Annual Report 2016

Financial Results

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

Contents

Dear Shareholders,

Many of you decided to remain as shareholders of Uniper in the autumn of 2016, after our separation from the E.ON Group and our initial public offering. You have been joined by many new investors who are confident that we will play a key role in the energy world of tomorrow. On behalf of all of Uniper's employees, I would like to express my thanks for your trust in us. The performance of Uniper's share price, as well as our inclusion in the MDAX, underscore the confidence placed in us and motivate us to continue taking your company forward successfully. So what does our comparatively young company stand for now, after an almost hundred-year history with its predecessor companies? Where are our opportunities and unique strengths in the ever more diverse energy industry?

Energy is essential if we want to move things and get things done. We need energy for everything from moving the muscles in our bodies, to heating and lighting our houses and apartments, to supplying energy to entire cities or large industrial plants. Energy comes in many different forms: fire from coal or gas, heat from the light of the sun, or the movement of the wind. Some forms of energy can change, but they all have one thing in common—they set something in motion. That's what we do at Uniper. Our business is the secure provision of energy and related services. We focus on power generation in Europe and Russia and on energy-related commodity trading worldwide—especially gas.

Uniper generates energy from a variety of sources, but especially hydroelectric power, coal and gas. The fact that Uniper is not currently associated with renewable energies does not mean in any way that we are not modern, innovative or sustainable—just look at our 200 hydropower plants in Germany and Sweden for the proof.

The energy transition that everyone—including Uniper—wants will only succeed through a combination of conventional and renewable energy providers. As a pioneer in the energy transition, Uniper is ensuring that power will continue to flow even when the wind isn't blowing and the sun isn't shining, and that gas remains available for industry and private households. This is what gives me and my colleagues at Uniper the energy to take your company forward. To do this, we want to create value in three fields: we want to contribute to system stability in the European electricity and gas markets, take advantage of increasing integration in the global energy markets, and participate in the growing global electricity markets.

With the expansion of renewable energies, demand is increasing in Europe for flexible generation capacity to ensure that our energy supply remains secure and affordable. This is where Uniper comes in: with our flexible, dispatchable generation facilities and many years of experience in gas procurement and storage, we play an important role in many European countries when it comes to security of supply. More and more countries—including large markets such as France, the United Kingdom, and Sweden—are recognizing that security of supply is not a given, and have already introduced new mechanisms for the provision of power generation capacity. These mechanisms, called capacity markets, guarantee that, even in stressful situations, sufficient energy can be produced at fair prices, with competition between different providers.

An ever-increasing proportion of Uniper's generation fleet is competing successfully on this basis. In the United Kingdom, all seven of our power plants were successful in the capacity market auction held in 2016 for the period from October 2020 through September 2021. Uniper receives an appropriate fee to keep power plants online to compensate for fluctuations in the energy grid, thereby ensuring security of supply. This makes revenues from our power plants significantly more predictable. And it allows us to contribute to a secure energy supply in these countries.

Uniper is also one of Europe's largest energy traders. We buy and sell a broad array of energy resources and products in a worldwide market for our own generation facilities and for our customers: natural gas, electricity, hard coal, liquefied natural gas (LNG), freight charters and emission allowances. Our trading activities help to connect global energy markets and at the same time broaden the supplier base by supplying gas to industry and to residential and business customers indirectly through our municipal-utility partners.

We also see opportunities for Uniper in many countries outside of Europe, so that we can grow alongside the increasing energy demand around the globe. The latest World Energy Outlook from the International Energy Agency (IEA) shows that demand is also rising for conventionally-generated energy. The report states that fossil fuels, especially natural gas, will continue to play an indispensable role in supplying worldwide energy demand in the coming decades, despite the rapidly-climbing proportion of renewable forms of energy.

Uniper's operating business experienced solid development in the 2016 fiscal year, in what continues to be a challenging market environment. At €2.1 billion and €2.2 billion, respectively, adjusted EBITDA and operating cash flow have improved significantly. Our net loss for 2016, on the other hand, was particularly influenced by impairment charges that totaled €3.4 billion. In the context of reviewing our assumptions about the long-term developments in commodity and electricity prices, we recognized impairments and provisions primarily on generation facilities and in the gas-storage business.

We are working on sustainably improving Uniper's cash inflows and cost situation in order to enable us to navigate safely against a rugged headwind from the markets and have sufficient financial latitude. To this end, we have imposed strict discipline on expenditure and investments. In a Group-wide program, Uniper is currently implementing a new and powerful reorganization. We want to reduce our annual controllable costs from €2.3 billion in 2015 by €0.4 billion to €1.9 billion by 2018. We had already achieved a significant portion of these cost reductions as of year-end 2016.

We can also report success in reducing our economic net debt, which as of the December 31, 2016, reporting date stood at €4.2 billion, just over €2.5 billion less than a year ago. Overall, Uniper has performed solidly in the 2016 fiscal year, both operationally and financially. On the one hand, this gives us a good foundation in 2017 to ensure Uniper's competitiveness over the long term. On the other hand, we have, as planned, the necessary latitude to pay out a dividend of 55 euro cent per share for the 2016 fiscal year.

Dear shareholders, Uniper will succeed in helping to shape the energy world of tomorrow. We have the energy to set all of this in motion. This I promise you on behalf of our entire workforce. Our contribution to a secure energy supply will still be needed for a long time. We want to continue to improve our financial profile in the 2017 fiscal year and maintain our solid operating performance. At the same time, we want to continue taking advantage of market opportunities and innovations, and to identify new business for Uniper. We will focus, above all, on projects in which we can apply our experience and our technological expertise. This will enable us to create value for our customers and partners. By the end of 2018, Uniper should be sufficiently weatherproofed to allow us to begin looking for growth projects again. I look forward to your continued support as we move ahead on the exciting path of the energy transition.

With best wishes,

Klaus Schäfer

Klaus Schäfer

Dear Shareholders,

Uniper has been an operationally independent company since January 1, 2016, and listed on the stock exchange since September 2016. For Uniper events in the past year were dominated the completion of the legal spin-off from the E.ON Group, the Company's financial and operational reorganization, the initial public offering and the adjustment of its cost structures to the challenging market environment. These topics also determined the work of the Supervisory Board significantly in 2016.

In the 2016 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 its 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.

As the Supervisory Board of Uniper AG (change in legal form to Uniper SE on April 14, 2016), which had only three members at the beginning of 2016, we addressed in depth the issues relevant to the Company in one regular and two extraordinary meetings. Two Supervisory Board members of Uniper AG attended all meetings of the Supervisory Board; one member was unable to attend two meetings but submitted a vote in writing in each case. The main topics of these meetings were governance issues and corporate measures taken in preparation for the spin-off.

Moreover, during preparations in April 2016 for Uniper's conversion to a Societas Europaea ("SE"), the six representatives already appointed by the shareholders to serve on the Uniper SE Supervisory Board had by that time met jointly with the Uniper AG Supervisory Board. On that occasion, they dealt mainly with the spin-off of the Uniper Group from the E.ON Group and with external financing.

After the conversion of Uniper AG into Uniper SE, we met a total of six times as the Uniper SE Supervisory Board (consisting of twelve members) between May and December 2016; at these meetings we dealt extensively with various issues described in what follows.

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.

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. Accordingly, the Supervisory Board was continually 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.

Key Topics of the Supervisory Board's Discussions

In the context of the Group's operating business, we discussed in detail the price movements in the national and international energy and currency markets and the business situation of the Group companies, about which we were continually informed by the Management Board. More specifically, we discussed Uniper's and the Uniper Group's current assets, financial condition and earnings, as well as workforce developments and the earnings opportunities and risks for the Group.

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).

Other overarching topics of our discussions included developments in European and German energy policy, advancing regulation and the macro-economic 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.

We thoroughly discussed current developments in our business activities. The Management Board provided us with detailed information about the successful entry into service of the Maasvlakte 3 power plant in the Netherlands and the progress on the conversion of the Provence 4 power plant in France. In addition, the Supervisory Board was informed on an ongoing basis about the status of the Company's nuclear energy operations in Sweden (in particular, the decommissioning of units 1 and 2 at Oskarshamn) and the progress of Datteln 4, a new generating unit under construction in Germany. In relation to the Irsching 4 and 5 power plant units, we were also informed about the official prohibitions on decommissioning. We also engaged in ongoing discussions with the Management Board about the fire that broke out at the Berezovskaya 3 power plant in Russia at the beginning of 2016, and approved the decision to rebuild the plant after intense deliberation.

The strategy of the Company and its further development were discussed extensively. This included deliberations concerning the portfolio of business activities in view of the divestitures being considered.

In the global trading business, we were informed in detail about the successful renewal of supply contracts with existing major customers. In addition, the Supervisory Board consulted intensively on the price negotiations with Gazprom and gave its approval to corresponding negotiating mandates, which led to the successful agreement with our Russian partners. We were also kept regularly informed about Uniper's proposed participation in the Nord Stream 2 pipeline project.

We were informed by the Management Board about the cooperation agreement concluded with SOCAR (The State Oil Company of the Azerbaijan Republic) in Azerbaijan as new business approaches. We were also updated on the progress being made in the newly-formed joint venture in India.

Furthermore, the Management Board discussed with us in detail the Uniper Group's financing requirements, and at the beginning of the year was given the corresponding approvals for the conclusion of external financing. Subsequently, the focus of our deliberations and decision-making was the preparation and execution of the initial public offering of Uniper SE in Germany, which took place in September and was well received by investors. We were kept informed on an ongoing basis after the IPO about the stock's market performance and the shareholder structure.

The Management Board also informed us continually and extensively about the restructuring program set up to make the necessary adjustments of cost and organizational structures to the difficult market environment.

With respect to legal matters, the Management Board reported extensively on the progress of Uniper's spin-off from the E.ON Group, and obtained the necessary approvals from the Supervisory Board.

In addition, we and the Management Board thoroughly discussed Uniper's medium-term plan for 2017–2019, including the impairment charges that had to be recognized on coal-fired power plants, gas-fired power plants and gas storage facilities due to updated assumptions regarding long-term trends in energy and commodity prices, in capacity market premiums and in summer/winter price differences, as well as in political developments relating to the decarbonization of the energy markets.

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 first declaration of compliance with the German Corporate Governance Code (the "Code") for Uniper SE in February of 2017, which is now publicly available on the Uniper SE website. With one exception concerning the publication date of the quarterly statement for September 30, 2016, Uniper SE complied with the Code's recommendations and will in future comply fully, without exception. The Management Board states its views on the Code's suggestions in the Corporate Governance Report. These suggestions are already being complied with in full.

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 is in the Corporate Governance Report can also be found on page 78. 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 so-called Interim Committee of the Supervisory Board met three times. This Interim Committee was responsible for advising the Management Board on issues relating to the ending of the contractual group relationship with E.ON and the preparation and implementation of the spin-off of Uniper SE. All members of the Interim Committee participated in one of the meetings; two of the three members were present at two meetings, with the absent member submitting a vote in writing. One of the issues dealt with by the committee in these meetings was the allocation of risk capital and associated hedging measures. After the completion of the spin-off and stock exchange listing, the Interim Committee was dissolved effective September 12, 2016.

The Supervisory Board's Executive Committee met a total of four times. All committee members participated in two meetings; five of the six members were present at two meetings, with the absent member submitting a vote in writing in each case. In particular, this committee prepared the meetings of the full Supervisory Board. Furthermore, it discussed Management Board compensation and did comprehensive preparatory work for the Supervisory Board's resolutions on these matters. The adjustment of the business distribution plan resulting from the internal restructuring program was also discussed and adopted. In addition, the Executive Committee prepared the Supervisory Board's resolutions to determine that the Management Board met its targets for 2016 and to set the targets for 2017.

The Audit and Risk Committee met three times in the 2016 fiscal year. All committee members participated in two meetings; three of the four members were present at two meetings, with one member absent and excused. In consultation with the independent auditor, and having given due attention to the audit reports prepared by the independent auditor, the committee addressed the interim reporting of Uniper SE for 2016, in particular, in the context of a thorough examination. The committee discussed the audit methodology and the audit approach of the independent auditor, as well as the audit fees for the first six months and for the remainder of 2016, and specified audit priorities. The Audit and Risk Committee intensively addressed market conditions, especially long-term market changes, as well as regulatory and political developments and the resulting impairment consequences for Uniper's activities. It reviewed the results of impairment tests and the necessary impairment charges.

Other focus areas included an examination of Uniper's risk situation and risk management, as well as its risk-bearing capacity and the quality assurance of its risk-management system. This examination was based on consultations with the independent auditor and, among other things, reports from the Company's Risk Committee, including the quarterly regular risk reports.

The committee also addressed in detail the work performed by internal audit, including the audits conducted in 2016, and dealt with the audit planning and the specification of audit priorities for 2016 and 2017. Furthermore, the committee discussed the internal control system (ICS), the respective compliance reports and the compliance system, as well as 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. Other topics included the status of the preparations and documents for the planned spin-off, as well as the development of interest rates and their influence on the company's long-term obligations.

The Nomination Committee did not meet in the 2016 fiscal year because no relevant resolutions were pending.

Examination and Approval of the Annual Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2016

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft (change in legal form to PricewaterhouseCoopers GmbH on March 1, 2017), 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 of Uniper SE and the Combined Group Management Report for the year ended December 31, 2016.

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 Financial Statements Meeting of the Supervisory Board on March 7, 2017, 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 €0.55 per ordinary share, also taking into consideration the Company's liquidity and the financing and investment planning. The proposal is in the Company's interest with due consideration for the shareholders' interests. After examining and weighing all arguments, we agree with the Management Board's proposal for profit appropriation.

Personnel Changes on the Management Board

The Management Board, which consisted of three members at the beginning of 2016, was expanded on March 1, 2016, through the appointment of Keith Martin as Chief Commercial Officer. Mr. Martin was given responsibility for Uniper's global trading business, sales and group purchasing.

Page 75 of this report outlines the task areas for which each of the members of Uniper SE's Management Board is responsible as of December 31, 2016.

Personnel Changes on the Supervisory Board and Its Committees

With the transition of Uniper AG to the legal form of an SE, the Supervisory Board consisting of three members (Dr. Bernhard Reutersberg, Mr. Michael Sen and Dr. Johannes Teyssen) has been expanded to twelve members, of whom six were appointed by the shareholders at the Annual Shareholders Meeting and six by the employees in accordance with the provisions of the SE Participation Agreement.

Therefore, effective with the change in legal form on April 14, 2016, in addition to Dr. Reutersberg, Mr. Sen and Dr. Teyssen, the shareholders will be represented on the Uniper SE Supervisory Board by Mr. Karl-Heinz Feldmann, Dr. Marc Spieker and Dr. Verena Volpert and the employees will be represented by Ms. Ingrid Åsander, Mr. Oliver Biniek, Ms. Barbara Jagodzinski, Mr. Andre Muilwijk, Mr. Andreas Scheidt and Mr. Harald Seegatz.

Effective December 31, 2016, three shareholder representatives on the Supervisory Board—Mr. Feldmann, Mr. Sen and Dr. Volpert—resigned their positions when E.ON SE relinquished its control of Uniper SE. By means of a court appointment, Mr. Jean-Francois Cirelli, Dr. Marion Helmes and Ms. Rebecca Ranich were then appointed as members of the Supervisory Board effective January 1, 2017.

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 2016 fiscal year.

Düsseldorf, March 7, 2017
The Supervisory Board

Best regards,

Dr. Bernhard Reutersberg
Chairman

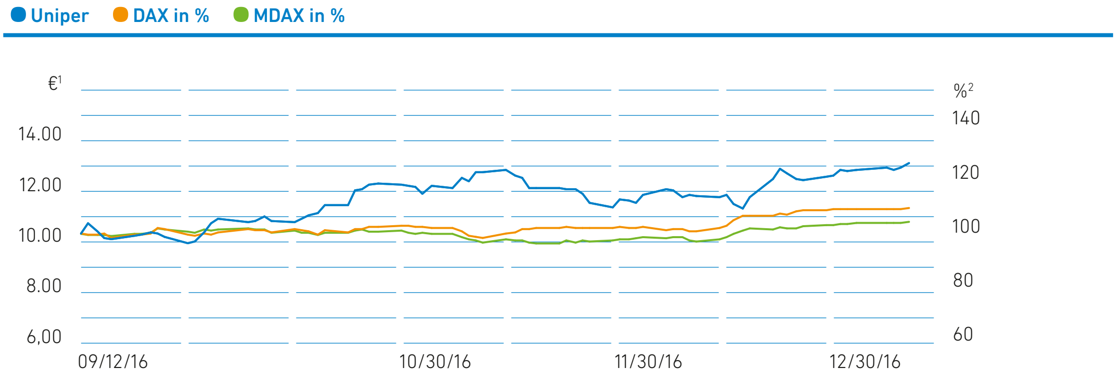
Uniper Stock

2016: A Good Year in the Stock Market

Stock prices were at highs for the year at the end of 2016. As the year came to a close, investors were increasingly focused on the fact that there is still no convincing alternative to the equities asset class. Bond prices fell as interest rates rose in the final quarter of 2016. Global economic concerns over future growth in China and uncertainty in Europe owing to weak economic impulses from the southern European economies generated only short-term market uncertainty. The future development of the European Union, especially in the aftermath of the decision by voters in the United Kingdom to leave the EU, has thus far not made a significant impact on European stock prices.

Shares of European energy utilities turned in a decidedly mixed performance in 2016. The energy utility sector had recovered from its lows until the third quarter. Then, however, the incipient reversal in interest rates culminated in a sector rotation, so that the annual performance of the energy utility sector turned slightly negative and underperformed the overall stock market average. There were clear shifts within the energy utility sector. In the wake of interest rate increases, companies that focus on regulated activities have lost their long-held position as a favorite among investors. Energy utilities that were more closely associated with commodity prices, which have been recovering since the spring of 2016, performed significantly better.

Uniper SE: Stock Performance in 2016 (Since Start of Trading)



[1]Price of Uniper stock in € (daily closing prices)
[2]Total return of Uniper stock and of the DAX and MDAX indices since start of trading in %

Uniper Off to a Good Trading Start

The Uniper IPO was successful and the shares have been traded on the Prime Standard segment of the Frankfurt Stock Exchange's regulated market since September 12, 2016. The opening price was set at €10.015 in an opening auction on the Xetra trading platform. After the Uniper Group's split spin-off from E.ON was recorded in the commercial register for E.ON on September 9, E.ON shareholders were allotted 53.35% of Uniper shares. For every ten shares of E.ON SE owned, shareholders additionally received one share of Uniper SE. Consequently, of a total of 365.96 million outstanding Uniper shares, roughly 195.24 million are now in the free float.

One of the most successful aspects of the IPO was that a large number of shares changed hands without causing any major price upheavals. Passive investors were forced to part with the allotted Uniper shares as the share was not initially included in the important benchmark indices, such as the DAX or MDAX. About 42 million shares, or about 22% of the free float, changed hands on the first trading day alone.

A successful capital market communications campaign succeeded in generating sales of Uniper shares to a large number of new German and, above all, international investors.

Dividends

Uniper intends to distribute a dividend of approximately €200 million for the 2016 fiscal year. This corresponds to the equivalent of €0.55 per share. A proposal to this effect be submitted to the 2017 Annual Shareholders Meeting, which will decide on the issue in June 2017.

Inclusion in Indices

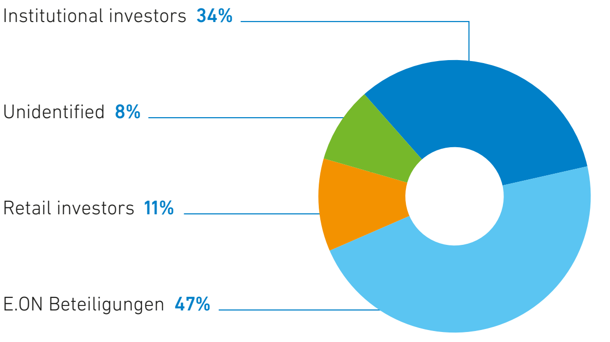
At the IPO on September 12, 2016, the Uniper share, together with the E.ON share, was a member of the DAX 30 index for one day. Since then, Uniper is included in a number of international indices. Uniper quickly succeeded in its objective of being included in the MDAX. The inclusion of Uniper SE was based on the fast entry rule. The shares were eligible for index inclusion due to their market capitalization and order book volume starting December 19, 2016.

Shareholder Structure

The largest shareholder, with a share of 46.65%, is E.ON Beteiligungen GmbH, a wholly-owned subsidiary of E.ON SE. The remaining Uniper shares (53.35%) are in free float. An analysis of the shareholder structure carried out at the end of 2016 showed that institutional investors are by far the largest group of investors with respect to free-float shares, with international investors leading the way. The largest group of institutional investors are in neighboring European countries, mainly Switzerland and France, followed by investors in North America. The UK is also well represented among investors. A total of 93% of the institutional investors are internationally-based; around 7% this investor group is based in Germany. Approximately 11% of all shares, or approximately 20% of the shares in free float, are held by private investors, most of whom are resident in Germany.

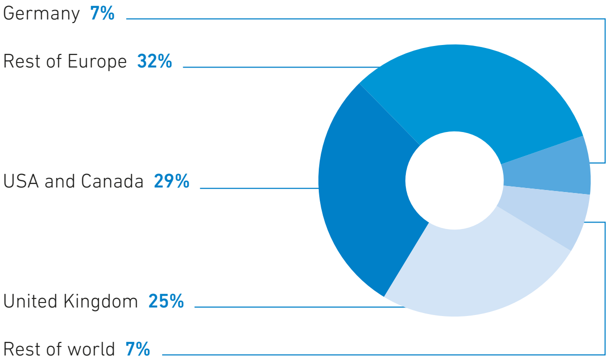
Overall, almost two-thirds of all Uniper shares are held in Germany. Excluding the shareholding of the major shareholder, German shareholders hold approximately 15% of Uniper shares. 85% are held abroad, which underlines the international shareholder structure.

Shareholder Structure of Uniper SE by Investor Group



Source: Ipreo (as of December 16, 2016)

Shareholder Structure of Uniper SE: Institutional Shareholder Structure by Country/Region



Source: Ipreo (as of December 16, 2016)

Investor Relations

The goal of Investor Relations is to provide transparent information for Uniper shareholders at conferences, road shows, on the Internet and in personal contacts with investors. The primary objective of the work done at Investor Relations is to increase awareness of Uniper's business model and value drivers among capital market participants.

The starting point of capital market communications was a "Capital Market Day" held jointly with E.ON in London on April 26, 2016. This was the first time that the Uniper Management Board communicated the capital market story "Sustaining value in challenging times." This was then followed by a large number of roadshow appointments and meetings between the Management Board, Investor Relations, and analysts and investors.

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

Strategy and Objectives

Uniper—Reshaping the Conventional Energy World

Uniper is a newly formed corporate group headquartered in Düsseldorf with 12,635 employees. As a pioneer in the energy transition, Uniper focuses on the conventional energy world and brings together under one roof the upstream and midstream businesses that were originally part of E.ON SE. A majority stake in Uniper was spun off to E.ON shareholders in September 2016. E.ON will initially hold a minority stake in Uniper.

Preserving Value in a Difficult Environment

Uniper launched a comprehensive program in April 2016 aimed at achieving operational and financial improvements. The goal is to adapt our group structure to the foreseeable economic environment. A central component involves the ongoing optimization of Uniper's cost position both in administration and in operations. This is to be accomplished among other things through a reduction of management levels, the elimination of double roles and a general streamlining of structures and processes. By the end of 2018, overall total controllable costs are to be reduced from €2.3 billion (basis: 2015) by approximately €0.4 billion to €1.9 billion per year. This reduction target also includes reductions in costs associated with planned and previously announced closures, as well as savings in material costs in areas such as purchasing and information technology (IT). Cost savings are also planned in operational areas, in particular in hydropower and nuclear power in Sweden, as well as in services. A significant portion of the savings targeted (€0.2 billion) had already been achieved by the end of 2016.

Average investments in 2016 through 2018 are planned to be significantly lower than in previous fiscal years.

To further strengthen the balance sheet and fund growth projects, plans are also in place to dispose of business units valued at more than €2 billion. As a whole, Uniper plans to reduce its ratio of economic net debt to adjusted EBITDA ratio comfortably to below 2:1 and the ratio of net financial position to adjusted EBITDA to below 1:1.

These measures are intended to ensure, among other things, that Uniper maintains its existing investment-grade rating of BBB- with a stable outlook assigned by Standard & Poor's on May 10, 2016.

Megatrends Impact the Energy and Commodity Markets

Uniper believes that the energy and commodity markets throughout the world will be affected by the following megatrends:

In Europe, the primary focus is directed toward reducing CO_2 emissions and increasing power generation from renewable energies. The United States aims to be largely independent of energy imports, while Russia is also primarily interested in utilizing its national resources. In many other regions of the world, focus lies on ensuring an affordable energy supply, which often also entails using nationally available raw materials.

Uniper considers that these trends will deliver a range of opportunities as well as challenges for Uniper's business activities:

Further to the energy transition, i.e., the increased use of renewable energies in power generation, and taking into consideration changes in the regulatory environment, Uniper expects conventional power plants to start playing a different role in Europe with respect to power generation. While conventional power plants in the past were primarily used to generate energy to cover demand, Uniper believes that in the future they will increasingly be used to ensure the security of supply and system stability in the future. In this context, Uniper believes it possible that alternative remuneration structures for the provision of generation capacity will increasingly be adopted. Examples of this include the introduction of the capacity market in the UK in 2014 and in France starting in 2017.

In view of the expiration of existing supply obligations and decline in European production, Uniper expects European natural gas supply in the coming years to be characterized by a growing gap between supply and demand, which needs to be filled by introducing new sources of supply.

Worldwide, Uniper assumes that demand for power will continue to grow and as a result conventional generation capacity, including from gas- and coal-fired facilities, will continue to expand. Uniper believes this will also lead to an increase in the global trade flows for coal and LNG.

Uniper's Strategy

In view of these megatrends, Uniper is pursuing the following strategic goals in order to optimize and further expand existing business activities, to safeguard Uniper's long-term competitiveness and viability in a changing market environment, and to generate sustainable cash flows:

- Contribute to ensuring system stability in the European electricity and gas markets
- Utilize the increasing interconnectedness of global energy markets
- Participate in the growth of the electricity markets worldwide

Objectives and Core Businesses

A balanced portfolio of large-scale energy assets, a strong position in the European gas market and a globally-positioned coal, freight and LNG portfolio—combined with outstanding technical and commercial expertise—enable Uniper to deliver attractive, custom-tailored, competitively priced products and services:

- European Generation: Uniper's flexible, dispatchable generating capacity will play an important role in ensuring supply security during the transition toward a carbon-neutral power supply, which is still in the distant future. At the same time, many power plant operators in Europe face increasing challenges from the energy transition. Thanks to its experience and capabilities, Uniper is well positioned to offer a wide range of services relating to the operation of power plants.
- Global Commodities: As the gap between Europe's gas demand and its domestic production widens, Uniper's long-term gas procurement contracts, its access to the global LNG market and its management of gas storage facilities will play an increasingly important role in the security of supply. Furthermore, Uniper's trading activities help to connect global energy markets, especially those for LNG and coal. Its trading business also manages the risks inherent in its regional power and gas portfolios. Broad expertise in global commodity trading, an array of proven partnerships, and an international presence will enable Uniper to offer comprehensive service bundles, such as asset management, fuel supply, and power-plant dispatch.
- International Power Generation: In view of the importance of its business activities in Russia, the Uniper Group endeavors protect the income it generates in Russia through a continued strong focus on cost leadership and operational excellence.

Combined Management Report

- → Adjusted EBITDA significantly above prior-year figure
- → Net loss characterized by one-time effects
- → Economic net debt reduced by €2.5 billion
- → Dividend proposal of €0.55 per share
- → Adjusted EBIT in 2017 projected to be down significantly from 2016 as one-time effects are eliminated
- → Adjusted FFO significantly above prior-year figure expected

Corporate Profile

Business Model

Uniper is an investor-owned energy company with corporate headquarters in Düsseldorf, Germany. The ultimate lead company of the Group is Uniper SE.

The Uniper Group emerged from the spin-off of the conventional power utility business of the E.ON Group, not including the German nuclear power business and associated activities.

The shares of Uniper SE were admitted to the Frankfurt Stock Exchange's regulated market for trading in its subsegment with additional post-admission obligations (the "Prime Standard") on September 9, 2016, and official trading commenced on September 12, 2016. Effective December 19, 2016, Uniper stock was included in the MDAX.

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

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 facilities for generating power and heat 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 solar and wind power facilities. The majority of the energy generated is sold to the Global Commodities segment, which is responsible for the marketing and sale of the energy to major customers via the trading markets and its own sales organization. A further portion of the energy generated is marketed by means of long-term electricity and heat supply contracts. In addition to the power plant business, this segment is also engaged in the marketing of energy services ranging from fuel procurement and engineering to operational and maintenance services to trading services (under the "Energy Services" brand).

Global Commodities

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

International Power Generation

The International Power Generation segment brings together the operating power generation business of the Uniper Group in Russia and Brazil. PAO Unipro, an indirect subsidiary of Uniper SE listed in Russia, is responsible for conducting all business in connection with power generation and associated activities in Russia. These include the procurement of the fuels needed for the power plants, the operation and management of the plants and the trading and sale of the energy produced. The Uniper Group's business in Brazil primarily comprises a 8.28% financial investment in the energy utility ENEVA S.A held by the Uniper Group and a 50% shareholding in Pecém II Participações S.A., which operates a coal power plant.

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 took place are made here.

Management System

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

Alongside those most important management indicators, Uniper also presents financial and non-financial performance indicators in the Combined Management Report to highlight developments in the operating business and in the context of responsibility to all stakeholders—its employees, customers, shareholders and creditors, as well as the societies in which Uniper is active. 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 sustainability performance include carbon emissions and total recordable injury frequency ("TRIF"), which measures the number of work-related accidents and illnesses. The sections entitled Sustainability and Employees contain explanatory information about these performance indicators.

The principal indicators for managing the operating business are:

Adjusted EBIT and Adjusted EBITDA

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

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

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

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of 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.

In addition, because it was still included in the E.ON Group for part of the 2016 fiscal year, adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") was additionally used in the internal reporting organization for management purposes.

Adjusted FFO (as applied beginning in 2017)

The Uniper Group uses adjusted funds from operations ("adjusted FFO") as a key performance indicator for determining residual cash flow available for distribution to shareholders and, beginning in 2017, for determining variable compensation.

The basis of the funds from operations ("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, beginning in 2017, 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 are also not available to shareholders of the Company, and are eliminated accordingly.

Technology and Innovation

Despite the difficult business environment, Uniper remained engaged in innovation and the continuous technical improvement of its plants. The focus on innovation at Uniper is on energy storage, increasing flexibility, alternative fuels, digitalization and the identification and evaluation of new forms of power generation and transformation.

In the area of conventional production, the focus is on the themes of load flexibility, materials research, environmental impact and use of the latest research in the operational and maintenance strategy.

In the area of increasing the flexibility of conventional power plants, the use of dynamic models and the implementation of new balancing algorithms have begun to increase the performance of the power plants in the field of system services. In one example, the secondary balancing reserves of an 820-megawatt coal-fired power plant were increased by more than 50%. Through use of a "digital twin" of the plant, the need for costly real tests was largely eliminated. Additional plants will follow this example.

Uniper is also continuously increasing the flexibility of gas-and-steam power plants to go beyond the original design. Among other successes, the minimum load of the Gönyű gas-and-steam power plant in Hungary was reduced by more than 25% in two steps. The ability to offer system services across the widest possible load range is a key factor for successful participation in capacity-market auctions.

By increasing the performance of system services such as secondary balancing reserves, Uniper is contributing to grid stability and energy security while improving its own competitiveness.

Innovation activities achieved another milestone in September 2016 when the modular 5 megawatt battery storage system (project name "M5BAT") was put into operation in Aachen. Uniper is involved in this project, which is funded by the German Federal Ministry for Economic Affairs and Energy, to gain valuable insights into the construction, operation, marketing and economics of decentralized batteries. The battery storage system uses five different battery technologies, whose characteristics and advantages will be tested in the real market environment. Within the project consortium, Uniper is responsible, among other things, for the integration of the battery storage system into the energy markets. In the future, the system will be used to compensate for short-term fluctuations in the network.

Uniper has also gained practical experience in the field of power-to-gas technology through its involvement in two pilot plants (in Falkenhagen and Reitbrook). These pilot plants have already found practical application in the signing of a cooperation agreement in power-to-gas with BP p.l.c. ("BP") with the aim of deploying the technology in refining processes. Using power-to-gas, electricity generated from renewable energy can be used to break water down into hydrogen and oxygen by means of electrolysis. Hydrogen is used in refineries for processes including the desulfurization of fuels. The use of renewable hydrogen can support the energy transition and represents one of the most promising applications for power-to-gas. The cooperating partners intend to examine the technical and economic feasibility of the technology at BP's Lingen refinery and work toward the necessary adjustment of the legal environment.

Macroeconomic and Industry Environment

Macroeconomic Environment

Global economic growth remained moderate in 2016. The Organisation for Economic Cooperation and Development ("OECD") has estimated that global gross domestic product ("GDP"), at just under 3%, will have grown at a rate similar to that of preceding years. That means the general trend of the worldwide economy continues to be one of less growth than in the years before the global financial crisis. Causes include the subdued investment climate in the wake of the financial crisis and the persistent lack of strong growth in global trade volume.

Economic growth in the euro area as a whole remained restrained, and there are no signs of an end to the current phase of low interest rates. Here one of the economy's main supports was consumer spending, which benefited from a rise in real disposable income as a result of lower energy prices and a steady rise in employment. Growth was impeded, however, by a persistently low level of investment spending. In Germany, the upward trend in the economy was for the most part unchanged, but momentum did slow somewhat later in the year, which in turn caused job growth to falter. The economic trend in France was similar, while the Netherlands recorded consistently robust growth rates. In Italy and Greece, however, the upturn continues to be sluggish.

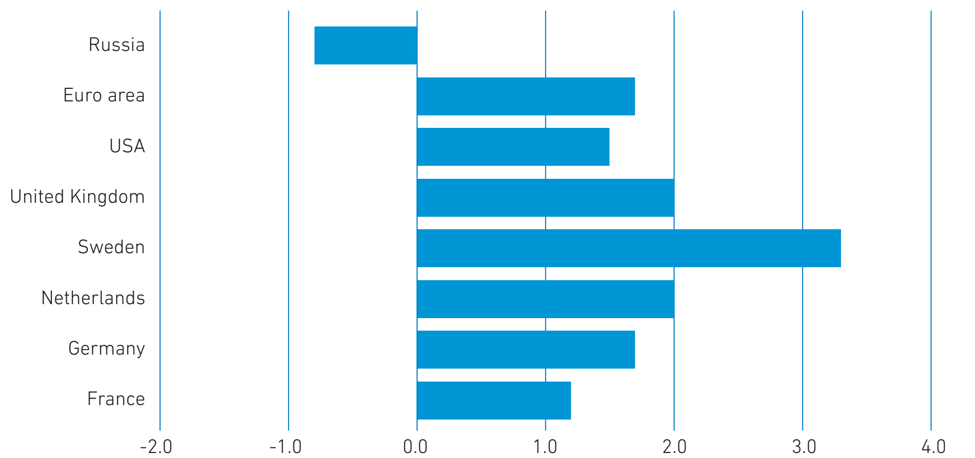
In the United States, a cautious first half was followed by a marked upsurge in the final six months of the year, supported by robust consumer demand and surprisingly strong exports. The outcome of the U.S. presidential election has not adversely affected the financial markets thus far. The anticipation of expansive financial policies from the new administration actually led to rises in a number of sentiment indicators. The dollar had traded somewhat weaker against the euro prior to the presidential election, but since then it appreciated strongly as a projected uptick in government borrowing has led to a substantial increase in U.S. market interest rates.

In the United Kingdom, the economy held firm after voters chose to leave the European Union in the "Brexit" referendum. Although industrial production and construction activity declined slightly, this was more than offset by accelerated expansion in the services sector. The British pound had depreciated strongly in the aftermath of the Brexit referendum in late June 2016, but recovered some of its losses between October and December.

Growth remained robust in Sweden, but this trend weakened a little later in the year, and the weak Swedish krona depreciated slightly against the euro.

2016 GDP Growth in Real Terms

Annual change in percent



Source: OECD (November 2016)

Energy Policy and Regulatory Environment

European Union

Energy policy discussions at the European level were concerned with questions of supply security and the further development of climate policy. In February 2016, the European Commission presented a proposal to revise the Security of Gas Supply Regulation to further strengthen natural gas supply security. The Commission relies on the market as the most appropriate instrument for ensuring security of gas supply. It intends to introduce regional co-operation between several established Member States and solidarity-based neighborhood assistance for emergencies. However, its proposals for the disclosure of long-term gas procurement contracts do not strengthen supply security. While the European Parliament has already adopted its position on the proposal, it is still under discussion in the Council.

On July 20, 2016, the Commission published a package of measures entitled "Driving Europe's transition to a low-carbon economy," which includes, inter alia, a legislative proposal to Member States for the reduction of greenhouse gases in those economic sectors that are not subject to emissions trading. The measures call for each country to achieve specific reduction targets in these sectors.

On November 30, 2016, the European Commission published another comprehensive package of measures called "Clean Energy for All Europeans" with eight legislative proposals and numerous non-legislative documents. The objective of this legislative package is to make energy efficiency the primary focus, become a world leader in the field of renewable energies and further strengthen consumers. Among other things, it contains legislative proposals for the further development of the Directive on the promotion of the use of renewable energies and for increasing energy efficiency. It also contains a revised version of the Internal Electricity Market Directive and Regulation, an amendment to the Regulation on the Agency for the Cooperation of Energy Regulators (ACER), a new draft regulation for managing the Energy Union and a new proposal for risk provisioning in the electricity sector. The new regulations concern, among other things, prioritizing the supply of renewable energies, the conditions for the introduction of a capacity mechanism, including an emission limit for participating plants, cross-border co-operation to ensure security of supply with risk provisioning plans, the process for determining alternative price zones, the establishment of regional operations centers, the rights of aggregators (bundling of flexibility in electricity supply and demand, as well as offers for supply of balancing-energy services), and set a binding EU efficiency target by 2030. In addition, in the future, Member States will submit "Integrated National Energy and Climate Plans" in consultation with the European Commission and their neighboring countries for the period 2021–2030. The legislative proposals are now being discussed in the framework of the legislative process of the European Parliament and the Council of the EU.

In 2016, a number of additional financial market regulations were discussed. For example, the EMIR (European Market Infrastructure Regulation) review is currently underway. The firm intention continues to be the introduction of a financial-transaction tax. The implementing measures of the Markets in Financial Instruments Directive ("MiFID II"), which were finalized in February 2017, are of particular importance for the energy industry. On that basis, the corresponding implementation of the requirements must be ensured in the course of 2017. MiFID II will then take effect at the beginning of 2018.

Germany

The energy policy debate in 2016 again focused primarily on the further implementation of the energy transition. The Act on the Further Development of the Electricity Market ("Electricity Market Act") entered into force in July 2016. The new legislation provides for a package of measures aimed at creating the next-generation "Electricity Market 2.0." These measures seek strengthen the role of the free market in pricing, to provide incentives for increasing flexibility in the entire electricity system and to integrate the measures taken by Germany more closely into the European internal market. The purpose of capacity reserve is to safeguard the electricity market in the event that there is insufficient supply on Germany's power exchange. The corresponding statutory instrument regulating the procedure for the creation, implementation and settlement of a capacity reserve (Capacity Reserve Ordinance) has not yet been adopted. To continue to ensure that the network remains stable, the Electricity Market Act calls for the network reserve to be extended. Pending review by network operators and the Federal Network Agency, network operators could build and operate new plants with capacities of up to 2 GW. The explicit approval of European Commission remains outstanding at this time. In addition, the compensation mechanisms for the network reserve and for redispatch measures (this is when network operators intervene in the operation of power plants that are active in the marketplace) will be adjusted. To help Germany reach its climate targets for 2020, a temporary security reserve ("climate reserve") into which high-emission lignite-fired power plants will gradually be transferred will be established. Draft legislation for a Network Modernization Act has been in place since November 2016 that would, if passed, standardize transmission network charges nationwide and gradually abolish so-called "avoided network charges."

