions in Europe by almost 60 million metric tons. This means the assets composing Uniper's European Generation segment have decreased their direct carbon emissions by around 60% over the same time period and have thus declined further than the current EU climate targets.

Since its establishment as an independent company, Uniper has shut down older, uneconomical power plants and invested in gas-fired plants that supply homes and businesses with lower-emission electricity, heat and steam. Uniper expects its 1.1 GW coal-fired power plant in Datteln, Germany, to enter service in the summer of 2020. Uniper has stated unambiguously that it does not intend to invest in any new coal-fired power plants of its own after this commissioning.

In 2018, Uniper's direct carbon emissions from the combustion of fossil fuels for power and heat generation (operational control approach) declined to 59.5 million metric tons (2017: 63.3 million metric tons), mainly because of a decline in the output of Uniper's conventional power plants in France, the Netherlands and Russia.

Direct CO_2-Emissions from Fuel Combustion by Country

Million metric tons	2018	2017
France	2.9	5.1
Germany	17.2	16.9
Hungary	0.8	0.8
Netherlands	5.5	7.9
Russia	25.3	26.4
Sweden	<0.01	<0.01
United Kingdom	7.6	6.2
Total	**59.5**	**63.3**

Operational control approach taken – figures (100% of emissions of the facility) from any generation assets over which Uniper has operational control. The data for all the countries, except Russia, was determined using the European Union Emissions Trading Scheme rules. Rounding corrections per country result in minimum differences which are considered in the total sum.

To help Europe achieve its climate targets, Uniper has set a Group-wide annual average carbon intensity target of 500 grams of carbon dioxide per kWh for the period 2018 to 2020.

In 2018 Uniper's carbon intensity was 499 grams of carbon dioxide per kWh representing a decrease compared with 506 grams carbon dioxide per kWh in 2017[2]. This is consistent with Uniper's goal of achieving an average carbon intensity of 500 grams per kWh for the period 2018 to 2020. Uniper is committed to optimizing its carbon-monitoring processes and invest in asset improvement and innovation projects to help meet its carbon intensity target. Already today, gas-fired and hydroelectric capacity accounts for more than 50% of Uniper's portfolio (see table below), enabling the group to support the transition toward low-carbon energy generation.

Uniper sees for the future further carbon emission reduction potential due to the effects of possible coal phaseout in many European countries and an overall stronger role for climate-friendly natural gas.

Uniper Group: Consolidated Generation Capacity as of December 31, 2018

in MW	Gas	Coal	Hydro	Nuclear	Other	Total (country specific)
Russia[1]	8,479	2,283	–	–	–	10,762
Germany	3,333	3,802	1,991	–	1,418	10,544
United Kingdom	4,375	2,000	–	–	34	6,409
Sweden	947	–	1,579	1,400	662	4,588
France	828	1,190	–	–	244	2,262
Netherlands	526	1,070	–	–	–	1,596
Hungary	428	–	–	–	–	428
Total (asset specific)	**18,916**	**10,345**	**3,570**	**1,400**	**2,358**	**36,589**

[1]Figures include Czech Republic

[2]Uniper's carbon intensity is defined as the ratio between direct fossil fuel derived CO_2 emissions from electricity and heat generation from Uniper's fully consolidated stationary facilities (financial control approach) and Uniper´s generation volume. Dedicated Heat/Steam facilities not included.

Uniper advocates a responsible phaseout of coal-fired power generation in Germany and other countries if the EU Emissions Trading Scheme—the market-based approach Uniper prefers—does not achieve an acceptable rate of emission reduction. Uniper believes strongly that the phaseout must be carried out in way that is fair to companies and to the people and regions it affects. Decisions about the future of coal-fired power generation must address the reliability of the energy and heat supply, especially because the feed-in of intermittent renewable energy continues to increase and the expansion of grid capacity is not keeping pace with current growth.

Gas is the ideal fuel to support the energy transition. Indeed, ambitious emission-reduction can only be achieved if more gas is used in power generation, heating, transport and industry. Natural gas has the lowest carbon dioxide emissions of any fossil fuel, can be stored and can be used flexibly, including in embedded cogeneration units. The importance of gas-fired power plants, which are ideal for balancing out the volatility of renewables, will increase significantly going forward. Moreover, the supply of gas will remain abundant well into the future.

Gas can play its role in the energy transition even more effectively if it becomes more climate friendly, for example when equipment to produce hydrogen and methane is powered by renewable electricity in a process known as power-to-gas. Alternative fuels can help make mobility more sustainable as well. Uniper is therefore developing business models for several alternative fuels, including liquefied natural gas (LNG) as a fuel for heavy trucks.

Innovation plays a key role in Uniper's support for the transition to a low-carbon society. Uniper is developing scalable business models in a variety of other areas as well, including sustainable hydropower, flexible electricity supply and the recycling of carbon dioxide, which could be captured from the emissions of power plants, processed, and used as an alternative carbon source in a variety of industrial applications. Uniper has invested in several pilot projects to foster the research, development and deployment of such technologies. Uniper has set a target in 2019 of conducting, by 2022, at least 20 projects whose aims include decarbonization. Some of these projects are described in the Technology and Innovation chapter on pages 19 and 20 of the Combined Management Report.

Uniper closely monitors developments at the Task Force on Climate-related Financial Disclosures (TCFD), which has issued 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 2018 Uniper responded to CDP's sector-specific climate-change questionnaire for the first time. The questionnaire regarded Uniper's performance in the 2017 calendar year. CDP, formerly known as the Carbon Disclosure Project, runs a global disclosure system for companies to improve awareness through measurement and disclosure of environmental data, climate risks and carbon management. CDP gave Uniper a "C". Scores range from A (best) to F. The evaluation of the CDP questionnaire identified potential for improvement which will be further analyzed in 2019.

Social Matters

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

Uniper is a relatively new company. 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 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 promote discussion and enable Uniper to learn more about local stakeholder views and concerns.

Secure, Affordable and Reliable Energy Supply

A secure and reliable supply of energy is essential for the functioning of society and a competitive economy. Uniper's priority is to provide a secure, affordable and reliable supply of power, gas and heat to its customers. To manage the operating risks of its generation assets, Uniper has an integrated asset and HSSE management system that conforms with industry practices.

Uniper's long-term gas supply contracts, natural gas storage facilities, global gas trading activities and capacity for regasifying liquefied natural gas (LNG) play an important role in 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.

Uniper's key performance indicator for supply reliability is average asset availability. Uniper's conventional power generation fleets in Europe and Russia had an average asset availability of 79.1% in 2018, lower than in 2017. The reduction was due to increased planned unavailability but also to increased unplanned unavailability. Uniper's unplanned unavailability rose from 7.9% in 2017 to 11.1% in 2018. One of the main reasons was unexpected faults at relatively new or refurbished power plants. Uniper investigates each event carefully to determine the causes so that it can prevent similar faults at other plants and maintain its fleet's availability at a high level.

Average Asset Availability for Conventional Power Generation by Country

Percentages	2018	2017
France	76.3	86.8
Germany	78.1	85.9
Hungary	95.9	85.4
Netherlands	75.4	78.3
Russia	77.1	78.5
Sweden	86.8	88.6
United Kingdom	83.0	81.8
Total	**79.1**	**82.2**

The figures shown are calculated using availability = 100% – (planned and unplanned unavailability). Uniper Group figures represent a volume-based weighted average. The calculation refers to Uniper's actual operational portfolio.

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 services for power plant operators as well as support for new energy infrastructure projects. These services will enable customers' power plants to meet high international standards for operational excellence, including in HSSE performance.

Uniper procures natural gas from a variety of producers in several countries, mainly Russia, the Netherlands and Germany. To provide customers in Europe with a more diversified gas supply, in the years ahead Uniper will procure gas from Azerbaijan as well. Under a long-term contract concluded in 2013 with Baku-based SOCAR (State Oil Company of the Azerbaijan Republic), Uniper will source up to 1.5 billion cubic meters (bcm) of gas per year via the Southern Gas Corridor (SGC), a system of pipelines that connects the Caspian region and the Middle East to Southeastern Europe. The SGC opened in May 2018. As part of this arrangement, in 2016 Uniper and SOCAR formed a joint venture to promote energy efficiency. The joint venture will upgrade and expand the power and steam generators at a SOCAR chemical complex located about 30 kilometers north of Baku. The project is scheduled to be completed in 2020.

As stated on page 35, in 2018 Uniper procured 390 TWh of gas under long-term contracts. Uniper also buys and sells gas on a forward and a spot basis at Europe's trading venues. Uniper traded a total of 2,019 TWh of gas in 2018.

In addition, Uniper has stakes in gas transmission pipelines (e.g. OPAL) and finances projects to build them. These assets provide important pathways for the import and transport of gas and therefore play key roles in ensuring supply security.

Along with pipeline gas, Uniper purchases LNG. It also has stakes and long-term capacity bookings several LNG terminals in Europe. These include a floating storage and regasification unit (FSRU) in Italy. In addition, in December 2018 Uniper and Mitsui O.S.K. Lines concluded an agreement to build an FSRU at a Uniper facility in Wilhelmshaven, Germany. This unit could store 263,000 cubic meters of LNG and send out 10 bcm of gas per year. The FSRU, which could be operational as early as the second half of 2022, would supplement the large onshore regasification terminal planned for Wilhelmshaven. It could source large quantities of LNG from around the world and thus further diversify Europe's gas supply. The FRSU would therefore substantially enhance supply security and spur competition. End-customers would benefit from both. To further optimize its portfolio in a rapidly expanding downstream LNG market, in 2018 Uniper again chartered LNG tankers. This enhances Uniper's ability to operate in Asian markets, where flexible and affordable energy is in great demand and contributes to its strategy of diversifying and achieving global growth in its commodities business.

Employee Matters

In 2018 Uniper completed the restructuring program initiated in 2017, which was designed to ensure its lasting competitiveness and supplemented it with the conclusion of an agreement with works councils. In this agreement, employees make a contribution toward enhancing Uniper's earnings strength in return for a reliable long-term social plan and participation in the Company's positive business performance.

Uniper's corporate strategy aims to make the Company more efficient and more competitive. The Group's long-term HR activities support this strategy by focusing principally on capability management. Uniper has identified the critical capabilities needed to achieve its future strategic objectives and anticipate changes in its competitive environment. It will maintain and nurture them through a capability-based approach to hiring and developing people. In 2018 Uniper communicated its new employee-development approach and the associated mechanisms and initiatives across the organization and made them available to the majority of its employees. It also took other steps to support this approach, such as conducting strategic succession planning for critical roles across all functions.

Uniper places a significant emphasis on an open and trusting 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 if it is your own company). The Uniper Way is brought to life by being integrated into management structures, internal mechanisms and day-to-day interactions. Its core elements are embedded in the main components of the HR cycle: the capability-based approach, guidelines for job interviews and systematic feedback on employees' performance, which fosters continuous self-reflection and improvement. Supported by digitization, these elements help create an agile and flexible organization with more cost-efficient processes. In 2018 the annual Voice of Uniper employee survey again indicated that employees are aware of the need for continual change and that the focus should remain on further enhancing Uniper's corporate culture and promoting diversity and inclusion. Uniper has set a target of achieving an employee inclusion indicator of over 95% by 2022. This means that at least 95% of employees say in the annual survey that they feel included in their team. The survey results for 2018 showed improvements towards achieving the target.

Workforce figures at year-end 2018 are disclosed on page 54.

Health and Safety

Maintaining high health and safety standards is essential for Uniper because it cares about its people. Safety is also important for the operation of Uniper's facilities and enables it to avoid the additional cost of work stoppages and lost time that result from accidents. Uniper's commitment to health and safety also extends to people who live near its facilities and to visitors.

In 2018 Uniper conducted interactive health and safety training courses for senior managers. The purpose was to broaden their skills and reinforce the importance of factoring health and safety into their decisions and making it visible to their employees through workshops and safety walks. Uniper also ran a health and safety awareness campaign on its intranet. The campaign consisted of articles and video messages from top executives that underscored the importance of Uniper's HSSE identity.

The health and safety management systems of all Uniper's operating entities are certified to OHSAS 18001 and are regularly reviewed and certified by independent experts. In 2018 ISO published ISO45001, a new and improved standard for health and safety management systems. To continually improve its health and safety standards, Uniper has set a target in 2019 of certifying 100% of its operational assets to ISO45001 by 2022.

The HSSE & Sustainability function supports the organization and employees in integrating health and safety 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 health and safety targets and improvement measures. Progress toward the targets is monitored regularly. These plans help Uniper live up to its commitment to continually improve its health and safety performance. All efforts to further raise health and safety standards can only be successful if contractors and their employees are closely involved. In 2018 Uniper completed a three-year project to design and implement a system to improve contractors' health and safety performance. The improvement measures are now integrated into routine processes.

Uniper has always attached great importance to systematically documenting and analyzing incidents and near misses and to preventing their recurrence through effective communications and corrective measures. In 2018 Uniper introduced a comprehensive, software-based incident management system. This was preceded by a thorough review of existing processes for reporting, documenting and analyzing incidents. The implementation of the resulting improvement is under way. This applies in particular to communications processes. These processes ensure that information about, and lessons learned from, incidents at and outside the Company reach everyone at Uniper who needs them. Onboarding agreements with contractors include clauses obliging them to share this information with their employees who work for Uniper.

Uniper's main safety metric for management purposes is Total Recordable Incident Frequency (TRIF), which measures the number of incidents per million hours of work. Combined TRIF, which includes the safety performance of contractor employees who work for Uniper, was 1.47 in 2018 (2017: 1.53). The improvement was mainly due to a significant reduction in accidents involving Uniper employees. However, there was an increase in accidents involving contractor employees, particularly at the Company's hydroelectric plants. On balance, therefore, combined TRIF only improved slightly. At the end of 2018 Uniper began to work on solutions for reducing accidents, together with its external contractors.

Uniper is committed to maintaining a combined TRIF at or below 1.75 through 2019 by fostering continual learning, providing training and further improving its management systems.

Uniper had no fatal accidents in 2018.

Health management continued to make progress in 2018. The series of workshops initiated in 2017, in which managers developed specific measures to improve health protection and promotion in their area of responsibility, was continued and concluded in 2018. These measures are now being implemented.

In 2018 Uniper won the renowned German Corporate Health Award in the Energy Industry category, in particular for its integrated approach to occupational health management. In addition, Uniper received a special award in the Employee Consulting category for its program enabling employees to receive counseling from outside experts at any time, free of charge, and, if they prefer, anonymously, if they are experiencing stress or a crisis in their personal or professional lives.

Fair and Attractive Employer

Competitive compensation and fringe benefits are essential for attracting and retaining talented employees. 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 benefits such as disability insurance and family coverage. Company-funded benefits are supplemented by attractive retirement planning in several countries. This helps employees 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 that prepare them for formal apprenticeships, and the opportunity to participate in its graduate program, Uniper is meeting the challenges of demographic change and a shortage of qualified personnel. The standard for vocational training remains high. Uniper had 218 apprentices and 125 work-study students and interns in Germany as of December 31, 2018.

Uniper's approach to employee training is practical, with a focus on learning with and from colleagues. The spectrum of its training offerings is broad, both in-house and from external providers. In 2018 Uniper continued to conduct training mandated by law and necessary for practical reasons in order to ensure the long-term resilience of its business operations.

Diversity and Inclusion

As stated on page 81, the Uniper Management Board gave its full commitment to promoting diversity and inclusion in the six dimensions defined in the German Diversity Charter: gender, nationality or ethnic background, religion or worldview, disability, age/generations and sexual orientation and identity. Uniper signed the Charter in 2016 when it became an independent company.

Diversity and inclusion play an important role in enhancing Uniper's competitiveness, resilience, creativity, innovation and enterprise value. Promoting diversity and inclusion, treating them as an opportunity, and combating discrimination are all central to the Uniper Way. What counts are individual's capabilities and commitment.

Uniper intends to be as attractive an employer as possible to a wide range of potential applicants and to foster an open corporate culture in order to reflect societal change and to prevent a future shortage of skilled workers. It complies with all anti-discrimination laws and regulations in countries where it operates, such as the German General Anti-Discrimination Act. Compliance is supported by clear company policies as well as by training. Uniper offers e-Learning modules on diversity, inclusion and unconscious bias to managers and employees and actively seeks to hire and promote minorities and people with disabilities. It also provides a range of learning programs designed to develop and enhance the skills employees need to succeed. In addition, in 2018 Uniper redesigned its office building in Dusseldorf to better accommodate people with disabilities.

To help establish and nurture an open, inclusive and diverse corporate culture in which all employees feel engaged, Uniper is implementing a Diversity Improvement Plan for 2018–2020. The purpose of the plan is to raise employees' awareness of diversity and inclusion and to set specific targets for increasing employee engagement in teams and minimizing discrimination. In June 2018 Uniper's CEO Klaus Schäfer inaugurated Uniper's first Diversity Day to create an opportunity for managers and employees to discuss the six diversity dimensions. Senior managers were also encouraged to develop a diversity and inclusion plan for their own area of responsibility and include it in their 2018 objectives. Managers at all levels took action to enhance their team's diversity and addressing inclusion issues. In 2018 Uniper conducted a pilot reverse-mentoring project in which junior colleagues mentored senior managers. In addition, Uniper took steps to promote diversity in recruitment and selection processes.

The Uniper Group has set a target for women to account for 25% of its high-level executives by June 2022. It intends to achieve this target through measures such as more diverse selection and recruitment procedures, mentoring and flexible work arrangements for all employees. On 31 December 2018 the target value could not be achieved yet.

Uniper is committed to not tolerating discrimination or harassment in any form. It provides training to managers and executives to help them recognize and prevent even the most subtle forms of harassment. In consultation with works councils, Uniper designed a process to deal with potential violations quickly and fairly. If they feel that they or a colleague is being harassed, employees are encouraged to contact their HR department, their unit's Compliance Officer, the Works Council, or, if they wish to remain anonymous, a whistleblower hotline. Uniper takes violations very seriously and does everything it can to rectify the situation, including taking disciplinary action.

Human Rights Protection

Uniper does business around the world, including in countries whose 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 it does not benefit from breaches of human rights. Uniper acts in accordance with the Universal Declaration of Human Rights and supports the prohibition of child and forced labor across all its business activities.

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

On an annual basis, Uniper performs a worldwide assessment, which is based on a combination of economic and social indexes, to map key potential country-specific issues (such as working conditions, violation of political rights and civil liberties as well as security threats) that may directly affect Uniper if new business opportunities are pursued. The assessment's findings resulted in the implementation of modified due diligence requirements and mitigation measures, such as the inclusion of specific contract clauses, particularly when negotiating with new counterparties operating in medium- or high-risk countries. Special attention is given to commercial counterparties or projects in high-risk countries with a Corruption Perception Index score below 30, which indicates a high level of perceived corruption. This is a conventional threshold reflecting the systemic weakness of a country's institutions. Fuel procurement and commodity trading in particular are among the Uniper businesses exposed to these kinds of country-specific issues.

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. Following a country prioritization strategy to maximize the remediation of actual impacts along the coal supply chain, the focus of Bettercoal members, including Uniper, has been on addressing supplier-specific and regional systemic issues in Colombia and Russia.

IIn April 2018 Bettercoal conducted a stakeholder engagement campaign in Bogota and in the Cesar region of Columbia. Uniper's CSO Eckhardt Rümmler was part of the delegation. The purpose was to raise awareness of community-protection and trust-building tools. This is part of the effort to address systemic and legacy issues that go beyond compliance with environmental and social protection standards. Thanks to these efforts, the vast majority of Colombian coal in 2018 came from mining companies that have pledged to Bettercoal.

In response to a proposal from some Bettercoal members, including Uniper, in the third quarter of 2018 Bettercoal established country-specific voluntary working groups to improve the monitoring of mining companies' improvement plans and to propose solutions to regional issues. Uniper chairs the working group for Colombia and participates in the one for Russia.

Uniper held discussions with several international non-governmental organizations in 2018. The discussions focused on ESG topics, especially human rights issues along the coal supply chain. One of the four meetings Uniper hosted with NGOs in 2018 addressed health and social issues faced by communities in coal-producing regions of Russia. Uniper wants to build on and expand this successful engagement. It has therefore committed in 2019 to conducting, at the corporate level, at least three new trust-building dialogues with civil society organizations each year through 2022.

In 2018 Bettercoal also established partnerships with two other organizations to raise awareness of the future role of coal. The first one, with the World Coal Association, aims to support the UN Sustainable Development Goals; the second, with U.S.-based certification company Equitable Origin, to assess industrial facilities and monitor social impact in extractive industries.

In 2018 Uniper continued its engagement in the Dutch Dialogue on Coal, a multilateral covenant between utilities operating in the Netherlands and the Dutch Ministry of Foreign Affairs, which entered its fourth year. The covenant aims to increase transparency along the coal supply chain, raise awareness of ESG issues and promote collaboration between companies. For example, it fostered the engagement of several large mining companies in South Africa with Bettercoal. The covenant also arranged for Shift, an international NGO, to hold a workshop with Uniper and other energy companies on due diligence practices consistent with the UN Guiding Principles on Business and Human Rights. The workshop clarified, among other issues, how effective human rights due diligence is hindered by a lack of transparency regarding trading practices.

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) internal and external whistleblower system that protects the rights of both the whistleblower and the person(s) reported. Uniper's Compliance Management System includes quarterly compliance reports to the Uniper SE Management Board. The purpose is to monitor the performance of the Compliance Management System. Six new instances of alleged corruption were reported internally at Uniper in 2018. After investigation, all of the cases were closed due to a lack of evidence. The three open cases of alleged corruption pending at year-end 2017 were closed.

In May 2018 Uniper conducted its second Group-wide Compliance Risk Assessment (CRA) of all business functions. One of the risks assessed was corruption. The findings will be communicated to the business functions, and, in areas where the CRA indicated room for improvement, appropriate corrective measures will be taken.

In a rapidly changing global business environment, Uniper needs to be aware of external restrictions on its business activities. Uniper is committed to complying with all applicable economic sanctions and other forms of international restrictions. In addition to implementing a Know Your Counterparty eLearning module, in 2018 Uniper introduced an SAP-based sanctions tool, conducted workshops on economic sanctions at the most relevant business functions, and adopted a Business Policy on Economic Sanctions.

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 December 31, 2018, the income statement, statement of recognized income and expenses as part of equity, statement of cash flows, consolidated statement of changes in equity for the financial year from January 1 to December 31, 2018, 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 January 1 to December 31, 2018. In accordance with the German legal requirements, 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 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 December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, 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") 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 January 1 to December 31, 2018. 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 storage facilities**

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 contracts are primarily entered into by the subsidiary Uniper Global Commodities SE (hereinafter referred to as "UGC") for the Group companies for the optimization of the electricity and gas portfolio (including the existing long-term physical supply agreements, in particular for gas procurement), as well as to ensure the gas storage and gas transport infrastructure and for the efficient control of the commodity price risks. In this respect, UGC is active on the spot and forward markets for electricity, gas, coal, freight, oil, LNG and emission rights on various exchanges as well as on the "over the counter" market.

Individual long-term contracts often stipulate the possibility for the contracting partners to adjust contractual terms and conditions (particularly price formulae) at specific time intervals to altered market conditions (so-called price revision clauses). Insofar as no commercial agreement has been reached between the parties in this respect, clarification is often achieved before a court of law or arbitration tribunal.

In the case of energy trading contracts, these consist of derivative financial instruments or contracts for the purchase or sale of non-financial items. These transactions are generally either measured at fair value through profit or loss or accounted for as a pending transaction because of the future receipt or the future supply of the contractual object as part of the expected purchase, sale or usage requirement of the company (so-called "own use exemption").

The measurement is carried out on the basis of price notations on the future markets or on the basis of valuation models irrespective of whether the contracts have to be recognized on the balance sheet at market value or whether the measurement is necessary for the purpose of identification of anticipated losses.

Financial instruments that do not fall in the scope of IFRS 9 because of the "own use exemption" and are not recognized at market value are combined into portfolios in accordance with the stipulations of the Group's risk management and, as such, subjected to an examination for anticipated losses in accordance with IAS 37.

