uniper

Quarterly Statement Q3 2017

Financial Results

This document is a Quarterly Statement pursuant to Section 50 of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) as of June 26, 2017, and does not represent an interim financial report as defined in IAS 34.

Only the German version of this Quarterly Statement is legally binding.

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- Net income and adjusted FFO significantly above prior-year period
- Economic net debt slightly below prior-year level following substantial inventory build-up
- Full-year adjusted EBIT forecast of €1.0 to €1.2 billion and dividend proposal for fiscal 2017 affirmed

Business Model of the Group

Uniper is an investor-owned international energy company with operations in more than 40 countries and some 13,000 employees. Its business is the secure provision of energy and related services. 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. The ultimate lead company of the Group is Uniper SE; the corporate headquarters are in Düsseldorf, Germany.

Business Report

Industry Environment

The Uniper Group's business activities are subject to various statutory requirements, in particular those of European and national law. The corresponding regulatory environment has seen extensive change in the past in all of the countries where the Uniper Group operates, and it is expected to change significantly in the future as well. In particular, the energy policy and regulatory requirements in the markets in which the Uniper Group is active have had a considerable influence on its revenue and earnings in the past, and it is expected that they will continue to have an impact on revenues and earnings in the future.

Energy Policy and Regulatory Environment

In the European Union ("EU"), the dominant theme continued to be the negotiations on the United Kingdom's withdrawal, while the debate on reforms to the European emissions trading system ("ETS") still has not been brought to a conclusion.

Following the German Bundestag elections on September 24, 2017, negotiations on forming a new government coalition are now underway. In these talks, three of the Bundestag parties will try to build a parliamentary majority to form the next German government. The coalition talks are not expected to conclude before the end of 2017 because some of the positions of the respective parties are very far apart. This is also especially true for energy policy, which will fundamentally shape the industry's future environment in Germany.

In the Netherlands, the coalition agreement establishing the new government was presented on October 10, 2017. One of the priorities in energy and climate policy will be to phase out coal-fired electricity generation by 2030 in consultation with operators of coal-fired power plants. It is further intended to impose an additional national charge (carbon price floor) to bring the price of CO_2 in European emissions trading to €43 per metric ton by 2030. New subsidies for the use of biomass in power plants are set to end beginning in 2024.

New energy legislation in France, which includes, among other things, a phase-out of national oil and gas exploration and production by 2040, as well as reforms to gas-storage regulations and new rules for the remuneration of energy suppliers by the distribution system operator, is in the parliamentary deliberation stage and is expected to be enacted by the end of 2017. The proposal to end coal-fired electricity generation by 2022 had already been presented in July 2017, and was followed in September 2017 by a proposal to impose an EU-wide carbon tax as part of a series of wider reforms to the European Union.

British government activity continues to be dominated by "Brexit" issues such as the parliamentary deliberations on the "Repeal Bill" which, when enacted, will transfer existing EU laws into British law, and the Prime Minister's speech in Florence proposing a two-year transitional period for the UK's withdrawal from the EU. In February 2017, the government conducted a public consultation on the future of coal-fired electricity generation, which has not yet been evaluated. The Clean Growth Strategy published in October 2017 provides for an end to coal-fired electricity generation by 2025, among other measures. The national CO_2 price for 2020 and subsequent years will be published together with the budget in the autumn.

Business Performance

Operational Developments

The following events had a significant impact on business in the first nine months of 2017:

Levels and flows of water in the rivers feeding the German hydroelectric power plants were substantially below those recorded in the first nine months of the previous year; this was offset only in part by comparatively higher water volumes in Sweden in the same period. At the Swedish nuclear power plants, the reintroduction in December 2016 of the Ringhals 2 plant made a positive impact that was diminished in part by the closure of the Oskarshamn 1 power plant and the unavailability of the Ringhals 1 plant. Reduced special taxation of nuclear and hydroelectric power plants in Sweden also contributed positively to earnings.

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

With its gas-storage and gas-optimization portfolio, Uniper made a contribution to the security of supply in continental Europe in the first nine months of 2017 and generated additional short-term optimization income in the process. Against this backdrop, significant seasonal gas inventories were built up in the third quarter of 2017 to prepare for the coming winter.