Benelux

In 2016, the energy policy discussion in the Netherlands was dominated by ending the use of coal in the production of electricity. Under the direction of the Dutch Ministry of Economic Affairs, different exit scenarios were drawn up and discussed with the industry concerned. The Dutch government was called upon to present a recommendation by the end of 2016. The government believes that the country will achieve its climate protection targets with the measures already adopted, without having to resort to additional measures such as the closure of coal-fired power plant. Emissions will continue to be tracked in 2017, and further steps may be taken by the end of 2017, which means that the issue will be discussed further in 2017. It should be noted that parliamentary elections will be held in March 2017. Recent forecasts that the reduction targets set would be achieved reduced the pressure for a more rapid decrease in CO_2 emissions (target 25% by 2020), based on a 2015 court decision.

In Belgium, discussions continue on the so-called "cold reserve" and the extension of the strategic reserve for winter 2017/18. On January 15, 2017, the Dutch government announced a new tender for a strategic reserve of 900 MW for the next three years.

France

The French capacity market started on January 1, 2017, after the European Commission concluded that there were no concerns with respect to state aid. The first auction for delivery year 2017 was held in the middle of December 2016. Considerations on the introduction of a carbon tax for coal-fired power plants in 2017 were given up during the course of the year. On November 2, 2016, the French government presented a multi-year energy program with targets for increasing the use of renewable energies, including a recommendation to end the use of coal-fired power plants by 2023. It also calls for an EU-wide CO_2 price corridor.

United Kingdom

The energy policy debate in the UK was dominated by three topics in 2016: the implementation of the June 23 "Brexit" referendum on, the proposal for the development of an industrial strategy and the proposal to close all coal-fired power plants by 2025. After the referendum, the government has been called upon to present a discussion paper for an industrial strategy by the end of 2016. The project will be focused on infrastructure development. This includes expansion of the infrastructure for electric vehicles.

The British government remains committed to the capacity market as a key instrument for safeguarding available capacities. The December auction for delivery year 2020/21 resulted in a price of £22.50/kW. An additional auction that was held in January 2017 for delivery year 2017/18 resulted in a price of £6.95/kW. Following the Brexit referendum, the government presented a green paper with recommendations for an industrial strategy on January 23, 2017, that will also affect the infrastructure for energy. A public consultation on this green paper is now taking place.

Russia

In Russia, the government introduced changes in the procedures for competitive capacity auctions in 2016. These changes have a significant positive impact on the Russian electricity market. A government decision in 2016 to accelerate the repayment of principal and interest on investments already made in new capacity will lead to a significant increase in capacity figures over a medium-term period. However, the changes have not resolved the problems related to financing modernization for existing plants in the electricity sector. The ongoing political crisis between Ukraine and Russia and the sanctions the EU imposed against Russia in 2014 have not led to any adverse developments in Russia's energy-market regulations.

Sweden

In 2016, the next steps to implement the proposed changes on the taxation of nuclear and hydroelectric plants were taken. In addition, the framework for the country's long-term energy policy, as laid down in the five-party agreement, has been transposed into legislative proposals.

On January 9, 2017, the Energy Commission presented its final report, which confirmed the previously-announced abolition of the tax on thermal output of nuclear power and the reduction of the basic tax on hydroelectric plants, as well as the target for the increase in the use of renewables. The report also calls for halving specific energy consumption between 2005 and 2030. In February 2017, a tender was issued by the network operator for the strategic reserve for 2017–2021. This reserve is intended to offset supply gaps in electricity supply, especially during the winter months.

Energy Industry

Despite increasing energy efficiency, energy consumption in Germany rose in 2016. According to preliminary figures from AGEB, an energy-industry working group, Germany consumed 458.2 million metric tons of coal equivalent ("MTCE"), 1.6% more than in 2015. In addition to colder weather this year, reasons for the positive development included the positive economic performance, as well as one-off effects caused by the leap day in 2016 and population growth. Adjusted for weather-related effects, energy consumption rose by about 1%.

In the first three quarters of 2016, petroleum consumption rose by 1.8% year-on-year to 155.8 million MTCE. Developments in the electricity generation sector were key to the development of the consumption of natural gas, hard coal and lignite. Nuclear production declined by 7.4% owing to planned outages at power plants and the decommissioning of the Grafenrheinfeld power plant in mid-2015. At the same time, the contribution of renewables increased by only 2.9% to 57.7 MTCE, which meant that the share of power generation from thermal plants remained constant in the first three quarters of 2016 compared to the previous year. Natural gas benefited from a positive price development compared to coal, and natural gas consumption increased by 10% in 2016 to 103.8 MTCE. Consequently, consumption of hard coal declined by 4% to 55.8 MTCE in the past year. The use of hard coal in power plants for the generation of electricity and heat fell disproportionately by 6.2%; about two thirds of the hard coal Germany consumes is for this purpose. Year-on-year consumption of lignite declined by 2.6% to 52.0 MTCE due to lower power plant availability. About 90% of production was used to generate power and heat.

Renewables output in Germany rose by 2.9% to 57.7 MTCE. There was a slight increase of 1% in onshore and offshore wind generation. Biomass saw an increase of 3%, but the contribution of solar generation (photovoltaic and solar thermal) fell by 1%. Hydroelectric power generation (excluding pumped storage) rose by 13%.

Primary Energy Consumption in Germany

Percentages	2016	2015
Petroleum	34.0	34.0
Natural gas	22.7	20.9
Hard coal	12.2	12.9
Lignite	11.4	11.8
Nuclear	6.9	7.6
Renewables	12.6	12.4
Other (including net power imports/exports)	0.2	0.4
Total	**100.0**	**100.0**

Source: AG Energiebilanzen

With the exception of Italy, demand for electricity in the core markets was stable or rose slightly in 2016. In Northern Europe, demand for power rose by 2% last year to 385.1 billion kWh, primarily because of cooler weather. Through October, electricity consumption in the UK, at 206 billion kWh, was slightly lower than the prior-year figure. Power demand in France remained stable at 430 billion kWh in the first eleven months of 2016, and was at 33.7 billion kWh in Hungary for the first ten months of the year. In Italy, electricity consumption fell by 2.3% to 284.1 billion kWh in the first eleven months of the year.

In the Russian Federation, electricity generation totaled 1071.7 billion kWh last year, 1.2% higher than the previous year.

Similar to the situation in Germany, gas volumes in the UK, France and Italy rose due to stronger demand from the electricity generation sector. Based on initial estimates by natural gas pipeline companies, gas consumption in the UK increased by 13.7% year on year, to 75.1 billion m^3. In France and Italy, gas demand rose by 9.1% to 44.1 billion m^3 and by 5.3% to 66.2 billion m^3, respectively. In Hungary, gas demand fell by 5.6% to 7.3 billion m^3 in the first eleven months of the year versus the same prior year period because of lower heating demand.

Energy Prices

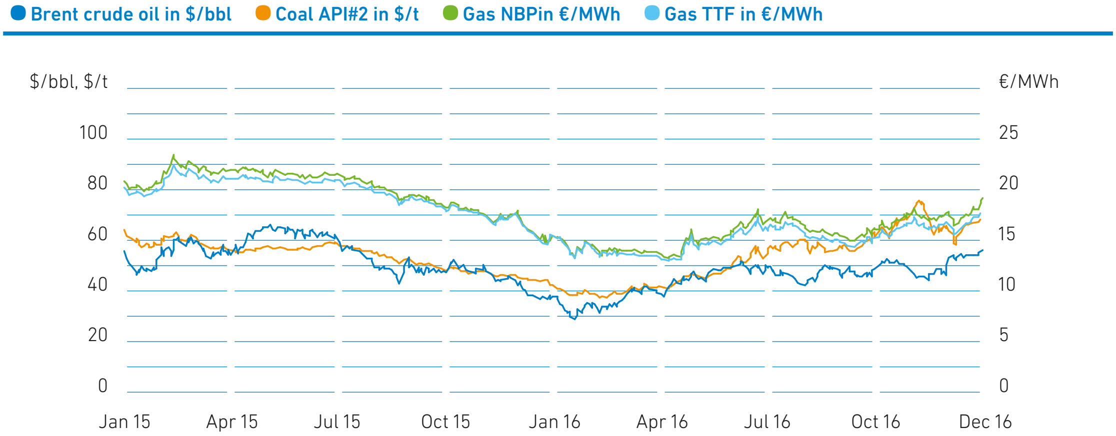
Power and natural gas markets in Europe were driven by five main factors in 2016:

- International commodity prices (especially oil, gas, coal, and carbon-allowance prices)
- Macroeconomic and political developments
- Weather conditions
- Availability of hydroelectric power in Scandinavia
- Expansion of renewables capacity.

As a result of a sharp increase in oil production by OPEC members at the beginning of the year, the price of Brent crude oil fell below USD 30 per barrel, its lowest level in 11 years. Supported by growing demand for oil, especially for gasoline during the summer months, and a significant decrease in oil production in the USA, prices rose in the middle of the year back up to $45 to $50 per barrel. Only the announcement of an agreement between OPEC members and other oil producers on cutting back oil production at the end of November caused prices to rise again, reaching a new high in December.

Despite weak demand, coal prices remained stable at low levels in the first quarter, as mining companies benefited from low oil prices and a weak US dollar. It was not until the middle of the year that a recovery became apparent after a reduction in production in China and the resulting shortages in local supply led to a significant increase in imports. Market scarcity was further aggravated by short-term production losses in Australia, which pushed prices to the highest level since mid-2014 in the fourth quarter.

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

The European gas market went through four basic stages in 2016:

Prices in the first quarter were heavily impacted by high levels of deliveries of traditional pipeline importers and relatively low withdrawals, which extended the downward trend from 2015.

That trend came to an end in mid-April, as prices rose through the end of July, when the weather accelerated strong gas withdrawals in April and prices showed a marked correlation with the increase in the overall energy market, and of coal prices in particular. In addition, it became increasingly apparent that the projected additional flows from the new LNG export plants remained far below expectations, as they were repeatedly confronted with operational problems.

The increase in gas prices came to an abrupt end in early August when very strong exports from Russia, Norway and Algeria, as well as high storage levels, led to a market glut and prices fell to the middle of the fuel switching level (generation by gas power plants instead of coal-fired power stations) in northwestern Europe. This development also occurred in Germany for the first time in many years.

Prices rose again in the fourth quarter, driven primarily by high demand resulting from the normalization of temperatures (compared with 2015), as well as by a marked increase in the use of gas power plants, which had a much higher capacity factor, as coal prices continued to rise and some nuclear power plants were not available in France.

European Union Allowance Price Movements

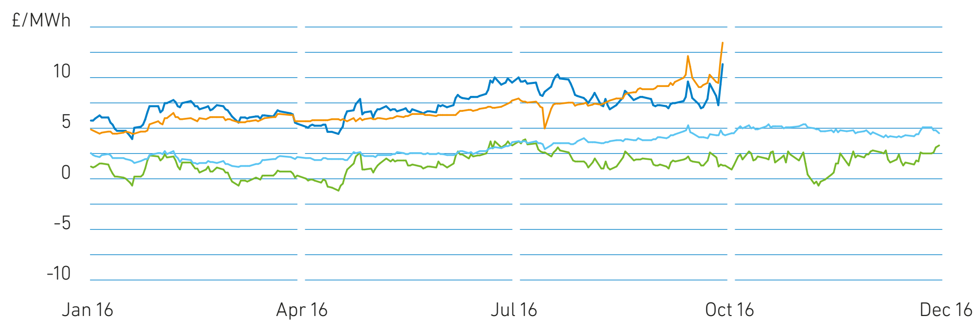
● Carbon EUA

Front year contract

2016 was another volatile year for emission allowances. Starting from a level, just under €8.0 per metric ton ("t"), it lost about 40% of its value by mid-February (all data refer to the European Union Allowance (EUA) December 2016 Future), but stabilized in the second quarter. The British referendum on the termination of EU membership in late June led again to a massive price decline. This can be explained by the resulting gloomy macroeconomic outlook for the near future on the one hand, and on the other by the uncertainty of the future development of the European emissions trading system. In generally weak trading activity, the price remained at a low level in the third quarter and reached its low for the year in early September. Rising electricity and fuel prices led to a recovery in the price of CO_2 starting from the end of September to €6.5/t in the first week of November. In November, there was a further massive price decline on weak auction results, down to a level of €4.3/t in early December. The end of the regular auctions in mid-December and the resulting primary supply shortage in conjunction with a general upward trend in the energy market resulted in a price increase to over €6/t in the last two weeks of December. Support came at the end of the year from the political side: After long negotiations, in mid-December the Environment Committee of the European Parliament (ENVI) adopted a proposal for the structure of the next trading period, which, if implemented, could lead to a much faster supply shortage in the coming years.

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

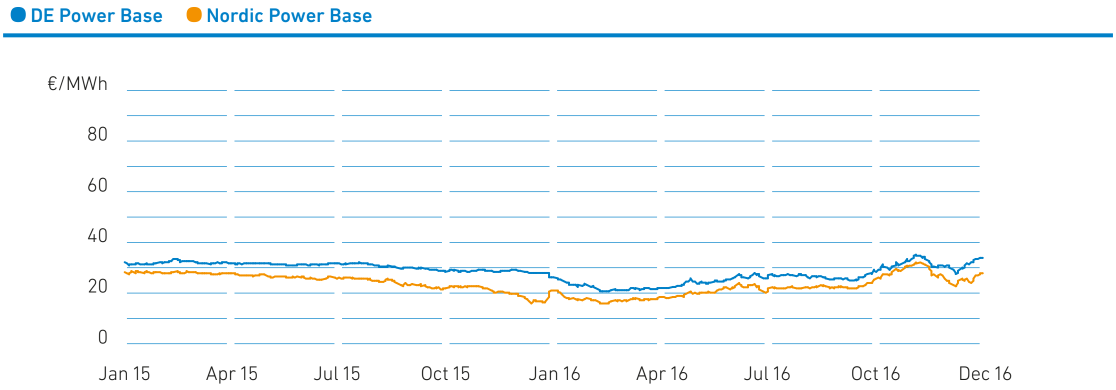
● CDS winter 16 ● CSS winter 16 ● CDS summer 17 ● CSS summer 17



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 electricity market in the United Kingdom was particularly eventful in the second half of 2016. After a rather moderate start, electricity prices were supported especially by the closure of several coal-fired power plants with an installed capacity of around 6 GW. As a result of this shortage of capacity, volatility increased at the beginning of the autumn and into the winter months, and helped the spot market reach unimagined price peaks, which are also reflected in the forward contracts. Similar to electricity prices, the clean dark spread (the difference between the market price and the cost of generating electricity from coal, including the cost of emission allowances) and the clean spark spread (the difference between the market price and the cost of generating electricity from gas, including the cost of emission allowances) in the UK showed significant volatility in the summer and recovered strongly compared with the start of 2016. The winter 2016 contracts, in particular, moved steadily upward during the summer, reaching new all-time highs through expiration. Driven by the upturn in winter contracts and the expectation of a continuing shortage in the following year, the spreads for summer 2017 delivery also found sustained support.

Electricity Price Movements in Uniper's Core Markets

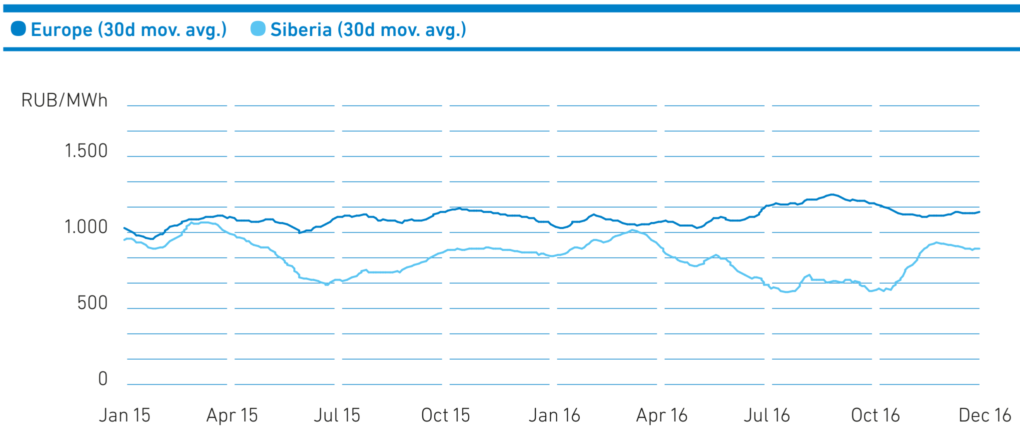


Front year contracts

The front year contract on the German electricity market reached an all-time low of less than €21/MWh in mid-February 2016. This development was driven by lows for almost all relevant commodities, so that the clean dark spread remained relatively constant in this market phase and the clean spark spread was rated even higher than in 2015. Later in the year, the coal market in particular experienced a sustained upturn, which, however, only partially replicated electricity prices in Germany. The non-availability of French nuclear power plants in winter 2016/17 provided additional reinforcement for the upturn on the German electricity market. As this situation gradually relaxed again in the course of December, electricity prices, together with lower coal prices, fell towards prices from mid-September.

Water reservoirs in Sweden and Norway were well filled at the beginning of 2016. In the course of the year, levels in Norway were increasingly balanced, while levels fell significantly below normal in Sweden, where a very dry October increased the deficit situation. 2016 was characterized by below-average precipitation, in contrast to the extremely rainy year in 2015. Price support was provided by coupling to the high-priced Baltic electricity market through the commissioning of the new NordBalt cable between Sweden and Lithuania in February 2016. Swedish prices were further supported by the general upward trend in coal prices and export restrictions on the coupling capacities between Norway and Sweden in the second half of the year.

Price Movements in the Russian Power Market



Daily spot prices (30-day average)

The price trend on the Russian electricity market this year was marked by increased divergence between the European and the Siberian price zones, especially in the summer months. In the European price zone, above-average high temperatures between June and August resulted in rising demand and high prices. In contrast, good availability of hydropower plants in the Siberian price zone resulted in comparatively low prices. The price difference was reinforced by bottlenecks in the transmission network, which also led to high price volatility in the Siberian price zone. Towards the end of the year, prices in the two zones began to converge again. An increase in the regulated gas tariffs planned for July was not implemented, so that gas prices remained stable in 2016.

Product Price Movements in Uniper's Core Markets

Product	Unit	Dec. 31, 2016	Jan.4, 2016	Change	2016 high	2016 low
DE Power Base (Cal-17)	€/MWh	34.3	26.3	30%	35.5	20.9
Nordic Power Base (Cal-17)	€/MWh	28.4	21.4	33%	32.7	16.3
Brent Oil (Front Month)	$/bbl	56.8	37.2	53%	56.8	27.9
Coal API #2 (Cal-17)	$/metric ton	70.3	40.8	72%	77.6	36.6
Gas NBP (Cal-17)	€/MWh	19.7	15.4	28%	19.8	13.3
Gas TTF (Cal-17)	€/MWh	18.1	15.5	17%	18.1	13.0
Carbon E U A (Dec-17)	€/metric ton	6.6	8.2	-20%	8.2	4.0
British CDS Base (Sum-17)	£/MWh	3.4	1.3	-	4.1	-1.4
British CSS Peak (Sum-17)	£/MWh	4.6	2.4	-	5.6	1.0

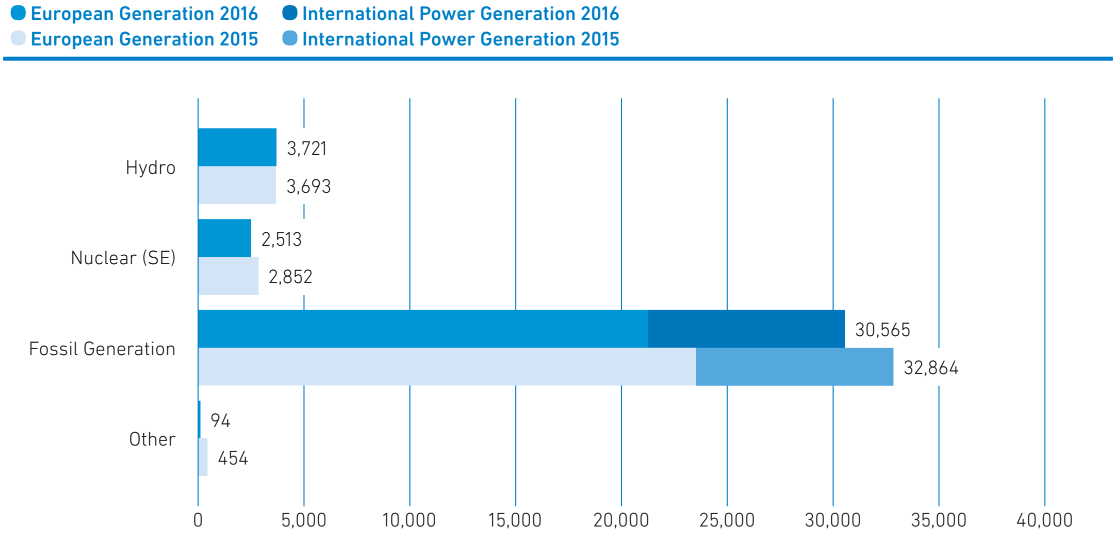
CDS: clean dark spread (efficiency 36.5%, emission factor: 0.33 t/MWh_{th})
CSS: clean spark spread (efficiency 49.13%, emission factor: 0.195 t/MWh_{th})

Generation Capacity

The Uniper Group's attributable generation capacity (the capacity that reflects Uniper's ownership interest in the power plants) fell to 36,893 MW or 7.5% below that of the previous year (39,863 MW). The consolidated generating capacity stood at 38,198 MW, similarly 8% below the previous year's level of 41,640 MW.

Uniper Group: Legally Attributable Generation Capacity

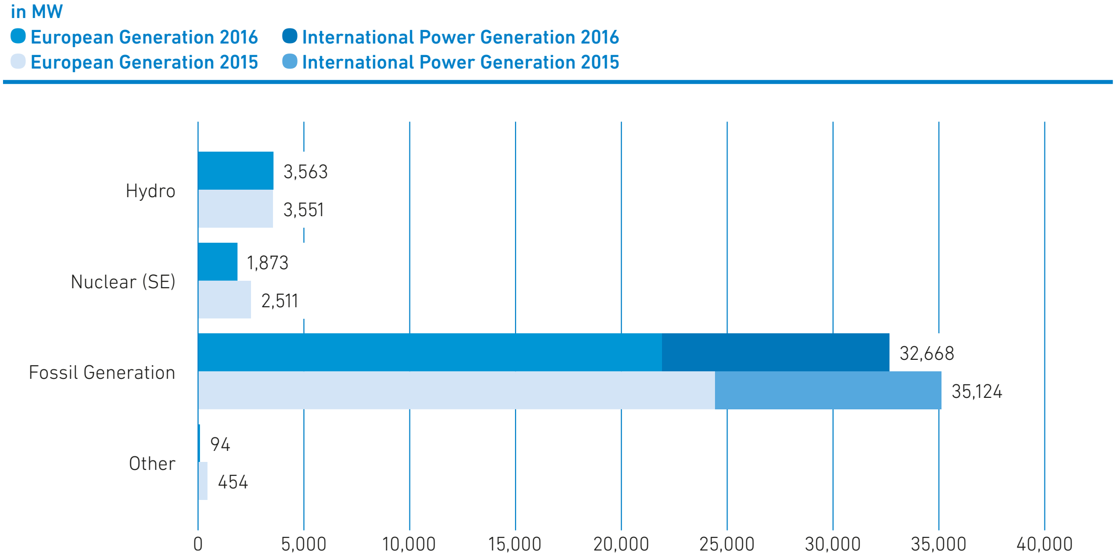
in MW



Legally attributable generating capacity dropped by 2,970 MW. Changes in conventional generation capacity are principally due to the sale of the Langerlo power plant in Belgium and to the decommissioning of the Veltheim unit in Germany and of the Galileistraat unit in the Netherlands. In addition, the conversion of the combined cycle units Killingholme 1 and 2 to open gas turbine operation was completed. The capacity of the Pleinting power plant, which is no longer in operation, is no longer included. With respect to Swedish nuclear generation, operations at Oskarshamn 2 were terminated in 2016. Further changes to capacity in the other energies division were due to the decommissioning of Ironbridge 1 and 2.

Fully consolidated generation capacity fell by 3,441 MW. The reasons outlined above also apply in essence here.

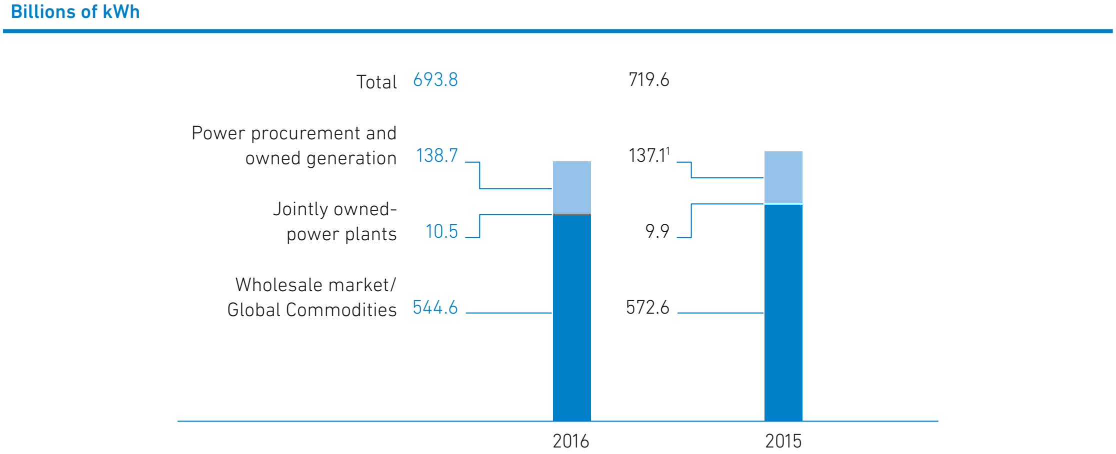
Uniper Group: Fully Consolidated Generation Capacity



Power Procurement and Owned Generation

In 2016 the amount of electricity generated by our own power plants stood at 138.7 billion kWh by 1.6 billion kWh, or 1.2% above the previous year. Purchased electricity other hand fell by 28.0 billion kWh or 4.9% to 544.6 billion kWh.

Power Procurement and Owned Generation



[1]includes 1.0 Billion kWh of production from pump-storage powerplants (hydro)

The European Generation segment's owned generation amounted to 84.0 billion kWh or 0.8 billion kWh (1.1%) over the previous year's level of 83.2 billion kWh. This was due mainly to improved market conditions for gas-fired power plants in the UK, which more than offset the poorer market conditions for coal power plants in the UK, as well as the increased availability with higher production at the Oskarshamn 1 nuclear power plant. Generation by European Generation was negatively affected by poor weather conditions, with a low inflow of water in Sweden, as well as the need to operate the Ingolstadt 3 and 4 power plants in accordance with the reserve power station regulation.

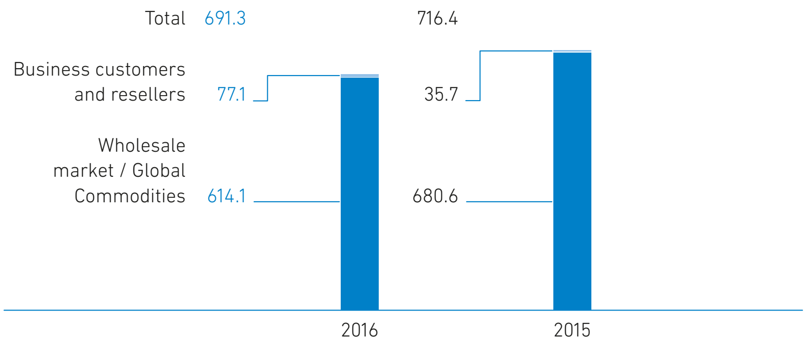
In the International Power Generation segment (Russia), our production increased by 1.6% from 53.9 billion kWh to 54.7 billion kWh. This was due to the full availability of a unit in Surgutskaya, which had been taken off the grid the previous year to carry out maintenance work.

Electricity Sales

In 2016, electricity sales by Uniper Group stood at 691.3 billion kWh or 3.5% below the previous year's 716.4 billion kWh.

Electricity Sales[1]

Billions of kWh



[1]Difference from power procurement is caused by internal use and network losses

The shifts in electricity sales volumes are mainly driven by the Global Commodities segment.

The downturn in the Global Commodities segment was caused by disposals of business activities in Italy and Belgium, as well as by reduced activity in portfolio optimization and in electricity trading. Reduced sales and the decline of wholesale business in the UK made an additional negative impact on electricity sales volumes.

Uniper Energy Sales GmbH Electricity Sales

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 (formerly E.ON 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 2016 came to 49.8 billion kWh, slightly below the previous year (51.6 billion kWh). The decrease is mainly due to expiring contracts with customers.

Gas Procurement

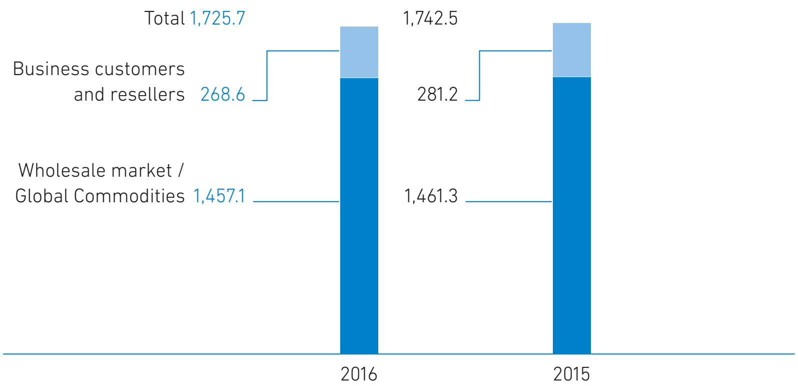
In 2016, the Global Commodities segment procured roughly 1,760.1 billion kWh of gas from domestic and foreign producers.

Gas Sales

The Uniper Group's gas sales fell to 1,725.7 billion kWh in 2016, down slightly on the previous year (1,742.5 billion kWh).

Gas Sales

Billions of kWh



The shifts in gas sales relate to the Global Commodities segment.

The increase in the Global Commodities segment from gas sales to intragroup gas power plants could not completely compensate for the decline due to lower contracted volumes and negative effects connected with higher temperatures at the beginning of the year.

Uniper Energy Sales GmbH Gas Sales

Alongside gas trading in energy markets, a portion of the Uniper Group's gas sales is transacted through the internal sales unit UES by means of long-term contracts with major customers such as municipal utilities, regional gas suppliers, industrial customers and power plants in Germany and abroad. In addition to sales, UES also handles marketing for the Uniper Group. It also provides customers with services in the areas of consultancy, service and the gas sector. The volume of gas sold by the UES in fiscal 2016 came to 259 billion kWh, which is significantly below the previous year (294.3 billion kWh). The decrease is mainly due to lower contracted volumes.

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 Uniper Group is supplied mainly by providers in Germany, the Netherlands, Norway and Russia. In 2016, 407 billion kWh of gas were purchased via long-term contracts (2015: 401 billion kWh).

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 sells natural gas storage facilities in Germany, Austria and through a subsidiary in the UK. In 2016, gas storage capacity stood at 8.5 billion m^3. At 8.5 billion m^3, capacity is slightly below that of the previous year (8.8 billion m^3), due primarily to the sale of gas storage facilities.

Business Development and Key Events in 2016

During the past fiscal year, Uniper achieved an adjusted EBITDA of €2.1 billion. The result was therefore in the upper range of the forecast of between €1.9 billion and €2.2 billion published in November.

Cash-flow investment in fiscal 2016 amounted to €781 million and was therefore likewise within the expected range of €750 to 850 million previously communicated.

Operating cash flow stood at €2.2 billion, well above the previous year's level of €1.5 billion.

Compared with the end of 2015, the commercial net debt of €6.7 billion decreased by €2.5 billion to €4.2 billion. This is due in particular to high operating cash flow and to proceeds from divestitures.

The following events had a significant impact on business in 2016:

On January 1, 2016, E.ON Energie Deutschland GmbH's electricity and gas wholesale business in Germany was transferred to Uniper Energy Sales GmbH (formerly E.ON Energy Sales GmbH).

On February 1, 2016, a fire broke out in the boiler house at the GRES TG 3 unit of the Berezovskaya power plant in Russia, damaging essential components of the 800 MW boiler that must now be replaced. The power plant unit is out of operation while repairs are underway. To date, discussions with the insurance companies concerned have not yet been concluded. But the Uniper Group expects that a significant part of the damage will be covered by insurance. Some portions of the insurance benefits were already paid out in November 2016.

On March 4, 2016, the Münster District Administration approved the Uniper Group's application to begin construction on the Datteln 4 power plant. The Uniper Group immediately recommenced construction—much of which had already been completed—with the aim of bringing the power plant into service in the first half of 2018 to supply electricity and ensure a long-term, reliable source of supply for the district heating network. In addition, a suit filed by the neighboring city of Waltrop challenging the notices issued by the state of North Rhine - Westphalia permitting deviations from objectives in the regional and urban development planning process was ruled inadmissible by the Gelsenkirchen Administrative Court. Another milestone in the construction of Datteln 4 was ultimately reached on January 19, 2017, when the Münster District Administration gave its full approval in a permit issued pursuant to immission control legislation—which was declared enforceable with immediate effect—as well as three water permits. These positive developments made it possible for the Uniper Group to invest in the continued construction of Datteln 4.

In March 2016, Uniper Global Commodities SE and the Russian Gazprom Group, through negotiations on long-term gas supply contracts, agreed on an adjustment of terms on the basis of current market conditions, with retrospective effect for earlier periods.

In September 2016, a basic agreement was concluded between the Uniper SE Management Board and the Group Works Council on the implementation of organizational changes. The aim of the restructuring program is to sustainably adapt the Uniper Group's corporate structure to its current and future economic environment through organizational and process changes. As a consequence of specifying the actions to be taken and communicating these measures to employees, a provision for restructuring was recognized particularly in the third quarter of 2016.

Acquisitions and Disposals

Under an agreement of December 22, 2015, Uniper agreed to the sale of 28.974% of the shares in its associated investment, AS Latvijas Gāze, Riga, Latvia, to Luxembourg-based Marguerite Gas I S.à r.l. The book value of the investment, which was reported in the Global Commodities segment, was €0.1 billion as of December 31, 2015. The transaction, which was completed in January 2016, resulted in a slight gain on disposal at a purchase price of approximately €0.1 billion.

With economic effect from January 1, 2016, 100% of the shares of PEG Infrastruktur AG ("PEGI"), including its equity interest in Nord Stream AG, were sold to the E.ON Beteiligungen GmbH. The sale price was approximately €1.0 billion, and was already recognized in the first quarter of 2016.

Earnings

Transfer Pricing System

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

Sales Performance

Sales revenues fell from €92 billion in the previous year by 27%, to €67 billion in fiscal 2016.

Sales

€ in millions	2016	2015	Changes (percentages)
European Generation	6,835	7,563	-9.6
Global Commodities	66,465	91,207	-27.1
International Power Generation	1,063	1,134	-6.3
Administration/Consolidation	-7,078	-7,789	9.1
Total	**67,285**	**92,115**	**-27.0**

The decline in sales is mainly attributable to the Global Commodities segment and is primarily due to low prices in the gas business. Moreover, the decline in revenue is amplified by the decrease of sales in the electricity sector. The reasons for this are especially lower prices and, to a lesser degree, lower volumes as a result of disposals of business operations in Italy and Belgium.

In 2016, the cost of materials declined by €25,771 million, or 28.9%, to €63,535 million (2015: €89,306 million). This change was mainly due to lower gas and electricity procurement costs in the Global Commodities segment. This reduction corresponds to the reduction in sales revenues in this segment.

European Generation

Sales revenues in the European Generation segment declined compared with the previous year from €7,563 million by €728 million to €6,835 million in fiscal 2016. The decline in sales is mainly due to lower prices.

Global Commodities

Sales revenues in the Global Commodities segment decreased from €91,207 million in 2015 by €24,742 million to €66,465 million in the 2016 fiscal year.

The decline in sales is mainly due to low prices in the gas business. The decline in sales was further reinforced by a decrease in sales in the electricity sector. This is due primarily to lower prices and to a lesser extent lower volumes due to divestitures.

International Power Generation

Sales revenues in the International Power Generation segment decreased by €71 million in comparison to the previous year, falling from €1,134 million in 2015 to €1,063 million in the 2016 fiscal year.

The decrease in sales revenues can be attributed in particular to negative currency translation effects that more than offset the positive effects of higher power and capacity input from the Surgutskaya power plant and higher capacity prices for new power plants.

Administration/Consolidation

The sales revenues attributable to the reconciliation item Administration/Consolidation increased by €711 million from -€7,789 million in 2015 by €711 million to -€7,078 million in the 2016 fiscal year.

Sales revenues by product are grouped as follows:

Sales

€ in millions	2016	2015	Changes (percentages)
Electricity	27,623	34,260	-19.4
Gas	37,146	54,459	-31.8
Other	2,516	3,396	-25.9
Total	**67,285**	**92,115**	**-27.0**

Significant Earnings Trends

Personnel expenses declined year over year by €81 million, or 6.4%, to €1,179 million (2015: €1,260 million). The decrease is largely attributable to lower expenses for wages and salaries and social security contributions, mainly as a result of measures introduced in previous years as part of restructuring programs, and the associated reduction in personnel, as well as the decommissioning of power plants. In addition, the net costs of company pensions as compared to the previous year. This was offset by higher restructuring expenses were lower relative to the previous year, attributable primarily to the new restructuring project.

Depreciation, amortization and impairment charges amounted to €4,135 million in the 2016 fiscal year (2015: €5,357 million). This decrease of €1,222 million, or 22.8%, is mainly attributable to unscheduled write-downs of goodwill in the European Generation and International Power Generation segments. This was offset by relatively higher depreciations of fixed assets in the Global Commodities segment in fiscal 2016 while depreciations of fixed assets in the European Generation segment were undertaken to an extent similar to the same period last year.

Other operating income fell in the 2016 fiscal year by €3,348 million, or 30.9%, to €7,477 million (previous year: €10,825 million). This decrease was due in particular to reduced earnings from derivative financial instruments. These decreased by €2,518 million, or 34.8%, to €4,714 million (previous year: €7,232 million), mainly due to changes in commodity derivatives reported at market values in the balance sheet. Earnings from exchange rate differences decreased compared to the same period last year by €737 million, or 38.8%, to €1,163 million (previous year: €1,900 million). Furthermore, compared with the previous year, €616 million less in earnings are included in other operating revenues from transferring costs under cost allocation arrangements to a minority shareholder. By contrast, other operating earnings of €528 million for the 2016 reporting year include income from the sale of the shares in PEG Infrastruktur AG ("PEGI"), Zug, Switzerland, including its equity interest in Nord Stream AG, Zug, Switzerland, to E.ON Beteiligungen GmbH, Düsseldorf, Germany.