The accounting treatment for physically settled contracts within the scope of IFRS 9 is determined on the basis of the risk management of UGC which assigns these derivative financial instruments from a Group point of view to the respective purpose and therefore the respective accounting treatment. In accordance with this, physically settled derivative financial instruments that do not serve the expected purchasing, sale or usage requirement as well as all financially settled derivative financial instruments are measured at the fair value through profit or loss.

The energy trading operations are supported by energy trading systems. This is where handling takes place of the process chain of recording of commercial transactions, position determination and valuation, confirmation of the commercial transactions and risk management. Separation of the transactions (own use vs. recognition with effect on income at fair value) is guaranteed in the individual trading systems by a book structure. Adherence to the book structure is monitored on a regular basis.

Due to the large trade volume, ongoing negotiations and arbitration proceedings on price formulae for larger gas procurement agreements and the complexity of the accounting treatment of derivatives pursuant to IFRS 9 and/or IFRS 13, as well as the accounting regulations for provisions for contingent losses pursuant to IAS 37, considerable uncertainties and margins for discretion in the measurement of individual instruments exist. Against this background, and due to the significant effect on the assets, liabilities, and financial position and the financial performance, this business area is of particular significance for the consolidated financial statements and the performance of our audit.

b Within the scope of our audit and under inclusion of our internal specialists from the "Corporate Treasury Solutions" division, we initially gained an understanding of the trading strategies within the Group and the related product streams and evaluated the risk management strategy employed within the Group.

In addition to this, we also assessed the appropriateness of the implemented internal control system for the conclusion and handling of energy trade transactions including the trading systems employed in this respect. In the course of our audit of the internal control system we also assessed the effectiveness of the controls implemented by the Company on a sample basis. Furthermore, we also evaluated the internal action guidelines and requirements of risk management as well as the stipulated responsibilities and measures for their monitoring and to ensure that the trade data is up to date. We analyzed the methodology for determination of the fair values of derivative financial instruments with regard to compliance with IFRS 13 and assessed the adequacy of the market-based input factors as well as the underlying valuation models.

We assessed the logic and integrity of the applied valuation models, as well as the consideration of contractual terms and conditions and assumptions. We have reconciled observable input data with externally available information. In the case of non-observable input data, we assessed the derivation of relevant assumptions and expectations and evaluated the adequacy thereof. Insofar as such assumptions relate to the outcome of ongoing price negotiations and arbitration proceedings we also obtained and utilized assessments from the lawyers involved. With regard to the accounting for the contracts outside the application area of IFRS 9, we assessed the application of the "Own Use Exemption" for the physically settled transactions on the basis of the implemented processes within the Group and the appropriate application of the "Own Use Exemption". In addition, we assessed the result of the examination of those transactions which are recognized without effect on income because of the "Own Use Exemption" with regard to anticipated losses and the necessity for the recognition of provisions for contingent losses as well as their evaluation pursuant to IAS 37.

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

c The Company's disclosures on energy trading and its effects on the consolidated financial statements are contained in the notes to the consolidated financial statements, in particular in notes 29 as well as 3, 5, 7 and 8.

2 Recoverability of goodwill

a In the Company's consolidated financial statements, goodwill amounting in total to € 1.8 billion (representing 4 % of total assets and 16 % 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 the 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 the balance sheet item goodwill and on the impairment test are contained in notes 14 and 17 of the notes to the consolidated financial statements.

3 Recoverability of power plants and gas storage facilities

a In the Company's consolidated financial statements, property, plant, and equipment and rights of use amounting in total to EUR 10.6 billion (representing 21 % of total assets and 93 % of equity) are reported. Most of the carrying amount of the property, plant, and equipment and rights of use 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 the value in use. 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 as well as developments in energy policy such as planned legislation regarding the discontinuation of coal-fired power generation 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 € 708 million and reversals of write downs totaling € 136 million were recognized mainly on power plants in Germany, France and Great Britain. Impairment losses at the gas storage facilities also totaled € 135 million and reversals of write downs totaled € 29 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 notes 15 and 17 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. 1HGB.

- 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 June 6, 2018. We were engaged by the Supervisory Board on June 29, 2018. 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 sentence 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, March 1, 2019

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	2018	2017
Sales including electricity and energy taxes		78,643	72,745
Electricity and energy taxes		-467	-507
Sales	**(5)**	**78,176**	**72,238**
Changes in inventories (finished goods and work in progress)		-8	-6
Own work capitalized	(6)	79	145
Other operating income	(7)	14,681	9,999
Cost of materials	(8)	-74,690	-69,479
Personnel costs	(11)	-977	-991
Depreciation, amortization and impairment charges	(15)	-1,532	-1,198
Other operating expenses	(7)	-15,951	-10,810
Income from companies accounted for under the equity method	(16)	61	14
Income/Loss before financial results and taxes		**-161**	**-88**
Financial results	(9)	-413	-42
Net income/loss from equity investments		*9*	*-24*
Interest and similar income		*124*	*148*[1]
Interest and similar expenses		*-378*	*-122*[1]
Other financial results		*-168*	*-44*[1]
Income taxes	(10)	82	-408
Net income/loss		**-492**	**-538**
Attributable to shareholders of Uniper SE		*-452*	*-656*
Attributable to non-controlling interests		*-40*	*118*
€			
Earnings per share (attributable to shareholders of Uniper SE) – basic and diluted	**(13)**		
From continuing operations		-1.23	-1.79
From net loss/income		**-1.23**	**-1.79**

[1]In the previous year, the valuation result of -€44 million from the Swedish Nuclear Waste Fund had been reported as interest income.

Uniper SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	2018	2017
Net income/loss	**-492**	**-538**
Remeasurements of investments	102	N/A
Remeasurements of defined benefit plans	-254	149
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	-1
Income taxes	75	-47
Items that will not be reclassified subsequently to the income statement	**-77**	**101**
Cash flow hedges	1	-11
Unrealized changes	*–*	*-1*
Reclassification adjustments recognized in income	*1*	*-10*
Available-for-sale securities	N/A	159
Unrealized changes	*N/A*	*171*
Reclassification adjustments recognized in income	*N/A*	*-12*
Currency translation adjustments	-443	528
Unrealized changes	*-443*	*-379*
Reclassification adjustments recognized in income	*–*	*907*
Companies accounted for under the equity method	31	-33
Unrealized changes	*–*	*-33*
Reclassification adjustments recognized in income	*31*	*–*
Income taxes	-1	-4
Items that might be reclassified subsequently to the income statement	**-412**	**639**
Total income and expenses recognized directly in equity	**-489**	**740**
Total recognized income and expenses (total comprehensive income)	**-981**	**202**
Attributable to shareholders of Uniper SE	*-873*	*127*
Attributable to non-controlling interests	*-108*	*75*

Uniper SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	2018	2017
Assets			
Goodwill	(14), (17)	1,816	1,890
Intangible assets	(14), (17)	768	819
Property, plant and equipment and right-of-use assets	(15), (17)	10,612	11,496
Companies accounted for under the equity method	(16), (17)	440	448
Other financial assets	(18)	866	814
Equity investments		*783*	*710*
Non-current securities		*83*	*104*
Financial receivables and other financial assets	(20)	3,618	3,308
Operating receivables, other operating assets and contract assets	(20)	4,914	3,206
Income tax assets	(10)	6	6
Deferred tax assets	(10)	1,116	890
Non-current assets		**24,156**	**22,877**
Inventories	(19)	1,604	1,659
Financial receivables and other financial assets	(20)	1,391	1,195
Trade receivables, other operating assets and contract assets	(20)	21,468	16,163
Income tax assets	(10)	40	170
Liquid funds	(21)	1,400	1,027
Assets held for sale	(4)	546	70
Current assets		**26,449**	**20,284**
Total assets		**50,605**	**43,161**

Uniper SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	2018	2017
Equity and Liabilities			
Capital stock	(22)	622	622
Additional paid-in capital	(22)	10,825	10,825
Retained earnings	(22)	3,032	3,399
Accumulated other comprehensive income that might be reclassified subsequently to the income statement		-3,531	-2,699
Equity attributable to shareholders of Uniper SE		**10,948**	**12,147**
Attributable to non-controlling interests	(22)	497	642
Equity		**11,445**	**12,789**
Financial liabilities and liabilities from leases	(25)	1,187	961
Operating liabilities and contract liabilities	(25)	4,856	3,618
Provisions for pensions and similar obligations	(23)	804	676
Miscellaneous provisions	(24)	5,455	6,068
Deferred tax liabilities	(10)	355	390
Non-current liabilities		**12,657**	**11,713**
Financial liabilities and liabilities from leases	(25)	1,752	962
Trade payables, other operating liabilities and contract liabilities	(25)	22,469	16,277
Income taxes	(10)	47	55
Miscellaneous provisions	(24)	1,478	1,362
Liabilities associated with assets held for sale	(4)	757	3
Current liabilities		**26,503**	**18,659**
Total equity and liabilities		**50,605**	**43,161**

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

€ in millions	2018	2017
Net income/loss	**-492**	**-538**
Depreciation, amortization and impairment of intangible assets, of property, plant and equipment and of right-of-use assets	1,532	1,198
Changes in provisions	-267	-608
Changes in deferred taxes	-136	309
Other non-cash income and expenses	161	-96
Gain/loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (> 3 months)	-50	865
Intangible assets and property, plant and equipment	*-70*	*-16*
Equity investments	*18*	*898*
Securities (> 3 months)	*2*	*-17*
Changes in operating assets and liabilities and in income taxes	493	255
Inventories and emission allowances	*-25*	*184*
Trade receivables	*-1,369*	*152*
Other operating receivables and income tax assets	*-5,862*	*2,204*
Trade payables	*427*	*-345*
Other operating liabilities and income taxes	*7,322*	*-1,940*
Cash provided by operating activities	**1,241**	**1,385**
Proceeds from disposal of	130	1,796
Intangible assets and property, plant and equipment	*126*	*40*
Equity investments	*4*	*1,756*
Purchases of investments in	-642	-843
Intangible assets and property, plant and equipment	*-638*	*-825*
Equity investments	*-4*	*-18*
Cash payments in connection with disposals	–	-66
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	653	951
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-1,494	-1,215
Changes in restricted cash and cash equivalents	90	-106
Cash used for investing activities	**-1,263**	**517**
Cash proceeds/payments arising from changes in capital structure[2]	14	15
Cash dividends paid to shareholders of Uniper SE	-271	-201
Cash dividends paid to other shareholders	-31	-35
Proceeds from financial liabilities	1,228	23
Repayments of financial liabilities and reduction of outstanding lease liabilities	-621	-931
Cash provided by financing activities	**319**	**-1,129**
Net increase/decrease in cash and cash equivalents	**297**	**773**
Effect of foreign exchange rates on cash and cash equivalents	-9	-12
Cash and cash equivalents at the beginning of the year[3]	851	169
Cash and cash equivalents from disposal groups	-1	–
Cash and cash equivalents of deconsolidated companies	–	-79
Cash and cash equivalents of continuing operations at the end of the year	**1,138**	**851**
Supplementary Information on Cash Flows from Operating Activities		
Income taxes paid (less refunds)	67	-332
Interest paid	-74	-66
Interest received	59	65
Dividends received	56	66

[1]Note 28 contains additional information on the Statement of Cash Flows.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents at the beginning of 2017 also include an amount of €21 million that had been attributable to the divested stake in the Russian Yuzhno-Russkoye gas field.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income that might be reclassified subsequently to the income statement: Currency translation adjustments	Available-for-sale securities	Cash flow hedges	Equity attributable to share-holders of Uniper SE	Non-con-trolling interests	Total
Balance as of January 1, 2017	**622**	**10,825**	**4,156**	**-3,718**	**324**	**12**	**12,221**	**582**	**12,803**
Change in scope of consolidation							0	-1	-1
Capital increase							0	22	22
Capital decrease							0	-1	-1
Dividends			-201				-201	-35	-236
Total comprehensive income			*-556*	*527*	*164*	*-8*	*127*	*75*	*202*
Net income/loss			*-656*				*-656*	*118*	*-538*
Other comprehensive income			*100*	*527*	*164*	*-8*	*783*	*-43*	*740*
Remeasurements of defined benefit plans			*100*				*100*	*1*	*101*
Changes in accumulated other comprehensive income				*527*	*164*	*-8*	*683*	*-44*	*639*
Balance as of December 31, 2017	622	10,825	3,399	-3,191	488	4	12,147	642	12,789
Balance as of January 1, 2018	**622**	**10,825**	**3,399**	**-3,191**	**488**	**4**	**12,147**	**642**	**12,789**
Adjustments arising from IFRS applied for the first time (after taxes)[1]			433		-488		-55		-55
Balance as of January 1, 2018, after IFRS changes	**622**	**10,825**	**3,832**	**-3,191**	**N/A**	**4**	**12,092**	**642**	**12,734**
Change in scope of consolidation							0	-11	-11
Capital increase							0	5	5
Dividends			-271				-271	-31	-302
Total comprehensive income			*-529*	*-345*	*N/A*	*1*	*-873*	*-108*	*-981*
Net income/loss			*-452*				*-452*	*-40*	*-492*
Other comprehensive income			*-77*	*-345*	*N/A*	*1*	*-421*	*-68*	*-489*
Remeasurements of defined benefit plans			*-179*				*-179*	*–*	*-179*
Remeasurements of equity investments			*102*				*102*	*–*	*102*
Changes in accumulated other comprehensive income				*-345*	*N/A*	*1*	*-344*	*-68*	*-412*
Balance as of December 31, 2018	**622**	**10,825**	**3,032**	**-3,536**	**N/A**	**5**	**10,948**	**497**	**11,445**

[1]Note 3 contains additional information.

Notes

(1) General Information

The parent company of the Uniper Group is Uniper SE ("the Company"). The registered office of the Company is in Düsseldorf. Its 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.

These Consolidated Financial Statements of Uniper SE and its subsidiaries (collectively "the Group" or "Uniper") were prepared by the Management Board of Uniper SE on February 28, 2019, discussed in detail at the Audit Committee meeting on March 1, 2019, and approved by the Supervisory Board at its board meeting on March 11, 2019.

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 2019. The declaration has been made permanently and publicly accessible to shareholders on the Company's Web site (www.uniper.energy).

(2) Basis of Preparation of the Financial Statements

The Consolidated Financial Statements of Uniper SE 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 ("IFRS IC") interpretations 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, 2018. In addition, an election was made to apply IFRS 16, "Leases." 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.

Financial Statement Preparation and Accounting Methods

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

Both the accounting policies and the classification of items in the Consolidated Financial Statements are generally retained from period to period. Any changes are explained in Note 3.

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.

The accounting policies applied in the Consolidated Financial Statements are explained in the respective relevant individual Notes to the Financial Statements.

Assumptions and Estimation Uncertainty

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.

At Uniper, estimates are particularly necessary for the recognition and measurement of deferred tax assets, to account for pension provisions and miscellaneous provisions, for impairment testing, for the determination of the fair value of certain financial instruments, and to account for price-adjustment clauses contained in long-term contracts.

The significant assumptions and estimates are presented in the respective relevant individual Notes to the Financial Statements.

Foreign Currency Translation

The financial statements of Uniper SE and its subsidiaries are prepared in their functional currencies.

Transactions of Uniper companies that are denominated in foreign currency are translated using the exchange rate applicable on the transaction date. 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. In the Consolidated Financial Statements, the assets and liabilities of those 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 asset and liability items compared with the corresponding translation of the previous 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 and not reclassified to the income statement until the foreign subsidiary's disposal. Any differences arising from the currency translation of results of companies accounted for under the equity method are similarly recognized in income.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases.

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 2018	2017
British pound	GBP	0.89	0.89
Russian ruble	RUB	79.72	69.39
Swedish krona	SEK	10.25	9.84
U.S. dollar	USD	1.15	1.20

Currencies

	ISO Code	€1, annual average rate 2018	2017
British pound	GBP	0.88	0.88
Russian ruble	RUB	74.04	65.94
Swedish krona	SEK	10.26	9.64
U.S. dollar	USD	1.18	1.13

(3) Newly Adopted Standards and Interpretations

Standards and Interpretations Applied in 2018

The International Accounting Standards Board ("IASB") and the IFRS IC have issued the following standards and interpretations that have been adopted by the EU into European law and were applied for the first time in the reporting period from January 1 through December 31, 2018.

The following are the financial reporting requirements that have been applied for the first time in the fiscal year:

New Financial Reporting Standards and Interpretations

Standard/ interpretation		IASB / IFRS IC effective date	Impact on Uniper
IFRS 9	Financial Instruments	Jan. 1, 2018	See explanations below
IFRS 15	Revenue from Contracts with Customers; Clarifications of IFRS 15	Jan. 1, 2018	See explanations below
IFRS 16	Leases	Jan. 1, 2019[1]	See explanations below
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018	Not material
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	Jan. 1, 2018	None
Amendments to IFRS 4	Applying IFRS 9, "Financial Instruments" with IFRS 4, "Insurance Contracts"	Jan. 1, 2018	None
Amendments to IAS 40	Investment Property	Jan. 1, 2018	None
Omnibus standard	Annual Improvements to IFRS Standards (2014–2016 Cycle)	Jan. 1, 2018	None

[1]Applied early effective January 1, 2018.

IFRS 9, "Financial Instruments"

IFRS 9, "Financial Instruments," is being applied for the first time effective January 1, 2018. The transition from IAS 39 to IFRS 9 took place retrospectively, with no restatement of prior-year comparative figures. Transition effects at the effective date were recognized cumulatively in equity. The comparative period of the previous year is presented in accordance with the provisions of IAS 39.

Other equity investments for which there were no quoted prices in active markets were carried at cost under IAS 39, taking into account any impairment losses. The difference of €4 million between the amortized cost and fair value measurement was recognized in retained earnings as of January 1, 2018. The fair value was determined using common valuation methods. Dividends from other equity investments are recognized in income.

The changed categorization and the partially changed subsequent measurement of financial assets compared with IAS 39 resulted in the following effects at the effective date of initial application:

Reconciliation of Financial Assets from IAS 39 to IFRS 9

€ in millions

Classification according to IAS 39	IAS 39 carrying amount as of Dec. 31, 2017	Measurement difference due to new classification	Expected credit losses	IFRS 9 carrying amount as of Jan. 1, 2018	Difference	Classification according to IFRS 9
Equity investments						
Available for sale	*710*	*4*	–	*592*	*122*[1]	*Fair value through other comprehensive income*
Other financial assets						
Loans and receivables	*1,962*	–	*-1*	*1,961*	–	*Amortized cost*
Trade receivables						
Loans and receivables	*7,126*	–	*-6*	*7,120*	–	*Amortized cost*
Derivatives with no hedging relationships						
Held for trading	*11,249*	–	–	*11,249*	–	*Fair value through profit or loss*
Other operating assets						
Loans and receivables	*354*[2]	–	–	*274*	–	*Amortized cost*
				80		*Fair value through profit or loss*
Securities and fixed-term deposits						
Available for sale	*168*	–	–	*10*	–	*Amortized cost*
				158		*Fair value through profit or loss*
Cash and cash equivalents						
Loans and receivables	*851*	–	–	*851*	–	*Amortized cost*
Restricted cash						
Loans and receivables	*112*	–	–	*112*	–	*Amortized cost*
Other provisions						
N/A	–	–	*-1*	*-1*	–	*N/A*

[1]Beginning in the 2018 fiscal year, subsidiaries and associates that are not included in the Consolidated Financial Statements on materiality grounds, and which had been accounted for as available-for-sale financial assets and measured at cost under IAS 39, are accounted for outside of IFRS 9, retaining the existing measurement rules.
[2]The carrying amount of other operating assets totaling €994 million at year-end 2017 included €354 million within the scope of IFRS 7 and IAS 39.

The effects arising from the initial application of the IFRS 9 impairment model are shown in the following table:

Reconciliation of IAS 39 Impairment Allowances to IFRS 9 Loss Allowances

€ in millions

Classification according to IAS 39	IAS 39 impairment allowances as of Dec. 31, 2017	Expected credit losses	IFRS 9 loss allowances as of Jan. 1, 2018	Classification according to IFRS 9
Other financial assets				
Loans and receivables	*–*	*-1*	*-1*	*Amortized cost*
Trade receivables				
Loans and receivables	*-72*	*-6*	*-78*	*Amortized cost*
Other provisions				
N/A	*–*	*-1*	*-1*	*N/A*
Total	**-72**	**-8**	**-80**	

IFRS 15, “Revenue from Contracts with Customers”

IFRS 15 was first adopted effective January 1, 2018, using the modified retrospective method. Adjustments to comply with the provisions of IFRS 15 were made in the opening balance as of January 1, 2018. The accounting and presentation methods of the previous year have not been adjusted and continue to reflect the IAS 18 provisions.

The initial application of IFRS 15 resulted in three effects of particular significance. The first of these is a change of €5,884 million in the 2018 fiscal year in the presentation of income from financial hedging transactions and, to a limited extent, from proprietary trading, which for the first time has been shown within other operating income and no longer as sales. Expenses from these transactions of €6,444 million in fiscal 2018, hitherto presented within cost of materials, are henceforth presented correspondingly as other operating expenses. Overall, these changes have no effect on the net loss or on adjusted EBIT.

Secondly, contract assets of roughly €5 million were deferred as of December 31, 2018. These items result from contracts in which the consumption by the customer, and payments by the customer of the base or service price, vary seasonally from one another.

Furthermore, an amount of approximately €830 million in advance payments received and construction grants already accounted for was reclassified as of January 1, 2018, as contract liabilities within the same balance sheet item. The balance sheet item has been amended accordingly to improve transparency.

IFRS 16, “Leases”

In line with the option under IFRS 16 in connection with IFRS 15, IFRS 16 is being applied early effective January 1, 2018, using the modified retrospective method. Applying this method, the prior-year comparative information for the 2017 fiscal year has not been restated. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts. In the context of initial application, Uniper has exercised the option not to apply the new recognition requirements to short-term leases and to leases of low-value assets.

The following table presents the reconciliation of lease liabilities as of January 1, 2018:

Reconciliation of Lease Liabilities Pursuant to IFRS 16

€ in millions	
Minimum lease payments under operating leases as of December 31, 2017	**456**
Recognition exemption	*-65*
for short-term leases	*-62*
for leases of low-value assets	*-3*
Effect from discounting at the incremental borrowing rate as of January 1, 2018	-67
Liabilities additionally recognized based on the initial application of IFRS 16 as of January 1, 2018	**324**
Liabilities from finance leases as of December 31, 2017	452
Liabilities from leases as of January 1, 2018	**776**

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2018, was 1.6% p.a.

Summarized Presentation of Changes in Opening Balances as of January 1, 2018

The major changes arising from the initial application of IFRS 9, IFRS 15 and IFRS 16 are shown in the following table. It contains only those balance sheet items affected by the initial application, and therefore cannot be fully reconciled with the balance sheet.

Changes in Opening Balances Resulting from IFRS Changes

€ in millions	Dec. 31, 2017	Adjustment basis IFRS 9	IFRS 15	IFRS 16	Total	Jan. 1, 2018
Assets	**43,161**	**-2**	**0**	**266**	**264**	**43,425**
Property, plant and equipment and right-of-use assets	11,496	–	–	245	245	11,741
Other financial assets	814	4	–	–	4	818
Financial receivables and other financial assets	3,308	–	–	10	10	3,318
Deferred tax assets	890	1	–	11	12	902
Non-current assets	**22,877**	**5**	**0**	**266**	**271**	**23,148**
Financial receivables and other financial assets	1,195	-1	–	–	-1	1,194
Trade receivables, other operating assets and contract assets	16,163	-6	–	–	-6	16,157
Current assets	**20,284**	**-7**	**0**	**0**	**-7**	**20,277**
Equity and Liabilities	**43,161**	**-2**	**0**	**266**	**264**	**43,425**
Retained earnings[1]	3,399	485		-52	433	3,832
Accumulated other comprehensive income that might be reclassified subsequently to the income statement	-2,699	-488	–	–	-488	-3,187
Attributable to shareholders of Uniper SE	**12,147**	**-3**	**0**	**-52**	**-55**	**12,092**
Equity	**12,789**	**-3**	**0**	**-52**	**-55**	**12,734**
Financial liabilities and liabilities from leases	961	–	–	270	270	1,231
Operating liabilities and contract liabilities	3,618					3,618
Advance payments received, construction grants and other deferred income	*398*		*-151*		*-151*	*247*
Contract liabilities	*–*		*151*		*151*	*151*
Miscellaneous provisions	6,068	1	–	-2	-1	6,067
Deferred tax liabilities	390	–	–	–	–	390
Non-current liabilities	**11,713**	**1**	**0**	**268**	**269**	**11,982**
Financial liabilities and liabilities from leases	962	–	–	54	54	1,016
Trade payables, other operating liabilities and contract liabilities	16,277	–	–	-3	-3	16,274
Advance payments received and construction grants	*684*	–	*-679*	–	*-679*	*5*
Contract liabilities	*–*	–	*679*	–	*679*	*679*
Miscellaneous provisions	1,362	–	–	-1	-1	1,361
Current liabilities	**18,659**	**0**	**0**	**50**	**50**	**18,709**

[1]Other comprehensive income that is not reclassified subsequently to the income statement is presented under retained earnings.