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

On March 5, 2017, Uniper Exploration & Production GmbH entered into an agreement with the Austrian oil and gas company OMV Exploration & Production GmbH on the sale of its interest in the Russian gas field Yuzhno-Russkoye. The purchase price for Uniper's interest is USD 1,850 million (approximately €1,749 million, based on an agreed exchange rate of €1 = USD 1.0575), plus transferred liquid funds as of the December 31, 2016, balance sheet date. The closing of the transaction is still subject to co-shareholder consent. The antitrust and foreign-trade approvals of the respective competent Russian authorities that are required for the closing of the transaction have already been issued. The transaction is expected to close in the fourth quarter of 2017.

In January 2017, Uniper received the requisite permit for the Datteln 4 power plant pursuant to immission-control laws and continues to make progress on the road to commissioning. Individual components are currently being tested, and test operation has begun. Uniper expects to be able to bring the plant into service in the second quarter of 2018.

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

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

In the first nine months of 2017, the Russian majority shareholding Unipro received the expected remaining insurance payment of €315 million (RUB 20.4 billion) for damage caused by a boiler fire in the Berezovskaya 3 power plant unit. The project to repair the boiler is currently within expected cost and time parameters.

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

Changes in Ratings

Fortum Oyj and Fortum Deutschland SE communicated the preparation of a voluntary public takeover offer in an ad-hoc announcement on September 20, 2017, and then announced the decision to make the offer pursuant to Section 10 of the German Securities Acquisition and Takeover Act ("WpÜG") on September 26, 2017. Against that backdrop, S&P Global Ratings (Standard & Poor's) affirmed Uniper's BBB- rating with a positive outlook on September 22, 2017. Even in the event of a successful completion of the sale of the interest in the Yuzhno-Russkoye gas field, there is now no likelihood of any positive ratings change before the announced takeover offer closes.

Uniper is additionally rated by Scope Ratings AG. The agency had given Uniper a rating of BBB+ with a stable outlook in June 2017, placing particular emphasis on the continued reduction in net debt following the successful completion of the sale of the stake in the Russian gas field Yuzhno-Russkoye.

Earnings

Sales Performance

Sales

January 1–September 30 € in millions	2017	2016	+/- %
European Generation	5,131	4,726	8.6
Global Commodities	52,273	47,251	10.6
International Power Generation	869	756	14.9
Administration/Consolidation	-5,335	-4,736	-12.6
Total	**52,938**	**47,997**	**10.3**

At €52,938 million, sales revenues in the nine-month period of 2017 exceeded the prior-year level by roughly 10% (prior-year period: €47,997 million).

The increase in sales by €4,941 million is primarily attributable to increased trading activities in the electricity business and to higher sales amid higher volumes in the gas business of the Global Commodities segment. The increase in the cost of materials was almost entirely in line with this development.

European Generation

Sales in the European Generation segment rose by €405 million, from €4,726 million in the prior-year period to €5,131 million in the nine-month period ended September 30, 2017.

The increase in sales is primarily attributable to higher sales in France, reflecting better market conditions there.

Global Commodities

Sales in the Global Commodities segment rose by €5,022 million, from €47,251 million in the prior-year period to €52,273 million in the nine-month period ended September 30, 2017.

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

International Power Generation

Sales in the International Power Generation segment rose by €113 million, from €756 million in the prior-year period to €869 million in the first nine months of 2017.

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

Administration/Consolidation

The reconciliation item consists primarily of consolidation entries and fell by €599 million, from -€4,736 million in the nine-month period of 2016 to -€5,335 million in the nine-month period of 2017.

Sales by product break down as follows:

Sales

January 1–September 30 € in millions	2017	2016	+/- %
Electricity	21,675	19,582	10.7
Gas	28,109	26,812	4.8
Other	3,154	1,603	96.8
Total	**52,938**	**47,997**	**10.3**

Significant Earnings Trends

The net income of the Group improved to €782 million (prior-year period: -€4,233 million). Income before financial results and taxes increased to €958 million (prior-year period: -€3,680 million).

The principal factors driving this earnings trend are presented below:

The cost of materials rose to €50,983 million in the first three quarters of 2017 (prior-year period: €44,898 million). The increase in the cost of materials is primarily attributable to higher volumes in electricity procurement and to higher volumes and prices in gas procurement. Accordingly, the trend in the cost of materials was almost identical to the trend in sales. The cost of materials was further increased by the non-recurrence of expense reductions achieved in the previous year from the reversal of a provision (€383 million) that had resulted from an adjustment of price terms in long-term gas delivery contracts to reflect current market conditions.