Other operating expenses decreased in fiscal 2016 compared with the previous year by €520 million, or 4.9%, to €10,004 million (previous year: €10,524 million). This decrease is mainly attributable to lower expenses from exchange rate differences. These decreased by €864 million, or 45.9%, to €1,019 million (previous year: €1,883 million). Moreover, expenses from derivative financial instruments also fell by €314 million, or 4.7%, from €6,718 million to €6,404 million, which is mainly attributable to changes in market value of commodity derivatives in the balance sheet. Furthermore, a valuation adjustment on a loan receivable from a Swedish equity investment recorded in the previous year is not included in this reporting period (2015: €344 million). By contrast, other operating expenses increased by €1,068 million due to anticipated losses in the gas storage segment (previous year: €0 million).

Earnings from companies accounted for under the equity method increased by €41 million, or 68.3%, to €101 million (previous year: €60 million). This increase is due mainly to the elimination of value adjustments that were undertaken in the 2015 fiscal year on equity investments. The sale of the Nord Stream shares in the first quarter of 2016 had an offsetting effect.

Earnings before interest and taxes fell in comparison to last year by -€576 million, or 17.0%, to -€3,973 million in fiscal 2016 (previous year: -€3,397 million). The net loss increased in the 2016 fiscal year to -€3,234 million (2015: -€3,757 million) and is still characterized by one-time effects.

Adjusted EBIT and Adjusted EBITDA

Segments

The following table shows adjusted EBIT and adjusted EBITDA for fiscal 2015 and 2016 broken down by segment.

Adjusted EBIT and Adjusted EBITDA

€ in millions	2016	2015	Changes (percentages)
Adjusted EBIT	**1,362**	**801**	**70.0**
European Generation	*126*	*506*	*-75.1*
Global Commodities	*1,327*	*262*	*406.5*
International Power Generation	*106*	*236*	*-55.1*
Administration/Consolidation	*-197*	*-203*	*3.0*
Adjusted EBITDA	**2,122**	**1,717**	**23.6**
European Generation	*654*	*1,125*	*-41.9*
Global Commodities	*1,456*	*449*	*224.3*
International Power Generation	*201*	*335*	*-40.0*
Administration/Consolidation	*-189*	*-192*	*1.6*

European Generation

Adjusted EBIT in the European Generation segment decreased from €506 million in the previous year by €380 million, or 75.1%, to €126 million in fiscal 2016. Adjusted EBITDA in the European Generation segment decreased compared with the previous year's €1,125 million by €471 million, or 41.9%, to €654 million in fiscal 2016.

In addition to negative price effects, smaller water volumes at the hydropower plants in Sweden compared to last year had a negative impact on current production and therefore on adjusted EBIT. A further negative impact on net results was caused by an increase in reserves for disposal obligations in the nuclear sector in Sweden compared to the same period last year.

In total, these negative effects were only partially offset by operational counter-measures, such as increased availability of Uniper-operated nuclear power plants in Sweden and the commissioning of the Maasvlakte 3 power plant in the Netherlands, as well as cost savings.

Global Commodities

Adjusted EBIT in the Global Commodities segment rose from €262 million in the previous year by €1,065 million, or 407%, to €1,327 million in fiscal 2016. Adjusted EBITDA in the Global Commodities segment rose from € 449 million in the previous year by €1,007 million, or 224%, to €1,456 million in the reporting period.

Adjusted EBIT was substantially impacted in the gas sector by the liquidation of reserves for past deli- very periods due to the agreement reached with Gazprom. The agreement included the adjustment of price terms for long-term gas delivery contracts to reflect current market conditions. Furthermore, optimization activities produced a positive effect.

The increase in the electricity sector was mainly due to the revised process for the handover of capacity between the Global Commodities segment and the European Generation segment.

The earnings contribution from activities associated with the Yuzhno-Russkoye gas field was negatively impacted in fiscal 2016 by a lower price level and a reduction of allocated gas volumes planned for this financial year. Owing to overproduction and excess deliveries in fiscal years 2009-2015, gas allocations to Uniper Group were reduced in fiscal 2016 in order to compensate (so-called "make-up year"). Variations in exchange rates had a contrasting positive effect.

Overall, cost savings had a positive impact on adjusted EBIT.

International Power Generation

Adjusted EBIT in the International Power Generation segment declined by €130 million or 55%, falling from €236 million in the same period to €106 million in the 2016 fiscal year. Adjusted EBITDA in the International Power Generation segment declined by €134 million or 40%, falling from €335 million in the same period to €201 million in the 2016 fiscal year.

With respect to adjusted EBIT, the temporary shutdown of the 800 MW unit of the Berezovskaya power plant in February 2016 as the result of an accident and the resulting boiler damage had a negative impact. Positive factors were the first installment of the insurance payout for the accident at the Berezovskaya power plant and higher tariff payments for new capacity.

Administration/Consolidation

The adjusted EBIT attributable to the reconciliation item Administration/Consolidation rose from -€203 million in 2015 by €6 million or 3% to -€197 million in fiscal 2016. Adjusted EBITDA attributable to Administration/Consolidation rose from -€192 million in 2015 by €3 million to -€189 million in 2016. Cost savings here are offset by the establishment of restructuring reserves.

Earnings Before Interest and Taxes

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

In order to increase its meaningfulness as an indicator of the Uniper Group's operating profitability, unadjusted EBIT is adjusted for certain non-operating effects. Operating income also includes income from investment subsidies for which liabilities are recognized.

The non-operating effects on earnings items 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 Income Taxes

€ in millions	2016	2015
Income/Loss before financial results and income taxes	**-3,973**	**-3,397**
Income/Loss from equity investments	10	-12
EBIT	**-3,963**	**-3,409**
Non-operating adjustments	5,325	4,210
Net book gains/losses	*-522*	*-38*
Marking to market of derivative financial instruments	*1,636*	*-511*
Restructuring/Cost management expenses[1, 2]	*344*	*137*
Non-operating impairment charges (+)/reversals (-)[3]	*2,921*	*4,199*
Miscellaneous other non-operating earnings	*946*	*423*
Adjusted EBIT	**1,362**	**801**
Economic depreciation and amortization/reversals[3, 4]	760	916
Adjusted EBITDA	2,122	1,717

[1]Expenses for restructuring / cost management in the Global Commodities segment included depreciation and amortization of €16 million in 2016 (2015: €18 million).
[2]Expenses for restructuring / cost management do not include expenses for the current restructuring program, including the related subprojects.
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the statement of income since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring / cost management expenses and in miscellaneous other non-operating earnings.
[4]Economic depreciation and amortization/reversals include only operating depreciation and amortization.

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

Book profits in fiscal 2016 amounting to €522 million (2015: €38 million) resulted mainly from the sale of PEG Infrastruktur AG and Nord Stream AG as well as AS Latvijas Gāze.

The market valuation at the reporting date for derivatives used to hedge business operations against price fluctuations resulted as of 31 December 2016 in a negative effect of €1,636 million (2015: positive effect €511 million).

Expenses for restructuring / cost management increased by €207 million in fiscal 2016 compared with the previous year, amounting to €344 million in 2016 (2015: €137 million). These expenses were incurred primarily for the Group's strategic realignment and included real-estate transfer taxes amounting to approximately €236 million that arose as part of the spin-off.

As in the previous year, earnings performance in the 2016 reporting period was encumbered in particular by write-offs in the order of €3,370 million (2015: €4,540 million). The reason for the required impairment tests was mainly updated assumptions about long-term trends in electricity and primary energy prices—based on studies by renowned forecasting institutes and the assessment of Uniper management—as well as the partial deterioration in political climate and its anticipated impact on future profitability. Write-offs had to be applied in particular in the European Generation and Global Commodities segments. In 2016, appreciations of €460 million were made (2015: €341 million), particularly in the European Generation segment.

Miscellaneous other non-operating income stood at -€946 million, well below the previous year's -€423 million) The decline was mainly due to the establishment of contingency reserves for anticipated losses. In fiscal 2015, effects connected to the planned early closure of units 1 and 2 of the power plant in Oskarshamn, Sweden, had a negative impact on the result.

Financial Condition

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

Finance Strategy

Uniper strives for a healthy balance between attractive shareholder dividends and balance sheet stability. Accordingly, Uniper's finance strategy rests on three pillars: dividend policy, free cash flow and a comfortable investment-grade rating.

As a target for dividend payments, a fixed dividend of roughly €200 million is to be proposed for the 2016 fiscal year. The dividend payout for subsequent fiscal years will be based on free cash from operations ("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. Dividend distributions of at least 75% and up to 100% of FCFO are planned for the coming years.

Uniper's overall goal is to generate neutral to positive total cash flow after dividend payments. In combination with the announced asset disposals of more than €2.0 billion, this will allow Uniper to achieve its target leverage ratios by 2018. To this end, Uniper's current debt factor (ratio of economic net debt to adjusted EBITDA) shall be reduced to comfortably below 2.0, and its ratio of net financial position to adjusted EBITDA to below 1.0. These ratios are in line with Uniper's target of achieving a comfortable investment-grade rating.

Financing Policy and Initiatives

Borrowing represents an important source of financing for Uniper. To obtain external financing, As tools for flexible financing, Uniper uses credit facilities and a bond program (the "Debt Issuance Programme" or "DIP").

The credit facilities of Uniper SE currently consist of a syndicated bank financing agreement originally guaranteed by three banks on June 1, 2016, and ultimately concluded on July 28, 2016, with 15 banks in total. The financing agreement split in two tranches: a loan of originally €2.0 billion with a term of three years (€0.8 billion as of December 31, 2016) and a revolving credit facility for an additional €2.5 billion with a similar original term of three years (not drawn as of December 31, 2016), which can be extended by up to two additional years with the consent of the banks. This revolving credit facility is available to Uniper as financing for its current assets and as a liquidity reserve.

The currently outstanding bond of Uniper SE was issued as set out in the documentation of the DIP, which enables the issuance of debt instruments to investors in public, syndicated and private placements. The DIP was launched for the first time in November 2016. The total amount available under the program is €2 billion. It has been utilized in the amount of €500 million.

Financial Liabilities

€ in millions	Dec. 31, 2016	Dec. 31, 2015
Bonds[1]	498	–
Other financial liabilities (including liabilities to affiliated companies)	2,372	12,847
Total	**2,870**	**12,847**

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

Uniper additionally has arranged guarantee credit lines with banks to cover guarantee requirements in its operations. As part of its business operations, Uniper has entered into contingencies and other financial obligations. These primarily include guarantees, obligations from litigation and claims, short- and long-term contractual, legal and other obligations and commitments. Notes 24 and 25 to the Consolidated Financial Statements contain more information about outstanding Uniper bonds, and also about liabilities, contingencies and other commitments.

The rating agency S&P Global Ratings ("S&P", an entity of Standard & Poor's Financial Services LLC) assigned a long-term issuer credit rating to Uniper on May 10, 2016. Uniper received an investment-grade rating of BBB- with a stable outlook; it is thus deemed to be a company with good creditworthiness whose credit rating is not likely to change. That rating was already assigned based on the future complete financial separation from E.ON.

Uniper aims to have an investment-grade rating of at least BBB in the medium term.

Debt

Compared with December 31, 2015, economic net debt fell by €2.5 billion to -€4.2 billion (2015: -€6.7 billion). The high positive operating cash flow and the proceeds from divestitures exceeded investment spending, resulting in a significant improvement in the net financial position.

The ratio of economic net debt to Adjusted EBITDA at year-end 2016 decreased to 2.0 owing to the lower economic net debt (year-end 2015: 3.9) owing to the lower economic net debt.

Economic Net Debt

€ in millions	Dec. 31, 2016	Dec. 31, 2015
Liquid funds	341	360
Financial receivables from affiliated companies	–	7,368
Non-current securities	160	189
Financial liabilities (including financial liabilities to affiliated companies)	-2,870	-12,847
Net financial position	**-2,369**	**-4,930**
Provisions for pensions and similar obligations	-785	-796
Provisions for asset retirement obligations[1]	-1,013	-964
Economic net debt	**-4,167**	**-6,690**

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

Effective September 16, 2016, the cash pooling arrangement with the E.ON Group was ended, and the outstanding balance was replaced by the €2.0 billion syndicated loan as a component of the bank financing agreement. This has led to the elimination of both financial receivables and financial liabilities to affiliated companies. Instead, the financial liabilities now reported consist primarily of the debt under the aforementioned external loan and the bond program described subsequently.

Investments

Investments

€ in millions	2016	2015
Investments		
European Generation	*494*	*774*
Global Commodities	*99*	*112*
International Power Generation	*187*	*193*
Administration/Consolidation	*1*	*4*
Uniper	**781**	**1,083**
Growth	*381*	*330*
M&R	*400*	*753*

In 2016, €494 million was invested in the European Generation segment, €280 million or 36% less than the amount of €774 million reported for the previous year. This mainly resulted from the decisions to decommission units 1 and 2 at the Oskarshamn nuclear power plant in Sweden, which had the effect of reducing substantially the total capital expenditure for the Swedish nuclear-power operations.

€99 million was invested in the Global Commodities segment in the 2016 fiscal year, €13 million or 12% less than the amount of €112 million reported for the previous year. The change in the Global Commodities segment was mainly due to reduced investment spending on maintenance and replacement measures within in gas-storage operations and in connection with IT project activities.

In the 2016 fiscal year, investments in the International Power Generation segment amounted to €187 million, which was roughly at the prior-year level (2015: €193 million). Major spending took place in both years on the Berezovskaya 3 lignite power plant unit.

Cash Flow

Cash Flow

€ in millions	2016	2015
Cash provided by (used for) operating activities (operating cash flow)	**2,184**	**1,465**
Cash provided by (used for) investing activities	**-328**	**-610**
Cash provided by (used for) financing activities	**-2,000**	**-979**

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

Cash provided by operating activities (operating cash flow) rose to €2,184 million in 2016 (2015: €1,465 million). The principal driver of this increase was the one-time payment 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. The cash outflow recorded in the Global Commodities segment in connection with the agreement reached with Gazprom weighed heavily on operating cash flow, but was more than offset by optimization activities in the gas business.

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

Operating Cash Flow before Interest and Taxes

€ in millions	2016	2015	Difference
Operating cash flow	**2,184**	**1,465**	**719**
Interest payments	186	152	34
Tax payments	-6	404	-410
Operating cash flow before interest and taxes	**2,364**	**2,021**	**343**

Cash Flow from Investing Activities

Cash provided by (used for) rose from -€610 million in the previous year by €282 million to -€328 million in the 2016 fiscal year. A positive effect was produced by reduced spending of €781 million for investments (2015: €1,083 million) and the €1,235 million increase in proceeds from disposals (2015: €208 million). The inflows 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. This was partly offset by the repayment of investment loans to minority shareholders in nuclear power plants in Sweden, the increase in payments to the Swedish Nuclear Waste Fund within the European Generation segment, and additions to long-term securities for pensions.

Cash Flow from Financing Activities

In 2016, cash used for financing activities amounted to -€2,000 million (2015: -€979 million). The higher cash outflows in the reporting year compared with the previous year were primarily due to transactions with the E.ON Group, relating especially to the repayment of financial liabilities due to E.ON. This was offset by inflows of funds borrowed in the capital markets.

Assets

Consolidated Assets, Liabilities and Equity

€ in millions	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	27,199	29,461
Current assets	21,672	34,062
Total assets	**48,871**	**63,523**
Equity	12,803	15,001
Non-current liabilities	15,272	14,304
Current liabilities	20,796	34,218
Total equity and liabilities	**48,871**	**63,523**

Non-current assets as of December 31, 2016, decreased from the previous year by €2,262 million, or 8%, from €29,461 million to €27,199 million. This is due to impairment charges on fixed assets amounting to €3.4 billion. This was partially offset by an increase in deferred tax assets amounting to approximately €1,2 billion.

Current assets decreased significantly compared with the previous year by €12,390 million, or 36%, from €34,062 million to €21,672 million. A major cause for the decline was the reduction of financial receivables due from the E.ON Group, which fell by €7,368 million. Moreover, trade receivables and other operating assets fell by a total of €4,835 million.

On September 9, 2016, all of the shares in Uniper Beteiligungs GmbH were transferred from E.ON SE to Uniper SE as part of the spin-off. Shareholders of E.ON SE were allotted new shares of Uniper SE as consideration for this spin-off, as a result of which shareholders of E.ON SE have acquired 53.35% of the shares of Uniper SE and the ownership interest of the E.ON Group—held indirectly via E.ON Beteiligungen GmbH—has been diluted to 46.65%. In this context, the capital stock of Uniper SE was increased by approximately €332 million, and the additional paid-in capital by €6,637 million. A total of €7,623 million was reclassified from non-controlling interests to equity attributable to shareholders of Uniper SE; accordingly, retained earnings of €2,750 million and other comprehensive income ("OCI") of -€2,096 million were recognized.

Equity decreased from €15,001 million to €12,803 million as of December 31, 2016. Equity was reduced primarily by the net loss. The equity ratio in fiscal 2016 of 26% was above the previous year's level of 24%.

Non-current liabilities increased over the previous year's level by €968 million, or 7%, from €14,304 million to €15,272 million as of December 31, 2016, mainly through the utilization of the syndicated loan of €800 million, and the issuance of a bond of €500 million in December 2016. The repayment of loans of E.ON Group had a counter-effect in the amount of €772 million.

Current liabilities decreased significantly compared with the previous year's level by €13,422 million, or 39%, from €34,218 million to €20,796 million. This development is primarily attributable to the repayment of liabilities from cash pooling and cash management vis-à-vis E.ON SE by €9,901 million. In addition, trade payables and other operating liabilities fell by €2,294 million.

The increase of long-term provisions was compensated by the decline of short-term provisions in comparison with December 31, 2015.

Earnings, Financial Condition and Net Assets of Uniper SE

The annual 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").

The figures for the 2016 fiscal year were strongly influenced by the transactions that occurred in connection with the spin-off from the E.ON Group. A comparison with prior-year figures is therefore possible only to a limited extent.

Balance Sheet of Uniper SE (HGB)

	December 31	
€ in millions	**2016**	**2015**
Financial assets	11,463.0	4,367.4
Fixed assets	**11,463.0**	**4,367.4**
Receivables and other assets	10,576.2	787.6
Securities	150.0	–
Bank balances	51.9	1.1
Current assets	**10,778.1**	**788.7**
Accrued expenses	**6.0**	**–**
Excess of plan assets over pension liability	**0.3**	**–**
Total assets	**22,247.4**	**5,156.1**
Capital stock	622.1	283.4
Additional paid-in capital	10,824.9	4,068.1
Retained earnings	24.5	15.8
Net income available for distribution	201.3	–
Equity	**11,672.8**	**4,367.3**
Provisions for pensions and similar obligations	29.6	–
Provisions for taxes	219.3	–
Miscellaneous provisions	62.0	0.1
Provisions	**310.9**	**0.1**
Bonds	500.0	–
Bank loans/Liabilities to banks	800.3	–
Liabilities to affiliated companies	8,852.8	788.7
Miscellaneous liabilities	97.9	–
Liabilities	**10,251.0**	**788.7**
Deferred income	**12.7**	**–**
Total equity and liabilities	**22,247.4**	**5,156.1**

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 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.

In the reporting year, additions of shares in affiliated companies totaled €7,025.5 million. These additions are mainly related to the transfer of the shares in Uniper Beteiligungs GmbH in connection with the spin-off from E.ON SE.

The commencement of Group financing activities in January 2016 led to a significant increase in receivables from and liabilities to affiliated companies, as well as in liabilities to banks.

Fixed assets, which essentially consist of shares in affiliated companies, make up 53% of total assets. The proportion of receivables from affiliated companies is 47% of total assets.

Securities held as current assets were reported in the amount of €150 million (2015: €0), and included bonds purchased in 2016.

The increases in pension provisions and in other provisions resulted primarily from the transfer of employees to Uniper SE in the context of the spin-off. Provisions for taxes are attributable to the Company's becoming the parent of the Uniper tax group, as well as to tax issues related to the spin-off, which consist primarily of taxes for the 2016 fiscal year.

Income Statement of Uniper SE (HGB)

€ in millions	2016	2015
Other operating income	1,100.7	–
Personnel costs	-60.3	–
Other operating expenses	-1,293.4	-0.1
Income from equity investments	741.8	–
Other interest and similar income	53.0	0.1
Other interest and similar expenses	-23.2	–
Income from transfers of profits	192.3	787.6
Expense from assumptions of losses	-337.5	–
Income taxes	-163.4	–
Income/loss after taxes	**210.0**	**787.6**
Income transferred under a profit-and-loss-pooling agreement[1]	–	-787.6
Net income/loss	**210.0**	**0.0**
Addition to retained earnings	-8.7	–
Net income/loss available for distribution/carried forward	**201.3**	**0.0**

[1]In 2015, a profit-and-loss-pooling agreement existed with E.ON Beteiligungen GmbH.

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 €596.6 million was the result of earnings contributed by the equity investments in Uniper Holding GmbH and Uniper Beteiligungs GmbH.

Other operating expenses and income resulted primarily from currency effects and from expenses incurred in connection with the spin-off and the subsequent initial public offering of Uniper SE.

The increase of €60.3 million in personnel expenses compared with the previous year is attributable to the employee transfers mentioned above.

The Company's becoming the parent of the Uniper tax group resulted in a tax expense of €163.4 million.

After subtraction of taxes, Uniper SE generated net income for the year of €210.0 million (2015: €787.6 million). After a transfer of €8.7 million to retained earnings, the net income available for distribution amounted to €201.3 million.

The Management Board and the Supervisory Board will propose to the Annual Shareholders Meeting to be held on June 8, 2017, that the net income available for distribution be used to distribute a dividend of €0.55 per share of the dividend-paying capital stock of €622.1 million.

Non-financial Performance Indicators

Sustainability

The expectations held by different stakeholders such as investors, the media, business partners and policymakers for a publicly traded company as Uniper and the entire energy industry are varied, and in part also challenging—especially in an increasingly complex environment.

The primacy of climate protection is omnipresent, important and correct. Key stakeholders expect—the resulting fundamental changes in the energy industry notwithstanding—a secure, reliable and affordable supply of energy. In order to be able to meet these expectations, an appropriate political environment that allows Uniper to operate both economically and ecologically is needed. Uniper believes that such an environment can only be created through transparency and open dialogue with stakeholders.

Uniper conducted this dialogue at numerous events during 2017. Uniper has conducted numerous meetings with investors and analysts, participated in political events, and engaged with citizens and non-governmental organizations. The feedback Uniper receives is an important impulse for the Company's future development.

Uniper's commitment to transparency is not limited to this Annual Report: the first-ever Uniper Sustainability Report will be published in May 2017. That report will be based on the Global Reporting Initiative's G4 Guidelines. That report will identify the aspects of sustainability that are material to Uniper and key stakeholders, and explain how Uniper deals with the associated expectations.

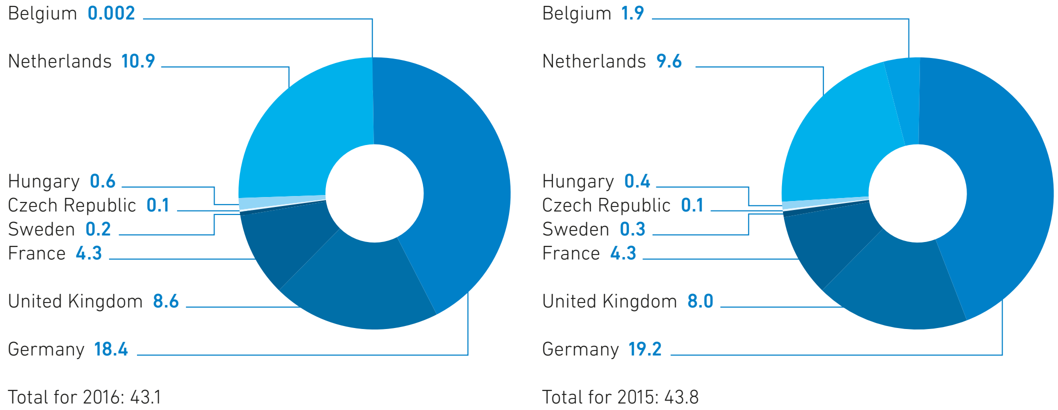
The Management Board member Eckhardt Rümmler has been appointed to the role of Chief Sustainability Officer. His responsibility in that role is to further enhance and control the integration of relevant, sustainability-related topics into the Company's business processes. Possible risks for Uniper can thus be detected at an early stage, and appropriate measures can be taken to enhance and protect the interests and competitiveness of the Company. Clear responsibility of the Management Board for sustainability subjects and close cooperation between the sustainability team and the relevant business areas help lay the foundation for effective sustainability management.

Compliance with laws and regulations and with its own internal policies has a particularly significant impact on Uniper's reputation as a responsible company. Uniper's Code of Conduct, which took effect in August 2016 and applies also to suppliers of Uniper, addresses issues including corruption and bribery risks, as well as anticompetitive behavior and human rights. Uniper is convinced that only such an integrated approach, which includes the close involvement of suppliers, can lead to improvements in the supply chain.

The efficient use of natural resources such as water and fuels, and an awareness of their impact on climate change, is one of the principal themes of Uniper's stakeholders. About 16 GW of the entire European generation portfolio of around 28 GW consists of power plants with little or no CO_2 emissions. The carbon footprint was determined in accordance with the EU Emissions Trading Scheme and the Greenhouse Gas Protocol. "Scope 1" emissions (direct greenhouse gas caused by power generation) amounted to less than 4 percent of all EU ETS emissions from fuel combustion.

EU ETS Emissions—Uniper Group (excluding Russia)

t in millions



Disclaimer: The data were determined according to the EU ETS rules. They relate only to emissions from generation sites. For comparability purposes, only the data for those assets now owned by Uniper have been presented for 2015.

Optimizing the value-added chain, Uniper recycles byproducts like the ash produced when electricity is generated in coal-fired power plants, and resells them to industrial customers. These and other services make Uniper an important partner to industry in Germany and beyond.

In the markets where it operates, the Uniper Group is a mainstay of individual prosperity and regional economic development not only as a reliable energy supplier. The Group also makes a significant financial contribution to society as a business enterprise. The measure of that contribution is net value added, which is the sum of the value added by Uniper to its employees (wages, salaries, benefits), government entities (taxes), lenders (interest payments) and other shareholders (non-controlling interests in earnings). In addition, a portion of total earnings is paid out to shareholders as a dividend.

Net Value Added

€ in millions	Use	2016	2015
Employees	Wages, salaries and social security contributions	1,179	1,260
Government entities	Current income taxes, other taxes[1]	599	362
Lenders	Interest payments[2]	318	293
Non-controlling interests	Portions of Group income attributable to non-controlling interests	-17	328
Shareholders	Dividend proposal[3]	201	–

[1]Adjusted for deferred taxes; does not include additional government levies such as concession fees.
[2]Does not include the accretion of non-current provisions; includes capitalized interest.
[3]The dividend proposal is determined based on the value added from both continuing and discontinued operations.

Human Resources

The Uniper People Agenda

With the split from E.ON, Uniper started as a new company with its own characteristics: it's a medium sized company with focus on Western Europe and Russia, as well as a business model predominantly focusing on energy generation, storage and trading. These are the aspects that are also leading in determining the future setup of Human Resources (HR) at Uniper.

The foundation of HR is the Uniper People Agenda. HR provides a pragmatic, target-oriented and at the same time flexible framework enabling the function to consequently adapting the HR set-up and its service portfolio to the new company, a rapidly changing environment and the business requirements resulting from it. However, it was not only the common change process aiming at offering services that support the business and stopping activities that are not needed or not valued by the HR internal customers. Moreover, the approach consequently focused on the customer's perspective and was followed in a systematic and structured way in the company which resulted in three focus topics: Efficiency, Capability Management and Implementing the Uniper Way.

Efficiency

Given the overall setting of the restructuring program and putting the focus on efficiency, HR accordingly defined the service level aspirations of the top management, strategic line managers and other stakeholders with regards to the major HR service clusters. This resulted in a renewed target service portfolio and consequently also an organizational setup of HR.

Capability Management

Also in 2016 a systematic approach towards capability management was kicked off, the implementation will be continued in 2017. Capability management will provide the basis for a new behavioral and capability-driven framework. It will enable the business to achieve current operational and strategic objectives and anticipate changes in the competitive environment to gain new competitive advantages. By leveraging and building up the right capabilities Uniper will identify organizational capabilities required to meet strategic goals and ensures continual alignment of employee development, career progression, and talent management to evolving business needs.

Implementing the Uniper Way

The Uniper Way describes the Way the people at Uniper are working together in the three dimensions: "Leadership" (Grow and empower people), "Teamwork" (Become one and simplify) and "Your Individual Contribution" (Act as if it was your own company).

In addition to that an annual mandatory multi-rating feedback was implemented for all executives, which is based on the Uniper Way.

Moreover, the Uniper Way has been integrated into several learning initiatives (e.g., leadership, interpersonal and sales training programs) and will be an integral part of Uniper Employer Value Proposition as well as the Uniper Explorer Program for ambitious university graduates.

Diversity
Working together at Uniper are people from more than 63 nations who differ in many ways, including by nationality, age, gender and religion, or by cultural and social background. Uniper also employs people who contribute different personalities, work habits and professional experience from a variety of sectors, as well as people who can work flexibly at different locations. Fostering diversity is enshrined in the Uniper Way as a fundamental aspect of leadership. Many studies have shown that blended teams are more innovative and successful than homogeneous groups. Diversity is equally crucial in view of demographic trends: only those companies that can effectively embrace diversity will be able to remain attractive employers and thereby be less affected by the shortage of skilled workers in the future. Shortly after going public in November 2016, Uniper publicly affirmed its commitment to fairness and respect to its employees by signing the "Charta der Vielfalt" Germany's national diversity charter. As a signatory, Uniper belongs to a network of almost 2,400 companies committed to making use of the economic benefits that diversity offers, as well as to tolerance, fairness and respect.

Alongside age and internationality, a particular focus of diversity management at Uniper is currently placed on gender equality. In Germany, an initial target of 20% has been set for the proportion of women in the first management level below the Management Board, and one of 22.5% for the proportion of women in the second management level below the Management Board. At the end of 2016, the proportion of women in management positions at the first management level below the Management Board was 21%, which means the targeted proportion has already been achieved. At the second management level below the Management Board, the proportion of women in management positions at the end of 2016 was 20%.

Uniper's objective is to ensure that these targets are maintained in future years, and a variety of measures have been instituted to achieve it. One of these is the application of the Group-wide rule for filling management positions: at least one man male and one female candidate must be considered as potential successors for every vacant management position. Many units already have in place support mechanisms such as networking, mentoring programs for current line managers and the next generation, daycare options, flexible work schedules and home-office arrangements. Significantly increasing the percentage of women in the internal talent pool is a further prerequisite for raising, over the long term, their representation in management and top-executive positions.

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.

Workforce Figures
On December 31, 2016, the Uniper Group had 12,635 employees, 264 apprentices and 34 board members and managing directors worldwide. The workforce thus declined by 8% compared with December 31, 2015.

Employees[1]

	Dec. 31, 2016	Dec. 31, 2015	Changes (percentages)
European Generation	6,095	6,790	-10
Global Commodities	1,242	1,338	-7
International Power Generation	4,853	5,065	-4
Administration/Consolidation	445	488	-9
Total	**12,635**	**13,681**	**-8**

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

In the European Generation segment, the workforce reduction is primarily attributable to the shutdowns of the Killingholme and Ironbridge power plants and, respectively, the sale of the Langerlo plant and the implementation of measures taken in the context of the cost-cutting project implemented in the previous year and the cost-cutting program currently being implemented.

Global Commodities saw a slight net reduction of its workforce that resulted from cost-cutting measures.

The number of employees reported for International Power Generation relates mainly to the workforce of the regional units in Russia and the Czech Republic. This workforce was reduced by the continued implementation of technical optimization measures.

In Administration/Consolidation, the number of employees declined because of effects that have occurred in the context of a cost-cutting project implemented in the previous year. The proportion of employees working outside Germany (8,137) has remained stable relative to the previous year at 64%.

Employees by Region[1]

	Headcount		FTE	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Germany	4,498	4,880	4,371.7	4,747.6
France	473	604	469.1	603.1
UK	1,000	1,162	986.5	1,147.6
Netherlands	532	554	514.0	537.4
Russia	4,756	4,950	4,750.0	4,937.0
Sweden	1,170	1,236	1,151.2	1,219.0
Other[2]	206	295	203.3	291.5
Total	**12,635**	**13,681**	**12,445.8**	**13,483.2**

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

Gender and Age Profile, Part-Time Staff

The proportion of women in the workforce as of December 31, 2016, was 24.1%, up from the prior-year figure of 23.3%.

Proportion of Female Employees

Percentages	Dec. 31, 2016	Dec. 31, 2015
European Generation	16.6	16.6
Global Commodities	30.4	32.3
International Power Generation	29.5	30.1
Administration/Consolidation	48.8	41.3
Uniper Group	**24.1**	**23.3**

The average age of the Uniper Group workforce was about 44, and the average length of service was about 13 years.

Employees by Age

Percentages	Dec. 31, 2016	Dec. 31, 2015
30 and younger	12.8	13.5
31 to 50	54.9	54.4
51 and older	32.3	32.2

A total of 832 employees, or 6.6% of the Uniper Group's workforce, worked on a part-time schedule at year-end. Of these, 434 (52%), were women.

Part-Time Rates

Percentages	Dec. 31, 2016	Dec. 31, 2015
European Generation	10.5	11.6
Global Commodities	8.6	7.7
International Power Generation	0.4	0.5
Administration/Consolidation	14.6	6.3
Uniper Group	**6.6**	**7.0**

The turnover rate resulting from voluntary terminations averaged 4.0% across the Group, slightly lower than in the previous year.

Fluctuation Rate

Percentages	Dec. 31, 2016	Dec. 31, 2015
European Generation	4.0	3.4
Global Commodities	3.7	4.1
International Power Generation	4.1	5.9
Administration/Consolidation	3.5	2.6
Uniper Group	**4.0**	**4.4**

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 Injury Frequency ("TRIF")—which measures the number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries that occur on the job and in route to work—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.

The stated objective is to prevent all accidents. Meeting this commitment is a primary line-management objective, and the individual and collective responsibility of all Uniper employees. The Company works tirelessly to ensure that all incidents and near misses are reported and rigorously investigated to minimize and eliminate future risks. In 2016, the first year of the newly-formed Group, the TRIF for the Group's own employees, for example, was 1.24. At the beginning of 2016, Uniper was very much overshadowed by a fatal accident that occurred at the Surgutskaya power plant in Russia.

The Company makes use of key performance indicators like TRIF to further monitor and work on continuous improvement at Uniper SE. Continuous improvement is further assured by the individual units, which develop their own Health, Safety and Environment Improvement Plans (HSE-IPs) based on a management review of the previous year's results. The results of the implementation of these plans are also used as preventive performance indicators. After the internal analysis was performed, global topics on issues of effective leadership, identity and culture, health at Uniper, and the management and engagement of contractors were selected for the 2016 HSE Improvement Plan. Apart from these general objectives, the individual units also worked on additional objectives relating more precisely to their specific activities.

Notwithstanding all the successes hitherto achieved in the area of occupational health and safety, the Group-wide goal remains to prevent all accidents and other health impairments among the Group's employees and contractors by consistently applying internationally recognized HSE management systems. In line with requirements for 2016, Uniper successfully achieved recertification to the international standards OHSAS 18001 (occupational health and safety) and SO 14001 (environmental management) of its Health, Safety and Environmental Management System for its UK generation activities.

Compensation, Retirement Benefits, Employee Participation

Appropriate compensation and appealing fringe benefits are essential to a competitive work environment. Employee compensation includes variable components that give due regard to the Company's success, including occupational health and safety, and reward individual employee performance. In addition to an occupational retirement benefit plan, Uniper also offers its employees other valuable benefits such as disability benefits and family coverage. Company-funded benefits are supplemented by attractive opportunities for private retirement planning. This allows employees to lay the important groundwork for their future financial security and that of their dependents, while at the same time fostering employee retention.

Training

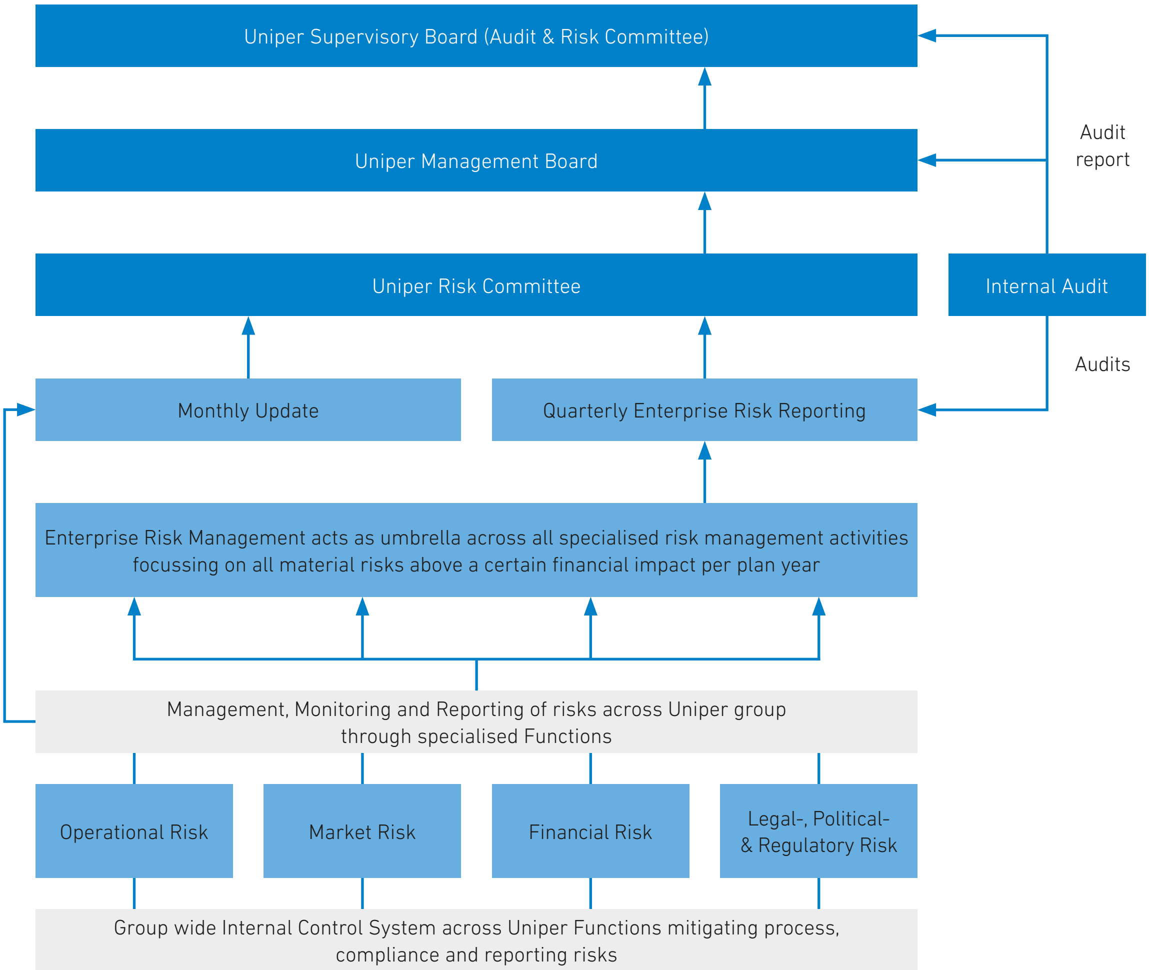
By providing young people with vocational training for a wide variety of commercial and technical occupations, and with internships offering preparation for formal apprenticeships, Uniper is meeting its obligation to society by confronting demographic change and a dearth of qualified personnel. Integrating persons with disabilities is a matter of principle for Uniper. The standard of quality for vocational training remains high.