Standards and Interpretations Not Yet Applicable in Fiscal 2018

The IASB and the IFRS IC have issued the following additional standards and interpretations. These provisions were not applied by Uniper in the 2018 fiscal year because the standards and interpretations were not required to be applied and no voluntary early adoption took place, or because their adoption by the EU into European law remains outstanding at this time:

New Financial Reporting Standards and Interpretations (Not Applied in Fiscal 2018)

Standard/Interpretation		IASB / IFRS IC effective date	Endorsed by EU	Anticipated impact on Uniper
Conceptual Framework	The Conceptual Framework for Financial Reporting	Jan. 1, 2020	No	Work in progress
IFRS 17	Insurance Contracts	Jan. 1, 2021	No	Work in progress
Omnibus standard	Annual Improvements to IFRS Standards (2015–2017 Cycle)	Jan. 1, 2019	No	Not material
Amendments to IFRS 3	Business Combinations	Jan. 1, 2020	No	Work in progress
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Jan. 1, 2019	Yes	None
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2020	No	Work in progress
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Jan. 1, 2019	No	See explanations below
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Jan. 1, 2019	Yes	None
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019	Yes	None

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB issued amendments to IAS 19. The amendments provide, when an amendment, curtailment or settlement (each a “plan event”) occurs in a defined benefit plan during an annual reporting period, that the current service cost and the net interest be remeasured for the remainder of the reporting period after the plan event. The actuarial assumptions applicable as of the date of the plan event shall be used as the basis for such remeasurement. A plan amendment, curtailment or settlement can lead to a change in an existing asset surplus and thereby change any existing effect of a limit on the measurement of the defined benefit asset (“asset ceiling”). The past service cost resulting from a plan amendment or curtailment, as well as the gain or loss on a plan settlement, is reported in the income statement. Asset ceiling effects have no influence on the effects to be recognized in income. The effects of the plan event on the asset ceiling are recognized in other comprehensive income.

The impact on the Consolidated Financial Statements is dependent on the occurrence of particular events leading to a plan amendment, curtailment or settlement, and they can therefore be material in individual cases, even though they cannot be quantified at this time. Uniper has reviewed the Group’s internal reconciliation processes and controls, in particular, and adjusted them where necessary.

(4) Scope of Consolidation, Equity Investments and Disposals

Consolidation Principles, 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 Group's total comprehensive income from the date of acquisition until the date of disposal. 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 are eliminated in the consolidation process.

Subsidiaries and associated companies that are not included in the Consolidated Financial Statements on materiality grounds are accounted for outside the scope of IFRS 9 and measured at cost, with adjustments for any loss allowances.

The number of consolidated companies changed as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2018	**27**	**37**	**64**
Additions	*1*	*2*	*3*
Disposals/Mergers	*1*	*3*	*4*
Consolidated companies as of December 31, 2018	**27**	**36**	**63**

In the 2018 fiscal year, a total of 3 domestic and 11 foreign associated companies were accounted for under the equity method (2017: 3 domestic and 12 foreign).

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 34.

Business Combinations

Business combinations are accounted for by applying the purchase method, whereby the purchase price is offset against the proportional share in the net assets of the acquiree. Intangible assets are recognized separately if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures are not recognized in a purchase price allocation. When measuring an acquisition, the values at the acquisition date, which is the date at which control of the acquiree was obtained, are used as the basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent to which they are attributable to non-controlling interests. Key sources of estimation uncertainty relate to the determination of these fair values. Fair values of land, buildings and major technical equipment are generally determined using independent expert reports that have been prepared by third parties. For marketable securities, published exchange or market prices at the time of acquisition are used. 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. The discount rate reflects the specific risks inherent in the assets acquired.

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.

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. Any negative difference is recognized in income after reassessment of valuation methods and premises.

No reportable business combinations were effected in the 2018 and 2017 fiscal years.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Individual non-current assets or groups of assets and any directly attributable liabilities ("disposal groups") are reported as assets held for sale if they can be disposed of in their present 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 costs to sell yet to arise. If the fair value is less than the carrying amount, an impairment loss is recognized. The previous year's balance sheet is not adjusted.

Disposal Group in Fiscal 2018

Uniper Activities in France

In December 2018, Uniper received a unilateral binding offer from Energetický a průmyslový holding, a. s. ("EPH"), Prague, Czech Republic, through its wholly-owned subsidiary EP Power Europe, a. s., and has entered into negotiations with EPH on the sale of Uniper's generation and sales activities in France. The goal is the disposal of all activities in France reported within the European Generation segment. Uniper's portfolio in France includes two gas-fired power plants with around 400 megawatts (MW) of generating capacity each in Saint-Avold (Lorraine), two hard-coal power plants, each with a capacity of around 600 MW, located in Saint-Avold and in Gardanne (Provence) and Provence 4, a 150 MW biomass power plant located in Gardanne, as well as wind and solar power plants with a combined capacity of around 100 MW. Uniper additionally supplies electricity and gas products to industrial and commercial customers in France and also offers energy-related services.

As of December 31, 2018, the activities in France are reported as a disposal group and measured at their carrying amount before reclassification as a disposal group.

The major asset and liability items of these activities held as a disposal group were non-current assets (€232 million) and current assets (€278 million), as well as provisions (€425 million) and liabilities (€295 million).

Significant Disposals in Fiscal 2017

Yuzhno-Russkoye

In March 2017, Uniper Exploration & Production GmbH, Düsseldorf, Germany, had 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 acquired all of Uniper's shares in both companies. The economic effective date of the transaction was January 1, 2017. The value of the transaction was $1,850 million (approximately €1,749 million based on an agreed exchange rate of €1 = 1.0575 U.S. dollars), 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 was 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 cash-generating unit 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) including €79 million in cash and cash equivalents divested in connection with the disposal, as well as liabilities (€0.3 billion).

(5) Revenues

Revenues are generated predominantly from sales of electricity and gas to industrial and commercial customers via wholesale markets, and include related physical hedges. Physical sales to industrial and commercial customers form the basis of these revenue sources. Also shown in this line item are revenues earned from the transportation of gas and from deliveries of steam, heat and water, as well as from the rendering of services.

Revenues from trading operations transacted on wholesale markets are recognized when control is transferred to the purchaser. These transactions contain a performance obligation and are recognized in the amounts invoiced.

For physically settled transactions, contract prices, which reflect the economic character of these transactions and the contractually agreed consideration amounts, are generally used to determine revenues unless IFRS 15 provides for a different method, e.g., to account for constraint of variable consideration.

The Company, in principle, recognizes revenue from its sales and service operations upon delivery of goods to customers, or upon completion of services rendered. Performance is deemed complete when the control associated with ownership has been transferred to the purchaser as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Uniper's commodity supply contracts with customers generally contain a performance obligation for which the entire transaction price is recognized as sales revenues when the obligation is satisfied. Progress is usually measured in terms of the volume of energy supplied. For contracts having solely a consumption-based price component, Uniper recognizes revenue in the amount the Company bills to the customer. In contracts where, on the other hand, the transaction price includes a fixed component in addition to the consumption-based component, revenue from the fixed price component is recognized in line with the customer's actual consumption profile. The timing difference between payment and revenue recognition occurs only within fiscal years for contracts having a seasonal delivery profile, meaning that there will be no material impact on the revenue from such contracts for any fiscal year as a whole. In these contracts, the consumption-based price component is similarly recognized as revenue based on the volume supplied.

Revenues include the surcharge mandated by the German Renewable Energy Sources Act and other applicable statutory charges. They are presented net of sales taxes, returns, rebates and discounts, and after elimination of sales within the Uniper Group. 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. In line with German accounting and presentation practice, electricity and energy taxes paid are deducted from sales revenues on the face of the income statement.

Sales revenues generated from the rendering of services are recognized on an ongoing basis as services are rendered and recognized in the amount that Uniper bills for them.

At €78,176 million, sales revenues in the 2018 fiscal year were 8% higher than in the previous year (2017: €72,238 million). The overall increase in sales is predominantly attributable to a volume- and price-related sales increase in the gas business of the Global Commodities segment. Trading in emission allowances additionally contributed to revenues, as did the electricity business.

The initial application of IFRS 15 resulted in a change totaling €5,884 million in fiscal 2018 in the classification of income from financial hedging transactions and, to a limited extent, from proprietary trading, which for the first time has been shown within other operating income and no longer as sales.

Uniper anticipates revenues of €1,110 million from unsatisfied performance obligations. Of this total, €351 million is attributable to 2019 and €759 million to years after 2019.

These amounts do not include contracts having an expected duration of one year or less, nor do they include contracts under which Uniper billed the customer for performance obligations that match exactly the value consumed by the customer during the same period. Variable price components that are subject to restrictions are also not included in unsatisfied performance obligations.

As stated previously, Uniper's sales are especially contingent on the aforementioned physically settled contract types from its trading operations. Accordingly, the disclosure of outstanding performance obligations allows no conclusions to be drawn about the Group's sales in the coming years.

Contract assets amounted to €5 million as of December 31, 2018. They result from contracts in which the consumption by the customer, and payments by the customer of the base or service price, vary seasonally. There were no reclassifications from the opening contract asset balance as of January 1, 2018, to trade receivables.

Contract liabilities amounted to €1,218 million as of December 31, 2018. The opening balance as of January 1, 2018, was €830 million. An amount of €619 million in revenue was generated from the contract liabilities included in the opening balance and recognized in the 2018 fiscal year.

The classification of revenues by segment, product and region is presented in Note 32.

IAS 18 Accounting Treatment through December 31, 2017

Revenues were generally recognized upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery was deemed complete when the risks and rewards associated with ownership had been transferred to the buyer as contractually agreed, compensation had been contractually established and collection of the resulting receivable was probable. Revenues from the sale of goods and services were measured at the fair value of the consideration received or receivable. They reflected 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 included the surcharge mandated by the German Renewable Energy Sources Act and other applicable statutory charges, and were presented net of sales taxes, returns, rebates and discounts, and after elimination of sales within the Uniper Group.

Revenues resulted 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 were revenues earned from the transportation of gas and from deliveries of steam, heat and water.

(6) Own Work Capitalized

Own work capitalized amounted to €79 million in the 2018 fiscal year (2017: €145 million) and was generated from engineering and IT services, among other items.

(7) Other Operating Income and Expenses

Unrealized gains and losses on derivatives representing economic hedging relationships for which hedge accounting according to IFRS 9 (2017: IAS 39) is not applied are reported within other operating income and expenses for the duration of the forward contracts (the period between contract inception and settlement). Also included in this line item are realized gains and losses from financial hedging transactions and, to a limited extent, from proprietary trading.

The table below provides details of other operating income for the periods indicated:

Other Operating Income

€ in millions	2018	2017
Income from exchange rate differences	888	874
Gain on derivative financial instruments	7,367	8,128
Gain on asset optimization and proprietary trading	5,884	N/A
Gain on disposal of equity investments and securities	12	31
Write-ups of non-current assets	164	273
Gain on disposal of property, plant and equipment	80	24
Miscellaneous	286	669
Total	**14,681**	**9,999**

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €383 million (2017: €400 million) and realized gains from the translation of foreign-currency receivables and liabilities in the amount of €484 million (2017: €425 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €21 million (2017: €49 million).

The Uniper Group generally employs derivatives to hedge commodity and currency risks. Changes as of the measurement dates in the fair values of commodity derivatives have a particularly significant impact. In addition, the increase relative to the previous year reflected income totaling €5,884 million from financial hedging transactions and, to a limited extent, from proprietary trading, which for the first time is reported within other operating income owing to the initial application of IFRS 15 in the 2018 fiscal year, and is no longer recognized as revenue (until 2017).

Write-ups of non-current assets are described in more detail in Note 17.

As in previous years, income from goods and services recharged amounting to €26 million (2017: €99 million) and gains on the reversal of provisions amounting to €106 million (2017: €32 million) were reported under miscellaneous other operating income. In the previous year, miscellaneous other operating income had additionally included €310 million in insurance payments awarded for the damage sustained by the Berezovskaya 3 power plant unit in Russia and €24 million in gains on the reversal of impairment losses on loans and receivables.

The following table provides details of other operating expenses for the periods indicated:

Other Operating Expenses

€ in millions	2018	2017
Loss from exchange rate differences	946	917
Loss on derivative financial instruments	7,721	7,982
Loss on asset optimization and proprietary trading	6,444	N/A
Expected Credit losses on trade receivables and contract assets	11	–
Taxes other than income taxes	25	164
Loss on disposal of equity investments and securities	30	911
Miscellaneous	774	836
Total	**15,951**	**10,810**

Expenses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €358 million (2017: €365 million) and realized losses from the translation of foreign-currency receivables and liabilities in the amount of €564 million (2017: €516 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €24 million (2017: €34 million).

For the reasons for the changes in losses from derivative financial instruments, please refer to the information on other operating income.

Losses on derivative financial instruments decreased by €261 million to €7,721 million. The change was caused especially by the fair value measurement of commodity derivatives. The losses are mostly unrealized losses on fair value measurement that are partly offset both by gains on fair value measurement of commodity derivatives and by unrecognized unrealized gains on the physical generation positions and procurement transactions, which may not be reported before they are realized. Other operating expenses increased especially as a result of the losses from financial hedging transactions and, to a limited extent, from proprietary trading, which amounted to €6,444 million in total and are being reported in this line item for the first time. They had been shown within cost of materials in the previous year and have been reclassified in connection with the initial application of IFRS 15.

Losses on disposals of equity investments and securities amounted to €31 million (2017: €911 million). They include the currency translation adjustments recognized in other comprehensive income that were realized on the disposal of the equity interest in Pecém II Participações S.A. In the previous year, they had resulted predominantly from the disposal of the stake in the Russian gas field Yuzhno-Russkoye, in the amount of €890 million. That prior-year figure included a realized loss of €890 million from foreign exchange translation differences that had previously been reported in other comprehensive income.

Miscellaneous other operating expenses in 2018 included third-party services of €124 million (2017: €155 million) and IT expenditure of €179 million (2017: €205 million). The line item additionally includes a large number of other transactions and expenses including, for example, short-term lease expenses, insurance premiums and fees.

(8) Cost of Materials

The following table provides details of the cost of materials for the periods indicated:

Cost of Materials

€ in millions	2018	2017
Expenses for raw materials and supplies and for purchased goods	74,115	68,628
Expenses for purchased services	575	851
Total	**74,690**	**69,479**

The cost of materials rose to €74,690 million in the 2018 fiscal year (2017: €69,479 million). Accordingly, the trend in the cost of materials was almost identical to the trend in sales.

The initial application of IFRS 15 led to a corresponding classification change in fiscal 2018, resulting in a decrease of €6,444 million. Expenses from financial hedging transactions and, to a limited extent, from proprietary trading, are being been reported for the first time within other operating expenses and no longer as cost of materials.

Expenses for raw materials and supplies and for purchased goods consisted especially of purchases of gas and electricity in the amount of €65 billion (2017: €61 billion). Network usage charges of €1,062 million (2017: €1,156 million) are also included in this line item.

Expenses for purchased services mainly comprised maintenance costs totaling €70 million (2017: €224 million) and other purchased services totaling €389 million (2017: €505 million).

(9) Financial Results

Interest income and expenses are recognized pro rata using the effective interest method. Dividend income is recognized when the right to receive the distribution payment arises. The implementation of the loss allowance model is described in detail in Note 29. Note 24 contains further discussion of the accounting for the Swedish Nuclear Waste Fund ("Kärnavfallsfonden" or "KAF").

The following table provides details of financial results for the periods indicated:

Financial Results

€ in millions	2018	2017
Income from companies in which equity investments are held	14	3
Impairment charges on other financial assets	-5	-27
Net income from equity investments	**9**	**-24**
Interest and similar income[1]	124	148[3]
Available for sale	*N/A*	*3*
Loans and receivables	*N/A*	*66*
Amortized cost	*94*	*N/A*
Other interest and similar expenses	*30*	*79*[2]
Interest and similar expenses[1]	-378	-122[3]
Amortized cost	*-37*	*-4*
Other interest and similar expenses	*-341*	*-118*[2]
Net interest income	**-254**	**26**[3]
Impairment charges/reversals	-59	N/A
Net income from securities	-20	N/A
Result from the Swedish Nuclear Waste Fund	-89	-44[2]
Other financial results	**-168**	**-44**[2]
Financial results	**-413**	**-42**

[1]Note 29 contains additional information about the measurement categories.
[2]Reclassification of the valuation result from the KAF from interest income to other financial results.
[3]Prior-year comparative figures have been adjusted arithmetically to reflect the reclassification of other interest and similar income and of other interest and similar expenses to other financial results.

The decrease in financial results for the 2018 fiscal year relative to fiscal 2017 was mainly attributable to the negative change in net interest income of -€280 million, which resulted primarily from changes in interest rates applied to the discounting of non-current provisions. In addition, impairment losses on financial receivables and the accounting for the payments into the Swedish Nuclear Waste Fund in accordance with the provisions of IFRIC 5 (see also Note 24) led to a reduction of -€124 million in other financial results. The improvement of €33 million in net income from equity investments due to lower impairment losses and higher income from equity investments was insufficient to offset the negative effects.

Reported within net interest income is an interest expense of -€197 million arising from the reduction of the discount rate applied to determine the asset retirement obligations for the Swedish nuclear power plants. Also included in this line item are recurring effects amounting to -€58 million (2017: -€12 million) from changes in interest rates applied to the discounting of non-current provisions. Interest and similar expenses further included, aside from periodic interest accrued on provisions for asset retirement obligations amounting to -€79 million (2017: -€85 million), the net interest cost arising from pension provisions in the amount of -€17 million (2017: -€19 million). They were reduced by capitalized borrowing costs amounting to €50 million (2017: €68 million). This was offset by a net positive contribution of €14 million in total (2017: -€3 million) from interest paid and collected on liabilities and receivables.

"Other financial results" is a new line item reported separately since the beginning of the 2018 fiscal year. Its amount is -€168 million (2017: -€44 million). Reflecting the first-time adoption of IFRS 9, it includes the result from other securities measured at fair value through profit or loss, as well as the effect of impairment charges and reversals on financial assets that are measured at amortized cost. Additionally, in line with European industry practice, the valuation result arising from the Swedish Nuclear Waste Fund, hitherto reported within net interest income, is now shown separately in other financial results. The comparative disclosures have been adjusted accordingly.

Other financial results were negatively affected especially by the lower valuation result from the Swedish Nuclear Waste Fund of -€89 million (2017: -€44 million) – caused primarily by the accounting for the payments into the Swedish Nuclear Waste Fund in accordance with the provisions of IFRIC 5 – and by the valuation result arising from other securities in the amount of -€20 million (2017: N/A). Impairment losses reported in other financial results include both expected credit losses on financial receivables and other non-operating financial assets carried at amortized cost and loss allowances determined individually for shareholder loans in the amount of -€58 million.

(10) Income Taxes

Current taxes for the reporting period and for prior periods are measured at the amount expected to be paid to or recovered from the tax authorities.

Deferred taxes are the result of temporary differences between the carrying amounts of the assets and liabilities on the IFRS balance sheet and their corresponding tax bases. Deferred tax assets also include tax relief entitlements resulting from the expected use of existing loss carryforwards in future years. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences and unused loss carryforwards can be offset. Deferred taxes are not taken into consideration for the portion of the deferred tax assets to which these assumptions do not apply.

Deferred taxes are measured using the tax rates that are applicable, or expected to be applicable, in the affected country when they are realized. Deferred tax assets and liabilities are netted for each company or tax group.

Income taxes are determined company by company, taking into account the tax regulations applicable in the respective countries. Uncertain tax positions are recognized at their most likely value.

Taxes on income, including deferred taxes, break down as follows:

Income Taxes

€ in millions	2018	2017
Domestic	23	-27
Foreign	31	126
Current taxes	**54**	**99**
Domestic	21	305
Foreign	-157	4
Deferred taxes	**-136**	**309**
Total income taxes	**-82**	**408**

Tax income in the 2018 fiscal year amounted to €82 million, compared with a tax expense of €408 million in the previous year. Earnings before taxes resulted in net tax income in 2018 and an associated effective tax rate of 14% (2017: -314%), which primarily reflects the effect of excluded deferred taxes. The tax expense reported for 2017 had primarily reflected expenses that were not deductible for tax purposes. Of the amount reported as current income taxes in the 2018 fiscal year, -€25 million related to prior periods (2017: -€69 million). Of the -€136 million in deferred taxes reported in total, an amount of -€181 million (2017: €340 million) resulted from changes in temporary differences, and an amount of €45 million (2017: -€31 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 €73 million (2017: €65 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

	2018		2017	
	€ in millions	%	€ in millions	%
Income/Loss before taxes	**-574**	**100**	**-130**	**100**
Expected income taxes	-178	31	-40	31
Foreign tax rate differentials	0	–	-53	40
Changes in tax rates / tax law[1]	9	-2	15	-11
Tax effects on tax-exempt income	-23	4	-84	65
Tax effects of non-deductible outlays and permanent differences	22	-4	206	-158
Tax effects on net income from companies accounted for under the equity method	-16	3	-1	1
Tax effects of goodwill impairment and deconsolidation[2]	-3	1	347	-267
Tax effects of changes in value and non-recognition of deferred taxes[3]	142	-25	16	-12
Tax effects of other taxes on income	6	-1	36	-28
Tax effects of income taxes related to other periods	-41	7	-23	17
Other	1	–	-11	8
Effective income taxes / tax rate	**-82**	**14**	**408**	**-314**

[1]Primarily reflects the tax rate reductions in Sweden.
[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).
[3]Primarily reflects the effect of excluded deferred taxes within and outside Germany.

Deferred tax assets and liabilities break down as shown in the following table:

Deferred Tax Assets and Liabilities

	December 31, 2018		December 31, 2017	
€ in millions	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Intangible assets	71	201	86	214
Property, plant and equipment	204	763	150	673
Financial assets	5	4	8	15
Inventories	21	23	30	48
Receivables	196	6,054	63	4,143
Provisions	1,663	113	1,645	104
Liabilities	5,742	127	3,761	152
Loss carryforwards	148	–	220	–
Other	182	140	162	182
Subtotal	**8,232**	**7,425**	**6,125**	**5,531**
Changes in value	-46	–	-94	–
Deferred taxes (gross)	**8,186**	**7,425**	**6,031**	**5,531**
Offsetting	-7,070	-7,070	-5,141	-5,141
Deferred taxes (net)	**1,116**	**355**	**890**	**390**
Current	*287*	*29*	*48*	*24*

Of the deferred taxes reported, a total of €148 million was recognized directly in equity (2017: €73 million).

Income taxes recognized in other comprehensive income in the reporting year break down as follows:

Income Taxes on Components of Other Comprehensive Income

€ in millions	2018 Before income taxes	2018 Income taxes	2018 After income taxes	2017 Before income taxes	2017 Income taxes	2017 After income taxes
Cash flow hedges	1	–	1	-11	2	-9
Remeasurements of investments	102	–	102	N/A	N/A	N/A
Available-for-sale securities	N/A	N/A	N/A	159	4	163
Currency translation adjustments	-443	-1	-444	528	-10	518
Remeasurements of defined benefit plans	-254	75	-179	148	-47	101
Companies accounted for under the equity method	31	–	31	-33	–	-33
Total	**-563**	**74**	**-489**	**791**	**-51**	**740**

The declared tax loss carryforwards as of the dates indicated are as follows:

Tax Loss Carryforwards

€ in millions	December 31 2018	December 31 2017
Domestic tax loss carryforwards	246	261
Foreign tax loss carryforwards	1,925	1,896
Total	**2,171**	**2,157**

German domestic tax loss carryforwards can be offset against a combined 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 carryforward can be carried forward without limitation as to 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 €135 million (2017: €128 million) and trade tax loss carryforwards amounting to €111 million (2017: €133 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 no longer recognized, as of the December 31, 2018, reporting date on €227 million (2017: €0 million) in domestic tax loss carryforwards and on €984 million (2017: €942 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 €2,526 million (2017: €2,322 million).