Personnel costs fell to €737 million in the first nine months of 2017 (prior-year period: €925 million). Aside from cost-cutting, this reduction is attributable to the non-recurrence of the expense incurred for a restructuring provision recognized in the previous year. These effects were slightly offset by the integration of service functions of EBS, which previously had been reportable under other operating expenses as services received.

Impairment charges recognized in the first nine months of 2017 amounted to €46 million (prior-year period: €2,861 million). The decrease is mainly attributable to the non-recurrence of impairments recognized in the European Generation and Global Commodities segments in the previous year. Depreciation and amortization fell to €474 million in the first nine months of 2017 (prior-year period: €570 million). This is primarily a consequence of depreciation amounts having been reduced by impairments recognized in the previous year.

Other operating income increased to €8,948 million in the first three quarters of 2017 (prior-year period: €6,174 million). This increase resulted especially from higher gains on derivative financial instruments, which rose to €7,592 million (prior-year period: €4,558 million), caused primarily by the marking to market of commodity derivatives. Other operating income was increased further by the award of insurance payments as a consequence of the damage sustained in the previous year by the Berezovskaya 3 power plant unit in Russia. This was offset by the non-recurrence of €528 million in gains recognized in the previous year on the disposal of the shares in PEG Infrastruktur AG ("PEGI"), including its equity interest in Nord Stream AG. In addition, income from exchange rate differences fell to €694 million (prior-year period: €718 million).

Other operating expenses rose to €8,900 million in the first nine months of 2017 (prior-year period: €8,704 million). This increase is primarily attributable to higher losses on derivative financial instruments, which rose to €7,457 million (prior-year period: €5,860 million), mainly due to the marking to market of commodity derivatives. Offsetting effects included the non-recurrence of expenses reported in the previous year for the recognition of a provision of €935 million for onerous contracts in the Global Commodities segment and a provision of €231 million for German real estate transfer tax that had arisen in connection with the spin-off. Another non-recurring effect was the loss of €171 million recognized in the previous year on the disposal of property, plant and equipment, which had arisen as a consequence of a fire in Unit 3 of the Berezovskaya power plant in Russia.

Reconciliation of Income/Loss before Financial Results and Taxes

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

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

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

Reconciliation of Income/Loss before Financial Results and Taxes

January 1–September 30 € in millions	2017	2016
Income/loss before financial results and taxes	**958**	**-3,680**
Net income/loss from equity investments	2	10
EBIT	**960**	**-3,670**
Non-operating adjustments	-8	4,922
Net book gains/losses	*–*	*-522*
Fair value measurement of derivative financial instruments	*-72*	*1,310*
Restructuring / Cost management expenses [1, 2]	*13*	*316*
Non-operating impairment charges (+)/reversals (-) [3]	*34*	*2,850*
Miscellaneous other non-operating earnings	*17*	*968*
Adjusted EBIT	**952**	**1,252**

[1]Expenses for restructuring / cost management in the Global Commodities segment included depreciation and amortization of €11 million in the first nine months of 2017 (prior-year period: €12 million).
[2]Expenses for restructuring / cost management do not include expenses incurred for the current restructuring program and its related subprojects.
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the 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 expenses for restructuring / cost management 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

No non-operating book gains or losses on sales were realized in the reporting period. The net book gains/losses of €522 million in the nine-month period of 2016 had resulted primarily from the disposal of PEGI, including its equity interest in Nord Stream AG, and from the disposal of Uniper's stake in AS Latvijas Gāze.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement of derivatives used to hedge the operating business against price fluctuations generated income of €72 million as of the September 30, 2017, reporting date (prior-year period: -€1,310 million).

Restructuring / Cost Management

In the nine-month period of 2017, restructuring and cost-management expenses decreased by €303 million year over year. They amounted to €13 million in the nine-month period of 2017 (prior-year period: €316 million). The reduction resulted primarily from a one-time expense of €231 million for real-estate transfer taxes that arose in the context of the spin-off in 2016.