Uniper had 264 apprentices and work-study students in Germany on December 31, 2016, 5.5% of the total workforce.

Risk Report

Risk Management System

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



The aims of this system are:

- to fulfill legal and regulatory requirements (e.g., the Act for Control and Transparency in the Corporate Sector, “KonTraG”),
- to ensure the continued existence of Uniper Group by keeping total risk proportionate to available financial resources,
- to protect the company’s value through integrated active risk management, and
- to generate additional value by appropriately taking into consideration both yields and risks as they 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 a Risk Committee at the level of the Uniper Group. The Management Board establishes and organizes the Uniper Group Risk Committee, sets the risk appetite for the Group as well as overall risk limits for individual risk categories, which the Risk Committee then monitors.

The Uniper Group Risk Committee deals with all significant business risks relevant to economic and financial governance of the Uniper Group. It is composed of the Chief Financial Officer ("CFO"), its chairman, and of the Chief Risk Officer, the Chief Commercial Officer ("CCO"), the Chief Operating Officer ("COO") and the Executive Vice President for Group Finance. 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 Uniper Group are internal guidelines, organizational structure, processes and systems.

Risk Policies

The Enterprise Risk group policy defines the principles and minimum requirements for group-wide management of all types of risk. This includes the definition of the central risk management process and the stipulation of associated responsibilities. The defined process ensures that risks are fully identified throughout the Group in a timely manner as well as assessed and reported in a transparent manner that allows for comparison. Responsibilities are assigned to risk managers, who are actively engaged in managing and monitoring risks. Below the group level of enterprise risk, corporate risk guidelines define the principles and minimum requirements for group-wide management of individual types of risk.

Risk Management Organization

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

There is at least one risk officer for each function outside of Risk Management. This officer is responsible for the implementation of the corporate Enterprise Risk Policy. His mission is the identification, assessment, management and reporting of all risks associated with operations across all corporate legal entities. Risk management (i.e., acceptance, alleviation, transfer) is carried out on the instructions of the head of this function, who is also risk officer, as far as is consistent with the risk appetite of the Group. The responsibility for risk is assigned to the functional area that is best suited to its control. There are dedicated teams for certain types of risks (e.g., commodity price risks, credit risks, risks associated with the operation of technical facilities, etc.) that develop guidelines for Group-wide management of each risk type and ensure global compliance with these guidelines.

Risk Management Process and Risk Management System

Each quarter the risk managers of these functions review the risks they have identified with respect to completeness and current evaluation. Changes to the risk situation are reported to risk management via a centralized IT tool, where they are evaluated for plausibility and subjected to quality control in co- operation with Accounting and Controlling. To control risk, risk officers will take measures to reduce the likelihood and extent of loss. For example, hedging transactions shall be concluded using financial instruments or insurance policies or by creating reserves. When choosing control instruments, costs and benefits as well as the risk appetite of risk managers are evaluated as against that of the Group.

Based on this quarterly process, the Risk Committee, the Management Board and the Audit Committee of the Supervisory Board of Uniper Group shall be informed of the current risk exposure. Significant changes in risk shall be ascertained and addressed at any time, even mid-quarter. The risk management process at Uniper Group also takes opportunities into account. The effectiveness of the risk management system is regularly reviewed by Internal Auditing in accordance with legal requirements.

Risk Assessment

At Uniper Group risks are quantified wherever possible. Qualitative review occurs only in a few exceptional cases. Quantification occurs by means of a statistical modeling of the probability and amount of the potential loss. The amount of loss is modeled primarily in terms of the potential earnings effect on the Group's currently planned adjusted EBITDA and/or net income. For pure liquidity risks, the effect is modeled on opera- ting cash flow. The risk assessment is carried out on a net basis, i.e., taking into account implemented and operative risk reduction measures. Modeling is done separately for each year of the three-year medium-term planning horizon. Monte Carlo Simulation is used to determine an expected value for the potential amount of loss for each quantified risk per plan year. If a risk can occur more than once within the 3-year planning horizon, the corresponding anticipated values for the amount of loss are accumulated.

Due to the large number of individual risks, they are grouped together into risk categories and subcategories by the group risk committee for the purpose of better clarity and easier management. This takes into account all quantified individual risks that in a worst-case scenario can result in a loss of more than €50 million in a planning year following risk minimization measures. The cumulative expected value for a risk subcategory results from the sum of the accumulated expected values of all associated individual risks. Based on the expected values for the potential losses thereby calculated, the risk subcategories are associated with a qualitative evaluation class as described below.

Assessment Class

Cumulative expected Impact	Assessment Class
< € 5 million	insignificant
€ 5 million - € 20 million	low
€ 20,1 million - € 100 million	moderate
€ 100,1 million - € 300 million	significant
> € 300 million	high

Risk Exposure

The following table provides an overview of the risk exposure of the Uniper Group as of 31 December 2016. To clarify the risk landscape that the Uniper Group faces, the following section describes typical risks in each risk subcategory as well as significant individual risks.

Risk Assessment

Risk Category	Risk Sub-Category	Risk Assessment
	Liquidity Risks	significant
	Credit Risks	high
Financial Risks	Other Financial Risks	moderate
	Commodity Price Risks	high
	Foreign Currency/Interest Rate Risks	moderate
Market Risks	Market Environment Risks	low
	Risks associated with the Operation of Technical Facilities	moderate
	Risks associated with the construction of Technical Facilities	high
	Employee and Process Risks	high
Operating Risks	Information Technology (IT) Risks	high
Legal Risks		significant
Political and Regulatory Risks		moderate

To analyze Uniper Group's overall risk position, the risks of all risk categories and subcategories are statistically aggregated by means of a Monte Carlo simulation, taking into account any interdependencies. On this basis, expected values are determined for a potential total loss amount and a potential loss amount based on a 95% confidence level per plan year. The trend for the values over the plan years gives an indication of the evolution of risk exposure. To assess risk-bearing capacity, these values are in conclusion mirrored against liquidity and earnings planning as well as projected net debt.

Based on this analysis, the overall risk exposure of Uniper SE is assessed as not posing a threat to the existence of company.

Risk Subcategories and Relevant Individual Risks

In the course of conducting its commercial activities, Uniper Group is exposed to a number of risks that are inextricably linked to its business activities. These risks can be assigned to various subcategories, which are described below. In addition, typical risks in each risk category and subcategory are also described. Individual risks are designated as significant if they show a cumulative expected value for the loss amount in excess of €100 million after taking into account risk-reduction measures. Relevant individual risks exist in the subcategories liquidity risks, risks associated with the construction of technical facilities, employee/process risks as well as legal risks.

Financial Risks

Liquidity Risks

The main liquidity risk that Uniper Group faces is in a downgrade of the long-term investment grade rating from its current BBB-. Particularly with respect to trade, this could result in counterparties demanding increased security requirements as a precondition for concluding trade and hedging transactions with the Group. Such security requirements would need to be covered through provision of cash or similar means (e.g. guarantees) and constitute one of the relevant individual risks that the Group faces. To limit risk, the Group strives to retain and even improve its investment grade rating over the medium term. Moreover, the risk is quantified, continuously monitored and actively managed internally through various measures (e.g., closeouts).

In order to optimize and secure the commodity position, Uniper Group conducts transactions in energy and commodity markets, which depending on developments in the market may result in margin calls. In addition, bilateral margining agreements are concluded with selected partners. The associated liquidity risk is measured, monitored and managed on the basis of a limit.

Credit Risks

The Uniper Group is exposed to credit risks associated with business operations and the use of financial instruments. Credit risks arise from non-performance or partial performance of existing loans by business partners and from replacement risks in pending transactions.

Uniper applies appropriate measures to manage credit risks. These include the setting of limits for individual counterparties and counterparty groups, securing collateral, structuring of contracts, the transfer of credit risk to third parties (such as insurers) and credit portfolio diversification. 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, credit collateral is demanded (e.g., guarantees from the parent company, letters of awareness, etc.)

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

The investment of liquid resources occurs in principle with creditworthy counterparties.

Other Financial Risk

The Uniper Group provides insurance coverage to an extent that is economically appropriate. This includes, for example, facility and equipment insurance for technical equipment, which is subject to customary liability exclusions. It cannot be ruled out that Uniper Group may sustain losses that are not covered by the insurance, for which the insurance companies may refuse coverage or which may exceed the amount insured. Insurance management at Uniper Group is handled by Uniper Risk Consulting GmbH, which regularly reviews coverage and makes adjustments as needed.

Market Risks

Commodity Price Risks

Uniper Group's operating activity, in particular the physical assets, long-term contracts and agreements with key customers, is exposed to considerable risk 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 risks through a central trading function. The aim of the trading function is to optimize the value of Uniper Group's commodity portfolio while limiting and securing against associated potential losses. This involves the use of derivatives and non-derivative financial instruments.

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

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

Foreign Currency / Interest Rate Risks

Uniper Group is exposed to currency translation risks due to its participation in business activities outside the euro area. In addition, there are also operational and financial transaction risks from foreign currency transactions. Operational foreign currency risks arise from the physical and financial trading of commodities and investments in foreign currencies. Financial foreign currency risks arise from receivables and payables in foreign currency relating to external financing, and from shareholder loans within the Uniper Group in foreign currency.

Hedging against translation risks is managed partly through debt in the local currency equivalent. Uniper companies are responsible for managing operating currency risks. Uniper SE assumes responsibility for overall coordination of hedging measures by the companies, hedging against translation risks and financial transaction risks and makes use of external derivative financial instruments as necessary.

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

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

Risks Relating to the Market Environment

The international market environment in which the Uniper Group operates is characterized by general risks from economic cycles. The domestic and foreign electricity and gas business also faces increased competition from new vendors entering the market and aggressive tactics by existing market participants, which could reduce our margins. This also applies to the global LNG business. A worsening of the economic environment could lead to lower-than-planned utilization of long-term booked regasification plants, resulting in an inability to cover their costs. The Uniper Group aims to improve the revenue situation by further increasing the utilization of these terminals.

Operating Risks

Risks Associated with the Operation of Technical Facilities

Technologically complex production, generation, storage, distribution and handling facilities are used in the generation of energy. In principle, there is the possibility that human error, technical malfunctions or other events resulting in losses (e.g., natural disasters, sabotage, terrorist attacks, strikes, etc.) may negatively affect the 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, 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.

Risks Associated with the Construction of Technical Facilities

Part of Uniper Group business activities involve the construction, expansion, renovation, retrofitting or decommissioning of power stations or other power supply facilities. This involves the risk that actual construction costs exceed planned costs, that construction delays may occur, for example, as the result of the regulatory approval process or that construction could even be halted.

On February 1, 2016, a fire broke out in the boiler house at the GRES TG 3 unit of the Berezovskaya power plant in Russia, damageing essential components of the 800 MW boiler that must now be replaced. The power plant unit is out of operation while repairs are underway. The repairs may turn out to be more expensive than planned and delays in restarting may result in revenues beeing generated later than originally planned. A delay in restarting the facility represents one of the relevant individual risks to the Group.

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

Employee and Process Risks

The Uniper Group has at its disposal specific expertise and employees in key positions in certain areas. If the employees in question left the company, this could have an appreciable effect on profitability, the continuity of business activities and also on the innovative capacity and viability of the company. This risk is one of the relevant individual risks to the Group.

To manage and reduce personnel risk, the Group undertakes efforts to develop and disseminate know-how and to invest in successor planning and skills development programs. In addition, the existing remuneration system for employees is periodically reviewed and modified.

Moreover, there is also is a risk that members of executive bodies or employees may conclude unauthorized or illegal transactions that lead to the initiation of legal proceedings against the Uniper Group or its employees, resulting in fines, loss of licenses or the like. The Uniper Group copes with this through a wide-ranging network of controls as well as a Compliance Risk Management System.

Information Technology (IT) Risks

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

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

Legal Risks

For the Uniper Group's business operations, there are also risks arising from pending or threatened legal proceedings. An example of a significant risk in this category is the current construction by Uniper Kraftwerke GmbH of a coal-fired power station in Datteln with a net installed capacity of approximately 1,055 MW and with over €1 billion already invested in the project. After the development plan of the city of Datteln was declared invalid, a new planning process was successfully completed in order to restore the planning basis for the Datteln 4 power plant. On January 19, 2017, the Münster District Administration gave its approval in a permit issued pursuant to immission control laws, which allows the power plant to be completed and commissioned. A further €0.4 billion investment is planned to complete the project. Against the backdrop of potential legal action against the immediate enforcement of the immission-control-permit, the possibility of additional delays in the originally-planned commissioning date of the plant cannot be ruled out. Uniper continues to assume that the power plant will be commissioned. In the event of a delay in commissioning, revenues may be generated later than originally planned. The neighboring municipality of Waltrop, BUND NRW (the North Rhine - Westphalia state branch of the Environmental and Nature Conservation Association in Germany) and several private individual persons have filed lawsuits seeking to invalidate the land-use plan and the immission-control-permit. Should the new development plan be declared invalid or the imission-control-permit be withdrawn as a consequence of pending or threatened litigation, there is a risk that all investments made to date as well as those still planned would have to be written off. This risk is one of the relevant individual risks to the Group.

Additional risks in this category include legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the energy sector. In some of these cases, the validity of the price-adjustment clauses, and of the contracts in their entirety, is being challenged by major customers and suppliers.

The Uniper Group seeks to minimize the risks associated with litigation through appropriate process support and possibility of further legal disputes cannot be excluded.

Political and Regulatory Risks

Uniper Group operations face various risks from regulatory interventions. Currently, regulatory changes for capacity markets in Russia and England are in discussion. Other risks arise from the implementation and amendment of financial market regulations that affect the Uniper Group, such as EMIR, REMIT (Regulation on Energy Market Integrity and Transparency), MiFiD II, etc. 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.

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 through Group Controlling.

Opportunities Arising from Market Developments

With regard to operations, opportunities arise from market price trends on wholesale markets for electricity, gas, coal, oil or CO_2 that are to Uniper's advantage as well as related trends in so-called „spreads" ("clean dark" and "clean spark" spreads or seasonal summer-winter spread). Increased volatility in the markets can lead to increased optimization and yield potential. Periods of cold weather can increase demand for electricity and gas and therefore to increased sales volumes for Uniper. Since Uniper is active worldwide, developments in foreign exchange rates can produce positive effects on net assets and earnings.

Opportunities Arising from Portfolio Optimization

With proper project management, power plant downtimes (e.g. due to overhauls) can be reduced and power plant availability and technical availability of gas storage improved. Additional revenue can be generated by continuously optimizing reserved gas transportation and storage capacities as well as existing gas supply contracts. With regard to the long-term gas supply contracts, Uniper is constantly involved in (regular and extraordinary) renegotiations to adjust delivery terms. A positive outcome in these negotiations may significantly affect financial performance.

Opportunities Arising from Litigation

Positive outcomes to ongoing litigation related to regulatory requirements and tax burdens on power plants can result in future positive impacts.

Opportunities Arising from Political/Regulatory Changes

Changes in the political and regulatory environment in the countries where Uniper is active, can also positively affect net assets, financial position and earnings.

Forecast Report

Business Environment

Macroeconomic Situation

The OECD expects that 2017 will bring a gradual acceleration in global growth, supported by a more expansive fiscal-policy orientation in the major economies. Domestic demand is likely to climb especially in the U.S. if the announced increase in government spending and cuts in taxes for households and businesses materialize. But the election results and the new administration in the United States have raised a multitude of questions about the future orientation of U.S. macroeconomic policy. Although the incoming U.S. administration has called for a more expansive fiscal policy during the election campaign, he also took a markedly more protectionist stance on foreign trade and called for the deportation of illegal immigrants, which would reduce the potential supply of labor in the U.S.

Growth in the euro area is likely to remain sluggish as investment spending is projected to remain weak. Financing conditions will remain favorable as monetary policy remains unchanged, and exporters will benefit from stronger U.S. import demand and enhanced competitiveness through a weaker euro relative to the U.S. dollar. These developments are opposed, however, by a series of political uncertainties ranging from Brexit to upcoming elections in key EU member states (Germany, France, the Netherlands). There are also unresolved debt problems affecting banks and the public sector, especially in Italy and in other southern European countries.

The economic outlook for the UK has turned considerably more bleak following the vote for Brexit. Even though the economy proved remarkably stable after the referendum, the OECD projects that growth in the UK will be halved in 2017. This is due to the uncertainty about the investor reticence driven by Brexit, which will affect both domestic and foreign direct investment.

In China, the current trend of slower growth is projected to continue, while Brazil and Russia are expected to finally emerge from their recessions, helped by the recovery in commodity prices, improvements in monetary policy support and a strengthening of purchasing power as inflation eases. However, the recovery in these countries is likely to remain muted owing to persistent structural deficiencies.

Energy Markets

Overall, the markets for electricity and fuels are likely to experience increased volatility in 2017 because they are still significantly influenced by macroeconomic developments and policy decisions.

The agreement between OPEC members and particularly Russia on oil production targets is likely to stop a further increase in inventories and thus help stabilize oil prices in the first half of 2017. However, the success of this measure is highly dependent on strict adherence to the agreed production volumes. Higher prices could lead to short-term expansion of production in the United States, which would become apparent in the second half of the year. Looking at the medium term, however, it is likely that rising demand will necessitate investments to develop new sources, and ultimately to reach a price level that brings about lasting stabilization in investment activity.

The coal market will continue to respond to adjustments on the production side as demand in the Atlantic market continues to subside. This will continue to hold down Atlantic coal prices as well. A recovery in the crude-oil markets, however, would serve to support coal prices. In the medium term, the growing importance of the Pacific region could lead to rising price volatility in the Atlantic market.

Global gas markets are also continuing to grow. The global success of floating storage and regasification technology, which allows a country to import gas from the global market quickly and relatively inexpensively, will increase consumption and drive global trade. Exports from Russia and Norway are expected to remain stable. Only Dutch gas production is somewhat of a question mark. The Groningen field's maximum production is still capped to prevent more earthquakes in the region. A slight increase in gas demand, mainly from the electricity sector, is expected in the medium-to-long term.

In the coming year, prices for EU emission allowances ("EUAs") under the European Union Emissions Trading Scheme ("EU ETS") are expected to remain low. Backloading ended in 2016, and the Market Stability Reserve will not be implemented until 2019. Discussions on post-2020 reforms to the EU ETS have the potential to significantly drive the EUA price in the coming years because the final result of the discussions are likely to have an impact on the medium-to-long-term supply of EUAs. The legislative process is expected to continue through the end of 2017.

Electricity prices in Germany in 2017 will continue to be determined largely by the prices of hard coal and emission allowances. In view of the announced decommissioning of coal-fired power plants and the gradual entry into force of a capacity reserve for lignite plants, both the volatility and the level of electricity prices in Germany could rise in the years to come; the continued expansion of wind-power and photovoltaic capacities will, however, counteract such a development.

The price situation in the United Kingdom will presumably depend on a variety of factors. While summer prices will once again be predominantly driven by developments in the gas market, the scarcity of supply during peak hours remains the dominant factor in winter. The capacity market mechanism, which has been brought forward to 2017, sought to mitigate the latter.

Water levels in the reservoirs in Sweden and Norway will have near-term influence on prices in the Nordic electricity market, as will the weather. The low Swedish reservoir levels, in particular, represent potential for prices to rise. During the year, the announced shutdown of the nuclear-reactor unit in Oskarshamn offers additional upside potential. Prices in the coal markets will also affect future developments significantly.

Human Resources

In the context of transfers of businesses, employees of the E.ON Business Services group and of E.ON Energie Kundenservice GmbH will transfer to the Uniper Group during 2017. The implementation of the restructuring program established in 2016 will continue into 2017.

Anticipated Earnings

The forecast for the 2017 fiscal year continues to reflect the difficult conditions in the energy industry and will additionally be impacted by the absence of the one-time earnings effect from the agreement with Gazprom Export on long-term supply contracts. The sale of the interest in the Russian gas field Yuzhno-Russkoye is expected to be completed by year-end and is also taken into account in the earnings forcast. Uniper therefore expects adjusted EBIT in 2017 to be significantly reduced compared with 2016.

Adjusted EBIT

€ in billions	2016	Forecast
European Generation	0.1	significantly above
Global Commodities	1.3	significantly below
International Power Generation	0.1	significantly above

For each of the operating segments, this means:

For the European Generation segment, adjusted EBIT for 2017 is expected to be significantly higher than in 2016, due in large part to restructuring provisions recognized in 2016, the one-time addition to nuclear-power provisions in Sweden and a reduction in impairment losses in 2017 relative to those recognized in 2016.

For the Global Commodities segment, Uniper expects adjusted EBIT for 2017 to be significantly below the figure for 2016. This is driven mainly by the positive one-time earnings effect from the renegotiation with Gazprom and by an exceptionally good optimization result in the gas business in the previous year.

For the International Power Generation segment, Uniper anticipates a significantly higher contribution to adjusted EBIT in 2017 than in the previous year owing to the elimination of the negative impact from the fire in the Berezovskaya 3 power plant unit and the receipt of insurance benefits in that context.

Adjusted funds from operations, as applied beginning in 2017, which is used as the basis for determining dividend payouts, will be significantly higher in 2017 than in 2016.

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

Anticipated Financial Condition

Planned Financing Initiatives

The Group expects to be able to finance the investment spending planned for 2017 and the dividend payout for the 2016 fiscal year from the operating cash flow and proceeds from divestitures it expects to generate in 2017. This corresponds to Uniper's goal of generating neutral to positive total cash flow after paying out the dividend. The revolving credit facility is available to cover any peaks in the Group's financing needs during the year.

Planned Investments

For 2017, Uniper plans to make cash-effective investments in a range between €0.8 billion and €0.9 billion. Maintenance investments relate mainly to conventional generation activities, replacement investments, especially in hydroelectric power, primarily in Germany and in Sweden, as well as growth investments focusing, in particular, on the completion of projects in conventional generation capacity.

In the European Generation segment, investment will be focused on the completion of conventional power plant projects. In the Global Commodities segment, IT projects and investments in infrastructure for the storage sector will take center-stage. In the International Power Generation segment, investment will go mainly toward maintenance and repair of power plants and returning the Berezovskaya power plant in Russia to operation.

General Statement on Expected Future Development

The operational separation of Uniper from E.ON took place on January 1, 2016. With the initial listing of Uniper shares on the stock exchange on September 12, 2016, and the deconsolidation by E.ON effective December 31, 2016, Uniper became an independent company. At the Annual Shareholders Meeting on June 8, 2017, in Essen, the Management Board will propose a dividend distribution of €0.55 per share.

Uniper is exposed to growing pressure on margins in the energy markets and, in the course of a more efficient positioning, has set itself the goal of reducing the Group's controllable costs by approximately €0.4 billion when compared with the base year 2015 (€2.3 billion). This goal is to be achieved in 2018. On the basis of developments in 2016, Uniper believes it is on track toward achieving this objective. Uniper likewise currently believes itself to be on schedule with the announced divestment program, which will make a significant contribution to reducing the Group's debt level.

Internal Control System for the Accounting Process (Disclosures Pursuant to Section 289 (5) and Section 315 (2), No. 5, 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 315a (1) of the German Commercial Code ("HGB") and with those Inter-national Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRIC") that were adopted by the European Commission for use in the EU as of the end of the reporting period, and whose application was mandatory as of the balance sheet date (see Note 1 in the Notes to the Financial Statements). The Group's IFRS reportable segments are European Generation, Global Commodities and International Power Generation.

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

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

Accounting Process

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

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

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

Uniper SE's separate annual financial statements are also prepared with SAP software. The accounting and preparation processes are divided into discrete functional steps. Processes relating to subsidiary ledgers and certain bank activities were transferred to an external service provider during 2016; those relating to the general ledgers were transferred to Regensburg. 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, in the version published in May 2013 (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The specific ICS requirements are defined in a centralized risk catalog (ICS model), which encompasses company- and industry-specific aspects, defines possible risks for the accounting processes and thus serves as a checklist and provides guidance for the establishment and documentation of internal controls within the different functions. Controls covering the risks defined in the risk catalog are documented in a central IT application.

The general ICS requirements form another key component of the internal control system: they define the overarching ICS principles that are fundamental to every function within the Uniper Group. The internal sign-off process is based, among other things, on an annual assessment by process 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 for financial reporting and any significant issue areas it identifies in the Uniper Group's various processes.

E.ON Business Services and external service providers provide IT services for the 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 Uniper SE's central consolidation system.

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

In summary, we issue the following closing statement in accordance with Section 312 (3) AktG: The Company received appropriate consideration for the transactions in the 2016 fiscal year described in the dependency report according to the circumstances known to us at the time at which the transactions were performed. The company was not disadvantaged in the 2016 fiscal year as a result of measures taken or refrained on the initiative or in the interest of controlling enterprise or a company affiliated with it.

Additional Disclosures Regarding Takeovers

Composition of Capital Stock

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

Restrictions on Voting Rights or the Transfer of Shares

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

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

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

Direct or Indirect Shareholdings Exceeding 10% of Voting Rights

Since the effective date of the spin-off, September 9, 2016, 46.65% of the shares of Uniper SE, and the voting rights corresponding to these shares, are held directly by E.ON Beteiligungen GmbH, whose registered office is in Essen, Germany, and whose business address is Brüsseler Platz 1, 45131 Essen, Germany, and indirectly (via E.ON Beteiligungen GmbH) by E.ON SE, whose registered office is in Essen, Germany, and whose business address is Brüsseler Platz 1, 45131 Essen, Germany. Prior to that date, 100% of the shares of Uniper SE, and the voting rights corresponding to these shares, were held directly by E.ON Beteiligungen GmbH and indirectly by E.ON SE.

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

The Company is authorized to purchase own shares representing up to a total of 10% of its capital stock 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 (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

The principal agreements on the financing of the Company (including the syndicated bank financing agreement and bonds issued by Uniper SE, as well as other instruments in the future) provide for a right of termination enforceable on the Company in the event of a change of control. Additional information on financial liabilities can be found under "Financial Condition" in the Combined Management Report and in Note 24 to the Consolidated Financial Statements.

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

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

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

Remaining Items of Section 315 (4) of the German Commercial Code

The remaining items of Section 315 (4) of the German Commercial Code not discussed here concern issues not present within Uniper SE.

Corporate Governance Report

Declaration in Accordance with Section 289a and Section 315 (5) 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 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 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.

Since Uniper SE's shares were introduced to trading on the regulated market of the Frankfurt stock exchange on 12 September 2016 for the first time, there has been no conformity declaration by the company in the past.

With respect to the past as well as to present and future corporate governance practices at Uniper SE, the following declaration refers to the recommendations in the version of the Code as of 5 May 2015.

Pursuant to Section 161 AktG, the management board and the supervisory board of Uniper SE hereby declare as follows:

1. The Company has been in compliance with all the recommendations of the Code since their applicability upon the listing of Uniper SE except for:

- No. 7.1.2 sentence 4, second part, recommending that "interim reports shall be publicly accessible within 45 days of the end of the reporting period". This was not complied with for the publication of the quarterly statement Q3 2016. Due to organizational reasons and earlier planning, the publication was made only 52 days after the end of the reporting period instead of 45 days. It was decided to keep the initial planning for this interim quarterly statement as the delay were only seven days whereas a change would have caused a considerable organizational effort.

2. All the recommendations of the code will be complied with in the future.

Düsseldorf, February 2017

For the Management Board

Klaus Schäfer Christopher Delbrück

For the Supervisory Board

Dr. Bernhard Reutersberg

This Declaration is continuously available to the public on the Company's Internet site at www.uniper.energy.

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 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 at the same time a member of the Company’s Management Board.

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 fully complies with the suggestions of the Code, which are only voluntary.

Integrity

Our actions are grounded in integrity and respect for the law. It is based on the Uniper Code of Conduct of August 2016 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 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.

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

Management Board

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

Supervisory Board
Shareholders are represented on the Supervisory Board by Dr. Bernhard Reutersberg (Chairman), Jean-Francois Cirelli, Dr. Marion Helmes, Rebecca Ranich, Dr. Marc Spieker and Dr. Johannes Teyssen. The employee representatives on the Supervisory Board are Ingrid Åsander, Oliver Biniek, Barbara Jagodzinski, André Muilwijk, Andreas Scheidt and Harald Seegatz.

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

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

The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. In view of Item 5.4.1 of the German Corporate Governance Code, the Supervisory Board has defined targets for its composition that go beyond the applicable legal requirements. These targets are as follows:

"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.

"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.

"Each Supervisory Board member must have sufficient time available to perform his or her board duties. Persons who are members of the board of management 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.

"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).

"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 board of management of a stock corporation or of a comparable company or association in order to discharge their duties in a qualified manner.

"In addition, the Supervisory Board as a whole should have particular expertise in the energy industry and Uniper's business operations. Such expertise includes knowledge about the key markets in which Uniper operates.

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

"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.

"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."

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

The Supervisory Board regularly adopts its resolutions in Board meetings. The Management Board regularly participates in these meetings unless the Supervisory Board decides to exclude the Management Board from a meeting on a case-by-case basis. Third parties may also participate in Supervisory Board meetings for consultation on individual matters. The Supervisory Board can generally adopt resolutions by simple majority vote. In the event of a tied vote, the Chairman shall have the casting vote. The Supervisory Board may form committees from among its ranks and transfer decision-making authority to these committees to the extent permitted by law. The Supervisory Board stipulates the committees' responsibilities, powers and procedures. The Supervisory Board has established the following committees, which are tasked with the responsibilities described below:

Executive Committee
The Executive Committee (*Präsidialausschuss*) coordinates the work of the Supervisory Board and makes preparations for Board meetings, taking into account the planning of the Company's management positions. 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 further 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.

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 further monitors the performance, qualifications and independence of the external auditor and discusses the semi-annual and the quarterly reports with the Management Board.

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.

Interim Committee
For the period that ended on the effective date of the Company's spin-off and stock exchange listing, the Supervisory Board had formed an Interim Committee. This committee was responsible for advising the Company's Management Board on all issues relating to the termination of the contractual group relationship with E.ON SE and the preparation and implementation of the spin-off of the Company. It was disbanded when its remit ended on September 12, 2016.

Shareholders, Shareholders Meeting

The 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.

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.

For the Supervisory Board it was determined, in accordance with statutory requirements, that this board must consist of at least 30% women and at least 30% men. This requirement has been reached since January 1, 2017. The preceding shortfall occurred as a consequence of the appointments that existed prior to Uniper's stock market listing, which meant that the corresponding proportions could not be reached until after the corresponding resignations took effect and the subsequent new appointments were made.

For the Management Board it was determined, taking into account the spin-off process, that a short-term target of zero percent for the proportion of women on the Management Board of Uniper SE, reflecting the status quo, should apply through June 30, 2017. Taking into account the relevant statutory requirements, this target will be readdressed in 2017 and decided on by the Supervisory Board, which by then will have been partially reconstituted. The Supervisory Board intends to have a woman appointed to the Management Board in the long term.

For the two management levels below the Management Board, targets of 30% for the first management level and of 26,5% for the second management level were set for the female proportion. An internal implementation was not adopted; the statutory deadline (June 30, 2017) therefore applies. At year-end 2016, the proportion of women in management positions at Uniper SE at the first management level was 31%, which means the target has been reached. The proportion of women in management positions at the second management level was 26% at year-end 2016.

Compensation Report pursuant to Section 289 (2), No. 5 and Section 315 (2), No. 4, of the German Commercial Code

This compensation report describes the basic features of the compensation plans for members of the Uniper SE Management Board and Supervisory Board and provides information about the compensation granted and paid in 2016. 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 of the German Corporate Governance Code dated May 5, 2015.

Basic Features of the Management Board Compensation Plan

The purpose of the Management Board compensation plan is to create incentives for successful and sustainable corporate governance. The compensation for members of the Management Board consists of the following components, which take into account the tasks and duties of each Management Board member.

The system is designed to be competitive and to comply with regulatory requirements.

At the same time, the compensation plan helps reconcile management's and shareholders' interests and objectives by linking long-term variable compensation to the Uniper share price.

The Supervisory Board approves the Management Board compensation structure, while also regularly reviewing the structure and appropriateness of the Management Board's total compensation and the individual components and making adjustments as needed. The Supervisory Board takes into account the German Stock Corporation Act provisions and complies with the German Corporate Governance Code's recommendations and suggestions.

Management Board member compensation principally consists of a fixed base salary, a performance-based annual bonus, and long-term performance-based variable compensation. In the course of the spin-off, the Supervisory Board awarded to the Management Board members a separate compensation component in the form of a one-time performance-based special incentive bonus.

Fixed Compensation

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

Compensation in kind and fringe benefits are also granted—including the continued payment of temporary disability, the provision of a company car (with driver for the Chief Executive Officer), payment of costs associated with medical screening and accident insurance and property damage liability insurance with a deductible.

In accordance with the German Stock Corporation Act and the German Corporate Governance Code's recommendation, 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 compensation.

Performance-Based Compensation

Within the framework of the Uniper SE Management Board compensation plan, nearly 60% of variable compensation depends on achieving long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act. Performance-based compensation consists of the annual bonus and long-term variable compensation.

Annual Bonus

The annual bonus is based on the Company's business performance in a fiscal year. The Supervisory Board also has the option of making adjustments to account for individual performance (factor 0.7 to 1.3). The Supervisory Board sets targets for the relevant indicators at the beginning of each fiscal year in order to determine business performance (in the 2016 transition year, the indicator is adjusted EBITDA; thereafter, the Company's business success will be measured by adjusted funds from operations).

The Company's business performance in the 2016 fiscal year is based on adjusted EBITDA. The target value for a particular fiscal year is the plan figure as approved by the Supervisory Board. If the actual adjusted EBITDA is equal to this target value, the Management Board has 100% attainment. If it is 30%age points or more below the target, the Management Board has 0% attainment. If the figure is 30 percentage points or more above the target, this is 200% attainment. Linear interpolation is used to translate intermediate figures. In assigning Management Board members their individual performance figures, the Supervisory Board shall evaluate the individual contribution of the members of the Management Board regarding the attainment of collective targets and individual targets. The Supervisory Board shall have discretion to determine the degree to which Management Board members have fulfilled the targets of the individual-performance portion of their annual bonus. In making the determination, the Supervisory Board shall pay particular attention to the criteria in Section 87 of the German Stock Corporation Act and those of the German Corporate Governance Code.

Based on Management Board contracts, the Supervisory Board shall have discretion to consider other aspects in determining the bonus. Thus a correspondingly higher or lower performance bonus may be set. The assessment does not refer to above-described targets or comparative parameters, which the German Corporate Governance Code does not recommend changing retroactively.

The Supervisory Board may also grant Management Board members special compensation for outstanding achievement as part of the bonus.

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

Long-Term Variable Compensation

The Management Board members are entitled to participate in a Long-Term Incentive Plan ("LTI"). The amounts paid out under the LTI program are based on an LTI target amount, which is granted at the start of the performance period as a future entitlement. The Uniper Performance Cash Plan launches annually, with a performance period of four years in each case. The performance factor on which the payout is based is measured at the end of the performance period using absolute Total Shareholder Return ("TSR"), taking into account previously calibrated target values.

The LTI is capped at 400% of the target amount (payout cap). The LTI payout takes place only upon reaching a calibrated threshold (absolute TSR). If precisely this threshold is achieved, the members of the Management Board receive a payout equivalent to 50% of the target amount. The payout amount is calculated by multiplying the LTI target amount by a performance factor that is assigned to certain TSR parameters. If the TSR performance reached lies within those parameters, the performance factor is calculated by linear interpolation of the target performance based on the relevant TSR parameters. If the threshold is not achieved, no payout is made. Long-term compensation is generally paid out in cash at the end of the performance period.

Special Incentives in 2016 and Share Ownership Guidelines

In March 2016, the Uniper SE Supervisory Board granted members of the Management Board a one-off special incentive bonus as a separate compensation component, with the payment and amount dependent on the success of the spin-off. The payout of the special incentive bonus depended on having the Annual Shareholders Meeting of E.ON SE approve the spin-off in June 2016 and the spin-off being entered into the E.ON SE commercial register no later than at the end of March 2017. The amount of the payment is based on the market capitalization, credit rating and enterprise value (enterprise value / adjusted EBITDA) of Uniper SE relative to a defined peer group along with other factors. Uniper SE's Supervisory Board was tasked with assessing the performance criteria, taking into account general market conditions. The Supervisory Board also had to account for the individual contributions of Management Board members using a discretionary assessment. The payment amount was set within a bandwidth of 50% and 150% of the target, while integrating the performance criteria listed above. In the event a Management Board member departing within a period of four years after the effective date of the spin-off, the plan provides for the prorated repayment of the special incentive bonus.

The special incentive bonus was granted subject to the Management Board members agreeing to form a stock portfolio of Uniper shares in the framework of share ownership guidelines. The Management Board members are thus obliged to collect Uniper shares equal to 100% of their annual fixed basic salary and to hold the shares during their tenure. The period for forming the relevant stock portfolio is a maximum of four years from the date of the spin-off entry in the E.ON SE commercial register. All Management Board members consented to the share ownership guidelines before payment of the special incentive bonus.

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 notional 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 at the yield of long-term government bonds of the Federal Republic of Germany observed in the respective fiscal 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 a lump sum amount. In accordance with the provisions of the German Act to Improve Company Pension Schemes ("*Gesetz zur Verbesserung der betrieblichen Altersversorgung*") the Company-funded pension entitlements earned by the members of the board of management vest after five years.

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

Settlement Payments for Termination of Management Board Duties

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

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

In the event of a premature loss of a Management Board position due to a change-of-control event, Management Board members are entitled to settlement payments. The change-of-control clause shall stipulate a change in control shall 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 in control). The settlement payment for Management Board members consists of their base salary and target bonus (100%) plus fringe benefits for two years. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members shall equal 150% of the settlement cap described above.

The service agreements of Management Board members include a non-compete clause in accordance with Section 88 of the German Stock Corporation Act ("AktG"). For a period of six months after the termination of their service agreement, 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 in 2016

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 passed a resolution authorizing the performance-based compensation described below. The Supervisory Board found the horizontal perspective to be customary after comparing the compensation with that paid by companies of a similar size. The appropriateness review included a vertical comparison of the Management Board's compensation with that of Uniper SE's top management and the rest of its workforce. In the Supervisory Board's view, in 2016 there was no reason to adjust the Management Board's compensation.

Performance-Based Compensation in 2016

Mr. Schäfer had a performance based compensation target value of €775,000 for the annual bonus and Mr. Delbrück, Mr. Martin and Mr. Rümmler each had a target value of €435,000 for an entire fiscal year.

The Supervisory Board fixed the bonuses of the Management Board members for the 2016 fiscal year as follows: €775,000 for Mr. Schäfer, €435,000 for Mr. Delbrück and Mr. Rümmler, and €362,500 for Mr. Martin. The total amount of the annual bonus was €2,007,500. When determining the achievement of individual targets by the Management Board members, the Supervisory Board took into account their personal performance and, in particular, the fact that all of the material targets agreed with the Management Board had been achieved.

When it granted the special incentive bonus, the Supervisory Board decided to set the following target values: €1,240,000 for Mr. Schäfer and €700,000 each for Mr. Delbrück, Mr. Martin and Mr. Rümmler.

Subsequent to registration of Uniper SE's spin off from E.ON SE in the commercial register and the successful initial listing of Uniper SE stock, the Supervisory Board decided to pay out one-time bonuses of €1,612,000 for Mr. Schäfer, €910,000 for Mr. Delbrück, and €770,000 each for Mr. Martin and Mr. Rümmler, as part of the special incentive after reviewing the criteria described above. The amounts were paid out as gross compensation in 2016.