As of December 31, 2018, 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 €1,096 million. As of December 31, 2017, the excess amount had been €842 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

Personnel Costs

€ in millions	2018	2017
Wages and salaries	741	734
Social security contributions	123	127
Expenses for retirement and other employee benefits	113	130
Occupational retirement benefits	*112*	*129*
Total	**977**	**991**

The personnel costs of the Uniper Group fell by €14 million in the 2018 fiscal year to €977 million (2017: €991 million). This decline resulted mainly from lower expenses for occupational retirement benefits and from lower wages and salaries, which are attributable to the restructuring measures implemented in previous years. In wages and salaries, this was offset by the non-recurring expense from the revaluation and settlement of allocations under the long-term incentive ("LTI") packages for the years 2015, 2016 and 2017 in connection with the occurrence of the change-of-control event that took place following the completion of the takeover offer by Fortum Deutschland SE. In return, there will be no more charges to personnel costs for future reporting periods from 2019 through 2021 from the now-settled LTI packages for the years 2015–2017.

Employees

During the reporting year, Uniper employed an average of 11,828 persons (2017: 12,575). Not included in this figure are 201 apprentices (2017: 221), nor are interns, board members and managing directors. The decrease in the number of employees in the European Generation and Global Commodities segments resulted from cost-cutting measures undertaken in connection with the implemented restructuring programs. In the International Power Generation segment, the number of employees was reduced by divestments. The increase in the workforce within Administration/Consolidation resulted from the first-time consolidation of a German company.

The average headcount by segment broke down as shown in the table below:

Employees

	2018	2017
European Generation	5,433	5,822
Global Commodities	1,225	1,290
International Power Generation	4,352	4,734
Administration/Consolidation	818	729
Total	**11,828**	**12,575**
Domestic	*4,507*	*4,689*
Foreign	*7,321*	*7,886*

Share-based Payment

The Uniper Group's share-based compensation plans are classified as cash-settled share-based payments. A provision in the amount of the prorated fair value of the payment obligation is recognized as of the balance sheet date. Changes in the fair value are recognized in income. The fair value is determined using accepted financial-industry methods.

In the 2018 and 2017 fiscal years, employees of the Uniper Group participated in the share-based payment programs of the Uniper 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 Supervisory Board's virtual shares) generated expenses in 2018 amounting to €43.9 million (2017: €25.6 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 received this special payment in the form of a package of Uniper stock with an equivalent value of around €600. The stock package was distributed 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, received a corresponding gross cash payment. As in the previous year, no personnel costs were incurred for this special payment in the 2018 fiscal year, since the expense of roughly €5 million 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 €0.3 million in 2018 (2017: €0.4 million) and is 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, on the Uniper Performance Cash Plan introduced for members of the Management Board of Uniper SE in 2016 and at present, granted on a one-time basis to selected executives of the Uniper Group in 2017, and on the long-term variable Supervisory Board compensation granted in the form of virtual shares.

Multi-Year Bonus

In 2015 and 2016, selected executives were granted multi-year bonuses extending over a term of four years. Upon his appointment as a member of the Management Board and becoming its Chairman, Uniper SE also granted to Mr. Schäfer a multi-year bonus in 2016 for the 2015 base year in the context of the transfer of his contractual claims against E.ON SE. 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.

The completion of the takeover offer by Fortum Deutschland SE, which led to the acquisition of 47.37% of the capital stock and voting rights of Uniper SE on June 26, 2018, triggered a change-of-control event as defined in the terms governing the multi-year bonus. This led to the premature ending of the term and, subsequently, to the settlement of the allocations granted to selected executives in 2015 and 2016, and to the allocation granted to Mr. Schäfer for the 2015 base year. As of June 30, 2018, these obligations had to be revalued, with all expenses still to be incurred for the allocation periods still open previously brought forward for inclusion in the revaluation. In return, there will be no more charges to future personnel costs from the now-settled LTI allocations for 2015–2016. A further provision for the multi-year bonus is therefore no longer recognized (2017: €14.3 million).

The corresponding cash payments in the fiscal year amounted to roughly €26.0 million. The payout took place in the third quarter of 2018. The expense recognized in 2018 thus amounted to €11.6 million (2017: €10.8 million).

60-day average prices are used to determine both the share price after the spin-off from E.ON SE (the initial price) and the final price due to the change-of-control event in order to mitigate the effects of incidental, short-lived price movements. The price on the last end of month before occurrence of the change-of-control event (May 31, 2018) was set as the final price.

Uniper Performance Cash Plan

The members of the Management Board of Uniper SE received allocations under the Uniper Performance Cash Plan in 2018. 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. 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 specified parameters.

The completion of the takeover offer by Fortum Deutschland SE, which led to the acquisition of 47.37% of the capital stock and voting rights of Uniper SE on June 26, 2018, triggered a change-of-control event as defined in the terms of the Performance Cash Plan. This led to the premature ending of the term and, subsequently, to the settlement of the allocations granted to the members of the Management Board and to selected executives in the 2016 and 2017 fiscal years. As of June 30, 2018, therefore, these obligations had to be revalued, with all expenses still to be incurred for the allocation periods still open previously brought forward for inclusion in the revaluation. In return, there will be no more charges to future personnel costs from the now-settled LTI allocations for 2016–2017. The corresponding cash payments amounted to €46.0 million. The payout took place in the third quarter of 2018.

No provisions have been recognized as of December 31, 2018, for the allocations granted under the Performance Cash Plan in the 2018 fiscal year (2017: €14.2 million for all current tranches) because the threshold previously specified for the performance of Uniper stock had not yet been reached. The total expense recognized in 2018 thus amounted to €31.8 million (2017: €14.2 million).

Supervisory Board's Virtual Shares

Supervisory Board members receive a component of 20% of their compensation in the form of variable compensation. That compensation is granted as a right to a future 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 volume-weighted average share price of the Company from the last 60 trading days prior to January 1 of the reporting year. After four calendar years, the virtual shares are multiplied by the 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, 2018, is €0.4 million (2017: €0.2 million). The expense for 2018 amounted to €0.2 million (2017: €0.2 million).

(12) Other Disclosures

Compensation of Supervisory Board and Management Board

Supervisory Board

Total compensation paid to the Supervisory Board for the 2018 fiscal year amounted to roughly €1.4 million (2017: €1.4 million). Outlays were reimbursed for a total of €70 thousand (2017: €65 thousand).

Members of the Supervisory Board were granted a total of 10,300 virtual shares in the 2018 fiscal year having a grant-date fair value of €0.3 million.

As in the previous year, there were no outstanding loans or advances to members of the Supervisory Board in the 2018 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 90 through 103 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on page 240.

Management Board

Total compensation paid to members of the Management Board amounted to €10.0 million (2017: €13.0 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).

Members of the Management Board were granted allocations under the Uniper Performance Cash Plan in the 2018 fiscal year having a grant-date fair value of €3.1 million. 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 special incentive bonus paid in recognition of the successful spin-off of Uniper SE from E.ON SE in the amount of €4.1 million in total to the members of the Management Board in December 2016 is reported as a non-interest-bearing advance payment 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 2018 fiscal year. The vested portion of the special incentive bonus for the members of the Management Board thus totaled approximately €1.0 million in the 2018 fiscal year (2017: €1.0 million).

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.

As in the previous year, Uniper SE and its subsidiaries granted no loans to, and did not enter into any contingencies benefiting, Management Board members in the 2018 fiscal year.

The compensation plan for the Management Board and the amounts paid to each member of the Management Board are presented pages 90 through 103 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 241.

Fees and Services of the Independent Auditor

During the 2018 fiscal year, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC Germany"), and by companies in the international PwC network, were recorded as expenses:

Independent Auditor Fees

€ in millions	2018	2017
Financial statement audits	11.4	10.9
PwC Germany	*9.0*	*8.4*
Other attestation services	0.4	0.4
PwC Germany	*0.4*	*0.4*
Tax advisory services	–	0.3
PwC Germany	–	*0.3*
Other services	1.0	0.2
PwC Germany	*0.4*	*0.2*
Total	**12.8**	**11.8**
PwC Germany	*9.8*	*9.3*

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 in 2017 had primarily included analyses of income tax issues and ongoing consulting related to the preparation of tax returns.

Fees for other services consist primarily of energy-industry advisory services, specialist support in regulatory issues, and advisory 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	2018	2017
Income/Loss from continuing operations	-492	-538
Less: Non-controlling interests	40	-118
Loss from continuing operations (attributable to shareholders of Uniper SE)	**-452**	**-656**
Net income/loss attributable to shareholders of Uniper SE	**-452**	**-656**
€		
Earnings per share (attributable to shareholders of Uniper SE)		
from continuing operations	-1.23	-1.79
from net income/loss	**-1.23**	**-1.79**
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.

(14) Goodwill and Intangible Assets

Goodwill is not amortized. It is instead tested for impairment at the level of the cash-generating unit ("CGU") on at least an annual basis (see also Note 17). Goodwill created by acquisition activities is allocated to those CGUs expected to benefit from the 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.

Intangible assets are capitalized at their cost. If an intangible asset's useful life is determinable, it is amortized over that useful life on a straight-line basis. Useful lives and amortization methods are subject to annual verification.

Development costs are capitalized as an intangible asset if they can be clearly attributed to a newly developed product or process whose completion is technically feasible and that will be available for own use or for sale. At Uniper, this is true for self-developed software, in particular. Research costs are recognized in income as incurred.

Assets subject to amortization and assets not subject to amortization – especially goodwill – are tested for impairment at least annually and whenever events or changes in circumstances indicate that such assets may be impaired (see also Note 17). Impairment charges on intangible assets other than goodwill are reversed and recognized in income if the reasons for the previously recognized impairment losses no longer exist. The reversal of an impairment charge may not exceed the amortized cost that would have been determined had no charge been recognized.

The following are the useful lives of the Group's intangible assets:

Useful Lives of Intangible Assets

Marketing-related, customer-related and contract-based intangible assets	5 to 25 years
Technology-based intangible assets (particularly software)	3 to 5 years

The changes in goodwill and intangible assets are presented in the following table:

Goodwill and Intangible Assets

€ in millions	Goodwill	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Internally generated intangible assets	Intangible assets not subject to amortization	Advance payments on intangible assets	Total
Acquisition and production costs								
January 1, 2018	4,950	74	1,464	206	155	55	56	6,960
Exchange rate differences	-136	–	-2	-1	–	-2	–	-141
Changes in scope of consolidation[1]	–	-55	-118	-46	–	-11	–	-230
Additions	–	–	2	13	3	9	25	52
Disposals	–	–	-19	-3	–	-1	–	-23
Transfers	–	–	1	2	16	-1	-19	-1
December 31, 2018	4,814	19	1,328	171	174	49	62	6,617
Accumulated depreciation								
January 1, 2018	-3,060	-64	-878	-157	-91	-1	-1	-4,252
Exchange rate differences	62	–	1	–	–	–	–	63
Changes in scope of consolidation[1]	–	52	114	37	–	–	–	203
Additions	–	-5	-21	-20	-24	–	1	-69
Disposals	–	–	19	3	–	–	–	22
Transfers	–	–	–	–	–	–	–	–
Impairment charges	–	–	–	–	–	–	–	–
Reversals	–	–	–	–	–	–	–	–
December 31, 2018	-2,998	-17	-765	-137	-115	-1	–	-4,033
Net carrying amounts								
December 31, 2018	1,816	1	563	35	59	48	61	2,583

[1]Changes in the scope of consolidation also include the reclassification into the disposal group.

Goodwill and Intangible Assets

€ in millions	Goodwill	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Internally generated intangible assets	Intangible assets not subject to amortization	Advance payments on intangible assets	Total
Acquisition and production costs								
January 1, 2017	5,864	74	3,191	178	127	188	42	9,664
Exchange rate differences	-156	–	-126	-1	–	-1	–	-284
Changes in scope of consolidation[1]	-758	–	-1,600	4	–	–	–	-2,354
Additions	–	–	–	25	16	151	47	239
Disposals	–	–	-1	-6	–	-281	-18	-306
Transfers	–	–	–	6	12	-2	-15	1
December 31, 2017	4,950	74	1,464	206	155	55	56	6,960
Accumulated depreciation								
January 1, 2017	-3,163	-55	-1,394	-137	-70	-21	-2	-4,842
Exchange rate differences	103	–	44	1	–	–	–	148
Changes in scope of consolidation[1]	224	–	506	–	–	–	–	730
Additions	–	-9	-34	-26	-21	–	–	-90
Disposals	–	–	1	6	–	5	1	13
Transfers	–	–	–	–	–	–	–	–
Impairment charges	-224	–	-1	-1	–	-4	–	-230
Reversals	–	–	–	–	–	19	–	19
December 31, 2017	-3,060	-64	-878	-157	-91	-1	-1	-4,252
Net carrying amounts								
December 31, 2017	1,890	9	587	49	65	54	55	2,709

[1]The change in the scope of consolidation includes primarily reclassifications from disposal groups.

In the 2017 fiscal year, intangible assets had decreased by €1,093 million in connection with the disposal of the stake in the Russian Yuzhno-Russkoye gas field.

As in the previous year, there were no restricted interests in intangible assets as of the balance sheet date.

(15) Property, Plant and Equipment

Property, plant and equipment and its components are capitalized at cost and depreciated on a straight-line basis over their expected useful lives. If there are indications of impairment, an impairment test (see also Note 17) is performed. The costs arising from the obligation to retire an item of property, plant and equipment after its use has ended are additionally capitalized at the time of its acquisition or production.

Borrowing costs are capitalized as part of the cost of a qualifying asset. For non-specific financing arrangements, a uniform Company-specific financing rate of 2.65% was applied within the Uniper Group for the 2018 fiscal year (2017: 4.16%). This rate covers the interest rates of all financial liabilities, including those for leases.

Government investment subsidies are reported on the balance sheet as deferred income. They are then reclassified to the income statement on a straight-line basis over the associated asset's expected useful life.

Gains and losses on disposal are recognized in income under other operating income or expenses (see also Note 7).

The useful lives of the major categories 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

The changes in property, plant and equipment are presented in the following table:

Property, Plant and Equipment

€ in millions	Real estate and leasehold rights	Buildings	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Acquisition and production costs						
January 1, 2018	1,904	3,433	28,799	322	2,975	37,433
Exchange rate differences	-57	-161	-534	-8	-72	-832
Changes in scope of consolidation[1]	-122	-245	-2,570	-4	-56	-2,997
Additions	5	48	345	36	406	840
Disposals	-25	-47	-647	-15	-14	-748
Transfers	12	28	552	10	-608	-6
December 31, 2018	1,717	3,056	25,945	341	2,631	33,690
Accumulated depreciation						
January 1, 2018	-357	-2,154	-21,996	-251	-935	-25,692
Exchange rate differences	4	68	305	5	6	388
Changes in scope of consolidation[1]	112	238	2,359	8	71	2,788
Additions	-8	-69	-502	-23	–	-602
Disposals	–	67	633	13	12	725
Transfers	-4	-9	-123	-7	155	12
Impairment charges	-8	-40	-412	-3	-398	-861
Reversals	–	3	163	–	-1	165
December 31, 2018	-261	-1,896	-19,573	-258	-1,090	-23,078
Net carrying amounts						
December 31, 2018	1,456	1,160	6,372	83	1,541	10,612

[1]Changes in the scope of consolidation also include the reclassification into the disposal group.

Property, Plant and Equipment

€ in millions	Real estate and leasehold rights	Buildings	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Acquisition and production costs						
January 1, 2017	1,915	3,505	29,291	363	2,578	37,652
Exchange rate differences	-44	-103	-504	-5	-39	-695
Changes in scope of consolidation[1]	-43	-64	-407	-2	10	-504
Additions	2	28	265	13	571	878
Disposals	-3	-14	-117	-61	-7	-202
Transfers	1	31	97	6	-138	-2
December 31, 2017	1,828	3,383	28,625	314	2,975	37,127
Accumulated depreciation						
January 1, 2017	-328	-2,194	-22,418	-279	-733	-25,952
Exchange rate differences	2	42	317	4	5	371
Changes in scope of consolidation[1]	8	21	400	2	–	431
Additions	-8	-60	-451	-19	–	-539
Disposals	–	12	74	41	5	132
Transfers	–	–	–	–	–	–
Impairment charges	-7	-1	-125	–	-212	-344
Reversals	3	26	244	–	–	273
December 31, 2017	-330	-2,154	-21,959	-251	-935	-25,628
Net carrying amounts						
December 31, 2017	1,499	1,230	6,667	61	2,040	11,496

[1]The change in the scope of consolidation includes primarily reclassifications from disposal groups.

Borrowing costs were capitalized in the reporting year in the amount of €50 million (2017: €68 million) as part of the cost of property, plant and equipment.

In addition to owned assets, property, plant and equipment also includes right-of-use assets (2017: leased assets). Note 31 contains additional information about leases.

As in the previous year, there were no restricted interests in property, plant and equipment as of the balance sheet date.

(16) Companies Accounted for Under the Equity Method

Interests in associated companies and joint ventures (significant influence) and joint ventures (joint control) are accounted for using the equity method. Interests in associated companies accounted for using the equity method are reported on the balance sheet at cost, including all directly attributable incidental acquisition expenses, and adjusted for changes in the Uniper's share of the net assets after the date of acquisition and for any impairment charges. Losses that might exceed the Group's interest in an associated company or joint venture when attributable long-term loans are taken into consideration are generally not recognized. If there are indications of impairment, an impairment test (see also Note 17) is performed. 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. Any dividends received are deducted from the recognized value to avoid double recognition.

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. The financial statements of investments accounted for under the equity method are generally prepared using accounting that is uniform within the Group.

For the 2018 fiscal year, no companies are classified as material associates.

The carrying amounts of the individually immaterial companies accounted for under the equity method break down as follows:

Companies Accounted for Under the Equity Method

€ in millions	December 31, 2018			December 31, 2017		
	Uniper Group	Associates	Joint ventures	Uniper Group	Associates	Joint ventures
Companies accounted for under the equity method	440	429	11	448	422	26

Dividends and other profit distributions received by Uniper from companies accounted for under the equity method amounted to €49 million in the reporting year (2017: €109 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:

Aggregated Financial Information for Individually Immaterial Associates and Joint Ventures Accounted for Under the Equity Method

€ in millions	Associates		Joint ventures		Total	
	2018	2017	2018	2017	2018	2017
Proportional share of net income	61	52	–	-80	61	-28
Proportional share of other comprehensive income	1	-4	-1	-11	–	-15
Proportional share of total comprehensive income	62	48	-1	-91	61	-43

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €23 million (2017: €22 million). The fair values of those shares amounted to €74 million (2017: €72 million).

As in the previous year, no investments in associates were restricted as collateral for financing as of the balance sheet date.

There are no further material restrictions apart from those contained in standard legal and contractual provisions.

Material Associates in Fiscal 2017

OAO Severneftegazprom had been presented as a material associate until it was sold in the 2017 fiscal year. The proportional share of net income attributable to the Company in the reporting year had been €42 million, and the corresponding proportional share of other comprehensive income had been -€18 million.

(17) Impairment Testing in Accordance with IAS 36

An impairment loss is charged to an asset if its recoverable amount is less than its carrying amount. For individual assets that generate no independent cash inflows, the recoverable amount for the smallest identifiable group of assets is determined. If the reason for a previously recognized impairment charge no longer exists, the charge is reversed and recognized in income – except in the case of goodwill.

Goodwill and other intangible assets not subject to amortization are tested for impairment at least annually.

Uniper performs its annual goodwill impairment test in the fourth quarter of the fiscal year. The test involves comparing the recoverable amount of the cash-generating unit ("CGU") with its carrying amount. The recoverable amount is defined as the higher of a CGU's fair value less costs to sell and its value in use. An impairment charge is recognized if the recoverable amount is lower than the carrying amount.

Goodwill impairment tests are generally derived from the respective separate measurement of the particular sub-units ("sum of the parts" measurement). Uniper determines recoverable amounts for the Global Commodities and International Power Generation CGUs on the basis of value in use, and applies a discounted cash flow ("DCF") valuation model to measure these amounts. The European Generation CGU carries no goodwill.

Material estimations and judgments made by management in the context of impairment testing are described in the following overview.

Goodwill:
Valuations for the Global Commodities CGU and the International Power Generation CGU are based on the medium-term corporate planning authorized by the Management Board.
The following special considerations apply respectively for each CGU:

Global Commodities CGU	International Power Generation CGU
Calculations of the value in use 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 is determined to a great extent by the Russian generation activities. It is measured in local currency, established and also takes into account the regulatory framework over a detailed planning period of 25 years.

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 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 and statutory 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.

Non-current assets:
The above discussion for goodwill applies accordingly to the testing for impairment of intangible assets, of property, plant and equipment, including right-of-use assets, and of groups of these assets, as well as of companies accounted for under the equity method. Impairment testing of the aforementioned assets is performed whenever there are indications of impairment. In the European Generation seg-

ment, for example, the tests are based on 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 a variable regulatory environment are generally accounted for by means of scenario evaluations. Recoverable amounts were usually determined using the value in use.

Growth rates and cost of capital:
The growth rates and the cost of capital are described in the following overview. They relate solely to those units making a significant value contribution to the respective CGU:

Impairment Testing Parameters

	European Generation		Global Commodities		International Power Generation[1]	
€ in millions	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Goodwill						
Growth rate (in %)	N/A	N/A	1.0	1.0	4.0	4.0
Cost of capital before taxes (in %)	N/A	N/A	7.3	7.1	13.3	13.3
Cost of capital after taxes (in %)	N/A	N/A	5.1	5.1	10.6	10.6
Other non-current assets						
Cost of capital before taxes (in %)	7.4 - 8.4	N/A	7.3 - 7.5	N/A	13.3	13.3
Cost of capital after taxes (in %)	5.6 - 6.3	5.2 - 5.8	5.2 - 5.9	5.2 - 5.4	10.6	10.6

[1]Growth rate and cost of capital in local currency.

The goodwill of the European Generation segment has been written down in its entirety. The growth rate and the cost of capital do not, therefore, have to be disclosed. No impairments were recognized for the other non-current assets in the Global Commodities and International Power Generation segments. Accordingly, there is no disclosure of the cost of capital. For the other non-current assets of the European Generation Segment, the recoverable amount had been determined in the 2017 fiscal year using the fair value less costs to sell. Disclosure of the cost of capital before taxes was therefore not required.

Impairment Testing Result

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2018

€ in millions	**European Generation**	**Global Commodities**	**International Power Generation**	**Uniper Group**
Net carrying amount of goodwill as of January 1, 2018	**0**	**1,311**	**579**	**1,890**
Changes resulting from acquisitions and disposals	–	–	–	–
Impairment charges	–	–	–	–
Exchange rate differences	–	1	-75	-74
Net carrying amount of goodwill as of December 31, 2018	**0**	**1,312**	**504**	**1,816**
Other non-current assets[1]				
Impairment charges	709	135	18	862
Reversals	136	29	–	165

[1]Other non-current assets consist of intangible assets (Note 14) and of property, plant and equipment (Note 15).

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2017

€ in millions	European Generation	Global Commodities	International Power Generation	Uniper Group
Net carrying amount of goodwill 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 goodwill as of December 31, 2017	**0**	**1,311**	**579**	**1,890**
Other non-current assets[1]				
Impairment charges	339	5	5	349
Reversals	157	135	–	292

[1]Other non-current assets consist of intangible assets (Note 14) and of property, plant and equipment (Note 15).