Non-operating Impairments

Non-operating impairments amounting to €34 million were recorded in the reporting period (prior-year period: €2,850 million). As in the prior-year period, they related to the European Generation and Global Commodities segments.

The decrease relative to the prior-year period resulted primarily from the fact that impairment charges were recognized in the prior-year period at a level that was not required in the first nine months of 2017. Reasons for impairments in the nine-month period of 2016 had included, in particular, amended estimates of the regulatory conditions and the change in the market environment, which had led to a deterioration in forecast earnings for the affected assets in the nine-month period of 2016.

Miscellaneous Other Non-operating Earnings

Miscellaneous other non-operating earnings amounted to -€17 million in the nine-month period of 2017 (prior-year period: -€968 million). The improvement resulted primarily from the non-recurrence of a provision for onerous contracts that was recognized in income in the comparative period of 2016 and from lower depreciation of overall reduced gas inventories relative to the prior-year period.

Adjusted EBIT

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

Segments

The following table shows adjusted EBIT for the nine-month period of 2017 and the comparable nine-month period of 2016 broken down by segment:

Adjusted EBIT

January 1–September 30 **€ in millions**	**2017**	**2016**	**+/- %**
European Generation	280	153	83.0
Global Commodities	278	1,295	-78.5
International Power Generation	537	-17	>100
Administration/Consolidation	-143	-179	20.1
Total	**952**	**1,252**	**-24.0**

European Generation

Adjusted EBIT in the European Generation segment rose by €127 million, from €153 million in the prior-year period to €280 million in the nine-month period ended September 30, 2017.

This positive development is primarily attributable to the impairments recognized on fossil-fuel power plants in 2016, which has had the effect of reducing the depreciation expense in the nine-month period of 2017. Additional earnings in the first nine months of 2017 were provided by cost-cutting and the return to service of the Swedish nuclear power plant Ringhals 2 at the end of 2016, as well as by non-recurring effects from the elimination of charges stemming from the recognition of a restructuring provision in 2016 and by higher income from the provision of system services. Earnings were further supported by reduced taxation of hydroelectric and nuclear power plants in Sweden. These effects were partly offset by negative price developments in the European wholesale electricity markets.

Global Commodities

Adjusted EBIT in the Global Commodities segment fell by €1,017 million, from €1,295 million in the prior-year period to €278 million in the nine-month period ended September 30, 2017.

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

International Power Generation

Adjusted EBIT in the International Power Generation segment rose by €554 million, from -€17 million in the prior-year period to €537 million in the first nine months of 2017.

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

Administration/Consolidation

Adjusted EBIT attributable to the Administration/Consolidation reconciliation item improved by €36 million, from -€179 million in the nine-month period of 2016 to -€143 million in the nine-month period of 2017.

Adjusted Funds from Operations

Beginning in 2017, adjusted funds from operations ("adjusted FFO") is a key performance indicator used by the Uniper Group for determining, among other things, the residual cash flow available for distribution to shareholders and the variable compensation of the Management Board. This measure is described in detail in the Combined Management Report for the 2016 fiscal year.

Adjusted FFO for the first nine months of 2017 amounted to €727 million, a year-over-year increase of €545 million (prior-year period: €182 million). The main reason for the increase was the non-recurrence of the use in the prior-year period of provisions for past delivery periods as a consequence of the successful conclusion of price negotiations in the context of long-term gas procurement contracts.

Financial Condition

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

Debt

Compared with December 31, 2016, Uniper's economic net debt fell by €114 million to -€4,053 million as of September 30, 2017 (December 31, 2016: -€4,167 million). Operating cash flow was primarily consumed by investments and the dividend distribution, leaving the net financial position virtually unchanged. However, reduced provisions for pensions and asset retirement obligations ultimately effected the positive change in economic net debt.

Economic Net Debt

€ in millions	Sep. 30, 2017	Dec. 31, 2016
Liquid funds	672	341
Non-current securities	100	160
Financial liabilities	-3,147	-2,870
Net financial position	**-2,375**	**-2,369**
Provisions for pensions and similar obligations	-694	-785
Provisions for asset retirement obligations[1]	-984	-1,013
Economic net debt	**-4,053**	**-4,167**

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

Financial liabilities increased by €277 million in the first three quarters of 2017. In the first quarter of 2017, Uniper SE had repaid in full the remaining amount of €800 million outstanding as of December 31, 2016, under the term loan that was part of the syndicated bank financing agreement (original amount: €2,000 million). As of September 30, 2017, the revolving credit facility was drawn in the amount of €250 million, principally to fund seasonal working capital requirements, and commercial paper was issued in the amount of €995 million.