The Supervisory Board set up the first tranche as part of the Uniper Performance Cash Plan for the 2016 fiscal year and approved the plan conditions and made allocations to the members of the Management Board under this plan. The tranche performance will be determined using the Uniper stock and dividend payments performance for the next four years. The actual payments made to Management Board members in 2020 may thus deviate—under certain circumstances considerably—from the calculated figures disclosed here.

The LTI target (100%) corresponds to 88% of the amount of the base salary and for the full 2016 fiscal year amounts to €1,085,000 for Mr. Schäfer, and €615,000 each for Mr. Delbrück and Mr. Rümmler. Mr. Martin took office as a member of the Management Board on March 1, 2016, and has a target amount of €512,500. As the performance threshold of the Uniper share defined in advance in the first tranche of the performance cash plan had not yet been reached as of December 31, 2016, no provisions and no expenses from this plan have yet been recognized.

Following appointment as a member of the Management Board and appointment as Chairman of the Management Board, Uniper SE granted Mr. Schäfer a multi-year bonus of €636,000 for 2015 as part of the transfer of his contractual entitlements from E.ON SE. In view of Mr. Schäfer's imminent departure in 2015, the E.ON SE Supervisory Board declined to grant additional virtual E.ON shares to Mr. Schäfer as part of the corresponding long-term incentive plan for the E.ON SE Management Board.

The payout of the multi-year bonus equals target value if the Uniper share price at the end of the four-year term equals the Uniper share price after the spin-off. If the share price plus accrued dividends at the end of the term is higher or lower than the share price after the spin-off, the amount paid out relative to the target value will increase or decrease in equal proportion to the change in the share price plus accrued dividends, but in no event shall the payout be more than twice the target value.

A payout shall generally not be made prior to the end of the four-year term. The payout date shall also apply 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 shall be made in the event of a change of control or the beneficiary's death. However, the Uniper SE spin-off is not viewed as a change of control. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, no payout shall be made.

Sixty-day average prices are used to determine both the share price after the spin-off and the final price in order to mitigate the effects of incidental, short-lived price fluctuations.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions. The expense for this multi-year bonus was equal to €0.3 million for the 2016 fiscal year.

Because a conversion into actual figures is not provided for under the terms of the two aforementioned LTI plans, actual figures cannot be disclosed.

Management Board Pensions in 2016

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 for 2016. The present value of the pension obligations is calculated in compliance with IFRS and the provisions of the German Commercial Code. An actuarial interest rate of 2.4% (IFRS) and 4.01% (HGB) was used for discounting.

The contribution-based pension plan for Mr. Schäfer was transferred with no changes from E.ON SE to Uniper SE as of December 31, 2015 with a capital amount resulting from the base and matching contributions of €3,911,090. The pension commitments for Mr. Delbrück and Mr. Rümmler were also transferred from their previous employers to Uniper SE and simultaneously transferred from a final salary based system to the defined contribution system described above. In doing so, the obligations under the previous commitments were converted into the initial balance. The amount of the initial balance is €3,163,620 for Mr. Delbrück and €3,450,091 for Mr. Rümmler, each with a contractual retirement age of 62 years. The previous employers made a corresponding offsetting payment to the Company in the amount of the corresponding transfer values.

Pensions of the Members of the Management Board—IFRS

in €	Expense in 2016 Total	Expense in 2016 Interest cost	Present value of the defined benefit obligation (DBO) as of Dec. 31
Klaus Schäfer	279,481	101,255	4,390,123
Christopher Delbrück	220,657	62,140	2,531,224
Keith Martin (since March 1, 2016)	235,800	0	235,800
Eckhardt Rümmler	224,643	92,130	3,058,881

Pensions of the Members of the Management Board—HGB

in €	Expense in 2016 Total	Expense in 2016 Interest cost	Settlement amount of the pension obligation as of Dec. 31
Klaus Schäfer	595,230	114,587	3,481,118
Christopher Delbrück	390,960	64,111	2,004,413
Keith Martin (since March 1, 2016)	196,814	0	194,047
Eckhardt Rümmler	104,025	100,622	2,663,488

Total Compensation in 2016

Mr. Schäfer was appointed by the Supervisory Board to the position of Chairman of the Management Board of Uniper SE as of December 30, 2015. On the same date, Mr. Delbrück and Mr. Rümmler were appointed to the Management Board. The service contracts with Uniper SE took effect January 1, 2016.

Mr. Martin was appointed to the Management Board on March 1, 2016. The service contract with Mr. Martin took effect March 1, 2016.

The total compensation for Management Board members was €14.6 million in 2016. In the 2015 fiscal year, the managing directors and interim Management Board members no longer had service contracts with E.ON Kraftwerke GmbH and Uniper SE. The board members received no compensation for the previous year for their governance activities at E.ON Kraftwerke GmbH and Uniper SE.

Uniper SE has promised Mr. Martin to pay relocation and broker's fee costs and the rental costs for maintaining a second home for a maximum of two years. In addition, Uniper SE promised Mr. Martin compensation for bonus payments and long-term incentives with his previous employer upon submission of appropriate supporting documents, which expired due to his transfer to Uniper SE. This commitment includes an amount of €4,044,039 paid in 2016 and an additional foreign-currency amount equivalent to €1,720,930 to be paid in 2017.

Individual members of the Management Board received the following total compensation:

Total Compensation of the Management Board 2016

in €	Base salary	Annual bonus	One-time special incentive bonus[1]	Other compensation	Value of stock-based payment granted	Total
Klaus Schäfer	1,240,000	775,000	0	24,093	1,721,000[2]	3,760,093
Christopher Delbrück	700,000	435,000	0	22,336	615,000	1,772,336
Keith Martin (since March 1, 2016)	583,333	362,500	0	5,801,535[3]	512,500	7,259,868
Eckhardt Rümmler	700,000	435,000	0	21,589	615,000	1,771,589
Total	**3,223,333**	**2,007,500**	**0**	**5,869,553**	**3,463,500**	**14,563,886**

[1]The special incentive bonus was paid to the members of the Management Board in December 2016. As of the balance sheet date, however, no part of the bonus has yet vested owing to the terms providing for prorated repayment of the bonus (repayment provisions). As a result, the special incentive bonus is not yet included in the total compensation.
[2]For Mr. Schäfer, the value of stock-based compensation granted also includes the multi-year bonus of €636,000 paid by Uniper for the 2015 base year as part of the transfer of entitlements from E.ON to Uniper.
[3]Reported under "Other compensation" for Mr. Martin are all compensation payments for commitments and long-term incentives forfeited with his former employer as a result of his transfer to Uniper. Of the compensation payments reported here, a portion amounting to approximately €1.7 million will only be paid out in 2017.

The following table shows the compensation granted and allocated to members of the Management Board in 2016 as recommended by the German Corporate Governance Code:

Compensation Granted in 2016

	Klaus Schäfer (Chief Executive Officer)			Christopher Delbrück (Chief Financial Officer)		
in €	Target value	Min	Max	Target value	Min	Max
Fixed compensation	1,240,000	1,240,000	1,240,000	700,000	700,000	700,000
Fringe benefits	24,093	24,093	24,093	22,336	22,336	22,336
Total	**1,264,093**	**1,264,093**	**1,264,093**	**722,336**	**722,336**	**722,336**
One-year variable compensation	**2,015,000**	**0**	**3,410,000**	**1,135,000**	**0**	**1,920,000**
Annual Bonus	*775,000*	*0*	*1,550,000*	*435,000*	*0*	*870,000*
One-time special incentive bonus	*1,240,000*	*0*	*1,860,000*	*700,000*	*0*	*1,050,000*
Multi-year variable compensation	**1,721,000**	**0**	**5,612,000**	**615,000**	**0**	**2,460,000**
Performance Cash Plan, first tranche	*1,085,000*	*0*	*4,340,000*	*615,000*	*0*	*2,460,000*
Multi-year bonus	*636,000*	*0*	*1,272,000*	–	–	–
Total	**5,000,093**	**1,264,093**	**10,286,093**	**2,472,336**	**722,336**	**5,102,336**
Service cost	178,226	178,226	178,226	158,517	158,517	158,517
Total compensation	**5,178,319**	**1,442,319**	**10,464,319**	**2,630,853**	**880,853**	**5,260,853**

Compensation Allocated in 2016

in €	Klaus Schäfer (Chief Executive Officer)	Christopher Delbrück (Chief Financial Officer)	Keith Martin (Chief Commercial Officer) since March 1, 2016	Eckhardt Rümmler (Chief Operating Officer)
Fixed compensation	1,240,000	700,000	583,333	700,000
Fringe benefits	24,093	22,336	5,801,535[1]	21,589
Total	**1,264,093**	**722,336**	**6,384,868**	**721,589**
One-year variable compensation	**2,387,000**	**1,345,000**	**1,132,500**	**1,205,000**
Annual Bonus	*775,000*	*435,000*	*362,500*	*435,000*
One-time special incentive bonus	*1,612,000*	*910,000*	*770,000*	*770,000*
Total	**3,651,093**	**2,067,336**	**7,517,368**	**1,926,589**
Service cost	178,226	158,517	235,800	132,513
Total compensation	**3,829,319**	**2,225,853**	**7,753,168**	**2,059,102**

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

Keith Martin (Chief Commercial Officer) since March 1, 2016			Eckhardt Rümmler (Chief Operating Officer)		
Target value	Min	Max	Target value	Min	Max
583,333	583,333	583,333	700,000	700,000	700,000
5,801,535	5,801,535	5,801,535	21,589	21,589	21,589
6,384,868	**6,384,868**	**6,384,868**	**721,589**	**721,589**	**721,589**
1,062,500	**0**	**1,775,000**	**1,135,000**	**0**	**1,920,000**
362,500	*0*	*725,000*	*435,000*	*0*	*870,000*
700,000	*0*	*1,050,000*	*700,000*	*0*	*1,050,000*
512,500	**0**	**2,050,000**	**615,000**	**0**	**2,460,000**
512,500	*0*	*2,050,000*	*615,000*	*0*	*2,460,000*
–	–	–	–	–	–
7,959,868	**6,384,868**	**10,209,868**	**2,471,589**	**721,589**	**5,101,589**
235,800	235,800	235,800	132,513	132,513	132,513
8,195,668	**6,620,668**	**10,445,668**	**2,604,102**	**854,102**	**5,234,102**

The special incentive bonus paid in the amount of €4.1 million in total to Management Board members in December 2016 was required to be recognized as a non-interest-bearing advance payment under 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 after the entry in the commercial register of the spin-off of Uniper SE from E.ON SE.

Uniper SE and its subsidiaries granted no loans to and did not enter into any contingencies benefiting Management Board members in the 2016 fiscal year. Page 207 contains additional information about the members of the Management Board.

Payments Made to Former Members of the Management Board

As of December 31, 2016, as a result of the corporate conversion, Uniper SE did not have any current or prospective pension recipients who had previously served as members of the Management Board or as managing directors. Total compensation of former members of the Management Board and their beneficiaries as well as the pension obligations to former members of the Management Board and their beneficiaries was thus €0. The same applies to the preceding 2015 fiscal year.

Compensation Plan for the Supervisory Board

The members of the Company's first Supervisory Board have not yet received any compensation for their Supervisory Board duties in the 2016 fiscal year. Compensation for the Supervisory Board can only be approved by the Annual Shareholders Meeting. The first Annual Shareholders Meeting deciding on the discharge of the members of the first Supervisory Board shall adopt the resolution. As the Company was registered in 2016, the Annual Shareholders Meeting in 2017 shall perform these duties.

Under the pending compensation policy, the Chairman of the Supervisory Board shall receive €210,000 in compensation, and the Chairman's deputies shall receive compensation of €140,000. Other Supervisory Board members shall receive €70,000 in compensation. The Chairman of the Audit and Risk Committee shall receive an additional €70,000; members of the Audit and Risk Committee shall receive an additional €35,000. Other committee chairs shall receive an additional €35,000; other committee members shall receive an additional €15,000. No compensation shall be paid for membership of the Interim Committee formed prior to the completion of the spin-off. Members serving on more than one committee shall only receive the highest applicable committee compensation. The Chairman and the Deputy Chairmen of the Supervisory Board shall receive no additional compensation for their committee duties. Individuals who were members of the Supervisory Board or any of its committees for less than an entire fiscal year shall receive prorated compensation.

Supervisory Board members shall receive partial payment of 20% of the compensation described above in the form of variable compensation. The compensation shall be granted as a future claim for payment in the form of virtual shares, whereby the aforementioned tranche includes the target. The virtual shares are used purely for calculation purposes that do not confer to the beneficiaries any rights or company rights, and in particular no voting or dividend rights. To determine the number of virtual shares, the variable compensation of the previous year is divided by the 60-day average price of the Company's share from the last 60 trading days before January 1 of the current year in January of each calendar year. After the end of four calendar years, the virtual shares shall be multiplied by the average price of the Company's share from the previous 60 trading days prior to January 1 of the fourth calendar year and increased by the amount of dividends paid to the shareholders per company share over the previous four years. The variable compensation is to be paid within the first month after the expiration of four years and is limited to 200% of the compensation described above (cap).

Deviating from the compensation plan described above, the compensation shall be paid at 100% as fixed compensation for the year of departure. In the event of departure, the payout amount of the variable compensation for the previous years as yet unpaid shall be determined using the system described above. This calculation is based on the 60-day average daily rate on the last day of the month of departure.

Based on the compensation policy yet to be adopted, Supervisory Board compensation is estimated at approximately €1.0 million.

A total of €13,076 was reimbursed for expenses.

Mr. Biniek and Mr. Seegatz also received further compensation for their Supervisory Board duties in Uniper Group subsidiaries in the fiscal year. Mr. Biniek received €2,011 and Mr. Seegatz received €4,257.

When in place, existing D&O insurance policies covering board member liabilities for their activities as board members shall also cover the members of the Supervisory Board. In accordance with the German Stock Corporation Act and the German Corporate Governance Code's recommendation, this insurance 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.

Supervisory Board members received no loans or advances in the 2016 fiscal year. Furthermore, no contingencies were entered into benefiting Supervisory Board members in the 2016 fiscal year.

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Auditor's Report

We have audited the consolidated financial statements prepared by Uniper SE, Düsseldorf, comprising the balance sheet, income statement, statement of income and expenses recognized as equity, cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements – as well as the Group management report of Uniper SE, Düsseldorf, which has been combined with the management report of the Company, for the business year from January 1, 2016, to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, is the responsibility of the Company's management board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's management board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB. The combined management report is consistent with the consolidated financial statements and complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We issue this report on the basis of our audit, duly completed as of February 28, 2017 and our supplementary audit which related to the extension of the notes and the combined management report by reporting on Uniper's agreed disposal of the participation in the Russian gas field Yushno-Russkoje. We refer to the Company's explanation for the change in Section 32 "Other significant issues after the balance sheet date" of the amended notes and Section "Forecast Report" of the combined management report. The supplementary audit has not let to any reservations.

Düsseldorf, February 28, 2017/ limited to the above mentioned adjustments: March 6, 2017

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	2016	2015
Sales including electricity and energy taxes		67,788	92,338
Electricity and energy taxes		-503	-223
Sales	**(5)**	**67,285**	**92,115**
Changes in inventories (finished goods and work in progress)		-43	4
Own work capitalized	(6)	60	46
Other operating income	(7)	7,477	10,825
Cost of materials	(8)	-63,535	-89,306
Personnel costs	(11)	-1,179	-1,260
Depreciation, amortization and impairment charges	(14)	-4,135	-5,357
Other operating expenses	(7)	-10,004	-10,524
Income from companies accounted for under the equity method		101	60
Income/Loss before financial results and income taxes		**-3,973**	**-3,397**
Financial results	(9)	-285	36
Income/Loss from equity investments		*10*	*-12*
Income from other securities, interest and similar income		*170*	*380*
Interest and similar expenses		*-465*	*-332*
Income taxes	(10)	1,024	-396
Net income/loss		**-3,234**	**-3,757**
Attributable to the Uniper Group		*-3,217*	*-4,085*
Attributable to non-controlling interests		*-17*	*328*
in €			
Earnings per share (attributable to shareholders of Uniper SE)—basic and diluted	**(13)**		
from continuing operations		-8.79	-11.28
from discontinued operations		0.00	0.00
from net loss/income		**-8.79**	**-11.28**

Uniper SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	2016	2015
Net income/loss	**-3,234**	**-3,757**
Remeasurements of defined benefit plans	-240	199
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	-10
Income taxes	109	-119
Items that will not be reclassified subsequently to the income statement	**-131**	**70**
Cash flow hedges	-22	2
Unrealized changes	*-10*	*2*
Reclassification adjustments recognized in income	*-12*	*–*
Available-for-sale securities	240	-420
Unrealized changes	*240*	*-385*
Reclassification adjustments recognized in income	*–*	*-35*
Currency translation adjustments	545	-335
Unrealized changes	*545*	*-355*
Reclassification adjustments recognized in income	*–*	*20*
Companies accounted for under the equity method	156	38
Unrealized changes	*63*	*-29*
Reclassification adjustments recognized in income	*93*	*67*
Income taxes	16	1
Items that might be reclassified subsequently to the income statement	**935**	**-714**
Total income and expenses recognized directly in equity	**804**	**-644**
Total recognized income and expenses (total comprehensive income)	**-2,430**	**-4,401**
Attributable to the Uniper Group	*-2,272*	*-4,691*
Attributable to non-controlling interests	*-158*	*290*

Uniper SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	December 31, 2016	2015	January 1, 2015
Assets				
Goodwill	(14)	2,701	2,555	4,911
Intangible assets	(14)	2,121	2,159	2,436
Property, plant and equipment		11,700	14,297	15,717
Companies accounted for under the equity method	(15)	827	1,136	1,401
Other financial assets	(15)	728	558	927
Equity investments		*568*	*369*	*743*
Non-current securities		*160*	*189*	*184*
Financial receivables and other financial assets	(17)	3,054	3,029	4,104
Operating receivables and other operating assets		3,857	4,687	3,158
Income tax assets	(10)	6	9	14
Deferred tax assets	(10)	2,205	1,031	1,355
Non-current assets		**27,199**	**29,461**	**34,023**
Inventories	(16)	1,746	1,734	2,297
Financial receivables and other financial assets		1,268	8,359	11,475
Trade receivables and other operating assets		18,250	23,085	23,205
Income tax assets	(10)	64	296	206
Liquid funds	(18)	341	360	412
Securities and fixed-term deposits		*162*	*60*	*72*
Restricted cash and cash equivalents		*10*	*1*	*–*
Cash and cash equivalents		*169*	*299*	*340*
Assets held for sale	(4)	3	228	2
Current assets		**21,672**	**34,062**	**37,597**
Total assets		**48,871**	**63,523**	**71,620**
Equity and Liabilities				
Capital stock	(19)	622	–	–
Additional paid-in capital	(19)	10,825	–	–
Retained earnings	(19)	4,156	18,684	25,967
Accumulated other comprehensive income	(20)	-3,382	-4,223	-3,550
Equity attributable to shareholders of Uniper SE		**12,221**	**14,461**	**22,417**
Attributable to non-controlling interests	(21)	582	540	302
Equity		**12,803**	**15,001**	**22,719**
Financial liabilities	(24)	2,376	2,296	5,175
Operating liabilities	(24)	3,993	3,781	2,460
Income taxes	(10)	–	–	–
Provisions for pensions and similar obligations	(22)	785	796	1,773
Miscellaneous provisions	(23)	6,517	5,809	5,057
Deferred tax liabilities	(10)	1,601	1,622	1,966
Non-current liabilities		**15,272**	**14,304**	**16,431**
Financial liabilities	(24)	494	10,551	8,161
Trade payables and other operating liabilities		18,348	20,642	21,563
Income taxes	(10)	188	338	323
Miscellaneous provisions	(23)	1,766	2,569	2,423
Liabilities associated with assets held for sale	(4)	–	118	–
Current liabilities		**20,796**	**34,218**	**32,470**
Total equity and liabilities		**48,871**	**63,523**	**71,620**

Uniper SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2016	2015
Net income/loss	**-3,234**	**-3,757**
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	4,135	5,357
Changes in provisions	11	1,388
Changes in deferred taxes	-1,184	-50
Other non-cash income and expenses	-298	-79
Gain/Loss on disposal of	-404	-27
Intangible assets and property, plant and equipment	*154*	*-11*
Equity investments	*-558*	*-18*
Securities (> 3 months)	*–*	*2*
Changes in operating assets and liabilities and in income taxes	3,158	-1,367
Inventories and carbon allowances	*191*	*631*
Trade receivables	*1,349*	*619*
Other operating receivables and income tax assets	*3,747*	*-2,094*
Trade payables	*-420*	*168*
Other operating liabilities and income taxes	*-1,709*	*-691*
Cash provided by operating activities[1]	**2,184**	**1,465**
Proceeds from disposal of	1,235	208
Intangible assets and property, plant and equipment	*9*	*94*
Equity investments	*1,226*	*114*
Purchases of investments in	-781	-1,083
Intangible assets and property, plant and equipment	*-713*	*-992*
Equity investments	*-68*	*-91*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	790	713
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-1,561	-438
Changes in restricted cash and cash equivalents	-11	-10
Cash used for investing activities	**-328**	**-610**
Payments received/made from changes in capital[2]	127	-2
Transactions with the E.ON Group[3]	-2,738	-703
Cash dividends paid to other shareholders	-44	-42
Proceeds from financial liabilities	1,662	844
Repayments of financial liabilities	-1,007	-1,076
Cash provided by (used for) financing activities	**-2,000**	**-979**
Net decrease/increase in cash and cash equivalents	**-144**	**-124**
Effect of foreign exchange rates on cash and cash equivalents	14	83
Cash and cash equivalents at the beginning of the year	299	340
Cash and cash equivalents at the end of the year	**169**	**299**
Supplementary Information on Cash Flows from Operating Activities		
Income taxes paid (less refunds)	6	-404
Interest paid	-262	-234
Interest received	76	82
Dividends received	88	60

[1]Additional information on operating cash flow is provided in Notes 27 and 31.
[2]No material netting has taken place in either of the years presented here.
[3]The transactions with the E.ON Group mostly relate to control and profit-and-loss-pooling agreements and financing with the E.ON Group. This figure also includes the allocation of earnings to Uniper SE (legal successor of Uniper AG) for 2015 in the amount of €788 million.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2015	**0**	**0**	**25,967**	**-3,977**	**508**	**-81**
Capital increase						
Capital decrease						
Dividends						
Equity addition/reduction			-3,265			
Total comprehensive income			-4,018	-274	-421	22
Net income/loss			*-4,085*			
Other comprehensive income			*67*	*-274*	*-421*	*22*
Remeasurements of defined benefit plans			*67*			
Changes in accumulated other comprehensive income				*-274*	*-421*	*22*
Balance as of December 31, 2015	**0**	**0**	**18,684**	**-4,251**	**87**	**-59**
Balance as of January 1, 2016	**0**	**0**	**18,684**	**-4,251**	**87**	**-59**
Allocation of retained earnings in accordance with legal structure	283	4,068	-4,351			
Presentation of non-controlling interests in accordance with legal structure			-9,968	2,268	-46	31
Capital increase	7	120				
Capital decrease						
Dividends						
Equity addition/reduction			-3			
Total comprehensive income			-2,956	417	235	32
Net income/loss			*-3,217*			
Other comprehensive income			*261*	*417*	*235*	*32*
Remeasurements of defined benefit plans			*261*			
Changes in accumulated other comprehensive income				*417*	*235*	*32*
Contribution of non-controlling interests and corresponding capital increase	332	6,637	2,750	-2,152	48	8
Balance as of December 31, 2016	**622**	**10,825**	**4,156**	**-3,718**	**324**	**12**

[1]For further information, see Note 1.

Shares attributable to shareholders of Uniper SE	Non-controlling interests	Presentation of the non-controlling interests attributable to Uniper Beteiligungs GmbH[1]	Total non-controlling interests	Total
22,417	**302**	**0**	**302**	**22,719**
0			0	0
0	-10		-10	-10
0	-42		-42	-42
-3,265			0	-3,265
-4,691	290		290	-4,401
-4,085	*328*		*328*	*-3,757*
-606	*-38*		*-38*	*-644*
67	*3*		*3*	*70*
-673	*-41*		*-41*	*-714*
14,461	**540**	**0**	**540**	**15,001**
14,461	**540**	**0**	**540**	**15,001**
0			0	0
-7,715		7,715	7,715	0
127	11	145	156	283
0			0	0
0	-44		-44	-44
-3		-4	-4	-7
-2,272	75	-233	-158	-2,430
-3,217	*-17*		*-17*	*-3,234*
945	*92*	*-233*	*-141*	*804*
261	*-1*	*-391*	*-392*	*-131*
684	*93*	*158*	*251*	*935*
7,623		-7,623	-7,623	0
12,221	**582**	**0**	**582**	**12,803**

(1) Basis of Presentation

The Consolidated Financial Statements of Uniper SE ("Uniper" or "the Group") have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRS IC") that were adopted by the European Commission for use in the EU as of the end of the fiscal year, and whose application was mandatory as of December 31, 2016.

The parent company of the Uniper Group is Uniper SE ("the Company"), Düsseldorf (until April 14, 2016, Uniper AG). The registered office of the Company is in Düsseldorf. The Company's address is: Uniper SE, E.ON-Platz 1, 40479 Düsseldorf, Germany. The Company is entered in the Düsseldorf Commercial Register, Section B, under the number 77425.

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 2017. The declaration has been made permanently and publicly accessible to shareholders on the Company's Web site (www.uniper.energy).

First-time Consolidated Financial Statements of Uniper SE

At the end of November 2014, E.ON SE, Düsseldorf announced its plan to the Generation segment of E.ON (except for the German nuclear power business and associated activities, which were subsequently taken back out of the transaction and remain part of E.ON), the Russia focus region of E.ON, the Global Commodities segment of E.ON, E.ON's Russian business activities in the Exploration & Production segment of E.ON, E.ON's hydroelectric power business area and E.ON's Brazilian business activities in the Other Non-EU Countries segment of E.ON, together into a new group of companies called Uniper, and to prepare a placement on the stock exchange by means of a spin-off through absorption into another company ("*Abspaltung zur Aufnahme*") with the issue of new Uniper shares to the shareholders of E.ON SE.

In preparation for the spin-off, these segments and activities have operated under the Uniper name since January 1, 2016. Through the corporate reorganization completed at the beginning of fiscal year 2016, the last stage of which was the transfer those parts of the German power and gas wholesale business attributable to Uniper, the entire Uniper operating business was brought together in the direct subsidiary Uniper Holding GmbH, Düsseldorf (formerly E.ON Kraftwerke 6. Beteiligungs-GmbH, Düsseldorf, Germany) and its direct and indirect subsidiaries. The shareholders of Uniper Holding GmbH are Uniper SE (46.65 percent) and Uniper Beteiligungs GmbH (53.35 percent), Düsseldorf. Until the spin-off took effect on September 9, 2016, Uniper Beteiligungs GmbH was a wholly-owned (100 percent) subsidiary of E.ON SE.

In the context of the corporate reorganizations, a majority voting right for Uniper SE was created in the Articles of Association of Uniper Holding GmbH with the result that Uniper SE directly held the majority of the voting rights even before the spin-off took effect. Prior to the spin-off taking effect, the shares held by Uniper Beteiligungs GmbH representing an interest of 53.35 percent in Uniper Holding GmbH were reported in the Consolidated Interim Financial Statements as of June 30, 2016, in the corresponding amount as non-controlling interests in accordance with IFRS 10. Once the spin-off took effect, those non-controlling interests were reclassified as equity attributable to the shareholders of Uniper SE. The current earnings of Uniper Holding GmbH are attributed in their entirety to Uniper SE on the basis of the control and profit-and-loss-pooling agreement between Uniper SE and Uniper Holding GmbH.

Prior to the spin-off, Uniper SE was an indirect 100-percent subsidiary of E.ON SE and was included in the consolidated financial statements of E.ON SE together with its subsidiaries. As a result, pursuant to section 291 (1) HGB, there had been no requirement to date for Uniper SE to prepare its own consolidated financial statements.

The Annual Shareholders Meeting of Uniper SE approved the spin-off on May 24, 2016; the Annual Shareholders Meeting of E.ON SE gave its approval on June 8, 2016. After the spin-off was recorded in the commercial register file for Uniper SE, and then in the corresponding file for E.ON SE, all of the shares in Uniper Beteiligungs GmbH were spun off from E.ON SE to Uniper SE on September 9, 2016. Shareholders of E.ON SE were allotted new shares of Uniper SE as consideration for this spin-off, as a result of which shareholders of E.ON SE have acquired 53.35 percent of the shares of Uniper SE and the ownership interest of the E.ON Group—held indirectly via E.ON Beteiligungen GmbH—has been diluted to 46.65 percent. The shares of Uniper SE were admitted to the Frankfurt Stock Exchange's regulated market for trading in its subsegment with additional post-admission obligations (the Prime Standard) on September 9, 2016, and official trading commenced on September 12, 2016. Effective December 19, 2016, Uniper stock was included in the MDAX.

By signature on December 15, 2016, and effective December 31, 2016, E.ON SE and E.ON Beteiligungen GmbH made a joint undertaking to Uniper that they would not exercise their voting rights with respect to the election of two of the six shareholder representatives on the Uniper Supervisory Board at the Annual Shareholders Meeting of Uniper SE. The purpose of this agreement is to end E.ON SE's control of Uniper SE, even though E.ON SE will initially continue to hold a minority interest in the Company of 46.65 percent—which is likely to constitute a majority of the share capital represented at any shareholders' meeting of Uniper SE—and thus remove the associated obligation to fully consolidate the Uniper Group in the consolidated financial statements of E.ON SE.

First-time Adoption of International Financial Reporting Standards

The Uniper Group consists of Uniper SE and its indirect and direct subsidiaries, joint ventures and associated companies. Consolidated financial statements in accordance with the provisions of IFRS 1, "First-time Adoption of International Financial Reporting Standards," ("IFRS 1") were prepared for the first time for the reporting period. These Consolidated Financial Statements were prepared on the basis of uniform IFRS accounting principles with an opening balance sheet as of January 1, 2015. Since the Uniper Group was not previously obliged to prepare consolidated financial statements, the reconciliations for equity and total comprehensive income provided for by IFRS 1 in principle are not required. None of the optional exemptions permitted by IFRS 1 was applied in the Consolidated Financial Statements. For the purposes of the first-time preparation of consolidated financial statements, the Management Board of Uniper SE made use of the option to present the legal transfers of the business activities of E.ON to Uniper as a transaction under common control using the book value method. In addition, the Company took up the option of presenting the prior-year comparative information required by IFRS as if the legal structure of the Uniper Group, after taking into account the legal transfers of the business activities, had already existed in the past. Accordingly, the presentations in the published Combined Financial Statements, which cover fiscal years 2013 through 2015, can be consulted for prior-year comparative information.

The Combined Financial Statements of Uniper SE for the fiscal years ended December 31, 2013, 2014 and 2015 prepared in accordance with International Financial Reporting Standards (referred to in the following as the "Combined Financial Statements") are published on Uniper SE's Web site.

The Consolidated Financial Statements were prepared in euro. Unless otherwise indicated, all amounts are presented in millions of euro (€ million).

The Management Board of Uniper SE approved the release of the Consolidated Financial Statements to the Supervisory Board on February 28, 2017.

(2) Summary of Significant Accounting Policies

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

Scope of Consolidation

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

Associated Companies

An associate is an entity over whose relevant activities Uniper has significant influence, but which is neither a subsidiary nor an interest in a joint venture. Significant influence exists when Uniper has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control these decisions. Significant influence is generally presumed if Uniper directly or indirectly holds at least 20 percent, but not more than 50 percent, of an entity's voting rights.

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

Unrealized gains and losses arising from transactions with associated companies accounted for using the equity method are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Companies accounted for using the equity method are tested for impairment by comparing the carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted in the amount of this difference. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. The financial statements of equity interests accounted for under the equity method are generally prepared using accounting that is uniform within the Group.

Joint Arrangements

Joint ventures are also accounted for using the equity method. Unrealized gains and losses arising from transactions with joint-venture companies are eliminated within the consolidation process on a pro-rata basis if and to the extent these are material. A joint operation exists when Uniper and the other parties to a joint arrangement have direct rights to the assets, and obligations for the liabilities, attributable to the operation. In a joint operation, assets and liabilities, as well as revenues and expenses, are recognized pro rata according to the rights and obligations attributable to Uniper.

Business Combinations

Business combinations are accounted for by applying the purchase method, whereby the purchase price is offset against the proportional share in the acquired company's net assets. In doing so, the values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. The fair values of individual assets are determined in different ways, which in the case of marketable securities involve using published exchange or market prices at the time of acquisition, for example, and in the case of land, buildings and major technical equipment, generally using independent expert reports that have been prepared by third parties. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, Uniper determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated until the end of an asset's useful life using a growth rate based on industry and internal projections. The discount rate reflects the specific risks inherent in the acquired activities. Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. The partial goodwill method is generally used within the Uniper Group.

Transactions with non-controlling shareholders are treated in the same way as transactions with investors. Should the acquisition of additional shares in a subsidiary result in a difference between the cost of purchasing the shares and the carrying amounts of the non-controlling interests acquired, that difference must be fully recognized in equity.

Gains and losses from disposals of shares to subsidiaries are also recognized in equity, provided that such disposals do not coincide with a loss of control.

Intangible assets must be recognized separately from goodwill if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures may not be recorded in a purchase price allocation. If the purchase price paid exceeds the proportional share in the net assets at the time of acquisition, the positive difference is recognized as goodwill. No goodwill is recognized for positive differences attributable to non-controlling interests. A negative difference is immediately recognized in income.

Foreign Currency Translation

The Company's transactions denominated in foreign currency are translated at the current exchange rate at the date of the transaction. Monetary foreign currency items are adjusted to the current exchange rate at each balance sheet date; any gains and losses resulting from fluctuations in the relevant currencies, and the effects upon realization, are recognized in income and reported as other operating income and other operating expenses, respectively.

The functional currency and the reporting currency of Uniper SE is the euro. The assets and liabilities of the foreign Uniper companies with a functional currency other than the euro are translated at the middle rates applicable on the balance sheet date, while items of the statements of income are translated using annual average exchange rates. Differences arising from the translation of assets and liabilities compared with the corresponding translation of the prior year, as well as exchange rate differences between the income statement and the balance sheet, are reported separately in net assets as a component of other comprehensive income.

Foreign currency translation effects that are attributable to the cost of monetary financial instruments classified as available for sale are recognized in income. In the case of fair-value adjustments of monetary financial instruments and for non-monetary financial instruments classified as available for sale, the foreign currency translation effects are recognized in net assets as a component of other comprehensive income.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases. The Brazilian real is not freely convertible.

The following table depicts the movements in exchange rates for the periods indicated for major currencies of countries outside the European Monetary Union:

Currencies

	ISO Code	€1, rate at year-end	
		2016	2015
British pound	GBP	0.86	0.73
Brazilian real	BRL	3.43	4.31
Russian ruble	RUB	64.30	80.67
Swedish krona	SEK	9.55	9.19
Hungarian forint	HUF	309.83	315.98
U.S. dollar	USD	1.05	1.09

Currencies

	ISO Code	€1, annual average rate	
		2016	2015
British pound	GBP	0.82	0.73
Brazilian real	BRL	3.86	3.70
Russian ruble	RUB	74.14	68.07
Swedish krona	SEK	9.47	9.35
Hungarian forint	HUF	311.44	310.00
U.S. dollar	USD	1.11	1.11

Recognition of Income

a) Revenues

The Company generally recognizes revenue upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable. They reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last invoice and the end of the period.

Revenues include the surcharge mandated by the German Renewable Energy Sources Act and are presented net of sales taxes, returns, rebates and discounts, and after elimination of sales within the Uniper Group.

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, and to wholesale markets, including related physical and financial hedges. Also shown in this line item are revenues earned from the transportation of gas and from deliveries of steam, heat and water.

b) Interest Income

Interest income is recognized pro rata using the effective interest method.

c) Dividend Income

Dividend income is recognized when the right to receive the distribution payment arises.

Electricity and Energy Taxes

The electricity tax is levied, in particular, on electricity delivered to retail customers and is calculated on the basis of a fixed tax rate per kilowatt-hour ("kWh"), that varies between different classes of customers. Electricity and energy taxes paid are deducted from sales revenues on the face of the income statement.

Goodwill and Intangible Assets

Goodwill

In accordance with IFRS 3, goodwill is not amortized, but rather tested for impairment at the cash-generating unit level on at least an annual basis. Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable.

Newly created goodwill is allocated to those cash-generating units expected to benefit from the respective business combination. The cash-generating units 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. With some exceptions, goodwill impairment testing is performed in euro, while the underlying goodwill is always carried in the functional currency.

In a goodwill impairment test, the recoverable amount of a cash-generating unit is compared with its carrying amount, including goodwill. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In a first step, the Uniper Group determines the recoverable amount of a cash-generating unit on the basis of the fair value (less costs to sell) using generally accepted valuation procedures. This is based on the medium-term planning data of the respective cash-generating unit. Valuation is performed using the discounted cash flow method, and accuracy is verified through the use of appropriate multiples, to the extent available. In addition, market transactions or valuations prepared by third parties for comparable assets are used to the extent available. If needed, a calculation of value in use is also performed. Unlike fair value, the value in use is calculated from the viewpoint of management. In accordance with IAS 36, it is further ensured that restructuring expenses in particular, as well as initial and subsequent capital investments (where those have not yet commenced), are not included in the valuation.

If the carrying amount exceeds the recoverable amount, the goodwill allocated to that cash-generating unit is adjusted in the amount of this difference.

If the impairment thus identified exceeds the goodwill allocated to the affected cash-generating unit, the remaining assets of the unit must be written down in proportion to their carrying amounts. Individual assets may be written down only if their respective carrying amounts do not fall below the highest of the following values as a result:

- Fair value less costs to sell
- Value in use
- Zero

The Uniper Group has elected to perform the annual testing of goodwill for impairment at the cash-generating unit level in the fourth quarter of each fiscal year.

Impairment charges on the goodwill of a cash-generating unit are reported in the income statement under "Depreciation, amortization and impairment charges" and may not be reversed in subsequent reporting periods.

Intangible Assets

IAS 38, "Intangible Assets," ("IAS 38") requires that intangible assets be amortized over their expected useful lives unless their lives are considered to be indefinite. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and amortized on a straight-line basis over their useful lives. The useful lives of marketing-related, customer-related and contract-based intangible assets generally range between 5 and 25 years. Technology-based intangible assets are generally amortized over a useful life of between 3 and 5 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

Intangible assets not subject to amortization are measured at cost and tested for impairment annually or more frequently if events indicate that such assets may be impaired. Moreover, such assets are reviewed annually to determine whether an assessment of indefinite useful life remains applicable.

In accordance with IAS 36, the carrying amount of an intangible asset, whether subject to amortization or not, is tested for impairment by comparing the carrying amount with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment charge equal to the difference between the carrying amount and the recoverable amount is recognized and reported in income under "Depreciation, amortization and impairment charges."

If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortization to exceed the carrying amount that would have been determined, net of amortization, during the period had no impairment losses been recognized.

If a recoverable amount cannot be determined for an individual intangible asset, the recoverable amount for the smallest identifiable group of assets that the intangible asset may be assigned to is determined. See Note 14 for additional information about goodwill and intangible assets.

Research and Development Costs

Under IFRS, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2016 and 2015 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

Emission Rights

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets. Because emission rights are not depleted as part of the production process, they are reported as intangible assets not subject to amortization. Emission rights are capitalized at cost at the time of acquisition.