As in the previous year, the annual goodwill impairment tests performed in the fourth quarter of 2018 necessitated no recognition of impairment losses. The recoverable amount of the Global Commodities CGU significantly exceeds the carrying amount 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 an impairment charge on goodwill. The International Power Generation CGU's recoverable amount is also higher than its carrying amount. The key assumptions used for the DCF model in this test, such as the discount rate and the long-term growth rate, were tested for sensitivity. A realistic change in the key assumptions will not lead to an impairment of the International Power Generation CGU.

In connection with the disposal of the stake in the Russian gas field Yuzhno-Russkoye, an impairment charge on the goodwill attributable to the disposal group had been recognized in the 2017 fiscal year in the amount of roughly €0.2 billion (for details on the disposal, see also Note 4).

Because impairments had been recognized on a large number of generation assets in previous years, especially in the European Generation segment, the assets involved will be particularly sensitive in subsequent years to changes in the key assumptions used to determine their recoverable amounts. A corresponding charge must be recognized automatically on any construction-period interest capitalized in the context of new construction projects – even under otherwise unchanged forecasts. A total of approximately €0.9 billion in impairments was charged to property, plant and equipment in the 2018 fiscal year (2017: €0.3 billion), of which €0.7 billion (2017: €0.3 billion) related to the European Generation segment and €0.1 billion (2017: €0 billion) to the Global Commodities segment. Reversals of impairments recognized in previous years amounted to €0.2 billion in fiscal 2018 (2017: €0.3 billion), and related mainly to British power plants in the European Generation segment.

Based on 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, many individual impairments (totaling approximately €0.5 billion; 2017: €0.3 billion) and reversals (totaling approximately €0.2 billion; 2017: €0.3 billion) were recognized on property, plant and equipment. Approximately €0.4 billion (2017: €0.3 billion) of the impairments related to the European Generation segment and approximately €0.1 billion (2017: €0.0 billion) to the Global Commodities segment. The reversals were predominantly attributable to the European Generation segment, in the amount of approximately €0.2 billion (2017: €0.3 billion). The recoverable amounts of assets for which an impairment loss was recognized or reversed during the 2018 fiscal year are more than €1.5 billion in the European Generation segment and €1.0 billion in the Global Commodities segment.

The most substantial individual impairments in the 2018 fiscal year in terms of amount related to the Datteln 4 hard-coal power plant currently under construction and totaled €0.4 billion (2017: €0.1 billion). Of this total, €0.3 billion was due to an amended estimate relative to the previous year concerning the plant's future operation, made when the first quarter's financial statements were prepared. The fourth-quarter update to the assumptions led to an additional €0.1 billion impairment charged, in particular, to capitalized construction-period interest. At the same time – to give due regard to the impact of the Coal Commission report – the existing scenarios were amended and further scenarios were defined in the fourth quarter of 2018 within the annual impairment testing process. Among other things, probability-weighted compensation scenarios were incorporated into the calculations. In addition to a compensation payment based on a magnitude published in the report, these scenarios also incorporate historical costs. If the final Coal Commission report were to reflect a negotiated solution based on compensation payments for older lignite assets deemed inappropriately low, such an outcome would necessitate an impairment charge in the mid-three-digit-million euro range.

Furthermore, an impairment of roughly €0.2 billion in total (2017: €0.1 billion) was charged to the French Provence 4 power plant unit. Temporary production stoppages in the third quarter of 2018 necessitated the recognition of a €0.1 billion impairment loss. Because this was followed by even more technical and strike-related production stoppages in the fourth quarter and Provence 4 thus could not achieve the specified minimum runtime hours in 2018, and associated future losses of revenue cannot be ruled out either, another impairment charge of €0.1 billion was recognized.

A further charge of €0.1 billion (2017: €0 billion) was attributable to gas-storage infrastructure in Germany.

Current uncertainty regarding Brexit – the impending withdrawal of the United Kingdom from the EU – was taken into account as best as possible when testing British generation assets for impairment by making an adjustment to the cost of capital. Under otherwise unaltered conditions, a further 0.5% increase or decrease in the cost of capital would lead to an impairment of €45 million or a reversal of €48 million in total, respectively, for the power plants operated by Uniper in the United Kingdom.

Reversals of impairments recognized in previous years amounted to €0.2 billion in fiscal 2018 (2017: €0.3 billion). The most substantial reversal in terms of amount was recognized on a power plant in the United Kingdom – due to changed expectations about future prices – and amounted to €0.1 billion (2017: €0 billion).

The impairments recognized in the 2017 fiscal year had concerned one conventional power plant in Germany and one outside Germany and had amounted to €0.1 billion each. The principal reversals of impairments in fiscal 2017 had related to German gas-storage infrastructure in the amount of approximately €0.1 billion and to a domestic power plant in the amount of approximately €0.1 billion.

No impairment charges were recognized on companies accounted for under the equity method in the 2018 fiscal year (2017: €88 million). Impairments recognized in the 2017 fiscal year had related to a Brazilian investment in the International Power Generation segment in the amount of €59 million and to an Italian investment in the Global Commodities segment in the amount of €29 million.

(18) Other Financial Assets

See also Note 29 for discussion of accounting policies and of material judgments and estimations made by management.

Associated companies and joint ventures that are not included in the Consolidated Financial Statements on materiality grounds, but are instead presented as equity investments, are accounted for outside the scope of IFRS 9 and measured at cost less any loss allowances. Inflows of shares in the earnings of these companies are immediately recognized in income.

Other Financial Assets

	December 31, 2018			December 31, 2017		
€ in millions	**Uniper Group**	**Associates**	**Joint ventures**	**Uniper Group**	**Associates**	**Joint ventures**
Equity investments	783	17	13	710	22	13
Non-current securities	83	–	–	104	–	–
Total	**866**	**17**	**13**	**814**	**22**	**13**

The amount shown for non-current securities relates mainly to fixed-income securities.

As of December 31, 2018, impairment losses on other financial assets amounted to €4 million (2017: €27 million). The carrying amount of other financial assets that were impaired during the fiscal year was €24 million (2017: €13 million).

Also included within equity investments are other equity investments for which Uniper has elected to present changes in fair value in other comprehensive income. The following table shows the corresponding equity investments and their fair values.

Other Equity Investments – Measured at Fair Value Through Other Comprehensive Income

€ in millions	Fair value	Dividends	Equity transfer	Reason for equity transfer
ENEVA S.A.	70	–	N/A	N/A
European Energy Exchange AG	20	1	N/A	N/A
Forsmarks Kraftgrupp AB	493	–	N/A	N/A
Global Coal Limited	1	0	N/A	N/A
GSB-Sonderabfall-Entsorgung Bayern GmbH	1	0	N/A	N/A
Holdigaz SA	8	0	N/A	N/A
Mellansvensk Kraftgrupp AB	81	–	N/A	N/A
Transitgas AG	1	0	N/A	N/A
Other strategic equity instruments	1	0	N/A	N/A
Total	**675**	**1**	**N/A**	**N/A**

(19) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value. The cost of inventory from physical settlement of forward contracts is deemed to be the agreed forward price (contract price). The cost of raw materials, finished products and goods purchased for resale is determined based on the average cost method. Valuation allowances are recognized as necessary.

Inventories

	December 31	
€ in millions	2018	2017
Raw materials and supplies	508	592
Goods purchased for resale	1,068	1,031
Work in progress and finished products	28	36
Total	**1,604**	**1,659**

Raw materials and supplies include, in particular, coal, uranium and nuclear fuel rods, as well as other raw materials and supplies. The change in raw materials and supplies is largely attributable to the reclassification of the French activities. The major components of goods purchased for resale are gas, oil and coal inventories.

Valuation allowances in 2018 amounted to €58 million (2017: €37 million) and related primarily to oil inventories. No material reversals were recognized in 2018 (2017: €0 million).

As in the previous year, no inventories were transferred as collateral in 2018.

(20) Receivables, Other Operating Assets and Contract Assets

The receivables reported also include receivables from finance leases. These receivables are measured at the present value of the outstanding lease payments. They result predominantly from electricity supply contracts that must be classified as leases.

The reimbursement right from the KAF shown within other financial assets is presented in accordance with the provisions of IFRIC 5, “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.”

The recognition and measurement of all other financial assets is discussed in detail in Note 29.

Assets reported as miscellaneous operating assets include emission rights. These rights are capitalized at cost at the time of acquisition. Emission rights that are held in order to satisfy obligations relating to the Group’s power-plant emissions are subsequently measured at amortized cost.

Receivables and Other Assets

	December 31, 2018		December 31, 2017	
€ in millions	**Current**	**Non-current**	**Current**	**Non-current**
Receivables from finance leases	21	188	16	194
Other financial receivables and financial assets	1,370	3,430	1,179	3,114
Financial receivables and other financial assets	**1,391**	**3,618**	**1,195**	**3,308**
Trade receivables	8,354	–	7,126	–
Receivables from derivative financial instruments	12,214	4,691	8,241	3,008
Other operating assets	900	223	796	198
Trade receivables and other operating assets	**21,468**	**4,914**	**16,163**	**3,206**
Total	**22,859**	**8,532**	**17,358**	**6,514**

Note 31 contains detailed disclosures about leases.

The reimbursement right from the KAF is included within other financial assets in the amount of €2,271 million (2017: €2,331 million). Of this total, €132 million (2017: €138 million) is reported under current financial assets and €2,139 million (2017: €2,193 million) under non-current financial assets. Since this asset is designated for a particular purpose, the Uniper Group’s access to it is restricted (see also Note 24).

In addition, current financial receivables include margin account deposits for futures transactions amounting to €698 million (2017: €432 million) and shareholder loans amounting to €357 million (2017: €483 million), while non-current financial receivables include shareholder loans in the amount of €548 million (2017: €525 million).

Other financial receivables include restricted cash of €63 million (2017: €65 million) deposited in the context of over-the-counter transactions.

Note 5 contains disclosures about contract assets, which are part of other operating assets.

(21) Liquid Funds

Liquid funds include cash on hand and bank balances, as well as current available-for-sale securities. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted, in which case they are presented separately.

Liquid Funds

€ in millions	December 31 2018	2017
Current securities with an original maturity greater than 3 months	240	64
Restricted cash and cash equivalents	22	112
Cash and cash equivalents	1,138	851
Total	**1,400**	**1,027**

Cash and cash equivalents include €1,118 million (2017: €831 million) in cash on hand and bank balances with an original maturity of less than three months.

As of the balance sheet date, there existed €22 million in restricted cash (2017: €112 million) with a maturity of less than three months. This restricted cash resulted, in particular, from collateral deposited with counterparties for currency hedging in selected over-the-counter trades.

(22) Equity

Capital Stock

The capital stock (share capital) of Uniper SE remains unchanged at €622 million. It consists of 365,960,000 registered no-par-value shares. The notional interest in the share capital is €1.70 per registered share.

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.

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.

Additional Paid-in Capital

As of December 31, 2018, additional paid-in capital stands at €10,825 million (2017: €10,825 million). This figure consists primarily of additional paid-in capital pursuant to Section 272 (2), no. 4, HGB.

Retained Earnings

Retained Earnings

€ in millions	December 31 2018	 2017
Statutory reserves	–	–
Other retained earnings	3,032	3,399
Total	**3,032**	**3,399**

As of December 31, 2018, retained earnings amounted to €3,032 million (2017: €3,399 million). Of this amount, €21.9 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. Please refer to the statement of changes in equity for more information about the individual changes.

Dividend

At the Annual Shareholders Meeting on May 22, 2019, shareholders will vote on a proposal that the net income available for distribution of €329.4 million be used to distribute a dividend of €0.90 per share (365,960,000 shares) of the dividend-paying capital stock of €622.1 million.

Accumulated Other Comprehensive Income

Cumulative currency translation differences represent the principal component of accumulated OCI.

The share of accumulated OCI attributable to companies accounted for under the equity method is illustrated in the table below:

Share of Accumulated OCI Attributable to Companies Accounted for Under the Equity Method

€ in millions	2018	2017
Balance as of December 31 (before taxes)	**-152**	**-183**
Taxes	3	3
Balance as of December 31 (after taxes)	**-149**	**-180**

In the 2017 fiscal year, cumulative translation losses of €890 million had been reclassified to the income statement in connection with the disposal of the stake in the Russian gas field Yuzhno-Russkoye. Accumulated OCI further includes gains and losses amounting to €99 million from an effective, but expired, hedge of a net investment in a foreign operation.

Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table:

Non-Controlling Interests

€ in millions	December 31 2018	2017
European Generation	307	381
Global Commodities	-6	–
International Power Generation	196	261
Administration/Consolidation	–	–
Total	**497**	**642**

The reduction of €145 million in non-controlling interests in 2018 resulted primarily from current earnings of companies with non-controlling interests in the European Generation segment and from the currency effects in the International Power Generation segment. In 2017, the increase of €60 million in non-controlling interests had resulted primarily from current earnings in the International Power Generation and European Generation segments.

The table below illustrates the share of accumulated OCI that is attributable to non-controlling interests:

Share of Accumulated OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Available-for-sale securities	Currency translation adjustments	Remeasurements of defined benefit plans	Remeasurements of equity investments
Balance as of January 1, 2017	**2**	**3**	**-462**	**–**	**N/A**
Changes	-1	-2	-41	1	N/A
Balance as of December 31, 2017	**1**	**1**	**-503**	**1**	**N/A**
Adjustments arising from IFRS for the first time (after taxes)	–	-1	–	–	–
Balance as of January 1, 2018	**1**	**–**	**-503**	**1**	**–**
Change	–	N/A	-68	–	–
Balance as of December 31, 2018	**1**	**N/A**	**-571**	**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 for subsidiaries with non-controlling interests can be found in the disclosures relating to the list of shareholdings (see also Note 34).

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

	PAO Unipro		OKG AB	
€ in millions	**2018**	**2017**	**2018**	**2017**
Non-controlling interests in equity	196	252	53	94
Non-controlling interests in equity (in %)	16.3	16.3	45.5	45.5
Dividends paid out to non-controlling interests	31	35	–	–
Operating cash flow	353	522	52	158
Non-current assets	2,786	3,074	2,140	2,181
Current assets	187	260	265	318
Non-current liabilities	259	281	2,109	2,107
Current liabilities	97	91	180	185

Subsidiaries with Material Non-Controlling Interests – Earnings Data

	PAO Unipro		OKG AB	
€ in millions	**2018**	**2017**	**2018**	**2017**
Share of earnings attributable to non-controlling interests	37	85	-37	16
Sales	1,050	1,160	260	324
Net income	226	521	-82	34
Total comprehensive income	-159	274	-91	28

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.

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 as the thresholds specified in Section 33 of the German Securities Trading Act were crossed:

Information on Stockholders of Uniper SE (as of Dec. 31, 2018)

					Voting rights	
Stockholder	**Date of notice**	**Threshold exceeded**	**Gained voting rights on**	**Allocation**	**Percent-age**	**Absolute**
Republic of Finland, Helsinki, Finland	Jun. 28, 2018	30%	Jun. 26, 2018	Indirect	47.37%	173,362,443
BlackRock Inc. Wilmington, U.S.	Dec. 28, 2018	3%	Dec. 21, 2018	Indirect	3.26%[1]	11,930,196[1]
Paul E. Singer	Jan. 7, 2019	3%	Dec. 31, 2018	Indirect	17.84%[1]	65,283,859[1]
Eric Knight	Dec. 22, 2017	5%	Dec. 21, 2017	Indirect	5.02%	18,374,165

[1]Including instruments as defined by Section 38 WpHG.

(23) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations are composed of the present value of the benefit obligations under the defined benefit plans existing in the Uniper Group, reduced by the fair value of the corresponding plan assets.

The present value of the defined benefit obligations is determined using the projected unit credit method. In addition to the pension obligations and pension entitlements that are known on the reporting date, the actuarial valuation to determine present value also takes into account demographic and economic trend assumptions such as assumptions on expected employee turnover and long-term wage and salary growth rates and pension increase rates, as well as discount rates determined as of the balance sheet date.

Any net asset position that might arise from offsetting the present value of the defined benefit obligations against the corresponding fair value of plan assets is recognized taking into account the applicable asset restrictions. Such an asset position is recognized in the "Operating receivables, other operating assets and contract assets" line item.

Current and past service costs, as well as gains or losses from settlements, are reported under personnel costs.

The net interest on the net liability or asset, which is reported under financial results, is essentially derived from the net defined benefit liability or asset existing at the beginning of the reporting year, adjusted for expected cash flows from benefit payments and contributions, and discounted at the discount rate applicable at the beginning of the fiscal year.

Remeasurements of the net defined benefit liability or asset include 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. Additionally included is the difference between the actual return on plan assets and the interest income on plan assets contained in the net interest result, as well as any change in the effect of the asset ceiling, excluding amounts already included in net interest. Remeasurement results and related deferred taxes are recognized in full in the period in which they occur and are not reported within the income statement, but are instead shown in the statement of recognized income and expenses.

For defined contribution pension plans, regular, fixed contributions are paid to external insurers or similar institutions when due and recognized in income as personnel costs. Other than paying the plan contributions, Uniper has no further obligations to eligible individuals under these plans. 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.

As of December 31, 2018, the present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) represent a funding level of 73% (2017: 77%) and break down as shown in the following table:

Provisions for Pensions and Similar Obligations

	December 31	
€ in millions	**2018**	**2017**
Present value of all defined benefit obligations		
Germany	2,477	2,228
United Kingdom	487	526
Other countries	8	138
Total	**2,972**	**2,892**
Fair value of plan assets		
Germany	1,682	1,724
United Kingdom	485	491
Other countries	1	1
Total	**2,168**	**2,216**
Net defined benefit liability (+)/asset (-)		
Germany	795	504
United Kingdom	2	35
Other countries	7	137
Total	**804**	**676**
Presented as provisions for pensions and similar obligations	*804*	*676*

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 in the following description of the country-specific pension plans.

The entitlements under defined benefit plans existing as of the reporting date and reported in the line item for provisions for pensions and similar obligations on the balance sheet cover some 9,500 active employees (2017: 10,500), some 4,800 retirees and surviving dependents (2017: 4,900) and some 3,200 former employees with vested entitlements (2017: 2,900). Aside from normal employee turnover, the changes from the previous year resulted especially from the reclassification of the French companies as a disposal group (see also Note 4). The present value of the defined benefit obligations corresponding to the number of eligible individuals is attributable to active employees in the amount of roughly €1.4 billion (2017: €1.5 billion), to retirees and surviving dependents in the amount of roughly €0.8 billion (2017: €0.7 billion) and to former employees with vested entitlements in the amount of roughly €0.8 billion (2017: €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 have been closed to new hires since 2008.

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.

Beginning on January 1, 2019, the interest rate assumptions for the "BAS Plan" and the "Zukunftssicherung" plan will be linked to market rates and hedged by applying guaranteed minimum interest rates. Pension units granted through December 31, 2018, remain unchanged. An annual review is performed, taking market developments into account, to determine whether the pension units should be formed based on the guaranteed minimum interest rates or by applying a higher rate. The interest rate can be increased to a maximum of 6.0%.

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.

In addition, with regard to the funding of pension commitments that in prior years had been covered by Versorgungskasse Energie ("VKE"), payments were made in 2016 to a Group-wide pension fund, which is qualified under IAS 19 as plan assets, when the method of occupational retirement provision was changed to a pension fund commitment. 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, the method of occupational retirement provision for additional pension commitments that had still been almost entirely covered by VKE up to and including December 30, 2017, was changed to a pension fund commitment, and corresponding payments were made to the Group-wide pension fund as part of the transition.

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 reporting period, Uniper employees in the United Kingdom participated in three existing pension plans comprising a pure defined contribution plan, a final salary plan and a retirement balance plan. The latter two defined benefit plans make up the majority of the pension obligations reported for Uniper's former and active employees in the United Kingdom and are closed to new hires. New employees are offered solely the pure defined contribution plan.

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 initial valuation of the Uniper Group of the ESPS as of March 31, 2016, 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. The next technical valuation will have a March 31, 2019, effective date.

Other Countries

The remaining pension commitments are attributable to 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

	2018				2017			
€ in millions	**Total**	**Germany**	**United Kingdom**	**Other countries**	**Total**	**Germany**	**United Kingdom**	**Other countries**
Defined benefit obligation as of January 1	**2,892**	**2,228**	**526**	**138**	**2,817**	**2,209**	**456**	**152**
Employer service cost	77	47	24	6	80	56	21	3
Past service cost	2	–	2	–	13	7	7	-1
Gains (-) and losses (+) on settlements	–	–	–	–	7	5	2	–
Interest cost on the present value of the defined benefit obligations	76	58	14	4	71	53	14	4
Remeasurements	113	182	-66	-3	-83	-104	29	-8
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*12*	*17*	*-4*	*-1*	*-4*	*–*	*-3*	*-1*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*82*	*137*	*-56*	*1*	*-24*	*-86*	*61*	*1*
Actuarial gains (-)/losses (+) arising from experience adjustments	*19*	*28*	*-6*	*-3*	*-55*	*-18*	*-29*	*-8*
Benefit payments	-58	-44	-9	-5	-48	-40	-6	-2
Exchange rate differences	-5	–	-4	-1	-17	–	-17	–
Other	-125	6	–	-131	52	42	20	-10
Defined benefit obligation as of December 31	**2,972**	**2,477**	**487**	**8**	**2,892**	**2,228**	**526**	**138**

The net actuarial losses generated in 2018 include, in addition to the net losses from the change in the discount rates used by the Uniper Group, further actuarial losses resulting from the first-time application in Germany of the new 2018 G versions of the K. Heubeck biometric tables issued in 2018 (2017: 2005 G versions of the K. Heubeck biometric tables issued in 2005). The transition to the new biometric tables resulted in an actuarial loss of €17 million.

An additional actuarial loss of €37 million resulted from a change of valuation technique in Germany, brought about by the change made to the interest rate assumptions for the “BAS Plan” and the “Zukunftssicherung” plan as of January 1, 2019. Here the so-called “pro rata” method was replaced by the present value of the accrued pension entitlements (in the amount of the accumulated pension unit totals). For the 2019 fiscal year, this change of valuation technique, as well as the change in the interest rate assumptions as of January 1, 2019, in the pension plans already mentioned, will lead to a decrease of €11 million in the employer service cost and to an increase of €1 million in the net interest cost for the German Uniper companies.

The change in the present value of the defined benefit obligations in the other countries as of December 31, 2018, is primarily the result of the reclassification of the present value of defined benefit obligations of the French Uniper companies to the “Liabilities associated with assets held for sale” line item on the balance sheet in the amount of €131 million.

As of December 31, 2017, the benefit obligations in the other countries had related mostly to the Uniper companies in France, in the amount of €126 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	2018	2017	2017
Discount rate			
Germany	2.30	2.60	2.40
United Kingdom	3.00	2.60	3.10
Wage and salary growth rate			
Germany	2.25	2.25	2.25
United Kingdom	3.20	3.30	3.30
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.10	3.10	3.10

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

The discount rates used in 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 and take into account the average duration of the respective underlying obligations. The duration of the defined benefit obligations measured within the Uniper Group as of December 31, 2018, is 23.2 years (2017: 23.5 years).

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	2018: 2018 G versions of the Klaus Heubeck biometric tables (2018) 2017: 2005 G versions of the Klaus Heubeck biometric tables (2005)
United Kingdom	2018: 'S2' series base mortality tables, taking into account future changes in mortality (CMI 2017 projection table) 2017: '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, 2018		December 31, 2017	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-9.37*	*10.77*	*-9.35*	*10.67*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.65*	*-0.63*	*0.76*	*-0.74*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.24*	*-1.19*	*1.39*	*-1.34*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-2.54*	*2.83*	*-2.36*	*2.62*

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 reporting dates of 2018 and 2017, 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	2018 Total	2018 Germany	2018 United Kingdom	2018 Other countries	2017 Total	2017 Germany	2017 United Kingdom	2017 Other countries
Fair value of plan assets as of January 1	**2,216**	**1,724**	**491**	**1**	**2,032**	**1,597**	**424**	**11**
Interest income on plan assets	59	46	13	–	52	39	13	–
Remeasurements	-141	-111	-30	–	66	49	17	–
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*-141*	*-111*	*-30*	–	*66*	*49*	*17*	–
Employer contributions	90	66	24	–	118	78	39	1
Benefit payments	-52	-43	-9	–	-46	-39	-6	-1
Exchange rate differences	-4	–	-4	–	-16	–	-16	–
Other	–	–	–	–	10	–	20	-10
Fair value of plan assets as of December 31	**2,168**	**1,682**	**485**	**1**	**2,216**	**1,724**	**491**	**1**

The actual return on plan assets in 2018 was a loss of €82 million (2017: €118 million gain).