Investments

Investments

January 1–September 30 € in millions	2017	2016
Investments		
European Generation	*318*	*316*
Global Commodities	*28*	*86*
International Power Generation	*134*	*103*
Administration/Consolidation	*32*	*6*
Total	**512**	**511**
Growth	*304*	*272*
Maintenance and replacement	*208*	*239*

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

In the nine-month period ended September 30, 2017, the development in the European Generation segment is attributable primarily to higher growth investments for the Datteln 4 site. This was offset by lower maintenance and replacement spending affecting mainly coal- and gas-fired power plants in the United Kingdom and in France.

The reduction in the Global Commodities segment resulted from lower spending on growth investments relative to the prior-year period.

In the nine-month period of 2017, €134 million was invested in the International Power Generation segment, €31 million more than in the prior-year period (€103 million). This increase is primarily attributable to the investment in the reconstruction of Unit 3 of the Berezovskaya power plant.

The increase in the Administration/Consolidation reconciliation item relative to the nine-month period of 2016 was mainly due to the transfer of assets in connection with the integration of service functions of EBS.

Cash Flow

Cash Flow

January 1–September 30 € in millions	2017	2016
Cash provided by operating activities (operating cash flow)	**950**	**2,389**
Cash provided by (used for) investing activities	**-634**	**492**
Cash provided by (used for) financing activities	**100**	**-1,162**

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

Cash provided by operating activities (operating cash flow) fell by €1,439 million in the first nine months of 2017 to €950 million (prior-year period: €2,389 million). The principal driver of this reduction in operating cash flow was a comparatively low outflow for gas procurement under long-term supply contracts in the prior-year period due, in particular, to changes in the timing of payments. Operating cash flow had additionally been augmented in the prior-year period by extraordinary income from gas optimization activities and by a one-time payment made by the Finnish energy utility Fortum in relation to its pro-rata assumption of costs for the partial decommissioning of the Oskarshamn nuclear power plant in Sweden.

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

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

Operating Cash Flow before Interest and Taxes

January 1–September 30 € in millions	2017	2016	Difference
Operating cash flow	**950**	**2,389**	**-1,439**
Interest payments	-1	179	-180
Tax payments	240	-62	302
Operating cash flow before interest and taxes	**1,189**	**2,506**	**-1,317**

Cash Flow from Investing Activities

Cash provided by (used for) investing activities fell from €492 million in the first nine months of 2016 by €1,126 million to -€634 million in the nine-month period of 2017. The decrease in proceeds from disposals to €29 million (prior-year period: €1,223 million) had a negative effect. The inflows in the prior-year period had resulted primarily from the sale of the shares in PEGI, including its equity interest in Nord Stream AG, to E.ON Beteiligungen GmbH in March 2016.

Cash Flow from Financing Activities

In the first three quarters of 2017, cash provided by financing activities amounted to €100 million (prior-year period: -€1,162 million). The increase compared with the previous year is primarily attributable to the non-recurrence of special effects in 2016, especially the non-recurrence of repayments of financial liabilities to the E.ON Group in the first quarter of 2016. It was offset in the first three quarters of 2017 by the repayment of the loan extended under the syndicated bank financing agreement in the amount of €800 million and by the first dividend distribution to Uniper shareholders in the amount of €201 million. The funding of seasonal working capital requirements by drawing on the revolving credit facility and the issuance of commercial paper led to inflows of funds totaling €1,245 million.

Assets

Non-current assets as of September 30, 2017, declined relative to December 31, 2016, from €27,199 million to €24,917 million. The principal cause for this was the reclassification to assets held for sale of the company associated with the disposal of the Yuzhno-Russkoye gas field, AO Gazprom YRGM Development, and of the stake in the company OAO Severneftegazprom, in the amount of approximately €1,779 million. In addition, there was a reduction of €915 million in deferred tax assets resulting primarily from netting with deferred tax liabilities. These effects were offset in part by the valuation-related increase of €637 million in receivables from derivative financial instruments.