A provision is recognized for emissions produced. The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed. The expenses incurred for the recognition of the provision are reported under cost of materials.

Property, Plant and Equipment

Property, plant and equipment are measured at acquisition or production cost, including decommissioning or restoration costs that must be capitalized, and are depreciated over the expected useful lives of the components, generally using the straight-line method, unless a different method of depreciation reflects the depletion of the asset more accurately in certain exceptional cases. The useful lives of the major components of property, plant and equipment are presented below:

Useful Lives of Property, Plant and Equipment

Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment according to the principles prescribed for intangible assets in IAS 36. If an impairment loss is determined, the remaining useful life of the asset might also be subject to adjustment, where applicable. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed and recognized in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment been recognized in earlier periods.

Investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

Subsequent costs arising, for example, from additional or replacement capital expenditure are only recognized as part of the acquisition or production cost of the asset, or else—if relevant—recognized as a separate asset if it is probable that the Uniper Group will receive a future economic benefit as a result and the cost of the asset can be determined reliably.

Repair and maintenance costs that do not constitute significant replacement capital expenditure are expensed as incurred.

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a uniform financing rate of 2.60% was applied for 2016 (2015: 5.75%) within the Uniper Group. Other borrowing costs are expensed.

Government Grants

Government investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income. They are recognized in income on a straight-line basis over the associated asset's expected useful life.

Government grants are recognized at fair value if it is highly probable that the grant will be issued and if the Uniper Group satisfies the necessary conditions for receipt of the grant.

Government grants for costs are posted as income over the period in which the costs to be compensated through the respective grants are incurred.

Leasing

Leasing transactions are classified according to the lease agreements and to the underlying risks and rewards specified therein in line with IAS 17, "Leases" ("IAS 17"). In addition, IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), further defines the criteria as to whether an agreement that conveys a right to use an asset meets the definition of a lease. Certain purchase and supply contracts in the electricity and gas business as well as certain rights of use may also be classified as leases if the criteria are met. The Uniper Group is party to some agreements in which it is the lessor and to others in which it is the lessee.

Leasing transactions in which the Uniper Group is the lessee are classified either as finance leases or operating leases. If the Company bears substantially all of the risks and rewards incident to ownership of the leased property, the lease is classified as a finance lease. Accordingly, the Company recognizes on its balance sheet the leased asset and the associated liability in equal amounts.

Recognition takes place at the beginning of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased property is depreciated over its useful economic life or, if it is shorter, the term of the lease. The liability is subsequently measured using the effective interest method.

All other transactions in which the Uniper Group is the lessee are classified as operating leases. Payments made under operating leases are generally expensed over the term of the lease on a straight-line basis.

Leasing transactions in which the Uniper Group is the lessor and substantially all the risks and rewards arising from the use of the leased property are transferred to the lessee are classified as finance leases. In this type of lease, the present value of the minimum lease payments is recorded as a receivable. Payments by the lessee are apportioned between a reduction of the lease receivable and interest income. The income from such arrangements is recognized over the term of the lease using the effective interest method.

All other transactions in which the Uniper Group is the lessor are classified as operating leases; the leased asset continues to be recognized by the Uniper Group and the lease payments are generally recorded as income over the term of the lease on a straight-line basis.

Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are recognized at fair value, including transaction costs, on the settlement date when acquired. IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). The valuation techniques used are classified according to the fair value hierarchy provided for by IFRS 13.

Unconsolidated equity investments and securities are measured in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The Uniper Group categorizes financial assets as held for trading, available-for-sale securities, or as loans and receivables. Management determines the categorization of the financial assets at initial recognition.

Available-for-sale securities are non-derivative financial instruments that have either been allocated to this category or have not been allocated to one of the other categories. They are reported under non-current assets if management does not intend to sell them within twelve months following the balance sheet date and the asset does not fall due within that period. Securities classified as available for sale are measured at fair value on an ongoing basis. Any resulting unrealized gains and losses are reported as a component of equity (other comprehensive income), net of deferred taxes, until they are realized. Realized gains and losses are determined by analyzing each transaction individually. If there is objective evidence of impairment, any losses previously recognized in other comprehensive income are instead recognized in financial results. When estimating a possible impairment loss, the Uniper Group takes into consideration all available information, such as market conditions and the length and extent of the impairment. If the value on the balance sheet date of the equity instruments classified as available for sale and of similar long-term investments is 20 percent or more below their cost, or if the value has been on average significantly below their cost for a period of more than twelve months, this constitutes objective evidence of impairment. For debt instruments, objective evidence of impairment is generally deemed present if the rating awarded by one of the three leading rating agencies has deteriorated from investment-grade to non-investment-grade. Reversals of impairment losses relating to equity instruments are recognized exclusively in equity, while reversals relating to debt instruments are recognized entirely in income.

Loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Receivables and other assets." They are subsequently measured at amortized cost. Valuation allowances are provided for identifiable individual risks.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortized cost, using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the net book value is adjusted by the amortization and accretion of any premium or discount remaining until maturity. The premium or discount is included in financial results.

Derivative Financial Instruments and Hedging

Derivative financial instruments and separated embedded derivatives are measured at fair value as of the trade date at initial recognition and in subsequent periods. IAS 39 requires that they be categorized as held for trading as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognized in income.

The instruments primarily used are foreign currency forwards and cross-currency rate swaps. In the commodities area, the instruments used include physically and financially settled options and forwards related to electricity, gas, coal, oil and emission rights.

As part of fair value measurement in accordance with IFRS 13, the counterparty risk is also taken into account for derivative financial instruments. The Uniper Group determines this risk based on a portfolio valuation in a bilateral approach for both own credit risk ("debt value adjustment") and the credit risk of the corresponding counterparty ("credit value adjustment"). The counterparty risks thus determined are allocated to the individual financial instruments by applying the relative fair value method on a net basis.

IAS 39 sets requirements for the designation and documentation of hedging relationships, the hedging strategy, as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the measurement of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the hedging instrument is 80 to 125 percent effective at offsetting the change in fair value of the hedged item.

Changes in fair value of derivative instruments that must be recognized in income are presented as other operating income or expenses. Gains and losses from derivative financial instruments are shown net as either sales or cost of materials, provided they meet the corresponding conditions for such accounting. Certain realized amounts are, if related to the sale of products or services, also included in sales or cost of materials.

Unrealized gains and losses resulting from the initial measurement of derivative financial instruments at the inception of the contract are not recognized in income. They are instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applies if unrealized gains and losses from the initial measurement are verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In this case the gains and losses are recognized in income.

Contracts that are entered into for purposes of receiving or delivering non-financial items in accordance with the Uniper Group's anticipated procurement, sale or use requirements, and held as such, can be classified as own-use contracts. They are not accounted for as derivative financial instruments at fair value in accordance with IAS 39, but as open transactions subject to the rules of IAS 37.

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), and IFRS 13 both require comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments. Additional information on financial instruments is provided in Notes 28 and 29.

Primary and derivative financial instruments are netted on the balance sheet if the Uniper Group has both an unconditional right—even in the event of the counterparty's insolvency—and the intention to settle offsetting positions simultaneously or on a net basis.

Inventories

The Company measures inventories at the lower of acquisition or production cost and net realizable value. The cost of raw materials, finished products and goods purchased for resale is determined based on the average cost method. In addition to production materials and wages, production costs include material and production overheads based on normal capacity. The costs of general administration are not capitalized. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation allowances, whereby inventories are written down to net realizable value.

Receivables and Other Assets

Receivables and other assets are initially measured at fair value, which generally approximates nominal value. They are subsequently measured at amortized cost, using the effective interest method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Liquid Funds

Liquid funds include cash on hand and bank balances, as well as current available-for-sale securities. Bank balances and available-for-sale securities with an original maturity of more than three months are recognized under securities and fixed-term deposits. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

Restricted cash with a remaining maturity in excess of twelve months is classified as financial receivables and other financial assets.

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

Individual non-current assets or groups of assets held for sale and any directly attributable liabilities (disposal groups) are reported in these line items if they can be disposed of in their current condition and if there is sufficient probability of their disposal actually taking place. For a group of assets and associated liabilities to be classified as a disposal group, the assets and liabilities in it must be held for sale in a single transaction or as part of a comprehensive plan.

Non-current assets that are held for sale either individually or collectively as part of a disposal group are no longer depreciated. They are instead accounted for at the lower of the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognized.

Equity Instruments

IFRS defines equity, as distinct from debt, as the residual interest in the Uniper Group's assets after deducting all liabilities. Therefore, equity is the net amount of all recognized assets and liabilities.

Where shareholders of entities own statutory, non-excludable rights of termination (as in the case of German partnerships, for example), IAS 32, "Financial Instruments: Presentation," (IAS 32) provides that such termination rights require the reclassification of non-controlling interests in such entities held within the Group from equity into liabilities. The liability is reported at the present value of the expected settlement amount in the event of termination. The amount is recognized irrespective of the probability of termination. Changes in the value of the liability are reported within other operating income. Accretion of the liability and the non-controlling shareholders' share in net income are shown as interest expense.

Uniper has entered into purchase commitments to holders of non-controlling interests in subsidiaries. By means of these agreements, the non-controlling shareholders have the right to require Uniper to purchase their shares on specified conditions. None of the contractual obligations has led to the transfer of substantially all of the risk and rewards to Uniper at the time of entering into the contract. 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 accretion of the liability is recognized as interest expense. If a purchase commitment expires unexercised, the liability reverts to non-controlling interests. Any difference between liabilities and non-controlling interests is recognized directly in retained earnings.

Share-based Payment

The compensation plans existing in Uniper Group companies, which are based on the performance of E.ON stock, were settled prematurely, in accordance with the terms of the plans, following the entry in the commercial register of the spin-off of Uniper SE from E.ON SE. Accordingly, the only share-based payment transactions in existence as of the balance sheet date are allocations under the multi-year bonus in 2015 and 2016 and allocations to members of the Uniper Management Board under the Performance Cash Plan in 2016. The change in the value of both plans depends on the performance of Uniper stock.

Both plans represent cash-settled share-based payments and are measured at fair value as of each balance sheet date. For the multi-year bonus, the fair value is determined based on 60-day average prices as of the balance sheet date, taking into account the dividends paid during the term of the plan. For the Uniper Performance Cash Plan, the change in value is additionally measured against firmly defined performance targets. The expenses of both plans are recognized in the income statement over the period through the end of the respective plan term.

Provisions for Pensions and Similar Obligations

Measurement of defined benefit obligations in accordance with IAS 19 (revised 2011), "Employee Benefits," is based on the projected unit credit method, with actuarial valuations performed as of the end of each fiscal year. The valuation encompasses both pension obligations and pension entitlements that are known on the reporting date and economic trend assumptions such as assumptions on wage and salary growth rates and pension increase rates, among others, that are made in order to reflect realistic expectations, as well as variables specific to reporting dates such as discount rates, for example.

Included in gains and losses from the remeasurements of the net defined benefit liability or asset are actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables and, additionally, from the development of these assumptions as of each reporting date. Also included is the difference between the actual return on plan assets and the interest income on plan assets contained in the net interest result. Remeasurement effects are recognized in full in the period in which they occur and are not reported within the Statement of Income, but are instead recorded in the Uniper Group's Statement of Recognized Income and Expenses (other comprehensive income).

The employer service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel costs; the net interest on the net liability or asset from defined benefit pension plans determined based on the discount rate applicable at the start of the fiscal year is reported under financial results.

Past service cost, as well as gains and losses from settlements, are fully recognized in the income statement in the period in which the underlying plan amendment, curtailment or settlement takes place. They are reported under personnel costs.

The amount reported on the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the present value of available refunds and the reduction in future contributions and to the benefit from prepayments of minimum funding requirements. Such an asset position is recognized in the "Operating receivables and other operating assets" line item.

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to state pension plans are treated like payments for defined contribution pension plans to the extent that the obligations under these pension plans generally correspond to those under defined contribution pension plans.

Provisions for Asset Retirement Obligations and Other Miscellaneous Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), provisions are recognized when there is a legal or constructive present obligation towards third parties as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. Long-term obligations are generally discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognized during the period of their occurrence at their discounted settlement amounts, provided that the obligation can be reliably estimated. The carrying amounts of the respective property, plant and equipment are increased by the same amounts. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the related assets, and the provision is accreted to its present value on an annual basis.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates. The adjustment of provisions for the decommissioning and restoration of property, plant and equipment for changes to estimates is generally recognized by way of a corresponding adjustment to these assets, with no effect on income. If the property, plant and equipment to be decommissioned have already been fully depreciated, changes to estimates are recognized within the income statement.

Under Swedish law, the Uniper Group's Swedish nuclear operations are required to pay fees to the Swedish Nuclear Waste Fund. The Swedish Radiation Safety Authority proposes the fees for the disposal of high-level radioactive waste and nuclear power plant decommissioning for the particular nuclear power plant on the basis of the amount of electricity produced or on a time basis, taking into account nuclear-specific inflation rates and risk premiums. The proposed fees are then submitted to government offices for approval and the corresponding payments are made by the power plant. In accordance with IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds", ("IFRIC 5"), a right of reimbursement for asset retirement expenditure is recognized as an asset under "other financial assets" for payments into the Swedish Nuclear Waste Fund. In accordance with customary procedure in Sweden, the provisions are discounted at a real interest rate.

A material element in the estimates are the real interest rates applied (the applied discount rate, less the general rate of inflation, less the nuclear-specific cost increase rate). A change of 0.1 percentage point in the applied real interest rate leads to a change in the provision of approximately €26 million. The impact on adjusted EBIT depends on the level of the corresponding adjustment posted to property, plant and equipment.

No provisions are established for contingent asset retirement obligations where the type, scope, timing and associated probabilities can not be determined reliably.

If onerous contracts exist in which the unavoidable costs of meeting a contractual obligation exceed the economic benefits expected to be received under the contract, provisions are established for losses from open transactions. Such provisions are recognized at the lower of the excess obligation upon performance under the contract and any potential penalties or compensation arising in the event of non-performance. Obligations under an open contractual relationship are determined from a customer perspective.

Contingent liabilities are possible obligations toward third parties arising from past events that are not wholly within the control of the entity, or else present obligations toward third parties arising from past events in which an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are generally not recognized on the balance sheet.

Where necessary, provisions for restructuring costs are recognized at the present value of the future outflows of resources. Provisions are recognized once a detailed restructuring plan has been decided on by management and publicly announced or communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with future operations are not taken into consideration.

Income Taxes

Under IAS 12, "Income Taxes" ("IAS 12"), deferred taxes are recognized on temporary differences arising between the carrying amounts of assets and liabilities on the balance sheet and their tax bases (balance sheet liability method). Deferred tax assets and liabilities are recognized for temporary differences that will result in taxable or deductible amounts when taxable income is calculated for future periods, unless those differences are the result of the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss (initial differences). Uncertain tax positions are recognized at their most likely value. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carry forwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. For those tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced.

Deferred tax liabilities caused by temporary differences associated with investments in subsidiaries and associated companies are recognized unless the timing of the reversal of such temporary differences can be controlled within the Uniper Group and it is probable that, owing to this control, the differences will in fact not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates and tax law is generally recognized in income. Equity is adjusted for deferred taxes that had previously been recognized directly in equity. The adjustment is generally recorded in the period in which the legislative process is substantially completed.

Deferred taxes for domestic companies are calculated using an overall tax rate of 31% (2015: 31%). This tax rate includes, in addition to the 15% (2015: 15%) corporate income tax, the solidarity surcharge of 5.5% on the corporate income tax (2015: 5.5% on the corporate tax), and the average trade tax rate of 15% (2015: 15%) applicable to the Uniper Group. Foreign subsidiaries use applicable national tax rates.

Consolidated Statements of Cash Flows

In accordance with IAS 7, "Cash Flow Statements" ("IAS 7"), the Consolidated Statements of Cash Flows are classified by operating, investing and financing activities. Interest received and paid, income taxes paid and refunded, as well as dividends received are classified as operating cash flows, whereas dividends paid are classified as financing cash flows. The purchase and sale prices respectively paid (received) in acquisitions and disposals of shares in companies are reported net of any cash and cash equivalents acquired (disposed of) under investing activities if the respective acquisition or disposal results in a gain or loss of control. In the case of acquisitions and disposals that do not, respectively, result in a gain or loss of control, the corresponding cash flows are reported under financing activities. The impact on cash and cash equivalents of valuation changes due to exchange rate fluctuations is disclosed separately.

Segment Information

In accordance with the so-called management approach required by IFRS 8, "Operating Segments" ("IFRS 8"), the Company's internal reporting structure is used to identify its reportable segments. The internal performance measure used as the segment result is earnings before interest and taxes adjusted to exclude certain extraordinary effects ("adjusted EBIT," see Note 31). In addition, because it was still included in the E.ON Group for part of the 2016 fiscal year, adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") was also used in the internal reporting organization.

Structure of the Consolidated Balance Sheets and Statements of Income

In accordance with IAS 1, "Presentation of Financial Statements" ("IAS 1"), the Consolidated Balance Sheets have been prepared using a classified balance sheet structure. Assets that will be realized within twelve months of the reporting date, as well as liabilities that are due to be settled within one year of the reporting date are generally classified as current.

The Consolidated Statements of Income are classified using the nature of expense method, which is also applied for internal purposes.

Capital Structure Management

To manage capital structure, Uniper uses the ratio of current economic net debt to adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA). Based on adjusted EBITDA in 2016 of 2,122 million (2015: €1,717 million) and economic net debt of €4,167 million as of the balance sheet date (2015: €6,690 million), the ratio of economic net debt to adjusted EBITDA is 2.0 (2015: 3.9).

Critical Accounting Estimates and Assumptions; Critical Judgments in the Application of Accounting Policies

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may influence the application of accounting principles within the Uniper Group and affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and subsequent periods if both current and future periods are affected.

Estimates are particularly necessary for the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and miscellaneous provisions, for impairment testing in accordance with IAS 36, as well as for the determination of the fair value of certain financial instruments.

The underlying principles used for estimates in each of the relevant topics are outlined in the respective sections.

(3) Newly Adopted Standards and Interpretations

Where new or amended standards and interpretations were adopted, respectively, by the International Accounting Standards Board and the IFRS Interpretations Committee but are not mentioned in this Note, Uniper believes that such omitted pronouncements are not relevant to its Consolidated Financial Statements because Uniper's business model is not covered by their scope.

Standards and Interpretations Applicable in 2016

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") have issued the following standards and interpretations that have been adopted by the EU into European law and whose application is mandatory in the reporting period from January 1, 2016, through December 31, 2016:

Amendments to IFRS 11— Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," to have the exemption extended to business combinations. Accordingly, the amendment now also includes past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The EU has adopted these amendments into European law without specifying an alternative mandatory effective date. The amendments had no material impact on Uniper SE's Consolidated Financial Statements.

Amendments to IAS 1, "Presentation of Financial Statements"

In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items on the balance sheet and in the statement of comprehensive income. The amendments further provide that an entity's share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The EU has adopted these amendments into European law without specifying an alternative mandatory effective date. The amendments had no material impact on Uniper SE's Consolidated Financial Statements.

Amendments to IAS 16 and IAS 38—Clarification of Acceptable Methods of Depreciation and Amortization

In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment, and to amortize intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The EU has adopted these amendments into European law without specifying an alternative mandatory effective date. The amendments had no impact on Uniper SE's Consolidated Financial Statements.

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions

In November 2013, the IASB published an amendment to IAS 19. This pronouncement amends IAS 19 in respect of the accounting treatment of defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) are independent of the number of years of service, their nominal amount can still be deducted from the service cost. But if employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. The amendments are applicable for fiscal years beginning on or after July 1, 2014. Earlier application is permitted. The amendments have been adopted by the EU into European law. Consequently, application of the new amendments will be mandatory for fiscal years beginning on or after February 1, 2015. The amendments had no material impact on Uniper SE's Consolidated Financial Statements.

Amendments to IAS 27—Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27, "Separate Financial Statements." The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments are applicable retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," for fiscal years beginning on or after January 1, 2016. The EU has adopted these amendments into European law without specifying an alternative mandatory effective date. The amendments had no impact on Uniper SE's Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2010–2012 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 37, IAS 38 and IAS 39. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after February 1, 2015. The amendments had no material impact on Uniper SE's Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2012–2014 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments shall be applied for the first time for fiscal years beginning on or after January 1, 2016. The EU has adopted these amendments into European law without specifying an alternative mandatory effective date. The amendments had no material impact on Uniper SE's Consolidated Financial Statements.

Standards and Interpretations Not Yet Applicable in 2016

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by Uniper in the 2016 fiscal year because endorsement by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS 9, "Financial Instruments"

In July 2014, the IASB published the final version of IFRS 9, "Financial Instruments" ("IFRS 9"). The standard includes, among other things, new requirements for the classification and measurement of financial assets, and it introduces new impairment rules for financial instruments—the so-called "expected credit loss model." In the case of financial liabilities for which the fair value option is used, changes in value based on changes in own credit risk must be recognized in other comprehensive income, as long as such recognition does not create accounting mismatches. Comprehensive revisions have also been made with respect to hedge accounting. The EU has adopted IFRS 9 into European law. The application of IFRS 9 is mandatory for fiscal years beginning on or after January 1, 2018. First-time adoption shall be retrospective, but a number of simplification options are available. Earlier application is permitted.

Uniper SE is currently evaluating the impact of IFRS 9 on future consolidated financial statements. No changes are expected regarding the measurement of financial liabilities, and the new classification of financial assets is also not expected, based on current knowledge and perspective, to have a material impact on the Uniper Group. The expected credit loss model may result in earlier recognition of impairment losses. However, a final determination of all possible effects that IFRS 9 might have on the Uniper Group is not possible at this time in the light of the ongoing impact analysis.

IFRS 15, “Revenue from Contracts with Customers”

In May 2014, the IASB published the new standard IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). The objective of IFRS 15 is to establish a uniform set of accounting rules that can be applied across sectors for revenues and other cash flows arising from a contract with a customer, and thereby replace with one common standard the many standards and interpretations currently relevant to this issue. Under IFRS 15, the recognition amount and the timing or period of revenue recognition will in future follow the so-called 5-step model (identification of a contract with a customer, identification of separate performance obligations, determination of the transaction price, possible allocation to separate performance obligations, determination of revenues collected at a point in time or over time). In addition, IFRS 15 contains numerous detailed provisions and requirements for extended disclosures.

IFRS 15 shall be applied for the first time for fiscal years beginning on or after January 1, 2018. First-time adopters have the option of using a fully retrospective or a modified retrospective application method. The EU adopted the standard into European law in October 2016.

Uniper has been evaluating the effects of the new standard on the Uniper Group since the end of 2015. The analysis is expected to be completed by the end of the first quarter of 2017. Preparations for initial system and process adjustments commenced in parallel as of year-end 2016. Based on the current analysis results, which are still preliminary, no material impact from the implementation of IFRS 15 on the presentation of revenues of the Uniper Group would have been registered for 2016. This is true for both the scope and the timing of the revenues recognized. The extent of the disclosures in the Notes will, however, increase in line with the additional requirements of the standard.

Uniper SE has therefore decided against earlier application of the new standard. It will instead be applied in the Uniper Group for the first time, using the modified retrospective method, effective January 1, 2018.

Amendments to IFRS 15, “Revenue from Contracts with Customers”

In April 2016, the IASB published amendments to its new standard IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). The amendments clarify some of the requirements of IFRS 15 as they relate to three of the five topics raised after the original standard was published (identification of performance obligations, principal-versus-agent considerations and licenses), and provide additional transitional relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with clarifications on collectability and the measurement of non-cash consideration. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2018. Earlier application is permitted. They have not yet been adopted by the EU into European law.

Uniper SE is currently evaluating what possible impact IFRS 15, and the amendments to IFRS 15, might have on its Consolidated Financial Statements.

IFRS 16, "Leases"

In May 2016, the IASB published the new standard IFRS 16, "Leases." IFRS 16 replaces the existing guidance on leases, which includes IAS 17, "Leases," IFRIC 4, "Determining whether an Arrangement contains a Lease," SIC-15, "Operating leases—incentives" and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease." IFRS 16 introduces a uniform lessee accounting model. Applying that model, a lessee is required to recognize a right-of-use asset representing the lessee's right to use the underlying asset and a financial liability representing the lessee's obligation to make future lease payments. There are exemptions for short-term leases and leases of low-value assets. Lessor accounting remains comparable to that provided by the existing Leases standard—lessors continue to classify their leases as operating leases or finance leases. The standard shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2019. Early application is permitted for entities that also apply IFRS 15, "Revenue from Contracts with Customers," on or before the date of initial application of IFRS 16. The standard has not yet been adopted by the EU into European law.

Uniper SE cannot yet estimate the impact of applying IFRS 16 to its reported assets and liabilities. The Group will have evaluated the impact of the standard on its Consolidated Financial Statements in a project by the end of the first half of 2017. The quantitative impact will depend, among other things, on the transition date, on the chosen method of transition, on the extent to which the Group applies the practical simplification rules and exemptions for recognition, and on any additional leases into which the Group might enter.

Amendments to IAS 12—Recognition of Deferred Tax Assets for Unrealized Losses

In January 2016, the IASB published "Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)." The amendments clarify the accounting treatment of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2017. Earlier application is permitted. They have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

Amendments to IAS 7—Disclosure Initiative

In January 2016, the IASB published "Disclosure Initiative (Amendments to IAS 7)." The amendments require disclosures that will enable users of financial statements to assess changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2017. Earlier application is permitted. They have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

Amendments to IFRS 2—Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB published "Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)". IFRS 2, "Share-based Payment," provides that an entity shall disclose share-based payment transactions (guaranteed shares, share options or guaranteed share appreciation) in its financial statements. These include transactions with employees and other parties that are to be settled in cash, other assets, or equity instruments of the entity. The standard contains specific accounting rules for cash-settled and equity-settled share-based payment transactions, as well as for transactions in which the entity or the employee has a choice of settlement. The amendments to IFRS 2 contain clarifications and changes relating to the above issues for the accounting treatment of cash-settled share-based payments that contain a performance condition, the classification of share-based payment transactions with a net settlement feature for withholding tax obligations and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments shall be applied for the first time in the first reporting period of a fiscal year that begins on or after January 1, 2018. Earlier application is permitted. They have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration"

In December 2016, the IASB published IFRIC 22 , "Foreign Currency Transactions and Advance Consideration."

IFRIC 22 addresses an application issue of IAS 21, "The Effects of Changes in Foreign Exchange Rates." It clarifies how to determine the date of a transaction that involves advance consideration paid or received in a foreign currency for the purpose of determining the exchange rate. It concludes that the exchange rate to be used for the underlying asset, income or expense shall be determined based on the date at which the asset or liability arising from the advance consideration is initially recognized. The interpretation shall be applied on or after January 1, 2018. Earlier application is permitted. The interpretation has not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2016, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 1, IFRS 12 and IAS 28. The EU has adopted these amendments into European law.

The amendments to IFRS 12 shall be applied for fiscal years beginning on or after January 1, 2017; those to IFRS 1 and IAS 28 for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. They have not yet been adopted by the EU into European law. Uniper SE is currently evaluating the impact on future consolidated financial statements.

Amendments to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 and IAS 28. The amendments provide that unrealized gains from transactions between an investor and an associated company or a joint venture should be recognized in full by the investor if the transaction involves a business. In transactions where only assets are being sold, the recognition of gains shall be partial. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. In December 2015, the IASB announced that the effective date of these amendments has been deferred indefinitely. Uniper SE is currently evaluating the impact on future consolidated financial statements.

(4) Scope of Consolidation, Equity Investments and Assets Held For Sale

A complete list of the companies included in the scope of consolidation, as well as the disclosures required pursuant to Section 313 (2) of the German Commercial Code, is provided in Note 33.

The number of consolidated companies changed as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2016[1]	**27**	**42**	**69**
Additions	*–*	*3*	*3*
Disposals/Mergers	*1*	*6*	*7*
Consolidated companies as of December 31, 2016	**26**	**39**	**65**

[1]Business combinations that are presented as transactions under common control in the consolidated financial statements were shown in the change in the scope of consolidation consistently with their presentation in the consolidated financial statements as if they had already taken place on January 1, 2016 (see also Note 1).

In 2016 a total of 3 domestic and 12 foreign associated companies were accounted for under the equity method (2015: 3 domestic and 13 foreign).

Even though Uniper does not hold a majority interest in AO Gazprom YRGM Development, Uniper was granted extensive contractual rights when this company was formed, including the rights to all of the company's income on the basis of the profit distribution agreements. The company is therefore fully consolidated in Uniper's Consolidated Financial Statements.

Disposal in 2016

PEG Infrastruktur AG / Nord Stream AG

With economic effect from January 1, 2016, 100% of the shares in PEG Infrastruktur AG ("PEGI"), Zug, Switzerland, including its equity interest in Nord Stream AG, Zug, Switzerland, were sold to E.ON Beteiligungen GmbH, Düsseldorf, Germany. The transaction closed in March 2016. The sale resulted in the deconsolidation of the shareholding in PEGI, which had been fully consolidated in the Global Commodities segment, and of the interest in Nord Stream AG accounted for under the equity method, in the first quarter of 2016. The sale price amounted to approximately €1.0 billion and was received in the first quarter of 2016. The transaction generated a gain on disposal of €0.5 billion.

Assets Held for Sale in 2015

AS Latvijas Gāze

On December 22, 2015, Uniper entered into an agreement to sell 28.974% of the shares in its associate AS Latvijas Gāze, Riga, Latvia, to the Luxembourg company Marguerite Gas I S.à r.l. The carrying amount of the investment, which is reported in the Global Commodities segment, amounted to around €0.1 billion as of December 31, 2015. The transaction, which closed in January 2016 at a sale price of around €0.1 billion, resulted in a minimal gain on disposal.

(5) Revenues

At €67 billion, revenues in the 2016 fiscal year were 27 percent lower than in the previous year (2015: €92 billion). The decline in sales was primarily attributable to lower prices in the gas business in the Global Commodities segment. In addition to the decline in gas sales, electricity sales also decreased. That decline was mainly due to lower electricity prices, accompanied to a lesser extent by lower volumes resulting from the disposals of businesses in Italy and Belgium.

The classification of revenues by segment is presented in Note 31.

(6) Own Work Capitalized

Own work capitalized amounted to €60 million in the 2016 fiscal year (2015: €46 million) and as in the previous year was generated from engineering services, among other items.

(7) Other Operating Income and Expenses

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

Other Operating Income

€ in millions	2016	2015
Income from exchange rate differences	1,163	1,900
Gain on derivative financial instruments	4,714	7,232
Gain on disposal of equity investments and securities	568	37
Write-ups of non-current assets	460	348
Gain on disposal of property, plant and equipment	29	17
Miscellaneous	543	1,291
Total	**7,477**	**10,825**

The Uniper Group generally employs derivatives to hedge commodity and currency risks. Gains and losses on derivative financial instruments relate to the fair value measurement of derivatives under IAS 39. The principal effects for this item resulted from changes in commodity derivatives measured at market values. The steady increase in gains and losses from the measurement of commodity derivatives in fiscal years 2013 through 2015 is attributable among other things to price changes from fiscal year 2014 onward, particularly in oil and gas trading.

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €548 million (2015: €1,136 million) and from the translation of foreign currency assets and liabilities in the amount of €567 million (2015: €535 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €48 million (2015: €229 million).

The gain on disposal of equity investments and securities in the reporting year consisted primarily of the gain on the sale of the shareholding in PEGI, including its equity interest in Nord Stream AG, to E.ON Beteiligungen GmbH.

In the 2016 fiscal year, miscellaneous other operating income included a reduction of €616 million compared with the previous year of income from the one-time recharging of costs to a minority shareholder in a power plant under cost-plus-fee arrangements. In addition, as in previous years, income from goods and services recharged in the amount of €138 million (2015: €208 million) was reported under this item. Income from claims for reimbursements and damages of €4 million (2015: €95 million), as well as income from insurance premiums of €91 million (2015: €33 million) were also reported under miscellaneous other operating income.

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

Other Operating Expenses

€ in millions	2016	2015
Loss from exchange rate differences	1,019	1,883
Loss on derivative financial instruments	6,404	6,718
Taxes other than income taxes	439	216
Loss on disposal of equity investments and securities	10	21
Miscellaneous	2,132	1,686
Total	**10,004**	**10,524**

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

Expenses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €429 million (2015: €1,144 million) and from the translation of foreign currency assets and liabilities in the amount of €538 million (2015: €504 million). There also were unrealized currency effects from translation at the closing rate on the balance sheet date in the amount of €40 million (2015: €235 million).

The rise in miscellaneous other operating expenses was primarily attributable to anticipated losses from the gas-storage business in the amount of €1,068 million (2015: €0 million). The increase was partly offset by the elimination in the reporting year of a write-down recognized in the previous year on a loan receivable from a Swedish investment accounted for using the equity method (2015: €344 million). Miscellaneous other operating expenses additionally included third-party services of €182 million (2015: €333 million) and IT expenditure of €215 million (2015: €203 million), mostly relating to work performed by a related company that was invoiced on normal market terms.

Miscellaneous other operating expenses in the previous year had further included service charges from E.ON SE and E.ON Sverige AB in the amount of €161 million.

Finally, miscellaneous other operating expenses also included insurance expenses and insurance premiums of €55 million in total (2015: €72 million), rental and lease payments of €38 million (2015: €66 million), external consultancy and audit costs of €37 million (2015: €27 million), advertising and marketing expenses of €16 million (2015: €21 million), and write-downs on trade receivables and loan receivables in the amount of €46 million (2015: €358 million)..

(8) Cost of Materials

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

Cost of Materials

€ in millions	2016	2015
Expenses for raw materials and supplies and for purchased goods	62,675	88,297
Expenses for purchased services	860	1,009
Total	**63,535**	**89,306**

The cost of materials fell by €25 billion in the 2016 fiscal year to €64 billion (2015: €89 billion). This was primarily attributable to a decline in the cost of gas and electricity purchases in the Global Commodities segment corresponding to the decline in sales posted by that segment.

Expenses for raw materials and supplies and for purchased goods consisted especially of purchases of gas and electricity in the amount of €58 billion (2015: €81 billion). Network usage charges for the 2016 fiscal year of €1,005 million (2015: €936 million) are also included in this line item.

Expenses for purchased services mainly comprised maintenance costs totaling €235 million (2015: €300 million) and other purchased services totaling €400 million (2015: €561 million).

(9) Financial Results

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

Financial Results

€ in millions	2016	2015
Income from companies in which equity investments are held	12	5
Impairment charges/reversals on other financial assets	-2	-17
Income from equity investments	**10**	**-12**
Income from securities, interest and similar income[1]	170	380
Available for sale	*3*	*3*
Loans and receivables	*61*	*91*
Held for trading	–	–
Other interest income	*106*	*286*
Interest and similar expenses[1]	-465	-332
Amortized cost	*-198*	*-158*
Held for trading	–	–
Other interest expenses	*-267*	*-174*
Net interest income	**-295**	**48**
Financial results	**-285**	**36**

[1]The measurement categories are described in detail in Note 2.

The decrease in financial results for the 2016 fiscal year compared with 2015 was primarily attributable to the negative change in net interest income. Net interest income was lower mainly because of a reduced valuation result arising from the Swedish Nuclear Waste Fund. This reduced result amounted to -€21 million (2015: €273 million) and is recognized under "Other interest income" and "Other interest expenses," respectively.

Other items contained in other interest expenses were periodic interest accrued on provisions for asset retirement obligations amounting to €67 million (2015: €64 million) and the net interest cost arising from pension provisions in the amount of €17 million (2015: €38 million). Interest and similar expenses were reduced by capitalized borrowing costs amounting to €35 million (2015: €72 million). Interest and similar expenses in the 2016 fiscal year was positively influenced relative to the previous year by a lower expense from periodic interest accrued on other non-current provisions.

(10) Income Taxes

The following table provides details of income taxes, including deferred taxes, for the periods indicated:

Income Taxes

€ in millions	2016	2015
Domestic income taxes	177	49
Foreign income taxes	-17	97
Current taxes	**160**	**146**
Domestic	-1,048	240
Foreign	-136	10
Deferred taxes	**-1,184**	**250**
Total income taxes	**-1,024**	**396**

Tax income in the fiscal year amounted to €1,024 billion, compared with a tax expense of €396 billion in the previous year. The loss before taxes resulted in net tax income in 2016 with an associated tax rate of 24 percent (2015: -12 percent). The change in the tax rate in 2016 was mainly due to tax-reducing effects on temporary differences. Of the amount reported as current taxes in the 2016 fiscal year, -€9 million related to prior periods (2015: -€159 million).

An amount of -€1,083 million (2015: €45 million) in deferred taxes resulted from changes in temporary differences, and an amount of -€101 million (2015: €205 million) from 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 €544 million (2015: €502 million).

The income tax rate of 31 percent applicable in Germany is made up of corporate income tax (15 percent), trade tax (15 percent) and the solidarity surcharge (1 percent). The differences between this rate and the effective rate of tax are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2016		2015	
	€ in millions	%	€ in millions	%
Income/Loss before taxes	**-4,258**	**100.0**	**-3,361**	**100.0**
Expected income taxes	-1,320	31.0	-1,042	31.0
Foreign tax rate differentials	106	-2.5	202	-6.0
Tax effects on tax-free income	-45	1.1	-60	1.8
Tax effects of non-deductible outlays and permanent differences	250	-5.9	89	-2.7
Tax effects on income from companies accounted for under the equity method	-30	0.7	-22	0.6
Tax effects of deconsolidation	-164	3.8	5	-0.1
Tax effects of goodwill impairment	–	–	524	-15.6
Tax effects of changes in value and non-recognition of deferred taxes	125	-2.9	595	-17.7
Tax effects of other taxes on income	38	-0.9	27	-0.8
Tax effects of income taxes related to other periods[1]	19	-0.5	129	-3.8
Other[2]	-3	0.1	-51	1.5
Effective income taxes/tax rate	**-1,024**	**24.0**	**396**	**-11.8**

[1]Including -€9 million in current taxes in 2016 (2015: -€159 million).
[2]Including €2 million from changes in tax rates / tax law in 2016 (2015: €19 million).

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

Deferred Tax Assets and Liabilities

€ in millions	December 31, 2016 Tax assets	December 31, 2016 Tax liabilities	December 31, 2015 Tax assets	December 31, 2015 Tax liabilities
Intangible assets	109	459	104	431
Property, plant and equipment	343	689	242	870
Financial assets	11	21	13	80
Inventories	41	12	41	19
Receivables	45	4,701	155	6,106
Provisions	2,812	454	2,493	102
Liabilities	4,239	581	5,139	750
Loss carryforwards	286	–	427	–
Other	194	195	35	90
Subtotal	**8,080**	**7,112**	**8,649**	**8,448**
Changes in value	-364	–	-792	–
Deferred taxes (gross)	**7,716**	**7,112**	**7,857**	**8,448**
Offsetting	-5,511	-5,511	-6,826	-6,826
Deferred taxes (net)	**2,205**	**1,601**	**1,031**	**1,622**
Current	*897*	*448*	*253*	*403*

Of the deferred taxes reported, a total of €113 million was recognized directly in equity (2015: -€11 million).