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, 2018				December 31, 2017			
	Total	Germany	United Kingdom[1]	Other countries	Total	Germany	United Kingdom[1]	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	24	31	–	10	27	34	–	24
Debt securities	44	56	–	71	42	54	–	40
Government bonds	*26*	*33*	–	*43*	*25*	*33*	–	–
Corporate bonds	*18*	*23*	–	*28*	*17*	*21*	–	*40*
Other investment funds	–	–	–	5	–	–	–	8
Total listed plan assets	**68**	**87**	**0**	**86**	**69**	**88**	**0**	**72**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	6	–	28	–	6	–	28	–
Debt securities	2	–	7	–	2	–	8	15
Real estate	8	10	3	–	9	10	5	–
Cash and cash equivalents	3	3	4	2	3	2	9	13
Other[1]	13	–	58	12	11	–	50	–
Total unlisted plan assets	**32**	**13**	**100**	**14**	**31**	**12**	**100**	**28**
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 in the German pension vehicles 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.

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

				2018				2017
€ in millions	**Total**	**Germany**	**United Kingdom**	**Other countries**	**Total**	**Germany**	**United Kingdom**	**Other countries**
Employer service cost	77	47	24	6	80	56	21	3
Past service cost	2	–	2	–	13	7	7	-1
Gains (-) and losses (+) on settlements	–	–	–	–	7	5	2	–
Interest expense (+)/income (-) on the net defined benefit liability/asset	17	12	1	4	19	14	1	4
Total	**96**	**59**	**27**	**10**	**119**	**82**	**31**	**6**

The past service cost for 2017 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 €24 million in fixed contributions to external insurers or similar institutions was paid in 2018 (2017: €26 million) for pure defined contribution plans.

Contributions to state plans totaled €0.1 billion (2017: €0.1 billion).

Description of Contributions and Benefit Payments

In 2018, Uniper made employer contributions to plan assets totaling €90 million (2017: €118 million) to fund existing defined benefit obligations.

For the 2019 fiscal year, it is expected that employer contributions to plan assets for the Uniper Group will amount to a total of €66 million and primarily involve the funding of new and existing benefit obligations, with an amount of €20 million attributable to foreign companies.

Benefit payments to cover defined benefit obligations totaled €58 million in 2018 (2017: €48 million); of this amount, €6 million (2017: €2 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2018, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2019	55	51	3	1
2020	61	58	3	–
2021	65	59	5	1
2022	73	67	5	1
2023	75	69	5	1
2024–2028	496	445	48	3
Total	**825**	**749**	**69**	**7**

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

				2018				2017
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Net liability as of January 1	**676**	**504**	**35**	**137**	**785**	**612**	**32**	**141**
Net periodic pension cost	96	59	27	10	119	82	31	6
Changes from remeasurements	254	293	-36	-3	-149	-153	12	-8
Employer contributions to plan assets	-90	-66	-24	–	-118	-78	-39	-1
Net benefit payments	-6	-1	–	-5	-2	-1	–	-1
Exchange rate differences	-1	–	–	-1	-1	–	-1	–
Other	-125	6	–	-131	42	42	–	–
Net liability as of December 31	**804**	**795**	**2**	**7**	**676**	**504**	**35**	**137**

(24) Miscellaneous Provisions

Miscellaneous provisions are liabilities of uncertain timing or amount. They 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. A provision is recognized at the present value of the expected settlement amount; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. The accretion amounts and the effects of changes in interest rates are generally presented within financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset.

Liabilities for obligations arising from the decommissioning or dismantling of property, plant and equipment are recognized at their discounted settlement amounts. The carrying amounts of the respective items of 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 items of property, plant and equipment, while the provision is accreted to its present value on an annual basis.

In the case of changes in estimates, the adjustment of provisions for the decommissioning or dismantling 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 item of property, plant and equipment to be decommissioned has already been fully depreciated, changes in estimates that would lead to a further reduction are recognized in the income statement. Changes in estimates for all other miscellaneous provisions are recognized directly in the income statement.

Under Swedish law, Uniper is required to pay fees to the KAF for its Swedish nuclear operations. For each nuclear power plant operating company, the Swedish Radiation Safety Authority proposes the fees for disposal of high-level radioactive waste and for decommissioning 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 owners of the power plant operating companies. In accordance with IFRIC 5, a right of reimbursement for asset retirement expenditure is recognized as an asset within other financial assets for payments to the KAF (see also Note 20). The KAF reimbursement right is measured specifically for each power plant operating company at the lower of the recognized asset retirement obligation and the contributor's share of the fair value of the net assets of this fund.

As of December 31, 2018, the long-term real discount rate used in the nuclear power sector in Sweden was 2.2% (2017: 3.0%). A change of 0.1 percentage points in the applied real interest rate leads to a change in the provision of approximately €35 million (2017: €24 million).

Provisions for losses from open transactions under onerous contracts 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.

Provisions for restructuring 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.

A provision is recognized for the obligations arising from CO_2 emissions produced within the framework of the EU Emissions Trading System. 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.

The miscellaneous provision amounts relate predominantly to issues in euro-area countries, as well as in the United Kingdom and in Sweden. The interest rates used with regard to these issues ranged from 0% to 1.83%, depending on the term (2017: 0% to 1.76%).

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

€ in millions	December 31, 2018 Current	December 31, 2018 Non-current	December 31, 2017 Current	December 31, 2017 Non-current
Nuclear waste management obligations	141	2,335	142	2,256
Personnel-related obligations	92	215	110	353
Other asset retirement obligations	34	709	52	859
Supplier-related obligations	336	842	105	999
Generation-related obligations	346	574	228	576
Distribution-related obligations	104	317	125	362
Customer-related obligations	98	9	136	16
Environmental remediation and similar obligations	21	180	19	350
Other	305	272	445	297
Total	**1,478**	**5,455**	**1,362**	**6,068**

The changes in miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	January 1, 2018	Exchange rate differences	Changes in scope of consolidation[1]	Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	December 31, 2018
Nuclear waste management obligations	2,398	-96	–	64	12	-109	–	–	207	2,476
Personnel-related obligations	463	–	-22	–	93	-161	1	-67	–	307
Other asset retirement obligations	911	-1	-188	16	15	-34	–	–	24	743
Supplier-related obligations	1,104	–	-2	22	272	-88	–	-130	–	1,178
Generation-related obligations	804	-1	-51	2	431	-233	–	-32	–	920
Distribution-related obligations	487	-1	–	–	62	-117	–	-10	–	421
Customer-related obligations	152	–	-17	–	33	-4	5	-62	–	107
Environmental remediation and similar obligations	369	–	–	1	8	-12	–	-165	–	201
Other	742	-6	-14	3	80	-49	–	-179	–	577
Total	**7,430**	**-105**	**-294**	**108**	**1,008**	**-805**	**6**	**-644**	**231**	**6,933**

[1]This column also contains reclassifications into the "Liabilities associated with assets held for sale" line item.

Reversals of miscellaneous provisions resulted largely from the reversal of provisions for power plant renovations and from the reversal of provisions for onerous gas-storage contracts, as well as from numerous individual effects.

Provisions for Nuclear Waste Management Obligations

As of December 31, 2018, the provision based on the requirements of Swedish nuclear energy law amounted to €2.5 billion (2017: €2.4 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.

The provisions recognized for nuclear asset retirement 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 €207 million (2017: €30 million). The increase is predominantly attributable to the discount rate adjustment, which is made in line with industry-specific developments in Sweden. Provisions were utilized in the amount of €109 million (2017: €103 million), of which €38 million (2017: €32 million) is attributable to the Barsebäck nuclear power plant, which is in post-operation.

The following table lists the provisions by technical specification and presents the funding situation of the nuclear waste management obligations as of the dates indicated:

Provisions for Nuclear Waste Management Obligations

	December 31,	
€ in millions	**2018**	**2017**
Decommissioning	866	838
Disposal of nuclear fuel rods and operational waste	1,610	1,560
Total	**2,476**	**2,398**
Uniper's recognized interest in the Swedish Nuclear Waste Fund (see also Note 20)	**2,271**	**2,331**
Uniper's share of the fair value of the net assets of the Swedish Nuclear Waste Fund	2,619	2,574
Receivables from the Swedish Nuclear Waste Fund ineligible for capitalization	348	243

As provided for by IFRIC 5, a reimbursement right of €2,271 million in total (2017: €2,331 million) was recognized, based on a power-plant-specific determination, within other financial assets (see also Note 20). This circumstance precluded the capitalization of a claim for €348 million against the KAF (2017: €243 million). The provisions of €2,476 million (2017: €2,398 million) are offset by an actual claim against the KAF in the amount of €2,619 million (2017: €2,573 million), which represents an economic surplus of funding over the obligations.

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.

Provisions for Other Asset Retirement Obligations

Provisions for other asset retirement obligations involve obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, that 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 others, provisions for potential losses on open purchase contracts and for onerous contracts in the amount of €1.0 billion (2017: €1.0 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 provisions consist mainly of provisions from the hydroelectric power business segment and of provisions for emission rights.

Distribution-Related Obligations

Distribution-related provisions consist especially of provisions for gas transportation and for regasification.

Customer-Related Obligations

Provisions for customer-related obligations consist largely of potential losses on rebates and on open sales contracts.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation relate 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 taxes other than income taxes.

(25) Liabilities

See also Note 29 for discussion of accounting policies and of material judgments and estimations made by management.

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Financial liabilities	**1,752**	**1,187**	**2,939**	**962**	**961**	**1,923**
Trade payables	1,320	–	1,320	923	–	923
Liabilities from derivatives	12,546	4,327	16,873	8,033	3,040	11,073
Advance payments	1	–	1	641	100	741
Other operating liabilities	8,603	529	9,131	6,680	478	7,158
Trade payables, other operating liabilities and contract liabilities	**22,470**	**4,856**	**27,325**	**16,277**	**3,618**	**19,895**
Total	**24,222**	**6,043**	**30,264**	**17,239**	**4,579**	**21,818**

Financial Liabilities and Capital Structure Management

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:

€1.8 Billion Euro Commercial Paper Program

When it refinanced its revolving, syndicated credit facility, Uniper also increased the Euro Commercial Paper Program to an amount of €1.8 billion. As of the end of fiscal 2018, commercial paper amounting to €493 million was outstanding under this program (2017: €0 million).

€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 is unchanged at €2 billion.

As of year-end 2018, there were no outstanding DIP bonds (2017: one bond with a nominal value of €500 million and a carrying amount of €499 million).

€1.8 Billion Syndicated Bank Financing Agreement with Revolving Credit Facility

In 2018, the syndicated credit facility of Uniper SE was refinanced early at better terms for an amount of €1.8 billion. The new term of five years ending in 2023 can be extended by up to two additional years with the consent of the 15 banks in the syndicate. The revolving credit facility has not been drawn on as of year-end 2018, nor was it used in the previous year. It is available to Uniper mainly as a back-up facility for the commercial paper program, and also as a general liquidity reserve.

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.

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 principal goal is to achieve a debt factor (ratio of economic net debt to adjusted EBITDA) of 1.8–2.0. This ratio may be higher than targeted as long as Uniper's target of achieving a comfortable investment-grade rating is warranted. Based on adjusted EBITDA in fiscal 2018 of €1,543 million (2017: €1,741 million) and economic net debt of €3,208 million as of the balance sheet date (2017: €2,445 million), the ratio of economic net debt to adjusted EBITDA was 2.1 (2017: 1.4).

Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31, 2018

€ in millions	Bonds	Commercial paper	Bank loans / Liabilities to banks	Liabilities from leases	Other financial liabilities	Financial liabilities
European Generation	–	–	73	130	497	700
Global Commodities	–	–	–	674	882	1,556
International Power Generation	–	–	–	9	–	9
Administration/Consolidation	–	493	35	–	146	674
Uniper Group	–	493	108	813	1,525	2,939

Financial Liabilities by Segment as of December 31, 2017

€ in millions	Bonds[1]	Commercial paper	Bank loans / Liabilities to banks	Liabilities from finance leases	Other financial liabilities	Financial liabilities
European Generation	–		90	4	530	624
Global Commodities	–		–	448	297	745
International Power Generation	–		–	–	–	0
Administration/Consolidation	499		7	–	48	554
Uniper Group	499	–	97	452	875	1,923

[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, 2018, comprise financial liabilities to Fortum in the amount of €252 million. They further include financial liabilities to third parties amounting to €176 million (2017: €458 million) and to companies in which Uniper holds an equity investment in the amount of €121 million (2017: €120 million).

Margin payments in connection with exchange-traded futures transactions amounting to €976 million (2017: €297 million) are also reported under other financial liabilities.

Trade Payables, Other Operating Liabilities and Contract Liabilities

Trade payables amounted to €1,320 million as of December 31, 2018 (2017: €923 million).

The other operating liabilities principally comprised accruals amounting to €6,936 million (2017: €5,898 million) and liabilities for taxes in the amount of €201 million (2017: €293 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 (2017: €97 million).

Note 5 contains disclosures about contract liabilities.

(26) Contingent Liabilities, Contingent Assets 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 include, in particular, guarantees, obligations arising from litigation and claims for damages (see also Note 27), as well as short- and long-term contractual, statutory and other obligations and commitments.

Contingent Liabilities and Contingent Assets

Unless required to be recognized as part of a business acquisition, contingent liabilities are possible or present obligations arising from past events that are not recognized on the balance sheet, and for which an outflow of resources is probable. The amounts disclosed correspond to the potential obligations expected on the balance sheet date. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only be the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company.

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. They 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.

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 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, 2018. 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, 2018, was limited to SEK 3,743 million, (2017: SEK 3,517 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. The conditions enabling this law to take effect were not yet in place as of December 31, 2018.

The European Generation segment operates nuclear power plants exclusively in Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

As of December 31, 2018, contingent assets existed in the amount of €33 million (2017: €0 million). The total settlement amount of the Uniper Group's contingent liabilities arising from existing contingencies was €9 million as of December 31, 2018 (2017: €9 million). The Uniper Group does not currently have any significant reimbursement rights relating to these contingent liabilities.

Other Financial Obligations

Other financial obligations result from unencumbered open transactions or from public regulations, and further include other economic obligations that are neither recognized as liabilities on the balance sheet nor included within contingent liabilities.

As of December 31, 2018, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €0.4 billion (2017: €0.5 billion). This item mainly includes financial obligations totaling €0.3 billion (2017: €0.4 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 (2017: €0.3 billion) is due within one year.

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. The financial obligations under these purchase contracts amounted to approximately €114.8 billion on December 31, 2018 (due within one year: €4.4 billion) and to approximately €143.3 billion on December 31, 2017 (due within one year: €6.6 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 2018 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 €0.3 billion as of December 31, 2018 (due within one year: €0.2 billion) and to approximately €0.5 billion as of December 31, 2017 (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 €4.2 billion as of December 31, 2018 (due within one year: €0.2 billion) and to approximately €4.4 billion as of December 31, 2017 (due within one year: €0.4 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 billion as of December 31, 2018 (due within one year: €0.3 billion) and approximately €1 billion as of December 31, 2017 (due within one year: €0.3 billion). Among other items, they include financial obligations for future purchases of services.

(27) 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) and concerning 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 is currently involved in arbitration proceedings and 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.

Furthermore, 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 for the hard coal power station in Datteln and with respect to the Provence 4 biomass plant in France.

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.

(28) Supplemental Cash Flow Disclosures

The cash flow statement presents the changes in the Group's funds arising from cash flows during the fiscal year. 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 cash and cash equivalents exchanged in acquisitions and disposals of investments in companies are shown as cash used for or provided by investing activities if the transaction involves a change of control. In the case of transactions that do not involve a change of control, the corresponding cash flows are reported under financing activities. The effect of foreign exchange rates on cash and cash equivalents is disclosed separately.

Supplemental Cash Flow Disclosures

€ in millions	2018	2017
Non-cash investing and financing activities		
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	–	118

Cash provided by operating activities (operating cash flow) fell by €144 million to €1,241 million in the 2018 fiscal year (2017: €1,385 million). The principal driver of this reduction in operating cash flow was the reduction in cash EBIT, separated here from non-cash EBIT components consisting mostly of depreciation, amortization and impairments (see also Notes 15 through 17), additions to and reversals of provisions (see also Notes 23 and 24) and book gains and losses (see also Note 7). Further information is also provided in the "Adjusted EBIT" section of the Management Report. Furthermore, an increase in working capital, due to a difference in the timing of payments and a more intensive, price-driven build-up of emission allowances compared with the previous year, also led to a reduction in operating cash flow.

Cash provided by investing activities fell by €1,780 million, from €517 million in 2017 to -€1,263 million in the 2018 fiscal year. This was mainly due to the non-recurrence of the cash received in the amount of €1,719 million from the sale of the stake in the Russian Yuzhno-Russkoye gas field in 2017. Furthermore, higher cash payments for margining and for investments in institutional investment funds led to a reduction in cash flow from investing activities. In contrast, lower cash payments of €642 million for investments in property, plant and equipment (2017: €843 million) had a positive effect. Investment cash flow was additionally enhanced by lower cash payments of €275 million in fiscal 2018 (2017: €324 million) for financing the Nord Stream 2 project.

Cash provided by financing activities amounted to €319 million in 2018 (2017: -€1,129 million). The dividend distributed to shareholders of Uniper SE led to an outflow of €271 million (2017: €201 million outflow). The commercial paper program was used for short-term financing in 2018. At year-end, €493 million was still outstanding under the program (2017: €0 million), resulting in a net inflow of cash as of the balance sheet date. The repayment of the €500 million bond maturing in December 2018 had an offsetting effect. Margin deposits received for commodity forward contracts in the amount of €679 million (2017: €3 million) – predominantly for carbon certificates – also provided an inflow of cash in the 2018 fiscal year.

The following table presents the reconciliation of financial liabilities:

Reconciliation of Financial Liabilities

€ in millions	2018	2017
Balance as of January 1	**2,247**	**2,870**
Cash proceeds from financial liabilities	*1,228*	*23*
Cash repayments of financial liabilities	*-621*	*-931*
Change in scope of consolidation	*6*	*–*
Foreign currency translation	*52*	*83*
Other	*27*	*-122*
Balance as of December 31	**2,939**	**1,923**

(29) Financial Instruments

Financial Assets

Financial assets other than trade receivables are measured at their fair value on the settlement date when acquired. Trade receivables are measured at their transaction price at initial recognition. For financial assets that are not subsequently measured at fair value through profit or loss, transaction costs are taken into account. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value shall use relevant observable inputs to the greatest extent possible – and minimize the use of unobservable inputs. The valuation methods used for each class of assets are disclosed in accordance with IFRS 13.

Subsequent measurement of financial assets is governed by the measurement categories defined in IFRS 9.

A financial asset is carried at amortized cost if it is held within a business model whose objective is to collect contractual cash flows and these cash flows represent solely payments of principal and interest on the principal amount outstanding. At Uniper, this relates primarily to trade receivables, liquid funds and certain individual loans to external or associated companies. Amortized cost is determined using the effective interest method.

For other equity investments that are not held for trading, Uniper has elected to present changes in fair value in other comprehensive income, and to maintain this recognition in equity even on the disposal of such investments. Fair value is determined using standard market valuation methods. Dividends from other equity investments are recognized in income.

All other financial assets are measured at fair value through profit or loss. Unless they form part of an effective hedging relationship, gains and losses from changes in fair value are immediately recognized in income. At Uniper, this relates primarily to derivative financial instruments (currency and commodity forwards, as well as options), embedded derivatives and securities. Changes in the fair value of derivative financial instruments subject to recognition in income are presented as other operating income or expenses. Gains and losses are netted, provided they meet the corresponding accounting prerequisites. Gains and losses on securities (especially investment funds, equity funds, bond funds, etc.) are reported within other financial results.

As part of fair value measurement, the counterparty risk is also taken into account for derivative financial instruments. The counterparty risks thus determined are allocated to the individual financial instruments by applying the relative fair value method on a net basis.

Unrealized gains and losses resulting from the initial measurement of a derivative ("day one" gains and losses) are recognized in income only if they are supported by quoted market prices in an active market, verified by comparison with other observable current market transactions, or determined using a valuation technique that relies on observable market data.

Contracts for receipt or delivery of non-financial items in accordance with the Uniper Group's anticipated purchase, sale or usage requirements are classified as own-use contracts. They are not accounted for as derivative financial instruments measured at fair value, but as open transactions.

Primary and derivative financial instruments are netted on the balance sheet if the Uniper Group has both an unconditional right and the intention to settle offsetting positions simultaneously or on a net basis.

Financial Liabilities

Financial liabilities are initially measured at fair value. For financial liabilities that are not subsequently measured at fair value through profit or loss, transaction costs are taken into account. Non-derivative financial liabilities, including trade payables, are subsequently measured at amortized cost, using the effective interest method.

Derivative liabilities are measured at fair value through profit or loss. The explanations concerning fair value and the presentation of derivative assets apply by analogy.

The fair value option for financial liabilities is currently not in use.

Hedging Transactions

Derivative financial instruments are entered into primarily for optimization and hedging purposes. They are accounted for and presented in accordance with the aforementioned provisions. Uniper applies hedge accounting pursuant to IFRS 9 (2017: IAS 39) only to an immaterial extent. Corresponding documentation on the respective hedging relationship regarding the hedging instruments being used and the items being hedged, as well as the type of risk being hedged and the evaluation of the hedge's effectiveness, including specification of the hedge ratio, is prepared. A hedging relationship satisfies all effectiveness requirements if an economic relationship exists between the hedged item and the hedging instrument, if credit risk does not dominate changes in value, and if the hedge ratio corresponds to the quantities actually used for risk management.

In cash flow hedges and hedges of a net investment in a foreign operation, the effective gains and losses on the hedging instrument are recognized in other comprehensive income. Reclassification to the income statement takes place when the hedged item is recognized in income. Ineffective portions of the hedging instrument are immediately recognized in income. Uniper carries no fair value hedges in its financial statements at this time.

Measurement of Derivative Financial 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 derivatives at regular intervals. The fair value to be determined for each derivative financial 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. The Uniper Group determines this risk based on a portfolio valuation in a bilateral approach covering both its own credit risk ("debt value adjustment") and the credit risk of the corresponding counterparty ("credit value adjustment"). The fair values of derivative financial instruments are calculated using standard market valuation methods, with reference to market data available 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 determined using standard market pricing models. 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 reported 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 and equity investment are measured using valuation models based on internal fundamental data if market prices are not available.

A hypothetical 10% increase or decrease in the valuation models based on internal fundamental data would, as of the balance sheet date, lead to a theoretical decrease in market values of €126 million (2017: €120 million) or increase of €126 million (2017: €120 million), respectively.

At the beginning of 2018, a gain of €202 million (2017: €219 million gain) from the initial measurement of derivatives, which increased by an initial-measurement effect of €88 million, was deferred. The realization of gains and losses during 2018 generated an additional loss of €18 million and an additional gain of €7 million (2017: €37 million loss and €20 million gain). This resulted in a net deferred gain of €279 million at year-end (2017: €202 million gain), which will be realized as the contract terms end.

Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IFRS 9 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, 2018

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IFRS 9 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Other equity investments	675	675	FVOCI	675	78	21
Financial receivables and other financial assets	4,306	4,252		4,600	–	–
Receivables from finance leases	*209*	*209*	*N/A*	*209*	–	–
Financial reimbursement rights relating to asset retirement obligations	*2,271*	*2,271*	*N/A*	*2,619*	–	–
Other financial receivables and financial assets	*1,826*	*1,772*	*AmC*	*1,772*	–	–
Trade receivables and other operating assets	25,554	25,428		25,428	5,332	11,174
Trade receivables	*8,354*	*8,354*	*AmC*	*8,354*	–	–
Derivatives	*16,905*	*16,905*	*FVTPL*	*16,905*	*5,332*	*11,045*
Other operating assets: loans and receivables	*166*	*40*	*AmC*	*40*	–	–
Other operating assets measured at fair value through profit or loss	*129*	*129*	*FVTPL*	*129*	–	*129*
Securities and fixed-term deposits	41	41	FVTPL	41	41	–
Securities and fixed-term deposits measured at fair value through profit or loss	282	282	FVTPL	282	83	199
Cash and cash equivalents: loans and receivables	1,138	1,138	AmC	1,138	–	–
Restricted cash	22	22	AmC	22	–	–
Assets held for sale	124	124	N/A	124	–	–
Total assets	**32,142**	**31,962**		**32,310**	**5,534**	**11,394**
Financial liabilities	2,939	1,963		1,963	–	–
Bonds	–	–	*AmC*	–	–	–
Commercial paper	493	493	AmC	493	–	–
Bank loans / Liabilities to banks	*108*	*108*	*AmC*	*108*	–	–
Lease liabilities	*813*	*813*	N/A	*813*	–	–
Other financial liabilities	*1,525*	*549*	*AmC*	*549*	–	–
Trade payables and other operating liabilities	25,829	25,810		25,810	5,085	11,828
Trade payables	*1,320*	*1,320*	*AmC*	*1,320*	–	–
Derivatives	*16,873*	*16,873*	*FVTPL*	*16,873*	*5,085*	*11,731*
Put-option liabilities pursuant to IAS 32[2]	*97*	*97*	*AmC*	*97*	–	*97*
Other liabilities intended for sale	*81*	*81*	*N/A*	*81*	–	–
Other operating liabilities	*7,458*	*7,439*	*AmC*	*7,439*	–	–
Total liabilities	**28,768**	**27,773**		**27,773**	**5,085**	**11,828**

[1]AmC: amortized cost; FVOCI: fair value through OCI; FVTPL: fair value through profit or loss. 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 attributed to the old IAS 39 measurement categories listed.
[2]Liabilities from put options include non-controlling interests in fully consolidated partnerships.

Until December 31, 2017, financial instruments had been subsequently measured in accordance with the provisions of IAS 39. The following table shows the corresponding classification by measurement category as of December 31, 2017. Note 3 includes a reconciliation of the measurement categories as of the January 1, 2018, transition date.

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 available for sale	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*
Lease liabilities	*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 pursuant to 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 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 attributed to the old IAS 39 measurement categories listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships.

The carrying amounts of cash and cash equivalents and of trade receivables, as well as those of borrowings under short-term credit facilities and of trade payables, are considered reasonable estimates of their fair values because of the short maturities of these items.

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.

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.

In the 2018 fiscal year, no material reclassifications took place 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. No equity investments were reclassified into Level 3 during fiscal 2018, 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	December 31, 2017 IAS 39	January 1, 2018 IFRS 9[1]	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/ Losses in income statement	Reclassifications into Level 3	Reclassifications out of Level 3	Gains/ Losses in OCI	December 31, 2018
Equity investments	526	509	–	–	–	–	–	–	67	576
Derivative financial instruments	323	323	88	–	–	60	–	–	–	471
Total	**849**	**832**	**88**	**0**	**0**	**60**	**0**	**0**	**67**	**1,047**

[1]Beginning in the 2018 fiscal year, subsidiaries and associates that are not included in the Consolidated Financial Statements on materiality grounds are accounted for outside of IFRS 9, retaining the existing measurement rules, and are not included in the Level 3 reconciliation. Under IAS 39, these equity investments had been presented as available-for-sale financial assets, which leads to a changed opening balance as of January 1, 2018, pursuant to IFRS 9.

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, 2018

€ in millions	Gross amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets				
Trade receivables	*8,353*	*4,414*	*–*	*3,939*
Interest-rate and currency derivatives	*82*	*–*	*–*	*82*
Commodity derivatives	*16,823*	*8,686*	*873*	*7,264*
Total	**25,258**	**13,100**	**873**	**11,285**
Financial liabilities				
Interest-rate and currency derivatives	*94*	*–*	*–*	*94*
Commodity derivatives	*16,779*	*8,686*	*705*	*7,388*
Trade payables and other operating liabilities	*8,106*	*4,414*	*–*	*3,692*
Total	**24,979**	**13,100**	**705**	**11,174**

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.

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, 2018, other financial assets amounting to €705 million (2017: €472 million) had been deposited as collateral.

The net gains and losses from financial instruments by measurement category pursuant to IFRS 9 (2017: IAS 39) are shown in the following table:

Net Gains and Losses by Category

€ in millions	2018	2017
Loans and receivables	N/A	81
Available for sale	N/A	1
Held for trading	N/A	-54
Measured at amortized cost	57	-4
Measured at fair value through profit or loss	-889	N/A
Measured at fair value through other comprehensive income	102	N/A
Total	**-730**	**24**

The net gains and losses in the "amortized cost" category are mainly due to interest and to loss allowances on financial receivables.

The net gains and losses in the "measured at fair value through profit or loss" (FVTPL) category include both changes in the market value of the derivative financial instruments and realized gains and losses. 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.

Included in the "measured at fair value through other comprehensive income" (FVOCI) category are solely the valuation results of the other equity investments.

Risk Management

Principles

The Uniper Group's risk management system is based on centrally developed principles applicable throughout the Group.

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 and Investor Relations. This committee discusses material risk exposures and decides on their disposition. Risk monitoring and the management of countermeasures includes 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.

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, 2018

€ in millions	Cash outflows 2019	Cash outflows 2020	Cash outflows 2021–2023	Cash outflows from 2024
Bonds	–	–	–	–
Commercial paper	493	–	–	–
Bank loans / Liabilities to banks	56	47	5	–
Lease liabilities	115	77	179	1,044
Other financial liabilities	108	7	35	427
Cash outflows for financial liabilities	**772**	**131**	**219**	**1,471**
Trade payables	1,320	–	–	–
Derivatives	16,890	9	7	19
Put-option liabilities pursuant to IAS 32	16	–	–	81
Other operating liabilities	693	–	–	–
Other liabilities intended for sale	81	–	–	–
Cash outflows for trade payables and other operating liabilities	**19,000**	**9**	**7**	**100**
Cash outflows for liabilities within the scope of IFRS 7	**19,772**	**140**	**226**	**1,571**

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 no 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**

As in the previous year, no financial guarantees were issued in the 2018 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.

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 foreign-currency shareholder loans. 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 additionally exposed to transaction risks in connection with transactions in foreign currencies. These risks arise for the Uniper Group companies primarily from physical and financial trading in commodities, from business relationships within the Uniper Group and from capital-spending projects in foreign currency. The Uniper companies are responsible for controlling their operating transaction risks. Uniper SE is responsible for the overall coordination of the companies' hedging activities and makes use of external derivative financial instruments as needed. These derivatives are generally measured at fair value through profit or loss. Uniper uses cash flow hedge accounting to a limited extent. The effective portion of the gains and losses on the hedging instrument are recognized in other comprehensive income and only reclassified to the income statement when the hedged item is recognized in income. As of December 31, 2018, cash flow hedges of existing foreign-currency transactions had terms of up to 5 years (2017: up to 6 years). In the 2018 and 2017 fiscal years, no material ineffectiveness resulted from these hedging relationships. €5 million (2017: €6 million) will be reclassified from OCI to the income statement in subsequent periods. Of this amount, €1 million is attributable to each of the 2019 and 2020 fiscal years and €3 million to the period after 2020.

Transaction risks also result from payments that arise from financial receivables and payables denominated in foreign currencies, such as from external financing in different foreign currencies and from foreign-currency shareholder loans within the Uniper Group.

As of December 31, 2018, the one-day value-at-risk (99% confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €23.6 million (2017: €22.8 million) and resulted primarily from the positions in Swedish kronor, British pounds and U.S. dollars.

Interest Risk Management

The subsidiaries of Uniper SE primarily fund themselves 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.

At this time, Uniper SE funds itself predominantly on the basis of floating-rate financial liabilities incurred on a short-term basis, so there is no resulting interest risk for Uniper. Accordingly, a disclosure about interest 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, 2018, the calendar-year-based, weighted value-at-risk, which takes market liquidities into account and ignores correlations between the years, was €423.3 million for financial and physical commodity positions covering a planning horizon of three years (2017: €326 million). The increased risk is explained by rising prices and elevated price volatility in the commodity markets.

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 €3,810 million (2017: €3,372 million) has been accepted in the context of risk management.

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 credit default swap (CDS) levels, stock prices and other market-relevant information at the banks and at other significant counterparties.

Allowances for Losses on Financial Assets

Loss allowances for expected credit losses are recognized on financial assets carried at amortized cost, lease receivables and contract assets, as well as on loan commitments. Loss allowances on trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. This applies even for those trade receivables and contract assets that contain a significant financing component. For all other financial assets within the scope of the IFRS 9 loss allowance model, 12-month expected credit losses are measured as long as the credit risk of a financial instrument has not increased significantly since initial recognition. If the credit risk of a financial asset does increase significantly, loss allowances are also recognized in an amount equal to full lifetime expected credit losses. A quarterly assessment takes place to determine whether there has been a significant increase in credit risk since initial recognition. If the credit risk is low, it is assumed not to have increased significantly. A financial asset with an investment-grade rating is assumed to have low credit risk. On the other hand, if an asset loses its investment-grade rating after initial recognition, it is assumed that the credit risk has increased significantly. For all other assets, a downgrade by two Uniper-internal ratings leads to the same assumption.

A financial asset will continue to be directly written down if there are no reasonable expectations of recovering it in its entirety or a portion of it. Such is the case, for example, if it is probable that the borrower will enter bankruptcy or other financial reorganization or if it becomes known that the borrower is in significant financial difficulty. There need not necessarily be one specific event leading to the conclusion that the asset is credit-impaired; the combined effect of several events can give rise to the same conclusion. An asset also is usually written down if contractual payments are more than 180 days past-due.

Uniper calculates expected credit losses using probabilities of default, which are determined for significant financial assets within credit risk management and applied both for expected credit losses pursuant to IFRS 13 and for the purposes of IFRS 9. Whenever possible, they 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.

The value of collateral and other measures taken to reduce credit risk (e.g., credit default insurance) is included in the calculation of expected credit losses in the "loss given default" ratio.

The following table provides a reconciliation of 2018 loss allowances in line with the classifications defined in IFRS 9:

Reconciliation of Loss Allowances by Asset Class

€ in millions	Accumulated loss allowances as of Jan. 1, 2018	Stage 1: 12-month ECL	Stage 2: Lifetime ECL	Simplified approach: Lifetime ECL	Stage 3: Lifetime ECL	Accumulated loss allowances as of Dec. 31, 2018
Trade receivables and contract assets	-78	–	–	-6	-6	-90
Other financial assets	-1	-1	–		-58	-60
Other provisions	-1	1	–	–	–	0
Total	**-80**	**–**	**–**	**-6**	**-64**	**-150**

The loss allowance reported for other financial assets relates primarily to an individually assessed "stage 3" shareholder loan. This loan is not collateralized.

Included within other provisions are provisions for expected credit losses on loan commitments.

An immaterial expected credit loss was calculated for cash and cash equivalents. The Uniper Group holds no financial assets that were already credit-impaired when they were purchased or originated. Lease receivables are presented under other financial assets.

Loss allowances for trade receivables and contract assets resulted from the following changes:

Loss Allowances for Trade Receivables and Contract Assets

€ in millions	2018 Stage 2	2018 Stage 3	2017
Impairment allowances as of January 1 (IAS 39)	**0**	**-72**	**-128**
IFRS 9 adjustments	-10	4	–
Loss allowances as of January 1 (IFRS 9)	**-10**	**-68**	**-128**
Change in scope of consolidation[1]	2	2	-1
Impairments on currently existing receivables	-20	-17	-4
Reversals / repaid or derecognized receivables	12	2	56
Other[2]	0	7	5
Loss allowances as of December 31	**-16**	**-74**	**-72**

[1]The change in the scope of consolidation consists primarily of the derecognition of, and of reclassifications into, disposal groups.
[2]"Other" includes currency translation differences.

The increase in accumulated "stage 2" loss allowances is attributable both to a higher level of receivables and to elevated probabilities of default per rating class in comparison with the beginning of the year.

No financial assets or liabilities were modified in the 2018 fiscal year; accordingly, modification had no impact on the loss allowances reported.

Credit Risk Exposure

Management of credit risks within the Uniper Group is not limited to financial assets within the scope of the IFRS 9 loss allowance model, it also extends especially to credit risks from open transactions and derivative financial instruments that are, for example, measured at fair value through profit or loss.

The following table shows the gross carrying amounts by rating class for assets carried at amortized cost, for lease receivables and for loan commitments:

Gross Carrying Amounts by Rating Class

€ in millions	2018 Stage 1	2018 Stage 2	2018 Stage 3	Loss allowances
Trade receivables and contract assets	0	8,378	71	90
Investment-grade or comparable rating	*N/A*	*5,936*	*16*	*23*
Non-investment-grade or comparable rating	*N/A*	*2,442*	*55*	*67*
Other financial assets	1,674	0	412	60
Investment-grade or comparable rating	*1,608*	*–*	*–*	*1*
Non-investment-grade or comparable rating	*66*	*–*	*412*	*59*
Other provisions	0	0	0	0
Investment-grade or comparable rating	*–*	*–*	*–*	*–*
Non-investment-grade or comparable rating	*–*	*–*	*–*	*–*
Total	**1,674**	**8,378**	**483**	**150**

Gross carrying amounts best reflect the maximum exposure of the assets to credit risk on the reporting date.

Cash and cash equivalents are generally invested with counterparties having good credit ratings. On December 31, 2018, holdings of cash and cash equivalents had a carrying amount of €1,149 million. 97% of this total was invested with investment-grade-rated banks.

Equity Instruments

IFRS defines equity, as distinct from debt, as the residual interest in the Uniper Group's assets after deducting all liabilities.

If shareholders of entities own statutory, non-excludable rights of termination (as in the case of German partnerships, for example), 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.

IAS 39 Accounting Treatment until December 31, 2017

Non-Derivative Financial Instruments

Uniper categorized financial assets as held for trading, as available-for-sale securities, or as loans and receivables. Securities classified as available for sale were measured at fair value on an ongoing basis. Any resulting unrealized gains and losses were reported as a component of equity, net of deferred taxes, until they were realized.

If there was objective evidence of impairment, any losses previously recognized in other comprehensive income were instead recognized in financial results. When estimating a possible impairment loss, the Uniper Group took 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 was 20% or more below their cost, or if the value had been, on average, significantly below their cost for a period of more than twelve months, that constituted objective evidence of impairment. For debt instruments, objective evidence of impairment was generally deemed present if the rating awarded by one of the three leading rating agencies had deteriorated from investment-grade to non-investment-grade. Reversals of impairment losses relating to equity instruments were recognized exclusively in equity, while reversals relating to debt instruments were recognized entirely in income.

Loans and receivables were subsequently measured at amortized cost. Loss allowances were recognized for identifiable individual risks.

Non-derivative financial liabilities were measured at amortized cost, using the effective interest method.

Derivative Financial Instruments and Hedging

Derivative financial instruments and separated embedded derivatives were measured at fair value as of the trade date at initial recognition and in subsequent periods. They were 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 were immediately recognized in income.

The instruments primarily used were foreign-exchange forwards and swaps. In commodities, the instruments used included physically and financially settled options and forwards related to electricity, gas, coal, oil and emission rights.

As part of fair value measurement, the counterparty risk was also taken into account for derivative financial instruments. The counterparty risks thus determined were allocated to the individual financial instruments by applying the relative fair value method on a net basis.

Hedge accounting requirements related, in particular, to the documentation of hedging relationships, the hedging strategy and ongoing retrospective and prospective measurement of effectiveness. Hedge accounting was considered to be appropriate if the assessment of hedge effectiveness indicated that the change in fair value of the hedging instrument was 80% to 125% effective at offsetting the change in fair value of the hedged item.

Changes in fair value of derivative instruments that had to be recognized in income were presented as other operating income or expenses. Gains and losses from derivative financial instruments were shown net as either revenues or cost of materials, provided they met the corresponding conditions for such accounting. Certain realized amounts were, if related to the sale of products or services, also included in sales or cost of materials.

Unrealized gains and losses that resulted from the initial measurement of derivative financial instruments at the inception of the contract were not recognized in income. They were instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applied if unrealized gains and losses from the initial measurement were verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In that case, the gains and losses were recognized in income.

Contracts that were 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, could be classified as own-use contracts. They were accounted for as open transactions.

Primary and derivative financial instruments were netted on the balance sheet if the Uniper Group had 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.

(30) Transactions with Related Parties

Related Entities

Uniper exchanges goods and services with a large number of entities as part of its continuing operations. These entities include related parties both of the Uniper Group and of the Fortum Group and the Republic of Finland, as well as their respective other subsidiaries. All transactions with related parties were conducted at market terms.

On June 26, 2018, the takeover offer made by Fortum Deutschland SE, which is a subsidiary of the Finnish company Fortum Oyj, was completed. As of that date, E.ON SE's significant influence over Uniper came to an end. Effective with the completion of the transaction, Uniper has become an associated company of Fortum Oyj, and includes it and its subsidiaries and joint ventures as related parties in its financial reporting. The same is true for the Republic of Finland – in its capacity as majority shareholder of Fortum Oyj – and its material subsidiaries.

Due to E.ON SE's significant influence over Uniper until June 25, 2018, income and expenses generated with E.ON SE and its subsidiaries and joint ventures continue to be presented as transactions involving entities with significant influence over Uniper until the date of acquisition. Effective with the completion of the takeover, income and expenses generated with Fortum Oyj and its subsidiaries and joint ventures, as well as with the Republic of Finland and material subsidiaries of the Republic of Finland, are presented as transactions involving entities with significant influence over Uniper.

Whereas receivables and liabilities involving E.ON SE and its subsidiaries were presented as related-party transactions in the 2017 comparative year, in the 2018 fiscal year, it is receivables and liabilities involving Fortum Oyj and its subsidiaries, associates and joint ventures that are presented as related-party transactions.

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 the transactions referred to in the following section made up by transactions with other related parties is not material.

There have been no material business transactions with the Republic of Finland, or with material subsidiaries controlled by it, since June 26, 2018.

The following were the principal transactions with related entities in the 2018 and 2017 fiscal years:

Related-Party Transactions – Income Statement

€ in millions	2018	2017
Income	**2,724**	**7,462**
Entities with significant influence over Uniper from June 26, 2018 (Fortum Group)	*64*	*N/A*
Entities with significant influence over Uniper until June 25, 2018, and until Dec. 31, 2017 (E.ON Group)	*2,224*	*7,034*
Associated companies	*383*	*371*
Joint ventures	*21*	*26*
Other related parties	*32*	*31*
Expenses	**1,745**	**3,601**
Entities with significant influence over Uniper from June 26, 2018 (Fortum Group)	*2*	*N/A*
Entities with significant influence over Uniper until June 25, 2018, and until Dec. 31, 2017 (E.ON Group)	*1,090*	*3,108*
Associated companies	*470*	*357*
Joint ventures	*111*	*47*
Other related parties	*72*	*89*

Related-Party Transactions – Balance Sheet

€ in millions	2018	December 31, 2017
Receivables	**943**	**2,262**
Entities with significant influence over Uniper	*4*[1]	*1,235*[2]
Associated companies	*509*	*531*
Joint ventures	*363*	*454*
Other related parties	*67*	*42*
Liabilities	**574**	**1,500**
Entities with significant influence over Uniper	*252*[1]	*1,166*[2]
Associated companies	*138*	*144*
Joint ventures	*49*	*48*
Other related parties	*135*	*142*

[1]Fortum Group
[2]E.ON Group

Transactions for Goods and Services and Financing Activities

Income generated from transactions with E.ON SE and with E.ON Group companies includes, in particular, revenues from deliveries of electricity and gas in the amount of €1,865 million (2017: €5,922 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 €789 million (2017: €2,524 million).

As of December 31, 2018, receivables from and liabilities to Fortum Oyj and Fortum Group companies exist in the amount of €4 million and €252 million, respectively. The liabilities are the result of a Fortum Group company's share in the financing of the nuclear power plant in Sweden that is jointly operated under Uniper's management.

As of December 31, 2017, receivables from and liabilities to E.ON SE and E.ON Group companies had consisted largely of trade receivables relating to electricity and gas transactions amounting to €589 million and trade payables relating to electricity and gas transactions amounting to €245 million.

Hedging Transactions and Derivative Financial Instruments

Gains from the marking to market of commodity forward transactions with E.ON Group companies amounted to €308 million in the first half of 2018 (2017: €1,002 million); corresponding losses amounted to €246 million (2017: €460 million).

There were no material effects from commodity forward transactions involving Fortum from June 26, 2018.

Collateral, Global Letters of Awareness, Guarantees

The Fortum Group has provided no collateral in favor of the Uniper Group. As of December 31, 2017, the guarantees issued by the E.ON Group had amounted to €2,488 million.

Transactions with Associated Companies

Expenses from transactions with related parties include the expense from a loss allowance recognized for a receivable of €58 million.

Related Persons

Related persons within the Uniper Group include the members of the Management Board and of the Supervisory Board (key management personnel).

The expense for the 2018 fiscal year for members of the Uniper Management Board amounted to €5.9 million (2017: €6.7 million) in short-term benefits, €0.0 million (2017: €0.0 million) in termination benefits and €1.0 million (2017: €1.1 million) in post-employment benefits. The expense for the share-based payment tranches in existence in 2018 was €12.0 million (2017: €9.2 million).

Accordingly, the total expense recognized was €18.9 million (2017: €17.0 million). Other provisions have been recognized in the amount of €2.8 million (2017: €12.4 million).

Additionally taken into account in the reporting year were actuarial gains totaling €75 thousand (2017: gains of €700 thousand). The cost of post-employment benefits is equal to the service and interest cost of the provisions for pensions. The present value of the defined benefit obligation was approximately €11.6 million as of December 31, 2018 (2017: €10.6 million).

A provision for variable compensation of €0.4 million was recognized to cover Uniper SE Supervisory Board compensation for 2018 (2017: €0.2 million). Reimbursements paid by Uniper SE to Supervisory Board members for outlays totaled roughly €70 thousand for the 2018 fiscal year (2017: €65 thousand).

The expense for short-term compensation of members of the Supervisory Board amounted to €1.1 million for the 2018 fiscal year (2017: €1.1 million). The expense for variable compensation amounted to €0.2 million (2017: €0.2 million). Employee representatives on the Supervisory Board were awarded compensation under existing employment contracts with subsidiaries of Uniper SE totaling €0.5 million (2017: €0.5 million).

For further details on the compensation of key management personnel, see also the Compensation Report beginning on page 90.

(31) Leases

IFRS 16 Accounting Treatment Since January 1, 2018

A lease arrangement is established by a contract (the lease) that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all of the capacity of the asset during the lease term.

If a contract contains more than one lease component, or a combination of leasing and selling transactions, the consideration is allocated to each of the lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices.

Uniper as Lessee

For leases with terms not exceeding twelve months, and for leases of low-value assets, Uniper has exercised the optional application exemptions. The lease payments under these contracts are generally recognized on a straight-line basis over the lease term as other operating expenses.

In all other leases in which Uniper acts as the lessee, the present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method.

Correspondingly, the right-of-use asset is recognized within property, plant and equipment at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. Payments made before the commencement date and incentives received from the lessor are also included in the carrying amount of the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the lease term or, if it is shorter, over the useful life of the leased asset. The provisions of IAS 36 concerning the determination and recognition of impairments of assets also apply to right-of-use assets.

If the expected lease payments change as a result of index-linked consideration, for example, or on the basis of new assessments of contractual options, the liability is remeasured. The adjustment to the new carrying amount generally takes place in equity, with a corresponding adjustment to the right-of-use asset.