Current assets fell from €21,672 million as of December 31, 2016, to €18,353 million. The primary causes of the decline were the valuation-related reduction in receivables from derivative financial instruments from €10,139 million by €4,191 million to €5,948 million, and the decrease in trade receivables from €7,353 million by €1,406 million to €5,947 million. These were partly offset by the reclassification of the Yuzhno-Russkoye gas field from non-current and current assets in the amount of €1,890 million in total.

Equity increased from €12,803 million to €13,131 million as of September 30, 2017. The net income of the Group made a positive contribution of €782 million to equity. The dividend distributed to Uniper shareholders in the second quarter in the amount of €201 million offset some of this increase, as did the effect of foreign exchange rates on assets and liabilities, in the amount of €303 million. The equity ratio as of September 30, 2017, at 30%, was higher than the 26% reported as of December 31, 2016.

Non-current liabilities decreased from €15,272 million at the end of the previous year to €13,744 million as of September 30, 2017. The decrease resulted primarily from loan repayments in the amount of €818 million. In addition, deferred tax liabilities were reduced by €1,115 million, primarily as a result of netting with deferred tax assets. These effects were offset in part by the valuation-related increase in liabilities from derivative financial instruments from €3,315 million by €755 million to €4,070 million.

Current liabilities fell significantly from €20,796 million at the end of the previous year to €16,395 million. This development is primarily attributable to the valuation-related decrease in liabilities from derivative financial instruments from €10,532 million by €4,590 million to €5,942 million. An amount of €261 million relating to the Yuzhno-Russkoye gas field is classified as liabilities associated with assets held for sale.

Risk Report

The risk management system and the measures taken to limit risk are described in detail in the Combined Management Report for the 2016 fiscal year.

In the course of conducting its commercial activities, the Uniper Group is exposed to a number of risks that are inseparably linked to its business activities. The resulting financial risks, market risks, operating risks, legal risks, and political and regulatory risks, as well as their respective subcategories, were discussed in detail in the 2016 Management Report. Both the risk categories and the methodology for determining assessment classes are unchanged from the 2016 Annual Report.

In the 2017 Half-Year Interim Report, which has been available online at www.uniper.energy since is was published on August 7, 2017, those risk (sub)categories have been discussed in which the assessment class has changed as of June 30, 2017, compared with December 31, 2016.

When quantifiable risks are considered, the Uniper Group's overall risk situation has improved as of September 30, 2017, relative to the situation on June 30, 2017. The improvement is attributable to successful risk-mitigation and risk-avoidance measures and to reduced risk estimates, but also to the occurrence of risks. The principal risk categories affected are: risks relating to the construction of technical facilities, IT risks, and political and regulatory risks. The risk situation has also changed materially with regard to qualitative risks. There was an improvement resulting from the U.S. administration's release of public guidance on the implementation of the sanctions legislation relating to Russian energy export pipelines.

The risk situation deteriorated in the qualitatively-assessed risks by virtue of the Fortum offer to acquire E.ON's shareholding in Uniper. The uncertainty entailed in such a takeover offer could lead to the loss of important employees and hence to business process interruptions and non-achievement of financial targets. In addition, there could be negative effects on Uniper's credit rating if the rating agencies were to determine that the acquisition would bring about a deterioration of Uniper's credit profile, or expect such a deterioration to occur in the medium term. Finally, the exercise of change-of-control clauses could have detrimental effects.

Opportunity Report

Both risks and opportunities are reported, provided the underlying issues can be adequately specified and appear significant. Significant opportunities are characterized by facts and circumstances that may have a significant positive impact on financial or earnings performance by the segments over and above previous planning assumptions and are reported separately by Group Controlling.

The key opportunities for Uniper's business are described in the Combined Management Report within the 2016 Annual Report. Compared with the 2017 Half-Year Interim Report, the situation has improved with opportunities presented by the possibility of passing on a portion of the costs in one of the plant-construction projects.

Forecast Report

The forecast for the 2017 fiscal year continues to reflect the difficult conditions in the energy industry and will additionally be characterized by the non-recurrence of the positive one-time earnings effect from the renegotiation of long-term gas-procurement contracts. The sale of the interest in the Russian gas field Yuzhno-Russkoye is expected to be completed by the end of 2017 and is also taken into account in the earnings forecast.