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

Income Taxes on Components of Other Comprehensive Income

€ in millions	2016 Before income taxes	2016 Income taxes	2016 After income taxes	2015 Before income taxes	2015 Income taxes	2015 After income taxes
Cash flow hedges	-22	14	-8	2	–	2
Available-for-sale securities	240	-2	238	-420	–	-420
Currency translation adjustments	545	4	549	-335	1	-334
Remeasurements of defined benefit plans	-240	109	-131	189	-120	69
Companies accounted for under the equity method	156	–	156	38	1	39
Total	**679**	**125**	**804**	**-526**	**-118**	**-644**

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

Tax Loss Carryforwards

€ in millions	December 31 2016	2015
Domestic tax loss carryforwards	160	123
Foreign tax loss carryforwards	1,697	2,723
Total	**1,857**	**2,846**

Domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. 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 €93 million (2015: €74 million) and trade tax loss carryforwards amounting to €67 million (2015: €49 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, 2016, reporting date on a total of €1,194 million (2015: €2,003 million) in foreign loss carryforwards that, for the most part, do not expire. Foreign tax loss carryforwards were reduced by structural measures, in particular. No deferred tax assets were recognized in respect of temporary differences amounting to €1,157 million (2015: €421 million).

As of December 31, 2016, Uniper reported deferred tax assets for companies that incurred losses in the current or the prior-year period that exceed the deferred tax liabilities by €267 million. As of December 31, 2015, the excess amount had been €90 million. The basis for recognizing deferred tax assets is an estimate by management of the extent to which it is probable that the respective companies will achieve taxable earnings in the future against which the as yet unused tax losses, tax credits and deductible temporary differences can be offset.

(11) Personnel-Related Information

Personnel Costs

The following table provides details of personnel costs for the periods indicated:

Personnel Costs

€ in millions	2016	2015
Wages and salaries	932	948
Social security contributions	135	167
Pension costs and other employee benefits	112	145
Pension costs	*111*	*144*
Total	**1,179**	**1,260**

The personnel costs of the Uniper Group fell by €81 million in the 2016 fiscal year to €1,179 million (2015: €1,260 million). The decline was mainly attributable to lower expenses for wages and salaries and lower social security contributions, mainly as a result of the measures taken under the earlier restructuring programs and the associated reduction in the workforce, together with the decommissioning of power plants. An additional contribution came from lower net expenses for occupational retirement benefits. It was partly offset by a year-over-year increase in restructuring costs, which were mainly attributable to the current restructuring program.

Share-based Payment

In the 2016 and 2015 fiscal years, employees of the Uniper Group participated in the share-based payment programs of the Uniper Group and in those of the E.ON Group.

Share-based payment plans (employee stock purchase programs in Germany and the UK, the E.ON Share Performance Plan (through December 31, 2015) and the E.ON Share Matching Plan, as well as the multi-year bonus and the Uniper Performance Cash Plan) generated expenses in 2016 amounting to €10.5 million (2015: €7.6 million).

Employee Stock Purchase Program

Due to the spin-off from E.ON, there was no employee stock purchase program in Germany in 2016.

In 2015, employees of German Uniper companies had the opportunity to acquire E.ON shares on preferential terms under a voluntary employee stock purchase program. In the 2015 fiscal year, employees received a matching contribution typically amounting to €390 on the shares they subscribed for as of the November 19, 2015, cut-off date; the shares had been offered in five graduated packages. Employees were granted an additional matching contribution for the purchase of shares in the 2015 fiscal year to make up for the lack of a program in 2016. Depending on the stock package purchased, the employee contribution in 2015 ranged from a minimum of €510 to a maximum of €1,560. The definitive market price of E.ON stock on the relevant cut-off date was €8.90. Depending on the number of shares subscribed for, the preferential prices ranged between €4.51 and €5.78. The lock-up period for these shares ended when Uniper SE was listed. The grant of preferential prices gave rise to an expense, which is recognized as personnel costs under "Wages and salaries." The expense attributable to the German Uniper companies in the 2015 fiscal year amounted to €0.8 million.

Employees of the Uniper Group were promised a one-time special payment after the successful completion of the spin-off. Employees in Germany will receive this special payment in the form of a package of Uniper stock with an equivalent value of around €600. The intention is to distribute the stock package to employees in Germany in two annual tranches with an equivalent value of around €300 each in 2017 and 2018. Employees in the other European countries, except those in Russia, will receive a corresponding gross cash payment. The resulting personnel costs have already been accounted for in the amount of €5 million (2015: €0 million) through recognition of a corresponding provision.

Prior to the stock exchange listing of Uniper SE in September 2016, employees in the United Kingdom had the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire bonus shares in addition. The expense for the Uniper companies resulting from the issue of these shares in the 2016 fiscal year amounted to €0.3 million (2015: €0.2 million) and is recorded under "Wages and salaries" as personnel costs. Subsequent to the stock exchange listing of Uniper SE in September 2016, employees in the United Kingdom could purchase Uniper shares and acquire bonus shares in addition. The expense for the Uniper companies resulting from the issue of these shares in the 2016 fiscal year amounted to €0.1 million (2015: €0.0 million) and is also recorded under "Wages and salaries" as personnel costs.

Long-Term Variable Compensation

Members of the Management Board of Uniper SE and certain 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 E.ON Share Performance Plan, which expired in 2015, the E.ON Share Matching Plan introduced in 2013, the multi-year bonus introduced in 2015, and the Uniper Performance Cash Plan introduced for members of the Management Board of Uniper SE in 2016.

E.ON Share Performance Plan

Last granted in 2012, the virtual shares ("Performance Rights") from the seventh tranche of the E.ON Share Performance Plan were settled after the plan term ended on December 31, 2015. The payout took place in 2016.

Grants of Performance Rights required possession of a specified number of E.ON SE shares, which had to be held through the end of the term. At the end of its term, each Performance Right was entitled to a cash payout linked to the final E.ON share price established at that time and to the degree to which specific corporate financial measures are achieved over the term. A payout before the end of the term would have taken place in the event of a change of control or on the death of the beneficiary. The benchmark was the return on capital, expressed as the return on average capital employed ("ROACE") compared with the weighted-average cost of capital ("WACC"), averaged over the unchanged four-year term of the new tranche. The maximum payout was limited to 2.5 times the target value originally set.

60-day average prices were used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements. The plan contained adjustment mechanisms to eliminate the effects of interim corporate actions.

Because the plan expired on December 31, 2015, no provision was recognized for it (2015: €4.0 million).

E.ON Share Matching Plan

From 2013 through 2016, virtual shares were granted under the E.ON Share Matching Plan. At the end of its four-year term, each virtual share was entitled to a cash payout linked to the final E.ON share price established at that time. In 2013 and 2014, virtual shares were granted under the equity deferral, basis matching and performance matching components of the E.ON Share Matching Plan. In 2015 and 2016, in view of the spin-off of Uniper SE from E.ON SE, virtual E.ON shares were granted solely under the equity deferral component.

The equity deferral was determined by multiplying an arithmetic portion of the beneficiary's contractually agreed target bonus by the beneficiary's total target achievement percentage from the previous year. The equity deferral was converted into virtual shares and vested immediately. Beneficiaries were additionally granted virtual shares under basis matching and performance matching. The proportion of basis matching to the equity deferral was 2:1. The performance-matching target value at allocation corresponded to that for basis matching in terms of amount. Performance matching would have resulted in a payout only on achievement of a minimum performance level, based on ROACE, as specified at the beginning of the term by the Management Board and the Supervisory Board of E.ON.

The amount paid out under performance matching would have corresponded to the target value at issuance if the E.ON share price had been maintained at the end of the term and if the average ROACE performance had matched a target value specified by the E.ON Management Board and Supervisory Board. If the average ROACE during the four-year term exceeded the target value, the number of virtual shares granted under performance matching increased up to a maximum of twice the target value. If the average ROACE fell short of the target value, the number of virtual shares, and thus also the amount paid out, decreased. In the event of a defined level of underperformance, there was no payout under performance matching.

A payout would generally not have taken place before the end of the four-year term. This was true even if the beneficiary retired beforehand, or if the beneficiary's contract was terminated on operational grounds or expired during the term. A payout before the end of the term took place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ended before the end of the term for reasons within the control of the beneficiary, all virtual shares—except for those that resulted from the equity deferral—expired.

At the end of the term, the sum of the dividends paid to an ordinary shareholder during the term was added to each virtual share. The maximum amount to be paid out to a plan participant was limited to twice the sum of the equity deferral, the basis matching and the target value under performance matching.

60-day average prices were used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements.

The plan contained adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

The following were the base parameters of the tranches active in 2016 under these plan terms:

E.ON Share Matching Virtual Shares

	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	Apr. 1, 2016	Apr. 1, 2015	Apr. 1, 2014	Apr. 1, 2013
Term	4 years	4 years	4 years	4 years
Target value at issuance	€8.63	€13.63	€13.65	€13.31

The completed spin-off Uniper SE from E.ON SE constituted a change of control as regards the virtual shares granted or assumed by Uniper companies. The virtual shares of the first through fourth tranches existing at Uniper companies were settled and paid out on an extraordinary basis, in accordance with the terms of the plan, following the registration of the spin-off Uniper SE from E.ON SE.

The expense for the E.ON Share Matching Plan amounted to €1.6 million in 2016 (2015: 4.7 million).

As of the balance sheet date, the recognition of a provision was no longer needed due to the premature settlement and payout. A provision of €13.4 million had been recognized in the previous year.

Multi-Year Bonus

In 2015 and 2016, certain executives who would have been granted virtual shares under the basis matching and performance matching components of the E.ON Share Matching Plan were granted a multi-year bonus extending over a term of four years. One Management Board member also received an allocation under the multi-year bonus for 2015. Beneficiaries were informed individually of the target value of the multi-year bonus.

For Uniper executives, the amount paid out is equal to the target value if the Uniper share price at the end of the term is equal to the Uniper share 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. However, the maximum allowed payout is twice the target value.

A payout will generally not take place before the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. However, the spin-off of Uniper SE from E.ON SE is not treated as a change of control. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, there is no entitlement to a multi-year bonus payout.

60-day average prices are used to determine both the share price after the spin-off, and the final price in order to mitigate the effects of incidental, short-lived price movements.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

For accounting purposes, a notional payout determined as of each balance sheet date that is based on the 60-day average price and prorated according to the respective period elapsed is generally used as the basis.

The provision for the multi-year bonus as of December 31, 2016, was €5.0 million (2015: €1.5 million). The expense amounted to €3.5 million in the 2016 fiscal year (2015: €1.5 million).

Uniper Performance Cash Plan

The members of the Management Board of Uniper SE received allocations under the new Uniper Performance Cash Plan for the first time in 2016. The amounts paid out under the Performance Cash Plan are based on a Long-Term Incentive ("LTI") target amount, which is granted at the start of the performance period as a future entitlement. The plan launches annually, with a performance period of four years in each case. The performance factor on which the payout is based is measured at the end of the performance period using absolute Total Shareholder Return ("TSR"), taking into account previously calibrated target values.

The LTI is capped at 400% of the target amount (payout cap). The LTI payout takes place only upon reaching a calibrated threshold (absolute TSR). If precisely this threshold is achieved, the members of the Management Board receive a payout equivalent to 50% of the target amount. The payout amount is calculated by multiplying the LTI target amount by a performance factor that is assigned to certain TSR parameters. If the TSR performance reached lies within those parameters, the performance factor is calculated by linear interpolation of the target performance based on the relevant TSR parameters. If the threshold is not achieved, no payout is made. Long-term compensation is generally paid out in cash at the end of the performance period.

Since the payout threshold under the plan has not yet been reached as of the balance sheet date, neither a provision nor an expense have as yet been recognized for the Uniper Performance Cash Plan in the reporting year.

Employees

During 2016, Uniper employed an average of 12,890 persons (2015: 14,137). This figure does not include an average of 238 apprentices (2015: 243), board members and managing directors.

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

Employees[1]

	2016	2015
European Generation	6,248	6,928
Global Commodities	1,263	1,412
International Power	4,953	5,305
Administration/Consolidation	426	492
Total	**12,890**	**14,137**
Domestic	*4,555*	*5,046*
Foreign	*8,335*	*9,091*

[1]Figures do not include board members, managing directors, apprentices and interns.

(12) Other Information

Compensation of Supervisory Board and Management Board

Supervisory Board

No Uniper SE Supervisory Board compensation was paid to members of the Uniper SE Supervisory Board because only the Annual Shareholders Meeting of Uniper SE to be held in the summer of 2017 can adopt a legally binding compensation policy for the Supervisory Board. Based on the compensation policy yet to be adopted, the compensation payable to the Supervisory Board for the 2016 fiscal year was estimated at approximately €1.0 million. Members of the Supervisory Board of Uniper SE received a total of approximately €6,300 in the reporting year in the context of their supervisory board functions at subsidiaries of Uniper SE. Uniper SE reimbursed an immaterial amount of outlays.

There were no outstanding loans or advances to members of the Supervisory Board in the 2016 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 88 and 89 in the Compensation Report.

Additional information about the members of the Supervisory is provided on page 206.

Management Board

Total compensation paid to the members of the Management Board in 2016 amounted to €14.6 million. They receive a fixed base salary and other compensation elements unrelated to performance, as well as performance-based compensation components including the bonus and share-based payments (as a long term incentive).

The one-time special incentive bonus was paid to the members of the Management Board in December 2016. As of the balance sheet date, however, owing to the terms providing for prorated repayment of the bonus (repayment provisions), no part of the bonus has yet vested. Accordingly, the special incentive bonus is not yet included in the total compensation reported. The special incentive bonus paid in the amount of €4.1 million in total to Management Board members in December 2016 was required to be recognized as a non-interest-bearing advance payment under 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 after the entry in the commercial register of the spin-off of Uniper SE from E.ON SE.

There were no service contracts between the managing directors and interim Management Board members appointed in the 2015 fiscal year and, respectively, E.ON Kraftwerke GmbH and Uniper SE. These board members received no compensation for the previous year for their governance activities at E.ON Kraftwerke GmbH and Uniper SE.

Uniper SE has no former Management Board members or managing directors. Accordingly, no payments to former Management Board members were made either in the reporting year or in the previous year. Likewise, there are no reportable pension obligations to this group of persons.

Uniper SE and its subsidiaries granted no loans to and did not enter into any contingencies benefiting Management Board members in the 2016 fiscal year.

The compensation plan for the Management Board and the amounts paid to each member of the Management Board are presented on pages 80 through 88 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 207.

Fees and Services of the Independent Auditor

During the 2016 fiscal year, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

The fees for financial statement audits concern the audit of the Consolidated Financial Statements and the legally mandated financial statements of Uniper SE and its affiliates, as well as the review of the interim financial statements.

Fees for other attestation services concern, in particular, project-related reviews performed in the context of the introduction of IT and internal control systems, due-diligence services rendered in connection with acquisitions and divestitures, and other mandatory and voluntary audits.

Fees for tax advisory services primarily include advisory on a case-by-case basis with regard to the tax treatment of M&A transactions, ongoing consulting related to the preparation of tax returns and the review of tax assessments, as well as advisory on other tax-related issues, both in Germany and abroad.

Fees for other services consist primarily of technical support in IT and other non-accounting projects.

Independent Auditor Fees

€ in millions	**2016**
Financial statement audits	12.6
Domestic	*10.0*
Other attestation services	0.2
Domestic	*0.2*
Tax advisory services	0.1
Domestic	*0.1*
Other services	0.6
Domestic	*0.6*
Total	**13.5**
Domestic	*10.9*

(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	2016	2015
Income/Loss from continuing operations	-3,234	-3,757
Less: Non-controlling interests	17	-328
Loss from continuing operations (attributable to shareholders of Uniper SE)	**-3,217**	**-4,085**
Income from discontinued operations, net	–	–
Less: Non-controlling interests	–	–
Income/Loss from discontinued operations, net (attributable to shareholders of Uniper SE)	**0**	**0**
Net income/loss attributable to shareholders of Uniper SE	**-3,217**	**-4,085**
in €		
Earnings per share (attributable to shareholders of Uniper SE)		
from continuing operations	-8.79	-11.28
from discontinued operations	0.00	0.00
from net income/loss	**-8.79**	**-11.28**
Weighted-average number of shares outstanding (in millions)	366	362

The computation of diluted earnings per share is identical to that of basic earnings per share because Uniper SE has issued no potentially dilutive ordinary shares.

Regarding the change in the number of shares outstanding, see also Note 19.

(14) Goodwill, Intangible Assets and Property, Plant and Equipment

The changes in goodwill and intangible assets, and in property, plant and equipment, are presented in the tables on the following pages:

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	January 1, 2016	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	December 31, 2016
	Acquisition and production costs						
Goodwill	**6,013**	**-149**	**0**	**0**	**0**	**0**	**5,864**
Marketing-related intangible assets	0	–	–	–	–	–	0
Customer-related intangible assets	60	–	–	14	–	–	74
Contract-based intangible assets	2,859	330	1	1	–	–	3,191
Technology-based intangible assets	163	1	–	14	-3	3	178
Internally generated intangible assets	104	–	1	22	–	–	127
Intangible assets subject to amortization	**3,186**	**331**	**2**	**51**	**-3**	**3**	**3,570**
Intangible assets not subject to amortization	307	-2	–	205	-321	-1	188
Advance payments on intangible assets	32	–	–	20	-9	-1	42
Intangible assets	**3,525**	**329**	**2**	**276**	**-333**	**1**	**3,800**
Real estate and leasehold rights	1,988	-57	1	–	-19	2	1,915
Buildings	3,289	171	–	58	-53	40	3,505
Technical equipment, plant and machinery	29,820	-552	60	298	-504	169	29,291
Other equipment, fixtures, furniture and office equipment	357	–	–	17	-26	15	363
Advance payments and construction in progress	2,326	18	-13	483	-9	-227	2,578
Property, plant and equipment	**37,780**	**-420**	**48**	**856**	**-611**	**-1**	**37,652**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2016

€ in millions	European Generation	Global Commodities	International Power[2]	Uniper Group
Net carrying amount of goodwill as of January 1, 2016	**0**	**2,057**	**498**	**2,555**
Changes resulting from acquisitions and disposals	–	–	–	–
Impairment charges	–	–	–	–
Exchange rate differences	–	20	126	146
Net carrying amount of goodwill as of December 31, 2016	**0**	**2,077**	**624**	**2,701**
Growth rate (in %)	–	1.5	4.0	–
Cost of capital (in %)	–	5.1 and 9.5	13.5	–
Other non-current assets[1]				
Impairment	-2,145	-1,184	-68	-3,397
Reversals	367	93	–	460

[1]Other non-current assets consist of intangible assets and of property, plant and equipment.
[2]Growth rate and cost of capital before taxes, in local currency.

								Accumulated depreciation	Net carrying amounts
January 1, 2016	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2016	December 31, 2016
-3,458	**295**	**0**	**0**	**0**	**0**	**0**	**0**	**-3,163**	**2,701**
0	–	–	–	–	–	–	–	0	0
-46	–	–	-9	–	–	–	–	-55	19
-1,129	-87	–	-66	–	–	-112	–	-1,394	1,797
-119	–	1	-20	2	–	-1	–	-137	41
-56	–	–	-14	–	–	–	–	-70	57
-1,350	**-87**	**1**	**-109**	**2**	**0**	**-113**	**0**	**-1,656**	**1,914**
-14	–	–	–	–	–	-7	–	-21	167
-2	–	–	–	–	–	–	–	-2	40
-1,366	**-87**	**1**	**-109**	**2**	**0**	**-120**	**0**	**-1,679**	**2,121**
-321	-3	-1	-4	15	–	-14	–	-328	1,587
-2,012	-34	–	-56	9	-1	-115	15	-2,194	1,311
-20,271	601	5	-553	359	1	-2,967	407	-22,418	6,873
-275	3	–	-23	17	–	-1	–	-279	84
-604	7	–	–	6	–	-180	38	-733	1,845
-23,483	**574**	**4**	**-636**	**406**	**0**	**-3,277**	**460**	**-25,952**	**11,700**

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	Acquisition and production costs						
	January 1, 2015	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	December 31, 2015
Goodwill	**5,962**	**51**	**0**	**0**	**0**	**0**	**6,013**
Marketing-related intangible assets	0	–	–	–	–	–	0
Customer-related intangible assets	60	–	–	–	–	–	60
Contract-based intangible assets	2,960	-151	–	12	–	38	2,859
Technology-based intangible assets	154	–	–	9	-2	2	163
Internally generated intangible assets	98	–	–	6	–	–	104
Intangible assets subject to amortization	**3,272**	**-151**	**0**	**27**	**-2**	**40**	**3,186**
Intangible assets not subject to amortization	418	2	1	600	-677	-37	307
Advance payments on intangible assets	4	–	–	31	–	-3	32
Intangible assets	**3,694**	**-149**	**1**	**658**	**-679**	**0**	**3,525**
Real estate and leasehold rights	1,919	35	-10	44	-1	1	1,988
Buildings	3,406	-65	-3	263	-316	4	3,289
Technical equipment, plant and machinery	29,601	284	-163	429	-1,602	1,271	29,820
Other equipment, fixtures, furniture and office equipment	370	2	–	15	-31	1	357
Advance payments and construction in progress	3,638	-46	2	458	-447	-1,279	2,326
Property, plant and equipment	**38,934**	**210**	**-174**	**1,209**	**-2,397**	**-2**	**37,780**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2015

€ in millions	European Generation	Global Commodities	International Power[2]	Uniper Group
Net carrying amount of goodwill as of January 1, 2015	**1,986**	**2,066**	**859**	**4,911**
Changes resulting from acquisitions and disposals	–	–	–	–
Impairment charges	-2,104	–	-323	-2,427
Exchange rate differences	118	-9	-38	71
Net carrying amount of goodwill as of December 31, 2015	**0**	**2,057**	**498**	**2,555**
Growth rate (in %)	–	1.5	4.0	–
Cost of capital (in %)	5.2 - 6.3	5.4 and 10.8	17.2	–
Other non-current assets[1]				
Impairment	-1,731	-258	-26	-2,015
Reversals	341	45	7	393

[1]Other non-current assets consist of intangible assets and of property, plant and equipment.
[2]Growth rate and cost of capital before taxes, in local currency.

Accumulated depreciation									Net carrying amounts
January 1, 2015	Exchange rate differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2015	December 31, 2015
-1,051	**20**	**0**	**0**	**0**	**0**	**-2,427**	**0**	**-3,458**	**2,555**
0	–	–	–	–	–	–	–	0	0
-42	–	–	-4	–	–	–	–	-46	14
-1,011	41	–	-105	–	–	-54	–	-1,129	1,730
-103	–	–	-18	2	–	–	–	-119	44
-42	–	–	-14	–	–	–	–	-56	48
-1,198	**41**	**0**	**-141**	**2**	**0**	**-54**	**0**	**-1,350**	**1,836**
-58	–	-1	–	–	–	–	45	-14	293
-2	–	–	–	–	–	–	–	-2	30
-1,258	**41**	**-1**	**-141**	**2**	**0**	**-54**	**45**	**-1,366**	**2,159**
-282	-3	–	-4	–	–	-35	3	-321	1,667
-2,193	-7	2	-68	312	3	-62	1	-2,012	1,277
-19,404	-345	131	-675	1,564	-234	-1,645	337	-20,271	9,549
-275	-2	–	-31	31	3	-1	–	-275	82
-1,063	59	–	–	381	230	-218	7	-604	1,722
-23,217	**-298**	**133**	**-778**	**2,288**	**2**	**-1,961**	**348**	**-23,483**	**14,297**

Goodwill and Non-Current Assets

Impairments

IFRS 3 prohibits the amortization of goodwill. Instead, goodwill is tested for impairment at least annually at the level of the cash-generating units. Goodwill must also be tested for impairment at the level of individual cash-generating units between these annual tests if events or changes in circumstances indicate that the recoverable amount of a particular cash-generating unit might be impaired. Intangible assets subject to amortization and property, plant and equipment must generally be tested for impairment whenever there are particular events or external circumstances indicating the possibility of impairment. Uniper performs its annual goodwill impairment test in the fourth quarter of the fiscal year. The recoverable amount used to test goodwill for impairment in the Global Commodities cash-generating unit is the fair value less costs to sell; for the International Power Generation cash-generating unit, however, the recoverable amount is based on the value in use. This value in use is determined in principle in local currency and according to the regulatory framework over an extended detailed planning period. Following a full write-down in the previous year, the European Generation cash-generating unit carries no more goodwill.

The impairment testing of goodwill is generally derived from the respective individual measurements of the particular sub-units ("sum of the parts" measurement).

Valuations are based on the medium-term corporate planning authorized by the Management Board. The calculations are generally based on the three planning years of the medium-term plan plus two additional detailed planning years in the Global Commodities cash generating unit. The value in use for the Russia region is determined in local currency and according to the regulatory framework over a detailed planning period of 15 years. The pre-tax cost of capital of the International Power Generation cash-generating unit was 13.5 percent (after-tax rate: 10.8%; 2015: 17.8% and 13.7%, respectively).

The cash flow assumptions extending beyond the detailed planning period are determined using segment-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used are generally derived from the inflation rates in the respective countries where the cash-generating units operate. The growth rate used for the Global Commodities cash-generating unit was 1.5%, unchanged from the previous year, and the growth rate used for the International Power Generation cash-generating unit was 4.0% (2015: 4.0%).

The principal assumptions underlying the determination by management of the recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, Uniper's investment activity, changes in the regulatory framework, as well as for rates of growth and the cost of capital. These assumptions are based on publicly available market data and on internal estimates.

The growth rates and costs of capital given in the preceding tables headed "Changes in Goodwill and in Other Reversals and Impairment Charges by Segment" relate only to those units making a significant value contribution to the respective cash-generating unit.

Goodwill impairment testing performed in the 2016 fiscal year necessitated no recognition of impairment charges. The recoverable amount of the International Power Generation cash-generating unit marginally exceeded the corresponding carrying amount. An increase of one percentage point in the cost of capital would have resulted in an impairment charge of around €0.3 billion. As in the previous year, the recoverable amount of the Global Commodities cash-generating unit 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 for goodwill.

In the 2015 fiscal year, impairments were recognized in the amount of €2.4 billion. The most significant individual item, at €2.1 billion, had related to the write-down in full of the goodwill in the European Generation cash-generating unit. The main reason for the write-down had been a further year-on-year deterioration in forecast earnings. In addition, goodwill of around €0.3 billion was written down in the International Power Generation cash-generating unit. Goodwill in this segment was written down to the recoverable amount of around €2.6 billion, also due to lower forecast earnings and a higher cost of capital. In the International Power Generation segment, an increase of one percentage point in the cost of capital would have resulted in a further goodwill impairment charge of €0.2 billion.

The above discussion for goodwill applies accordingly to the testing for impairment of intangible assets and of property, plant and equipment, and of groups of these assets. In the European Generation segment, for example, the tests are based on the respective remaining useful life and on other plant-specific valuation parameters. Uniper makes the general assumption that the energy market in Europe will not return to equilibrium without regulatory involvement. Appropriate compensation elements are taken into account. Uncertainties relating to the deteriorated regulatory environment have been taken into account by means of scenario evaluations. The recoverable amounts were generally calculated as fair values using Level 3 inputs in accordance with IFRS 13.

During the 2016 fiscal year, in the second quarter, Uniper determined impairments on property, plant and equipment totaling €2.8 billion, of which €1.8 billion was attributable to the European Generation segment and €1.0 billion to the Global Commodities segment, as well as an additional impairment of €0.1 billion on intangible assets in the Global Commodities segment. The most substantial individual items in terms of amount related to two conventional power plants outside Germany, at €0.8 billion and €0.7 billion (recoverable amounts: €0.7 million and €0.3 million), respectively, and to storage infrastructure outside Germany, at €0.5 billion (recoverable amount: €0.0 billion). In particular, the reasons for the impairment charges were amended estimates of the regulatory conditions and the change in the market environment, which led to a deterioration in forecast earnings for the affected assets. The after-tax interest rates used for discounting cash flows are determined using market data for each cash-generating unit and ranged between 5.4% and 6.1% as of the valuation date.

Because impairments were recognized on a large number of assets in previous years, especially relating to property, plant and equipment in the European Generation segment, the assets involved are particularly sensitive in subsequent years to future changes in the principal assumptions used to determine their recoverable amounts. Accordingly, the medium-term corporate planning authorized by the Management Board in the fourth quarter, combined with the regular updates of the cost of capital and of the forecasts for commodity market prices and for future electricity and gas prices in the wholesale and retail markets, led to the recognition of a large number of individual impairments (totaling approximately €0.5 billion) and reversals (totaling approximately €0.5 billion) on property, plant and equipment. Of the impairments, approximately €0.4 billion was attributable to the European Generation segment and approximately €0.1 billion each to the Global Commodities and International Power Generation segments. In European Generation, the most substantial individual items in terms of amount related to two conventional power plants in Germany (€0.1 billion each) and a further charge relating to the two conventional power plants outside Germany that had already been written down in the second quarter (€0.1 billion each). The recoverable amounts of the two conventional power plants outside Germany as of December 31, 2016, were €0.7 billion and €0.2 billion, respectively. Of the reversals, approximately €0.3 billion was attributable to the European Generation segment and €0.1 billion to the Global Commodities segment. The after-tax interest rates used for discounting cash flows ranged between 5.2% and 5.9% as of the valuation date, and the rate used for the impairment tests on conventional power plants in Russia was 13.5% in local currency (after-tax interest rate: 10.8%).

A total of €3.3 billion (2015: €2.0 billion) in impairments was charged to property, plant and equipment in the 2016 fiscal year. Of the impairments recognized in the previous year, €1.7 billion related to the European Generation segment and €0.3 billion to the Global Commodities segment. Within the European Generation segment, property, plant and equipment in a number of countries was written down as a consequence of lower expected power sales. The most substantial individual impairments in terms of amount related to one conventional power plant in France at €0.4 billion and one in the United Kingdom at €0.2 billion, as well as one in Germany and one in the Netherlands at €0.2 billion each. The corresponding recoverable amounts were €0.1 billion in France, €0.6 billion in the United Kingdom, €1.1 billion in Germany and €1.5 billion in the Netherlands. In the Global Commodities segment, a gas storage facility was written down by €0.2 billion to a recoverable amount of €0.1 billion.

Impairments on intangible assets totaled €120 million in the 2016 fiscal year (2015: €54 million) and related to the Global Commodities segment.

Reversals of impairments recognized in previous years amounted to a total of €0.4 billion in the 2016 fiscal year (2015: €0.4 billion). The largest individual reversal in the previous year of €0.2 billion related to a power plant in the United Kingdom and the resulting carrying amount reflected its recoverable amount of €1.0 billion. This was due to changes in expectations about future prices.

Intangible Assets

Amortization of intangible assets amounted to €109 million in 2016 (2015: €141 million). Impairment charges on intangible assets amounted to €120 million in the reporting year (2015: €54 million).

In 2016, there were no reversals of impairments on intangible assets (2015: €45 million). Reversals in the previous year had related predominantly to emission allowances, due to price effects.

Intangible assets include emission rights from different trading systems with a carrying amount of €115 million for the 2016 fiscal year (2015: €238 million). The year-over-year decrease in emission rights is primarily the result of postponed maturities of forward contracts to procure emission rights. €5 million in research and development costs as defined by IAS 38 were expensed in the reporting year (2015: €14 million).

Property, Plant and Equipment

Borrowing costs in the amount of €35 million were capitalized in the reporting year (2015: €72 million) as part of the historical cost of property, plant and equipment.

The depreciation expense for property, plant and equipment amounted to €636 million in 2016 (2015: €778 million). Impairment charges, including those relating to the issues already mentioned, were recognized on property, plant and equipment in the amount of €3,277 million in 2016 (2015: €1,961 million). A total of €460 million in reversals of impairments on property, plant and equipment was recognized in the reporting year (2015: €348 million).

Especially gas storage facilities and IT infrastructure are utilized under finance leases and capitalized in the Consolidated Financial Statements because the economic ownership of the assets leased is attributable to Uniper.

The property, plant and equipment thus capitalized had the following net carrying amounts as of December 31, 2016:

Uniper as Lessee—Carrying Amounts of Capitalized Lease Assets

	December 31	
€ in millions	**2016**	**2015**
Land	–	–
Buildings	–	–
Technical equipment, plant and machinery	388	462
Other equipment, fixtures, furniture and office equipment	23	31
Net carrying amount of capitalized lease assets	**411**	**493**

Some of the leases contain price-adjustment clauses, as well as extension and purchase options. The corresponding payment obligations under finance leases are due as shown below:

Uniper as Lessee—Payment Obligations under Finance Leases

	Minimum lease payments		Covered interest share		Present values	
€ in millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Due within 1 year	74	52	45	38	29	14
Due in 1 to 5 years	180	204	139	152	41	52
Due in more than 5 years	1,014	1,098	601	673	413	425
Total	**1,268**	**1,354**	**785**	**863**	**483**	**491**

The present value of the minimum lease obligations is reported under liabilities from leases.

Regarding future obligations under operating leases where economic ownership is not transferred to Uniper, see Note 25.

The Uniper Group also functions in the capacity of lessor. Future lease installments receivable under operating leases are due as shown below:

Uniper as Lessor—Operating Leases

€ in millions	2016	2015
Nominal value of outstanding lease installments		
Due within 1 year	5	3
Due in 1 to 5 years	12	4
Due in more than 5 years	6	4
Total	**23**	**11**

See Note 17 for information on receivables from finance leases.

(15) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

Companies Accounted for under the Equity Method and Other Financial Assets

	Dec.31, 2016			Dec.31, 2015		
€ in millions	Uniper Group	Associates[1]	Joint ventures[1]	Uniper Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	827	707	120	1,136	1,011	125
Equity investments	568	22	26	369	32	9
Non-current securities	160	–	–	189	–	–
Total	**1,555**	**729**	**146**	**1,694**	**1,043**	**134**

[1]The associates and Joint ventures presented as equity investments are associated companies and Joint ventures accounted for at cost on materiality grounds.

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

In the 2016 fiscal year, impairment charges on companies accounted for under the equity method amounted to €12 million (2015: €106 million) and related to an Italian investment in the Global Commodities segment. The impairment charges in the 2015 fiscal year related mainly to a Swedish investment in the European Generation segment in the amount of €37 million, a Russian investment in the International Power Generation segment in the amount of €28 million and a Latvian investment in the Global Commodities segment in the amount of €27 million.

Impairments on other financial assets amounted to €2 million (2015: €16 million). The carrying amount of impaired other financial assets was €0 million as of December 31, 2016 (2015: €7 million).

Shares in Companies Accounted for under the Equity Method

The carrying amounts of the immaterial associates accounted for under the equity method amounted to €470 million (2015: €473 million), and those of the joint ventures amounted to €120 million (2015: €125 million).

Investment income received by Uniper from companies accounted for under the equity method amounted to €99 million in the reporting year (2015: €75 million).

The following table summarizes significant line items of the aggregated statements of comprehensive income of the immaterial associates and joint ventures that are accounted for under the equity method:

Summarized Financial Information for Individually Immaterial Associates and Joint Ventures Accounted for under the Equity Method

	Associates		Joint ventures		Total	
€ in millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Proportional share of net income	46	9	-23	-19	23	-10
Proportional share of other comprehensive income	2	-3	20	-31	22	-34
Proportional share of total comprehensive income	48	6	-3	-50	45	-44

The tables below show significant line items of the aggregated balance sheet and of the aggregated statement of comprehensive income of the Uniper Group's remaining material associate accounted for under the equity method—OAO Severneftegazprom. Nord Stream AG was sold in 2016. The proportional share of net income attributable to the Company in the reporting year was €19 million (2015: €56 million), and the corresponding proportional share of other comprehensive income was €88 million (2015: €18 million).

Material Associates—Balance Sheet Data

	OAO Severneftegazprom	
€ in millions	**Dec.31, 2016**	**Dec.31, 2015**
Non-current assets	1,038	949
Current assets	279	269
Current liabilities (including provisions)	83	107
Non-current liabilities (including provisions)	174	389
Equity	1,060	722
Ownership interest (in %)	25.00	25.00
Proportional share of equity	265	181
Adjustments Uniper-group	-28	-1
Carrying amount of equity investment	**237**	**180**

Material Associates—Earnings Data

	OAO Severneftegazprom	
€ in millions	**2016**	**2015**
Sales	553	415
Net income from continuing operations	179	114
Dividend paid out	83	29
Other comprehensive income	–	–
Total comprehensive income	179	114
Ownership interest (in %)	25.00	25.00
Proportional share of total comprehensive income after taxes	45	29
Proportional share of net income after taxes	45	29
Adjustments Uniper-group	14	-16
Equity-method earnings	**59**	**13**

The Uniper Group adjustments presented are primarily attributable to the goodwill and hidden reserves arising in the context of acquisitions, and to adjustments made in line with the accounting policies applicable in the Uniper Group. They also include the adjustment of the values derived from company's last available financial statements to the date of the consolidated financial statements.

OAO Severneftegazprom is active in diverse areas of the gas industry. Information relating to company names, registered offices and equity interests as required by IFRS 12 for material joint arrangements and associates can be found in the disclosures on the scope of consolidation (see Note 33).

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €71 million (2015: €69 million). The fair values of those shares amounted to €61 million (2015: €71 million).

Investments in associates totaling €237 million (2015: €538 million) were restricted because they were pledged 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.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

	December 31	
€ in millions	**2016**	**2015**
Raw materials and supplies	707	752
Goods purchased for resale	997	916
Work in progress and finished products	42	66
Total	**1,746**	**1,734**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Valuation allowances amounted to €130 million in 2016 (2015: €248 million) and related mostly to goods purchased for resale. Reversals were recognized in the amount of €22 million (2015: €1 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

The following table lists receivables and other assets by remaining time to maturity as of the dates indicated:

Receivables and Other Assets

	December 31, 2016		December 31, 2015	
€ in millions	**Current**	**Non-current**	**Current**	**Non-current**
Receivables from finance leases	15	209	14	224
Other financial receivables and financial assets	1,253	2,845	8,345	2,805
Financial receivables and other financial assets	**1,268**	**3,054**	**8,359**	**3,029**
Trade receivables	7,353	–	8,564	–
Receivables from derivative financial instruments	10,139	3,638	11,942	4,224
Other operating assets	758	219	2,579	463
Trade receivables and other operating assets	**18,250**	**3,857**	**23,085**	**4,687**
Total	**19,518**	**6,911**	**31,444**	**7,716**

Based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €2,388 million (2015: €2,281 million) in connection with the decommissioning and dismantling of nuclear power plants and nuclear waste disposal. Of this amount, €117 million (2015: €76 million) is reported under current financial assets, and €2,271 million (2015: €2,205 million) under non-current financial assets. Since this asset is designated for a particular purpose, the Uniper Group's access to it is restricted.

The Uniper Group had been integrated into the cash management system of the E.ON Group until January 3, 2016, and subsequently, until September 15, 2016, it had been financed by E.ON SE under a credit facility arrangement. Accordingly, other financial assets as of the balance sheet date include no receivables based on the integration into the E.ON Group's cash management system (2015: €7,368 million).

In addition, current financial receivables include margin account deposits for stock exchange futures transactions amounting to €449 million (2015: €389 million), and non-current financial receivables include shareholder loans amounting to €558 million (2015: €525 million).

Miscellaneous other operating assets as of December 31, 2016, do not include receivables from profit-and-loss-pooling agreements (2015: €1,071 million).

Other financial receivables include restricted cash of €55 million (2015: €22 million) deposited in the context of OTC transactions.

The aging schedule for trade receivables is as follows:

Aging Schedule of Trade Receivables

€ in millions	2016	2015
Not impaired and not past-due	6,988	8,315
Not impaired and past-due by	239	136
up to 60 days	*222*	*107*
61 to 90 days	*3*	*10*
91 to 180 days	*4*	*10*
181 to 360 days	*–*	*1*
more than 360 days	*10*	*8*
Net value of impaired receivables	126	113
Total trade receivables	**7,353**	**8,564**

Valuation Allowances for Trade Receivables

€ in millions	2016	2015
Balance as of January 1	-120	-147
Change in scope of consolidation	2	–
Write-downs	-23	-14
Reversals of write-downs	20	20
Disposals	5	16
Other[1]	-12	5
Balance as of December 31	**-128**	**-120**

[1]"Other" includes also currency translation adjustments.