In addition to owned assets, property, plant and equipment used by the Uniper Group also includes leased assets, which break down as follows:

Right-of-Use Assets within Property, Plant and Equipment

€ in millions	December 31, 2018	December 31, 2017
Owned property, plant and equipment	10,055	N/A
Right-of-use assets	557	N/A
Property, plant and equipment	**10,612**	**N/A**

Capitalized right-of-use assets relate especially to gas storage facilities and to land and buildings. Right-of-use assets have been capitalized for cargo ships and motor vehicles to a marginal extent. The right-of-use assets thus capitalized for leased property, plant and equipment had the following net carrying amounts as of December 31, 2018:

Right-of-Use Assets

€ in millions	December 31, 2018	December 31, 2017
Real estate and leasehold rights	46	N/A
Buildings	72	N/A
Technical equipment, plant and machinery	430	N/A
Other equipment, fixtures, furniture and office equipment	9	N/A
Total	**557**	**N/A**

Additions to right-of-use assets within property, plant and equipment amounted to €119 million in 2018. This amount consists primarily of €73 million in additions of technical equipment and machinery and of €38 million in additions of buildings.

Some of the leases contain price-adjustment clauses, as well as extension, purchase and termination options. Such options are taken into account in the determination of the lease term only if extension or non-termination can be assumed with reasonable certainty. On this basis, possible additional lease payments amounting to €192 million were not included in the measurement of lease liabilities in the 2018 fiscal year.

The corresponding lease payment obligations are presented in the Cash Flow Analysis table in Note 29.

Future lease commitments relating to leases that have not yet commenced as of December 31, 2018, amount to a total of €42 million.

The following amounts have been recognized in the income statement and in the cash flow statement:

Amounts Recognized in the Statement of Comprehensive Income

€ in millions	2018	2017
Depreciation charge for right-of-use assets	-72	N/A
Impairment charges on right-of-use assets	-83	N/A
Reversals of impairments on right-of-use assets	1	N/A
Interest expense on lease liabilities	-42	N/A
Expense relating to short-term leases	-180	N/A
Expense relating to leases of low-value assets, not including short-term leases	-3	N/A
Income from subleasing right-of-use assets	37	N/A
Total	**-342**	**N/A**

The depreciation expense for right-of-use assets related principally to technical equipment and machinery (€49 million) and to buildings (€15 million). Substantially all of the impairment charges on right-of-use assets (€82 million) related to technical equipment and machinery.

Amounts Reported in the Cash Flow Statement

€ in millions	2018	2017
Cash outflow for leases	366	N/A

In addition to the cash payments for the interest and principal portions of recognized lease liabilities, amounts reported in the cash flow statement also include payments for unrecognized short-term leases and for leases of low-value assets. Cash payments for the principal portion are reported within financing cash flow, and those for the interest portion are reported within operating cash flow.

Uniper as Lessor

Leases in which Uniper acts as the lessor and substantially all the risks and rewards arising from the use of the leased asset 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 lease term, using the effective interest method.

There exist a small number of operating leases in which Uniper is the lessor. In these leases, the leased asset generally continues to be presented on the Uniper Group's balance sheet and the lease payments are recognized as income on a straight-line basis over the lease term.

Finance Leases

Receivables from finance leases are primarily the result of certain electricity delivery contracts that, pursuant to IFRS 16, must be treated as leases. The nominal and present values of the outstanding lease payments have the following due dates:

Maturity Analysis of Undiscounted Lease Payments – Finance Leases

€ in millions	2018	2017
Due within 1 year	29	N/A
Due in 1 to 2 years	28	N/A
Due in 2 to 3 years	27	N/A
Due in 3 to 4 years	27	N/A
Due in 4 to 5 years	26	N/A
Due in more than 5 years	201	N/A
Total undiscounted lease payments	**338**	**N/A**
Interest component	129	N/A
Lease receivables	**209**	**N/A**
(Current)	21	N/A
(Non-current)	188	N/A

Interest income from finance leases was recognized in the amount of €17 million in the 2018 fiscal year.

IAS 17 Accounting Treatment until December 31, 2017

Leasing transactions were 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 defined 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, could also be classified as leases if the IFRIC 4 criteria are met. The Uniper Group was party to some agreements in which it was the lessor and to others in which it was the lessee.

Leasing transactions in which the Uniper Group was the lessee were classified either as finance leases or operating leases.

If the Company bore substantially all of the risks and rewards incident to ownership of the leased property, the lease was classified as a finance lease. Accordingly, the Company recognized on its balance sheet the leased asset and the associated liability in equal amounts. Recognition took 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 was depreciated over its useful economic life or, if it was shorter, the term of the lease. The liability was subsequently measured using the effective interest method.

All other transactions in which the Uniper Group was the lessee were classified as operating leases. Payments made under operating leases were generally expensed over the term of the lease on a straight-line basis.

Leasing transactions in which the Uniper Group was the lessor and substantially all the risks and rewards incident to ownership of the leased property were transferred to the lessee were classified as finance leases. In this type of lease, the present value of the minimum lease payments was recorded as a receivable. Payments by the lessee were apportioned between a reduction of the lease receivable and interest income. The income from such arrangements was recognized over the lease term, using the effective interest method.

Uniper as Lessor

Finance Leases

Receivables from finance leases were primarily the result of certain electricity delivery contracts that had to be treated as leases pursuant to IFRIC 4. The nominal and present values of the outstanding lease payments had the following due dates:

The present value of the outstanding lease payments was reported under receivables from finance leases.

Uniper as Lessee

Finance Leases

Especially gas storage facilities and IT infrastructure were utilized under finance leases and capitalized in the Consolidated Financial Statements, because the economic ownership of the leased assets was attributable to Uniper.

The property, plant and equipment thus capitalized had the following net carrying amounts as of December 31, 2018:

Uniper as Lessee – Carrying Amounts of Capitalized Lease Assets

	December 31	
€ in millions	**2018**	**2017**
Technical equipment, plant and machinery	N/A	394
Other equipment, fixtures, furniture and office equipment	N/A	1
Net carrying amount of capitalized lease assets	**N/A**	**395**

Some of the leases contained price-adjustment clauses, as well as extension and purchase options.

The corresponding payment obligations under finance leases were due as shown below:

Uniper as Lessee – Payment Obligations under Finance Leases

	Minimum lease payments		Covered interest share		Present values	
€ in millions	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Due within 1 year	N/A	47	N/A	37	N/A	10
Due in 1 to 5 years	N/A	183	N/A	143	N/A	40
Due in more than 5 years	N/A	968	N/A	566	N/A	402
Total	**N/A**	**1,198**	**N/A**	**746**	**N/A**	**452**

The present value of the minimum lease obligations was reported under liabilities from leases.

Operating Leases

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments were due as broken down in the table below:

Uniper as Lessee – Operating Leases

	Minimum lease payments	
€ in millions	**2018**	**2017**
Due within 1 year	N/A	122
Due in 1 to 5 years	N/A	153
Due in more than 5 years	N/A	181
Total	**N/A**	**456**

The expenses reported in the income statement for such contracts amounted to € 115 million.

(32) Segment Information

Applying the "management approach," the Company's operating segments are identified in line with the internal reporting structure used by 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").

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 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 also includes the marketing of energy services, which encompass engineering and asset management, as well as operational and maintenance services.

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 gas storage operations. In the 2017 fiscal year, all the activities of the Uniper Group relating to the equity investment in the Russian gas field Yuzhno-Russkoye that had been sold in November 2017 were also reported within this segment.

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, a 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. Until its disposal in the first half of 2018, there existed also 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. 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.

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 (and income from) 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	2018	2017
Income/Loss before financial results and taxes	**-161**	**-88**
Net income/loss from equity investments	9	-24
EBIT	**-152**	**-112**
Non-operating adjustments	1,017	1,226
Net book gains (-)/losses (+)	*31*	*890*
Fair value measurement of derivative financial instruments	*343*	*-88*
Restructuring / Cost-management expenses (+)/income (-)[1, 2]	*-73*	*18*
Non-operating impairment charges (+)/reversals (-)[3]	*681*	*400*
Miscellaneous other non-operating earnings	*35*	*6*
Adjusted EBIT	**865**	**1,114**
For informational purposes: Adjusted EBITDA	*1,543*	*1,741*

[1]Expenses for (and income from) restructuring and cost management in the Global Commodities segment included depreciation and amortization of €12 million in 2018 (2017: €14 million).
[2]Not included in restructuring and cost-management expenses/income are 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 income statement 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, a loss of €31 million was realized from the sale of the investment in the joint venture Pecém II Participações S.A. This loss resulted primarily from the reclassification to the income statement of currency translation differences that previously had been recognized in equity as accumulated other comprehensive income.

In the 2017 fiscal year, the sale of the interest in the Russian Yuzhno-Russkoye gas field to the Austrian oil and gas company OMV had been finalized. The disposal at the end of November 2017 had 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.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement of derivatives used to hedge the operating business against price fluctuations resulted in a net expense of €343 million as of the December 31, 2018, reporting date due to higher market values (2017: net income of €88 million).

Restructuring / Cost Management

The income of €73 million reported for the 2018 fiscal year (2017: €18 million expense) resulted largely from the partial reversal of miscellaneous provisions that had been recognized for non-operating effects in the course of the spin-off from E.ON. In addition, restructuring provisions that had been recognized before the spin-off for non-operating effects were reversed.

Non-operating Impairment Charges/Reversals

In the reporting period, non-operating impairment charges were recognized, net of non-operating impairment reversals, in the amount of €681 million (2017: €400 million), mainly in the European Generation and Global Commodities segments. A charge of €369 million was recognized for the Datteln 4 hard-coal power plant currently under construction. In addition to a change in the assessment from the previous year with regard to its future commissioning due to the need to replace the boiler walls as reported in the first half of the year, the proposals made by the Coal Commission to end coal-fired power generation by 2038 at the latest were taken into account. Furthermore, an impairment loss of €206 million was recognized on the French Provence 4 power plant unit in the European Generation segment, and an impairment loss of €132 million on German gas storage infrastructure in the Global Commodities segment. Reversals of impairments recognized in previous years amounted to €165 million in fiscal 2018, and related mainly to British power plants.

In the previous year, non-operating impairments had been recognized on goodwill allocated to Yuzhno-Russkoye and on fossil-fuel power plants in the European Generation segment. This had been offset by reversals of impairments on fossil-fuel power plants in the European Generation segment and on gas infrastructure in the Global Commodities segment.

Miscellaneous Other Non-operating Earnings

Miscellaneous other non-operating earnings amounted to -€35 million in the 2018 fiscal year (2017: -€6 million). The deterioration resulted primarily from a charge recognized as part of the revaluation and settlement of allocations that vested prematurely under the long-term incentive ("LTI") packages for the years 2015, 2016 and 2017. These allocations arose from the change-of-control event that followed the completion of the takeover offer by Fortum Deutschland SE.

Financial Information by Segment for the 2018 Fiscal Year

€ in millions	European Generation	Global Commodities	International Power Generation	Administration/ Consolidation	Uniper Group
External sales	3,281	73,833	1,060	2	78,176
Intersegment sales	10,013	10,141	–	-20,154	–
Sales	**13,294**	**83,974**	**1,060**	**-20,152**	**78,176**
Adjusted EBIT (segment result)	**386**	**318**	**278**	**-117**	**865**
Equity-method earnings[1]	-1	61	–	1	61
Operating cash flow before interest and taxes	**646**	**333**	**354**	**-144**	**1,189**
Investments	**397**	**32**	**190**	**23**	**642**

[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 accounted for under the equity method as presented in the income statement in accordance with IFRS.

Financial Information by Segment for the 2017 Fiscal Year

€ in millions	European Generation	Global Commodities	International Power Generation	Administration/ Consolidation	Uniper Group
External sales	3,199	67,862	1,170	7	72,238
Intersegment sales	3,908	3,172	–	-7,080	–
Sales	**7,107**	**71,034**	**1,170**	**-7,073**	**72,238**
Adjusted EBIT (segment result)	**337**	**341**	**616**	**-180**	**1,114**
Equity-method earnings[1]	–	105	-5	2	102
Operating cash flow before interest and taxes	**545**	**800**	**671**	**-298**	**1,718**
Investments	**518**	**49**	**222**	**54**	**843**

[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 accounted for under the equity method as presented in the income statement in accordance with IFRS.

The increase in intragroup sales between the European Generation and Global Commodities segments is mainly attributable to the changed transfer-pricing mechanism in effect between the power plant operating companies and the trading unit in the Global Commodities segment since January 1, 2018. In the new mechanism, the trading locks in a future selling price for the electricity expected to be generated by the power plant operating companies by entering into hedges at current market prices in the context of a portfolio management contract, so that the resulting revenues are ultimately reported directly in the European Generation segment, while the power plant operating companies show the financial effect of price hedging of their generation positions. The change in the mechanism is also reflected in a corresponding increase in the cost of materials. The revenues attributable to the Administration/Consolidation reconciliation item increased as a result of the consolidation of the aforementioned effects, and the changes in transfer pricing thus have no impact on the earnings, financial condition and net assets of the Uniper Group.

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	2018	2017	Difference
Operating cash flow	**1,241**	**1,385**	**-144**
Interest payments	15	1	14
Tax payments (+) / refunds (-)	-67	332	-399
Operating cash flow before interest and taxes	**1,189**	**1,718**	**-529**

Additional Entity-Level Disclosures

External sales by product break down as follows:

Sales by Segment and Product in the 2018 Fiscal Year

€ in millions	European Generation	Global Commodities	International Power Generation	Administration/ Consolidation	Uniper Group
Electricity	10,486	33,896	1,025	-16,340	29,067
Gas	2,192	44,465	–	-3,054	43,603
Other	616	5,613	35	-758	5,506
Total	**13,294**	**83,974**	**1,060**	**-20,152**	**78,176**

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 as of December 31, 2018, and for the 2018 Fiscal Year

€ in millions	Germany	United Kingdom	Sweden	Netherlands	Europe (other)[1]	Other regions	Total
External sales by location of customer	25,493	16,393	1,312	22,516	11,380	1,082	78,176
External sales by location of seller	74,611	167	151	436	2,374	437	78,176
Intangible assets	696	1	57	5	6	3	768
Property, plant and equipment	3,634	1,186	2,692	744	2,254	102	10,612
Companies accounted for under the equity method	302	45	48	34	–	11	440

[1]In the 2018 fiscal year, sales by customer location in Russia have been reported under “Europe (other).” In the previous year, Russian sales had been reported under “Other regions.”

Geographic Segment Information as of December 31, 2017, and for the 2017 Fiscal Year

€ in millions	Germany	United Kingdom	Sweden	Netherlands	Europe (other)	Other regions	Total
External sales by location of customer	23,393	16,881	1,049	17,299	10,111	3,505	72,238
External sales by location of seller	66,425	100	182	733	2,869	1,929	72,238
Intangible assets	720	2	60	14	21	2	819
Property, plant and equipment	3,935	1,090	2,775	759	2,884	53	11,496
Companies accounted for under the equity method	312	37	51	39	–	9	448

The Group’s customer structure did not result in any major concentration in any given geographical region or business area. 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.

(33) Other Significant Issues after the Balance Sheet Date

The Commission on Growth, Structural Change and Employment established by the German federal government in June 2018 presented recommendations on January 26, 2019, concerning, among other things, an end date for coal-fired power generation and accompanying structural measures in lignite mining regions. Specifics on the proposals are expected to be released in the coming months, followed by legislative action to implement them. The valuation and risk scenarios take into account these current developments, including the uncertainty concerning concrete implementation.

To initiate a fresh start in redefining the future partnership between Fortum and Uniper, the Supervisory Board's Executive Committee and Uniper's Chief Executive Officer, Klaus Schäfer, and Uniper's Chief Financial Officer, Christopher Delbrück, came to a mutual agreement in early February 2019 on a termination of their respective employment contracts and their respective appointments as members of the Management Board of Uniper SE effective August 31, 2019.

There are no other events of particular importance after the close of the 2018 fiscal year.

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 28, 2019

The Management Board

Klaus Schäfer

Christopher Delbrück

Keith Martin

Eckhardt Rümmler

(34) 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, 2018)

Legal name, Registered Office	Percentages
AB Svafo, SE, Nyköping[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, Stockholm[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 Benelux Geothermie B.V. (in liquidation), NL, Rotterdam[2]	100.00
E.ON Perspekt GmbH, DE, Essen[5]	30.00
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.00
EASYCHARGE.me GmbH, DE, Düsseldorf[2, 7]	100.00
EGC UAE SUPPLY & PROCESSING LTD FZE (in liquidation), 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
German/Swiss Hydropower Consultancy GbR, DE, Landshut[2]	74.00
Goldcup 17546 AB, SE, Sundsvall[2]	100.00
Greanex LLC, US, Wilmington[1]	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
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

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company for reasons of immateriality (valued at cost)
[3]Joint ventures pursuant to IFRS 11
[4]Associated company (valued using the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other companies in which share investments are held
[7]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b
[8]IFRS figures as of December 31, 2017, in EUR
[9]Local-GAAP figures as of December 31, 2017, in EUR

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2018)

Legal name, Registered Office	Percentages
Liqvis GmbH, DE, Düsseldorf[2, 7]	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
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4]	29.98
RGE Holding GmbH, DE, Essen[1, 7]	100.00
Rhein-Main-Donau GmbH, DE, München[1]	77.49
Ringhals AB, SE, Väröbacka[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, Täby[5]	33.30
Stensjön Kraft AB, SE, Stockholm[4]	50.00
Surschiste, S.A., FR, Mazingarbe[2]	100.00
Svensk Kärnbränslehantering AB, SE, Solna[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, Karlshamn[1]	100.00
Teplárna Tábor, a.s., CZ, Tábor[1]	51.95
Uniper Anlagenservice GmbH, DE, Gelsenkirchen[1]	100.00
Uniper Austria GmbH (in liquidation), AT, Wien[2]	100.00
Uniper Belgium N.V., BE, Vilvoorde[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. (in liquidation), BR, City of São Paulo[2]	100.00
Uniper Climate & Renewables France Solar S.A.S., FR, Colombes[1]	100.00
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

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company for reasons of immateriality (valued at cost)
[3]Joint ventures pursuant to IFRS 11
[4]Associated company (valued using the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other companies in which share investments are held
[7]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b
[8]IFRS figures as of December 31, 2017, in EUR
[9]Local-GAAP figures as of December 31, 2017, in EUR

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2018)

Legal name, Registered Office	Percentages
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[1, 7]	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[1]	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 Systemstabilität GmbH, DE, Düsseldorf[2]	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 UK Corby Limited, GB, Birmingham[1]	100.00
Uniper UK Cottam Limited, GB, Birmingham[2]	100.00
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
Vaultige AB, SE, Stockholm[5]	50.00

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company for reasons of immateriality (valued at cost)
[3]Joint ventures pursuant to IFRS 11
[4]Associated company (valued using the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other companies in which share investments are held
[7]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b
[8]IFRS figures as of December 31, 2017, in EUR
[9]Local-GAAP figures as of December 31, 2017, in EUR

Other companies in which share investments are held

Legal name, Registered Office	%	Equity as at reporting date 2018	Net income as at reporting date 2018
Other companies in which share investments are held			
AS Latvijas Gaze, LV, Riga[4, 9]	18.26	306,250,000.00	28,913,000.00
ENEVA S.A., BR, Rio de Janeiro[6, 8]	6.10	1,212,970,972.10	22,165,074.07
Forsmarks Kraftgrupp AB, SE, Östhammar[6, 9]	8.50	685,309,306.86	-560,328.94
Mellansvensk Kraftgrupp AB, SE, Stockholm[6, 9]	5.35	7,814,779.42	0.00

[1]Consolidated affiliated company
[2]Non-consolidated affiliated company for reasons of immateriality (valued at cost)
[3]Joint ventures pursuant to IFRS 11
[4]Associated company (valued using the equity method)
[5]Joint venture or associated company (accounted for at cost for reasons of immateriality).
[6]Other companies in which share investments are held
[7]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b
[8]IFRS figures as of December 31, 2017, in EUR
[9]Local-GAAP figures as of December 31, 2017, in EUR

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 mandates in other governing bodies	Entry date / Departure date
Dr. Bernhard Reutersberg (Chairman of the Supervisory Board, Uniper SE)	Chairman of the Supervisory Board		From Dec. 18, 2015
Harald Seegatz (Deputy Chairman of the Supervisory Board, Uniper SE)	Chairman of the Group Employee Council	Uniper Kraftwerke GmbH	From April 14, 2016
Markus Rauramo (Deputy Chairman of the Supervisory Board, Uniper SE)	Chief Financial Officer, Fortum Oyj	Wärtsilä Oyj Abp Teollisuuden Voima Oyj Mentten Oy Vaka-säätiö sr Fortum Assets Oy, Chairman Fortum C&H Oy, Chairman Fortum Finance Ireland DAC from 03/2018 Fortum Heat and Gas Oy, Chairman Fortum Power and Heat Oy, Chairman PAO Fortum, Chairman	From July 30, 2018
Dr. Marc Spieker (Deputy Chairman of the Supervisory Board, Uniper SE)	Chief Financial Officer, E.ON SE	Nord Stream AG E.ON Verwaltungs SE, Chairman from 03/2018	Until July 16, 2018
Ingrid Marie Åsander	Project Coordinator	Sydkraft Hydropower AB	From April 14, 2016
Oliver Biniek	Employee Representative	Uniper Anlagenservice GmbH, Deputy Chairman until 04/2018	From April 14, 2016
Jean-Francois Cirelli	Chairman, BlackRock France, Belgium and Luxembourg	Idemia Sonepar from 07/2018 SAUR from 12/2018	From Jan. 1, 2017
David Charles Davies	Independent Board Member	Ophir Energy Plc Wienerberger AG, Deputy Chairman Petrofac Ltd from 05/2018	From June 8, 2017
Dr. Marion Helmes	Consultant	Bilfinger SE until 05/2018 ProSiebenSat.1 Media SE, Deputy Chairman NXP Semiconductors N.V. until 06/2018 British American Tobacco Plc. Siemens Healthineers AG from 03/2018 Heineken N.V.	From Jan. 1, 2017
Barbara Jagodzinski	Financial Manager		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 Inc. Gas Technology Institute, Deputy Chairman CARDNO Inc. from 03/2018	From Jan. 1, 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	Position	Other directorships	Entry date
Klaus Schäfer	Chairman of the Management Board, Chief Executive Officer	Uniper Global Commodities SE, Chairman Uniper Kraftwerke GmbH, Chairman PAO Unipro, Chairman	Dec. 30, 2015
Christopher Delbrück	Member of the Management Board, Chief Financial Officer	PAO Unipro until 06/2018	Dec. 30, 2015
Keith Martin	Member of the Management Board, Chief Commercial Officer		March 1, 2016
Eckhardt Rümmler	Member of the Management Board, Chief Operating Officer	Uniper Technologies GmbH, Chairman until 04/2018 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 1 January to 31 December 2018 (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 289b 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 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 in-formation 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 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b 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
- Inspection of relevant documents and systems for data collection and reporting
- 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 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b 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, 1 March 2019

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.

Commercial paper ("CP")
Short-term, unsecured debt instruments issued by entities such as businesses and banks. CPs are generally issued on a discounted basis. Repayment is then made at the nominal amount.

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 to investors domestically and abroad in public, syndicated and private placements.

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 consolidated 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).

Free cash flow
The free cash flow target is a parameter in which the dividend is deducted from the free cash flow of the operating business. Uniper aims 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.

Forward market

A forward market is the economic venue where supply and demand of forward transactions meet. Forward transactions must be executed by the contracting parties within an agreed fixed period, which extends beyond the spot period on which the market is based.

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.

Non-operating result

The non-operating result includes non-operating business transactions, mainly book gains and losses from major divestments and the fair value measurement of derivative financial instruments.

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).

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
Spin-off is a legal term in the German law governing the reorganization of corporate entities ("Abspaltung"). A spin-off is a separation process in which a company transfers one or more parts of its assets to existing or newly established companies (target companies) by way of universal succession, while the original entity remains intact. As a rule, the owners of the transferring entity receive shares in the target company in return.

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. Spot/cash transactions must be executed by the contracting parties within the spot period underlying the market (usually a few days after conclusion of the transaction). The counterpart to the spot market is the derivatives market.

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.

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Financial Calendar

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

March 10, 2020
Annual Report: 2019

May 7, 2020
Quarterly Statement: January–March 2020

May 20, 2020
2020 Annual Shareholders Meeting (Düsseldorf, Congress Center)

August 11, 2020
Half-Year Interim Report: January–June 2020

November 10, 2020
Quarterly Statement: January–September 2020

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