When communicating its figures for the first half of 2017 Uniper decided to revise the earnings forecast for full-year 2017 and is affirming that forecast in the third quarter of 2017: the adjusted EBIT range for the 2017 fiscal year is between €1.0 billion and €1.2 billion (previously: €0.9–€1.2 billion).

Uniper SE and Subsidiaries Consolidated Statements of Income

	July 1–September 30		January 1–September 30	
€ in millions	**2017**	**2016**	**2017**	**2016**
Sales including electricity and energy taxes	15,755	14,789	53,316	48,370
Electricity and energy taxes	-122	-119	-378	-373
Sales	**15,633**	**14,670**	**52,938**	**47,997**
Changes in inventories (finished goods and work in progress)	6	11	46	3
Own work capitalized	34	19	79	28
Other operating income	1,206	1,383	8,948	6,174
Cost of materials	-15,155	-13,900	-50,983	-44,898
Personnel costs	-242	-361	-737	-925
Depreciation, amortization and impairment charges	-151	-156	-520	-3,431
Other operating expenses	-1,694	-1,894	-8,900	-8,704
Income from companies accounted for under the equity method	13	19	87	76
Income/Loss before financial results and taxes	**-350**	**-209**	**958**	**-3,680**
Financial results	7	-5	26	-369
Net income/loss from equity investments	*-1*	*-1*	*2*	*10*
Income from other securities, interest and similar income	*48*	*17*	*136*	*86*
Interest and similar expenses	*-40*	*-21*	*-112*	*-465*
Income taxes	68	-134	-202	-184
Net income/loss	**-275**	**-348**	**782**	**-4,233**
Attributable to shareholders of Uniper SE	*-284*	*-361*	*683*	*-4,232*
Attributable to non-controlling interests	*9*	*13*	*99*	*-1*
in €				
Earnings per share (attributable to shareholders of Uniper SE)—basic and diluted				
from continuing operations	-0.78	-0.99	1.87	-11.56
from net income/loss	**-0.78**	**-0.99**	**1.87**	**-11.56**

Uniper SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	July 1– September 30 2017	July 1– September 30 2016	January 1– September 30 2017	January 1– September 30 2016
Net income/loss	**-275**	**-348**	**782**	**-4,233**
Remeasurements of defined benefit plans	-23	-93	125	-744
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	–	-1	–
Income taxes	7	14	-42	7
Items that will not be reclassified subsequently to the income statement	**-16**	**-79**	**82**	**-737**
Cash flow hedges	-7	-3	-14	-18
Unrealized changes	*-2*	*-13*	*-3*	*-18*
Reclassification adjustments recognized in income	*-5*	*10*	*-11*	–
Available-for-sale securities	-7	9	-1	4
Unrealized changes	*9*	*9*	*16*	*4*
Reclassification adjustments recognized in income	*-16*	–	*-17*	–
Currency translation adjustments	-32	-18	-275	229
Unrealized changes	*-32*	*-18*	*-286*	*229*
Reclassification adjustments recognized in income	–	–	*11*	–
Companies accounted for under the equity method	-3	1	-25	130
Unrealized changes	*-3*	*1*	*-25*	*37*
Reclassification adjustments recognized in income	–	–	–	*93*
Income taxes	–	-12	-2	2
Items that might be reclassified subsequently to the income statement	**-49**	**-23**	**-317**	**347**
Total income and expenses recognized directly in equity	**-65**	**-102**	**-235**	**-390**
Total recognized income and expenses (total comprehensive income)	**-340**	**-450**	**547**	**-4,623**
Attributable to shareholders of Uniper SE	*-340*	*-410*	*484*	*-4,435*
Attributable to non-controlling interests	–	*-40*	*63*	*-188*

Uniper SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Sept. 30, 2017	Dec. 31, 2016
Assets		
Goodwill	2,197	2,701
Intangible assets	816	2,121
Property, plant and equipment	11,482	11,700
Companies accounted for under the equity method	589	827
Other financial assets	681	728
Equity investments	*581*	*568*
Non-current securities	*100*	*160*
Financial receivables and other financial assets	3,367	3,054
Operating receivables and other operating assets	4,489	3,857
Income tax assets	6	6
Deferred tax assets	1,290	2,205
Non-current assets	**24,917**	**27,199**
Inventories	1,943	1,746
Financial receivables and other financial assets	1,004	1,268
Trade receivables and other operating assets	12,576	18,250
Income tax assets	206	64
Liquid funds	672	341
Securities and fixed-term deposits	*66*	*162*
Restricted cash and cash equivalents	*93*	*10*
Cash and cash equivalents	*513*	*169*
Assets held for sale	1,952	3
Current assets	**18,353**	**21,672**
Total assets	**43,270**	**48,871**
Equity and Liabilities		
Capital stock	622	622
Additional paid-in capital	10,825	10,825
Retained earnings	4,720	4,156
Accumulated other comprehensive income[1]	-3,663	-3,382
Equity attributable to shareholders of Uniper SE	**12,504**	**12,221**
Non-controlling interests	627	582
Equity	**13,131**	**12,803**
Financial liabilities	1,478	2,376
Operating liabilities	4,762	3,993
Income taxes	–	–
Provisions for pensions and similar obligations	694	785
Miscellaneous provisions	6,324	6,517
Deferred tax liabilities	486	1,601
Non-current liabilities	**13,744**	**15,272**
Financial liabilities	1,669	494
Trade payables and other operating liabilities	12,734	18,348
Income taxes	299	188
Miscellaneous provisions	1,432	1,766
Liabilities associated with assets held for sale	261	–
Current liabilities	**16,395**	**20,796**
Total equity and liabilities	**43,270**	**48,871**

[1]The accumulated other comprehensive income also includes currency translation differences of -€856 million attributable to the Russian gas field Yuzhno-Russkoye, which is held for sale.

Uniper SE and Subsidiaries Consolidated Statements of Cash Flows

January 1–September 30 € in millions	2017	2016
Net income/loss	**782**	**-4,233**
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	520	3,431
Changes in provisions	-357	87
Changes in deferred taxes	1	54
Other non-cash income and expenses	-40	44
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (> 3 months)	-22	-384
Changes in operating assets and liabilities and in income taxes	66	3,390
Cash provided by operating activities	**950**	**2,389**
Proceeds from disposal of	29	1,223
Intangible assets and property, plant and equipment	15	8
Equity investments	*14*	*1,215*
Purchases of investments in	-512	-511
Intangible assets and property, plant and equipment	*-497*	*-447*
Equity investments	*-15*	*-64*
Cash payments in connection with disposals	-66	–
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	939	1,032
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-938	-1,232
Changes in restricted cash and cash equivalents	-86	-20
Cash provided by (used for) investing activities	**-634**	**492**
Payments received/made from changes in capital[1]	11	127
Transactions with the E.ON Group[2]	–	-2,808
Cash dividends paid to shareholders of Uniper SE	-201	–
Cash dividends paid to other shareholders	-17	-27
Changes in financial liabilities[3]	307	1,546
Cash provided by (used for) financing activities	**100**	**-1,162**
Net increase in cash and cash equivalents	**416**	**1,719**
Effect of foreign exchange rates on cash and cash equivalents	-13	12
Cash and cash equivalents at the beginning of the year[4]	169	299
Cash and cash equivalents from disposal groups	-59	–
Cash and cash equivalents at the end of the quarter	**513**	**2,030**
Supplementary Information on Cash Flows from Operating Activities		
Income taxes paid (less refunds)	-240	62
Interest paid	-47	-243
Interest received	48	64
Dividends received	64	34

[1]No material netting has taken place in either of the years presented here.
[2]The transactions with the E.ON Group mostly relate to payments arising from dividends and from profit-and-loss-pooling agreements and to financing with the E.ON Group in 2016.
[3]Proceeds from financial liabilities in the first nine months of 2017 amounted to €1,242 million (prior-year period: €2,462 million), while repayments of financial liabilities for the first nine months of 2017 amounted to -€935 million (prior-year period: -€916 million).
[4]Cash and cash equivalents of discontinued operations at the beginning of the year also include an amount of €21 million from the Yuzhno-Russkoye disposal group.

Financial Calendar

March 8, 2018
Release of the 2017 Annual Report

May 8, 2018
Quarterly Statement: January–March 2018

June 6, 2018
2018 Annual Shareholders Meeting (Grugahalle, Essen)

August 7, 2018
Half-Year Interim Report: January–June 2018

November 13, 2018
Quarterly Statement: January–September 2018

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