The individual impaired receivables are due from customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored within the individual companies.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

Uniper as Lessor—Finance Leases

	Gross investment in finance lease arrangements		Unrealized interest income		Present value of minimum lease payments	
€ in millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Due within 1 year	32	32	17	18	15	14
Due in 1 to 5 years	115	122	63	68	52	54
Due in more than 5 years	242	270	85	100	157	170
Total	**389**	**424**	**165**	**186**	**224**	**238**

The present value of the outstanding lease payments is reported under receivables from finance leases.

(18) Liquid Funds

The following table provides a breakdown of liquid funds by original maturity as of the dates indicated:

Liquid Funds

	December 31	
€ in millions	**2016**	**2015**
Securities and fixed-term deposits	162	60
Current securities with an original maturity greater than 3 months	*162*	*1*
Fixed-term deposits with an original maturity greater than 3 months	*–*	*59*
Restricted cash and cash equivalents	10	1
Cash and cash equivalents	169	299
Total	**341**	**360**

In the reporting year, there was €10 million in restricted cash (2015: €1 million) with a maturity greater than three months.

Cash and cash equivalents include €138 million (2015: €266 million) in cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Equity

Upon completion of the reorganization under corporate law at the start of the 2016 fiscal year, the Uniper Group came into existence within the meaning of IFRS, with Uniper SE as the parent company. Since January 1, 2016, Uniper SE has therefore been the sole parent company of the Uniper Group. For that reason, the net assets reported in the Combined Financial Statements of Uniper SE for the 2015 fiscal year were carried over into the capital structure of Uniper SE.

On January 19, 2016, the Annual Shareholders Meeting of Uniper AG (the legal predecessor of Uniper SE), in preparation for the spin-off, resolved to increase the capital stock of €283,445,000 by €6,779,578 to €290,224,578 and to divide it into 170,720,340 no-par-value registered shares, each representing a notional interest in the capital stock of €1.70.

The conversion of Uniper AG into a European Company ("SE"), which was resolved by the Annual Shareholders Meeting of Uniper AG on March 23, 2016, and took effect on April 14, 2016, when it was entered in the relevant commercial register, did not change the capital stock of €290,224,578 or the division thereof into 170,720,340 no-par value registered shares, each representing a notional interest in the capital stock of €1.70. There are no restrictions on the transferability of the Company's shares.

The no-par-value shares are fully paid in. Each no-par-value share represents a notional interest in the capital stock of €1.70 and carries full dividend rights from January 1, 2016. On March 30, 2016, E.ON Beteiligungen GmbH paid an amount of €120 million into the free capital reserves of Uniper SE.

Also on March 30, 2016, Uniper Beteiligungs GmbH paid an amount of €145 million into the free capital reserves of Uniper Holding GmbH.

The Annual Shareholders Meeting of Uniper SE approved the spin-off on May 24, 2016; the Annual Shareholders Meeting of E.ON SE gave its approval on June 8, 2016. After the spin-off was recorded in the commercial register file for Uniper SE, and then in the corresponding file for E.ON SE, all of the shares in Uniper Beteiligungs GmbH were spun off from E.ON SE to Uniper SE on September 9, 2016. Shareholders of E.ON SE were allotted new shares of Uniper SE as consideration for this spin-off, as a result of which shareholders of E.ON SE have acquired 53.35% of the shares of Uniper SE and the ownership interest of the E.ON Group—held indirectly via E.ON Beteiligungen GmbH—has been diluted to 46.65%. In this context, the capital stock of Uniper SE was increased by €332 million, and the additional paid-in capital by €6,637 million. A total of €7,623 million was reclassified from non-controlling interests to equity attributable to shareholders of Uniper SE; accordingly, retained earnings of €2,750 million and other comprehensive income ("OCI") of -€2,096 million were recognized. With the transfer of Uniper Beteiligungs GmbH, the number of shares increased to 365,960,000.

The shares of Uniper SE were admitted to the Frankfurt Stock Exchange's regulated market for trading in its subsegment with additional post-admission obligations (the "Prime Standard") on September 9, 2016, and official trading commenced on September 12, 2016.

At the Annual Shareholders Meeting on June 8, 2017, shareholders will vote on a proposal that the net income available for distribution of €201,278,000.00 be used to distribute a dividend of €0.55 per share (365,960,000 shares) of the dividend-paying capital stock of €622.1 million.

Retained Earnings

As of December 31, 2016, retained earnings amounted to €4,156 million (2015: €18,684 million). Of this amount, €15 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) HGB.

The individual components of equity and their development are presented in the Statement of Changes in Equity of the Uniper Group.

Information on Stockholders of Uniper SE

The following notices pursuant to Section 21 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received:

Information on Stockholders of Uniper SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights	
					Percentages	Absolute
E.ON Beteiligungen GmbH, Düsseldorf	Sep. 13, 2016	50%	Sep. 9, 2016	direct	46.65	170,720,340
BlackRock Inc. Wilmington, U.S.	Sep. 16, 2016	3%	Sep. 12, 2016	indirect	1.44	5,272,374

Authorized Capital

The Management Board was authorized, subject to the Supervisory Board's consent, to increase the Company's capital stock until June 30, 2021, by up to €145,112,289 through the issue on one or more occasions of up to 85,360,170 new no-par-value registered shares against cash and/or non-cash contributions. The Management Board may, subject to the Supervisory Board's consent, exclude the subscription right that must, in principle, be granted to shareholders. Such exclusion of subscription rights is possible when shares are issued against cash contributions in the amount of up to 10% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Subscription rights may also be excluded when shares are issued against non-cash contributions, but only to the extent that the shares issued under such authorization against non-cash contributions do not represent in the aggregate more than 20% of the capital stock then existing or—should this value be lower—the capital stock existing when the authorization is exercised. Furthermore, shareholder subscription rights may also be excluded with regard to fractional amounts and when shares are issued to persons employed by the Company or one of its affiliates.

Contingent Capital

The Management Board is authorized, subject to the Supervisory Board's consent, to issue debt instruments during the period up to June 30, 2021, having a total nominal value of up to €1,000,000,000 that, respectively, grant rights or impose obligations of conversion or purchase, in accordance with the relevant terms and conditions of the bonds and warrants, with respect to up to 85,360,170 no-par-value registered shares of the Company, representing a pro-rata interest in its capital stock of up to €145,112,289 in total, to or on the holders or creditors of the bonds or warrants. The bonds may also be issued by an affiliate of the Company against cash and/or non-cash contributions. Here, too, the Management Board may, with the Supervisory Board's consent, exclude the subscription right to which shareholders are entitled in principle. In connection with these convertible bonds and warrant-linked bonds, conditional capital was created by shareholder resolution. Pursuant thereto, the capital stock is conditionally increased by up to €145,112,289 through the issue of up to 85,360,170 no-par-value registered shares for the purpose of granting shares upon exercise of rights and obligations of conversion or purchase.

Treasury Shares

The Company is authorized to purchase own shares representing up to a total of 10% of its capital stock 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 (so-called "exchange offer"), or through the use of derivatives (put or call options or a combination of both). The Management Board is also authorized, subject to the Supervisory Board's consent and excluding shareholder subscription rights, to use shares of the Company in a specified manner. The Management Board is further authorized to cancel treasury shares without requiring a separate shareholder resolution to that effect.

(20) Accumulated Other Comprehensive Income

The share of OCI attributable to companies accounted for under the equity method is illustrated in the table below:

Share of OCI Attributable to Companies Accounted for under the Equity Method

€ in millions	2016	2015
Balance as of December 31 (before taxes)	**-150**	**-306**
Taxes	3	3
Balance as of December 31 (after taxes)	**-147**	**-303**

Accumulated currency translation differences represent the other principal component of OCI. They are largely the result of the translation of Russian operations.

(21) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table:

Non-controlling interests

	December 31	
€ in millions	2016	2015
European Generation	342	359
Global Commodities	1	1
International Power	239	180
Administration/Consolidation	–	–
Total	**582**	**540**

The increase of €42 million in non-controlling interests in 2016 resulted primarily from the currency effects in the International Power Generation segment. The increase of €238 million in non-controlling interests in 2015 had mainly reflected other operating income in Sweden in the European Generation segment.

The table below illustrates the share of OCI that is attributable to non-controlling interests:

Share of OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Available-for-sale securities	Currency translation adjustments	Remeasurements of defined benefit plans
Balance as of January 1, 2015	**5**	**1**	**-516**	**-2**
Changes	–	–	-41	3
Balance as of December 31, 2015	**5**	**1**	**-557**	**1**
Changes	-3	2	95	-1
Balance as of December 31, 2016	**2**	**3**	**-462**	**–**

The currency translation adjustments mostly reflect the translation of Russian and Swedish operations.

Uniper companies with significant non-controlling interests operate in a variety of sectors within the energy industry. Information relating to company names, registered offices and equity interests as required by IFRS 12 for subsidiaries with non-controlling interests can be found in the disclosures on the scope of consolidation (see Note 33).

The following tables provide a summary overview of the cash flow and significant line items in the aggregated income statements and aggregated balance sheets of Uniper companies with material non-controlling interests:

Subsidiaries with Material Non-Controlling Interests—Balance Sheet Data

	Uniper Russia Group[1]		OKG AB	
€ in millions	**2016**	**2015**	**2016**	**2015**
Non-controlling interests in equity	231	172	82	85
Non-controlling interests in equity (in %)	16.3	16.3	45.5	45.5
Dividends paid out to non-controlling interests	43	42	–	–
Operating cash flow	324	342	841	643
Non-current assets	3,172	2,674	2,291	2,292
Current assets	151	234	416	1,700
Non-current liabilities	300	270	2,332	3,181
Current liabilities	135	110	195	641

[1]Non-controlling interests in the lead company of the group.

Subsidiaries with Material Non-Controlling Interests—Earnings Data

	Uniper Russia Group		OKG AB	
€ in millions	**2016**	**2015**	**2016**	**2015**
Share of earnings attributable to non-controlling interests	6	37	1	325
Sales	1,053	1,123	434	551
Net income	35	-96	17	698
Comprehensive income	625	-365	9	700

There are no major restrictions beyond those under customary corporate or contractual provisions. Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases.

(22) Provisions for Pensions and Similar Obligations

The principal assumptions and procedures underlying the measurement and presentation of the provisions for pensions and similar obligations are set out in Notes 2 and 3.

The obligations for pensions and other benefits for former and active employees of the Uniper Group amounting to €2.8 billion (2015: €2.4 billion) were covered as of December 31, 2016 by plan assets with a fair value of €2.0 billion (2015: €1.6 billion). This corresponds to a funded status of 72% (2015: 66%).

There also are additional assets held for the purpose of covering defined benefit obligations that do not qualify as plan assets within the meaning of IAS 19 and are therefore not included in the funded status. This applies in particular to pension liability receivables due from Versorgungskasse Energie ("VKE"). In the first quarter of 2016, the method of occupational retirement provision for virtually all of the pension commitments covered by VKE was changed to a pension fund commitment. The associated pension liability insurance contracts were terminated as of the close of December 31, 2015. The corresponding pension liability receivables due from VKE, which as of December 31, 2015, had been reported on the balance sheet under "Operating receivables and other operating assets," were settled by VKE in the context of a condensed payment method on the basis of a payment and pledge agreement by way of direct payments to a Group-wide pension fund qualified under IAS 19 as plan assets to repay the Uniper companies' preliminary one-off contribution obligations owed to the pension fund. As of December 31, 2016, the remaining amount of pension liability receivables due from VKE was minimal (2015: €0.2 billion).

The present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) are presented in the following table for the dates indicated:

Provisions for Pensions and Similar Obligations

	December 31	
€ in millions	**2016**	**2015**
Present value of all defined benefit obligations		
Germany	2,209	1,850
United Kingdom	456	378
Other countries	152	138
Total	**2,817**	**2,366**
Fair value of plan assets		
Germany	1,597	1,181
United Kingdom	424	380
Other countries	11	11
Total	**2,032**	**1,572**
Net defined benefit liability (+)/asset (-)		
Germany	612	669
United Kingdom	32	-2
Other countries	141	127
Total	**785**	**794**
Presented as operating receivables and other operating assets	*–*	*-2*
Presented as provisions for pensions and similar obligations	*785*	*796*

Description of the Benefit Plans

In addition to their entitlements under government retirement systems and the income from private retirement planning, most active and former Uniper Group employees are also covered by occupational benefit plans. Both defined benefit plans and defined contribution plans are in place at Uniper. Benefits under defined benefit plans are generally paid upon reaching retirement age, or in the event of disability or death.

The pension plans within the Uniper Group are regularly reviewed with respect to their financial risks. Typical risk factors for defined benefit plans are longevity and changes in nominal interest rates, as well as increases in inflation and rising wages and salaries. In order to avoid exposure to future risks from occupational benefit plans, newly designed pension plans were introduced at the major German and foreign Uniper Group companies beginning in 1998. Virtually all employees hired at Uniper Group companies after 1998 are now covered by benefit plans for which the risk factors can be better calculated and controlled as presented below.

The existing entitlements under defined benefit plans as of the balance sheet date cover about 10,700 active employees (2015: 10,800), about 4,600 retirees and surviving dependents (2015: 4,200) and about 2,600 former employees with vested entitlements (2015: 2,400). The changes in comparison with the previous year are mainly due to employee turnover. The corresponding present value of the defined benefit obligations is attributable to active employees in the amount of €1.5 billion (2015: €1.3 billion), to retirees and surviving dependents in the amount of €0.6 billion (2015: €0.5 billion) and to former employees with vested entitlements in the amount of €0.7 billion (2015: €0.6 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. The configurations of the major defined benefit and defined contribution pension plans within the Uniper Group are described in the following discussion.

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 a “provision for the future” (“Zukunftssicherung”) plan, a variant of the BAS Plan that emerged from the harmonization in 2004 of numerous benefit plans granted in the past. In the Zukunftssicherung benefit plan, vested final-pay entitlements are considered in addition to the defined contribution pension units when determining the benefit. These plans are closed to new hires.

The plans described in the preceding paragraph generally provide for ongoing pension benefits that generally are payable upon reaching the age threshold, or in the event of disability or death.

The only plan open for new hires is a defined contribution plan. This plan is a “units of capital” system that provides for the alternative payout options of a prorated single payment and payments of installments in addition to the payment of a regular pension.

The benefit expense for all the defined contribution plans mentioned above is dependent on compensation and is determined at different percentage rates based on the ratio between compensation and the contribution limit in the statutory retirement pension system in Germany. Employees can additionally choose to defer compensation. The defined contribution plans contain different interest rate assumptions for the pension units. 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 large number of active employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate of inflation, usually in a three-year cycle.

Pension plans at the German Uniper companies are funded through specially created pension vehicles that are legally distinct from the Company.

In addition to plan assets administered by smaller German pension insurance vehicles, 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.

German Uniper companies and MEON Pensions GmbH & Co. KG ("MEON") had entered into indemnification agreements for benefit entitlements of employees who were active in those Uniper companies as of December 31, 2006 based on agreements on the assumption of debt and the assumption of the obligation to settle pension obligations. Against the backdrop of the planned spin-off of the Uniper Group and with respect to a condition subsequent occurring in any case at the date on which it was completed, these agreements on the assumption of debt were terminated as of November 30, 2015, and assets of MEON amounting to €0.7 billion were transferred to Uniper Pension Trust e.V., while pension liability receivables due from VKE held by MEON and amounting to €0.1 billion were transferred to Uniper companies entitled to them. The assets transferred by MEON to Uniper Pension Trust e.V. in fiscal year 2015 (€0.7 billion) qualify as plan assets within the meaning of IAS 19. The netting of the plan assets against the corresponding pension obligations of the Uniper companies resulted in a corresponding reduction in the net pension provision of the Uniper Group as of December 31, 2015.

With regard to the funding of pension commitments that to date had been covered by VKE, the method of occupational retirement provision was changed to a pension fund commitment in the first quarter of 2016. As part of the transition, the pension liability insurance contracts with VKE were terminated as of the close of December 31, 2015. The corresponding pension liability receivables of €0.2 billion as of December 31, 2015, had been reported in the "Operating receivables and other operating assets" line item of the balance sheet. The increase of €0.1 billion in the pension liability receivables in the 2015 fiscal year had been almost entirely due to the transfer of corresponding receivables from MEON in connection with the termination of the agreements on the assumption of debt as of November 30, 2015. Effective March 1, 2016, the disbursement claims of the entitled Uniper companies vis-à-vis VKE (€0.2 billion) were settled in the context of a condensed payment method by VKE on the basis of a payment and pledge agreement by way of direct payments to the newly-established Group-wide pension fund, which is qualified under IAS 19 as plan assets, to repay the Uniper companies' preliminary one-off contribution obligations owed to the pension fund. The assets contributed to the pension fund thus provide the funding for the obligations transferred to the pension fund that had previously been covered through VKE.

Only the pension insurance vehicles and the pension fund are subject to regulatory provisions in relation to the investment of capital or funding requirements.

United Kingdom

In the United Kingdom, there are various pension plans. During the reporting period, Uniper employees participated in pension plans set up by Uniper UK Limited, which have now replaced the corresponding formerly applicable pension plans of E.ON UK plc.

The structure of the E.ON pension plans, which for the most part correspond to the pension plans of Uniper UK Limited, is as follows: Until 2008, employees were covered by defined benefit plans, which for the most part were final-pay plans and made up the majority of the pension obligations then reported for the United Kingdom. These plans were closed to employees hired subsequently. After December 2008, new hires were offered a defined contribution plan. Aside from the payment of employer and employee contributions, this plan entails no additional risks for the employer.

Plan assets in the United Kingdom (other than 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 and appointed by the company Uniper UK Limited. In that capacity, the trustees are wholly responsible for the investment of the plan assets.

The trustees have appointed a fiduciary manager to manage the majority of the Group's UK plan assets and in this context they have also delegated to the fiduciary manager the responsibility to set the asset allocation. The fiduciary manager manages both a growth component and liability hedging component. 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 pension obligations over the long term. The liability hedging component aims to match a percentage of the fixed interest- and inflation-linked liabilities through the use of bonds, interest rate swaps and/or inflation swaps. The trustees retain overall control of the allocation between the components and of the percentage of the liabilities to be hedged by the appointed fiduciary manager.

Employees who had transferred from E.ON UK plc. to Uniper UK Limited had the choice, into the first quarter of 2016, of leaving their entitlements acquired through September 30, 2015, with E.ON UK plc. or having them transferred to the Uniper Group of the ESPS. The plan assets actually transferred to the Uniper Group of the ESPS was 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. The net result of the choices made by the employees largely confirmed the financial assumptions made with respect to the amounts of the entitlements and assets to be transferred.

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 pension plan's funding be performed at least once every three years. The actuarial assumptions underlying the valuation are agreed between the trustees of Uniper UK Pension Trustees Limited and Uniper UK Limited. They include presumed life expectancy, wage and salary growth rates, investment returns, inflationary assumptions and interest rate levels. The effective date for the initial valuation of the Uniper Group of the ESPS is March 31, 2016. Results from the valuation will be available by mid-2017.

Other Countries

The remaining pension obligations are spread across various international activities of the Uniper Group.

However, the defined benefit and defined contribution plans in Belgium, France, the Netherlands, Russia, Sweden, Hungary, the Czech Republic and the USA are largely of minor significance from the perspective of the Uniper Group.

Description of the Benefit Obligation

The following table shows the changes in the present value of the defined benefit obligations for the periods indicated:

Changes in the Defined Benefit Obligation

€ in millions	2016 Total	2016 Germany	2016 United Kingdom	2016 Other countries	2015 Total	2015 Germany	2015 United Kingdom	2015 Other countries
Defined benefit obligation as of January 1	**2,366**	**1,850**	**378**	**138**	**2,572**	**2,082**	**317**	**173**
Employer service cost	71	49	19	3	94	66	22	6
Past service cost	2	1	2	-1	14	9	7	-2
Gains (-) and losses (+) on settlements	10	10	–	–	–	–	–	–
Interest cost on the present value of the defined benefit obligations	75	57	14	4	64	45	14	5
Remeasurements	350	236	105	9	-344	-322	-1	-21
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*–*	*–*	*–*	*–*	*-5*	*–*	*-5*	*–*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*371*	*240*	*113*	*18*	*-333*	*-312*	*-9*	*-12*
Actuarial gains (-)/losses (+) arising from experience adjustments	*-21*	*-4*	*-8*	*-9*	*-6*	*-10*	*13*	*-9*
Benefit payments	-41	-36	-2	-3	-33	-30	–	-3
Exchange rate differences	-58	–	-60	2	17	–	19	-2
Other	42	42	–	–	-18	–	–	-18
Defined benefit obligation as of December 31	**2,817**	**2,209**	**456**	**152**	**2,366**	**1,850**	**378**	**138**

The benefit obligations in the other countries in the 2016 fiscal year relate mostly to the Uniper companies in France amounting to €129 million (2015: €116 million).

The net actuarial losses generated in 2016 are largely attributable to a general decrease in the discount rates used.

The net actuarial gains generated in 2015, on the other hand, resulted mostly from a general increase in the discount rates used.

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	**2016**	**2015**	**2015**
Discount rate			
Germany	2.40	3.00	2.20
United Kingdom	3.10	4.10	3.90
Wage and salary growth rate			
Germany	2.25	2.50	2.50
United Kingdom	3.30	3.20	3.10
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.10	3.00	2.90

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

The discount rates used by the Uniper Group are essentially based on the currency-specific returns available at the end of the respective fiscal year on high-quality corporate bonds with a duration corresponding to the average period to maturity of the respective obligations.

Within the E.ON Group, the determination of discount rates for the euro currency area by reference to the yield curve of high-quality corporate bonds had been adjusted in the second quarter of 2015 by applying a more precise extrapolation of these corporate-bond yields. This change had led to an increase of 20 basis points in the discount rate in Germany as of December 31, 2015. Consequently, a corresponding actuarial gain of €71 million had been generated. For the 2016 fiscal year, this resulted in reductions of €1.1 million in the net interest cost for the German companies and of €2.6 million in the employer service cost for 2016.

As of December 31, 2016, a further adjustment was made to the determination of discount rates for the euro currency area. This change led to an increase of 30 basis points in the discount rate in Germany. Consequently, a corresponding actuarial gain of €135 million was generated. For the 2017 fiscal year, this will result in reductions of €1.1 million in the net interest cost for the German companies and of €3.8 million in the employer service cost for 2017.

To measure the Uniper Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations:

Actuarial Assumptions (Mortality Tables)

Germany	2005 G versions of the Klaus Heubeck biometric tables (2005)
United Kingdom	CMI '00' and 'S1' series base mortality tables (2015), taking into account future changes in mortality.

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, 2016		December 31, 2015	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-9.42*	*10.96*	*-9.05*	*10.46*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.81*	*-0.79*	*0.87*	*-0.85*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.42*	*-1.29*	*1.37*	*-1.27*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-2.39*	*2.64*	*-2.28*	*2.52*

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, 2016 and 2015 reporting dates, the life expectancy of a 63-year-old male Uniper retiree would increase by approximately one year if mortality were to decrease by 10%.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged.

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 specially created 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				2016				2015
	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Fair value of plan assets as of January 1	**1,572**	**1,181**	**380**	**11**	**812**	**458**	**330**	**24**
Interest income on plan assets	58	44	14	–	26	10	15	1
Remeasurements	110	47	63	–	-32	-20	-13	1
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*110*	*47*	*63*	*–*	*-32*	*-20*	*-13*	*1*
Employer contributions	360	332	27	1	772	742	29	1
Benefit payments	-37	-34	-2	-1	-10	-9	–	-1
Exchange rate differences	-58	–	-58	–	19	–	19	–
Other	27	27	–	–	-15	–	–	-15
Fair value of plan assets as of December 31	**2,032**	**1,597**	**424**	**11**	**1,572**	**1,181**	**380**	**11**

The increase in plan assets in 2016 is mostly attributable to the implementation of the Group-wide pension fund, its funding in the amount of the former liability receivables of Uniper companies due from VKE, the addition of further employer contributions and the interest income generated.

The growth in plan assets in the 2015 fiscal year was mainly due to the termination of the agreements with MEON on the assumption of debt and the associated indemnification agreements and the associated transfer of plan assets into the Uniper CTA.

The actual return on plan assets in 2016 was a gain of €168 million (2015: €6 million loss).

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, 2016				December 31, 2015			
	Total	Germany	United Kingdom[3]	Other countries	Total	Germany	United Kingdom[3]	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	24	30	–	2	20	23	12	4
Debt securities[1]	46	59	–	97	48	48	45	89
Government bonds	*29*	*37*	–	–	*33*	*30*	*43*	*3*
Corporate bonds	*17*	*22*	–	*97*	*10*	*12*	*2*	*86*
Other investment funds	–	–	–	–	13	5	38	1
Total listed plan assets	**70**	**89**	**0**	**99**	**81**	**76**	**95**	**94**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	7	–	33	–	3	4	1	–
Debt securities	2	–	8	1	2	3	–	–
Real estate	9	10	5	–	8	10	4	1
Qualifying insurance policies	–	–	–	–	–	–	–	–
Cash and cash equivalents	2	1	7	–	4	5	–	–
Other[2]	10	–	47	–	2	2	–	5
Total unlisted plan assets	**30**	**11**	**100**	**1**	**19**	**24**	**5**	**6**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]In Germany, as of December 31, 2015, 6 percent of plan assets are invested in other debt securities, in particular mortgage bonds ("Pfandbriefe"), in addition to government and corporate bonds.
[2]In the United Kingdom, the "Other" category of assets as of December 31, 2016, consist primarily of "liability hedging" assets and hedge funds.
[3]In 2016, asset management in the United Kingdom was transferred to a fiduciary manager. Plan assets are invested in investment funds ("pooled funds") that are not listed in an active market.

The fundamental 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. This investment policy stems from the corresponding governance guidelines of the Uniper Group, as well as from the governance guidelines of the E.ON Group, to which the Uniper companies were also subject prior to the spin-off. A deterioration of the net defined benefit liability or the funded status following an unfavorable development in plan assets or in the present value of the defined benefit obligations is identified in these guidelines as a risk and controlled accordingly. The development of the net defined benefit liability and of the funded status is therefore regularly reviewed in order to monitor this risk.

Until a Uniper investment strategy is implemented in Germany, the investment objective is pursued using the investment strategy implemented to date by E.ON, which is essentially an investment approach designed to match the structure of the benefit obligations. That strategy is a long-term investment strategy, which seeks to manage the net liability. 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 of 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. The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed in a comprehensive approach against the backdrop of existing investment principles, the current funded status, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The parameters used in the studies are additionally reviewed regularly, at least once each year. Asset managers are tasked with implementing the target portfolio structure. They are monitored for target achievement 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, 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 bonds, interest rate swaps and/or inflation swaps. 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 investment of the plan assets. 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 balance sheet items "Provisions for pensions and similar obligations" and "Operating receivables and other operating assets" is shown in the table below:

Net Periodic Pension Cost

	2016				2015			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Employer service cost	71	49	19	3	94	66	22	6
Past service cost	2	1	2	-1	14	9	7	-2
Gains (-) and losses (+) on settlements	10	10	–	–	–	–	–	–
Net interest on the net defined benefit liability/asset	17	13	–	4	38	35	-1	4
Total	**100**	**73**	**21**	**6**	**146**	**110**	**28**	**8**

The past service cost for 2016 and 2015 consists mostly of expenses incurred in the context of restructuring measures.

In addition to the total net periodic pension cost for defined benefit plans, an amount of €26 million in fixed contributions to external insurers or similar institutions was paid in 2016 (2015: €28 million) for pure defined contribution plans.

Contributions to state plans totaled €0.1 billion (2015: €0.1 billion).

Description of Contributions and Benefit Payments

In 2016, Uniper made employer contributions to plan assets totaling €360 million (2015: €772 million) to fund existing defined benefit obligations.

For the 2017 fiscal year, it is expected that employer contributions to plan assets for the Uniper Group will amount to a total of €114 million and primarily involve the funding of new and existing benefit obligations, with an amount of €27 million attributable to foreign companies.

Benefit payments to cover defined benefit obligations totaled €41 million in 2016 (2015: €33 million); of this amount, €4 million (2015: €23 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2016, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2017	56	45	2	9
2018	53	45	2	6
2019	60	50	3	7
2020	65	55	3	7
2021	72	60	5	7
2022–2026	447	384	34	29
Total	**753**	**639**	**49**	**65**

The weighted-average duration of the defined benefit obligations measured within the Uniper Group was 23.8 years as of December 31, 2016 (2015: 23.8 years).

Description of the Net Defined Benefit Liability

The recognized net liability from the Uniper Group's defined benefit plans results from the difference between the present value of the defined benefit obligations and the fair value of plan assets:

Changes in the Net Defined Benefit Liability

	2016				2015			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Net liability as of January 1	**794**	**669**	**-2**	**127**	**1,760**	**1,624**	**-13**	**149**
Net periodic pension cost	100	73	21	6	146	110	28	8
Changes from remeasurements	240	189	42	9	-312	-302	12	-22
Employer contributions to plan assets	-360	-332	-27	-1	-772	-742	-29	-1
Net benefit payments	-4	-2	–	-2	-23	-21	–	-2
Exchange rate differences	–	–	-2	2	-2	–	–	-2
Other	15	15	–	–	-3	–	–	-3
Net liability as of December 31	**785**	**612**	**32**	**141**	**794**	**669**	**-2**	**127**

(23) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

	December 31, 2016		December 31, 2015	
€ in millions	Current	Non-current	Current	Non-current
Nuclear waste management obligations	117	2,343	82	2,247
Personnel obligations	214	402	159	402
Other asset retirement obligations	33	909	35	881
Supplier-related obligations	197	1,133	1,193	238
Customer-related obligations	190	11	187	13
Environmental remediation and similar obligations	52	304	51	320
Other	963	1,415	862	1,708
Total	**1,766**	**6,517**	**2,569**	**5,809**

The changes in the miscellaneous provisions are shown in the tables below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2016	Exchange rate differences	Changes in scope of consolidation
Nuclear waste management obligations	2,329	-91	–
Personnel obligations	561	-1	4
Other asset retirement obligations	916	-28	–
Supplier-related obligations	1,431	–	–
Customer-related obligations	200	–	–
Environmental remediation and similar obligations	371	-2	–
Other	2,570	-19	-1
Total	**8,378**	**-141**	**3**

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2015	Exchange rate differences	Changes in scope of consolidation
Nuclear waste management obligations	2,202	51	–
Personnel obligations	653	1	-5
Other asset retirement obligations	640	9	-39
Supplier-related obligations	1,170	–	–
Customer-related obligations	210	–	–
Environmental remediation and similar obligations	383	–	–
Other	2,222	11	-20
Total	**7,480**	**72**	**-64**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

The interest rate used in the nuclear power sector in Sweden is determined based on country-specific factors and amounts to 3.0% as of December 31, 2016, the same as in previous years. The miscellaneous provision amounts relate almost entirely to issues in euro-area countries, as well as in the United Kingdom and Sweden. The interest rates used with regard to these issues ranged from 0% to 2.05%, depending on the term (2015: 0% to 2.53%).

Provisions for Nuclear Waste Management Obligations

Beginning in the 2016 fiscal year, disclosures for non-contractual and contractual nuclear waste management obligations are combined.

The provisions based on the requirements of Swedish nuclear energy law amounted to €2.5 billion (2015: €2.3 billion) on December 31, 2016. 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 are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2016
68	11	-70	–	–	213	2,460
10	242	-165	-3	-35	3	616
-1	17	-16	–	–	54	942
-31	1,146	-615	-153	-448	–	1,330
–	96	-19	–	-76	–	201
–	3	-14	–	-2	–	356
14	695	-600	2	-283	–	2,378
60	**2,210**	**-1,499**	**-154**	**-844**	**270**	**8,283**

Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2015
66	11	-69	–	–	68	2,329
2	137	-194	1	-34	–	561
-2	247	-16	-6	-10	93	916
1	1,387	-514	-599	-14	–	1,431
–	51	-38	-2	-21	–	200
–	14	-22	–	-4	–	371
4	1,046	-552	-9	-132	–	2,570
71	**2,893**	**-1,405**	**-615**	**-215**	**161**	**8,378**

The asset retirement obligations recognized for nuclear obligations include the anticipated costs of post- 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 €213 million (2015: €68 million). Provisions were utilized in the amount of €70 million (2015: €69 million), of which €30 million (2015: €27 million) is attributable to the Barsebäck nuclear power plant, which is in post-operation.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Nuclear Waste Management Obligations

	December 31,	
€ in millions	**2016**	**2015**
Decommissioning	859	817
Disposal of nuclear fuel rods and operational waste	1,601	1,512
Total	**2,460**	**2,329**

Personnel 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. They include the provisions recognized in the 2016 fiscal year in the context of the current Uniper restructuring program in the amount of €128 million.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, 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 €1.1 million. 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.

Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on rebates and on open sales contracts.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures, the rehabilitation of contaminated sites, and other environmental improvement measures.

Other

Other provisions consisted primarily of provisions for gas transportation and regasification in the amount of €662 million (2015: €869 million) and of generation-related provisions in the amount of €797 million (2015: €776 million), mainly from the hydroelectric power business segment. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes.

(24) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2016 Current	Non-current	Total	December 31, 2015 Current	Non-current	Total
Financial liabilities	**494**	**2,376**	**2,870**	**10,551**	**2,296**	**12,847**
Trade payables	1,349	–	1,349	1,599	–	1,599
Liabilities from derivatives	10,532	3,315	13,847	11,067	3,281	14,348
Advance payments	113	135	248	102	203	305
Other operating liabilities	6,354	543	6,897	7,874	297	8,171
Trade payables and other operating liabilities	**18,348**	**3,993**	**22,341**	**20,642**	**3,781**	**24,423**
Total	**18,842**	**6,369**	**25,211**	**31,193**	**6,077**	**37,270**

Financial Liabilities

The following is a description of the Uniper Group's most significant credit arrangements and of the existing program for issuing debt securities.

€2 Billion Debt Issuance Programme

The Debt Issuance Programme ("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 DIP was launched in November 2016. The amount available under the program is €2 billion, of which €500 million was drawn at year-end 2016 through issuance of a fixed-rate bond (in December 2016) with a two-year term.

Bond Overview

Currency	Volume in original currency (in million)	Term in years	Maturity	Coupon (%)	Security Codes[1]
Euro	500	2 years	8. Dec 2018	0.125	ISIN: XS1529854280 CC: 152985428 WKN: A2BPEB

[1]Securities codes are abbreviated as follows: ISIN (International Securities Identification Number), CC (Common Code) and WKN (Wertpapierkennnummer).

€3.3 Billion (Originally €4.5 Billion) Credit Facilities

The credit facilities of Uniper SE are provided primarily in the form of a syndicated bank financing agreement split in two tranches: a loan of €0.8 billion as of December 31, 2016, (originally €2.0 billion) with an original term of three years and a revolving credit facility for an additional €2.5 billion with a similar original term of three years, which can be extended by up to two additional years with the consent of the banks. This credit line had not been drawn on as of year-end 2016. It is available to Uniper as financing for its current assets and as a general liquidity reserve.

Uniper additionally has arranged guarantee credit lines with banks to cover guarantee requirements in its operations.

Covenants

In its financing activities, Uniper has agreed to enter into covenants consisting primarily of change-of-control clauses, negative pledges and pari-passu clauses, each referring to a restricted set of significant circumstances. The syndicated bank financing agreement additionally provides for a financial covenant (not to exceed a defined financial ratio).

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	European Generation		Global Commodities	
€ in millions	**2016**	**2015**	**2016**	**2015**
Bonds[1]	–	–	–	–
Bank loans/Liabilities to banks	118	134	–	–
Liabilities from finance leases	6	12	458	453
Other financial liabilities	611	2,648	314	3,339
Financial liabilities	**735**	**2,794**	**772**	**3,792**

[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, 2016, comprise no financial liabilities to the E.ON Group (2015: €10,712 million). They also include financial liabilities to third parties of €552 million (2015: €923 million) and to investment holding companies of €108 million (2015: €62 million).

Margin payments in connection with stock exchange futures transactions amounting to €312 million (2015: €525 million) are also reported under other financial liabilities.

Trade Payables and Other Operating Liabilities

Trade payables amounted to €1,349 million as of December 31, 2016 (2015: €1,599 million).

The other operating liabilities principally comprised accruals of €5,556 million (2015: €5,799 million) and liabilities for taxes in the amount of €297 million (2015: €561 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 €98 million in the 2016 fiscal year (2015: €102 million).

As of December 31, 2016, other operating liabilities included no liabilities from profit-and-loss-pooling agreements (2015: €806 million).

	International Power		Administration/Consolidation		Uniper Group	
	2016	2015	2016	2015	2016	2015
	–	–	498	–	498	–
	–	–	800	–	918	134
	–	–	19	26	483	491
	–	8	46	6,227	971	12,222
	0	**8**	**1,363**	**6,253**	**2,870**	**12,847**

(25) Contingencies and Other Financial Obligations

As part of its business activities, the Uniper Group is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims for damages (as discussed in more detail in Note 26), short- and long-term contractual, legal and other obligations and commitments.

Contingencies

The fair value of the Uniper Group's contingent liabilities arising from existing contingencies was €10 million as of December 31, 2016 (2015: €10 million). The Uniper Group does not currently have any significant reimbursement rights relating to these contingent liabilities.

The Uniper Group has issued direct and indirect guarantees to third parties and parties outside of the Uniper Group, which require Uniper to make contingent payments based on the occurrence of certain events. These consist primarily of financial guarantees and warranties.

In addition, the Uniper Group has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Uniper companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases, obligations are covered in the first instance by provisions of the companies sold before Uniper itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON SE (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, the Uniper Group has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

With respect to the activities of the Swedish nuclear plants, the companies of the Swedish generation units and E.ON Sverige AB have issued guarantees to governmental authorities in accordance with Swedish law. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the asset retirement and decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the companies of the Swedish generation unit and E.ON Sverige AB are also 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, 2016. 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, 2016, was limited to SEK 3,669 million, or €384 million (2015: SEK 3,475 million, or €378 million). This amount must be insured according to the Law Concerning Nuclear Liability. The necessary insurance for the affected nuclear power plants has been purchased. On July 1, 2010, the Swedish Parliament passed a law that requires the operator of a nuclear power plant in operation to have liability insurance or other financial cover in an amount equivalent to €1.2 billion per facility. As of December 31, 2016, the conditions enabling this law to take effect were not yet in place.

The European Generation segment operates nuclear power plants exclusively in Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties, or on the basis of legal requirements.

As of December 31, 2016, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €0.2 billion (2015: €0.6 billion). Of the total commitments, an amount of €0.1 billion (2015: €0.3 billion) was due within one year. This item mainly includes financial obligations 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. The obligations for new power plant construction projects included in the purchase commitments amounted to €0.3 billion (2015: €0.3 billion) as of December 31, 2015.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

Uniper as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	**2016**	**2015**
Due within 1 year	115	100
Due in 1 to 5 years	189	192
Due in more than 5 years	173	217
Total	**477**	**509**

The expenses reported in the income statement for such contracts amounted to €83 million in the 2016 fiscal year (2015: €1,321 million). The decrease in lease expenses is primarily based on the marketing agreements with one German E.ON Group company in the nuclear energy sector that in the previous year had still been recorded as leases.

Additional long-term contractual obligations in place at the Uniper Group as of December 31, 2016, related primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. The financial obligations under these purchase contracts amounted to approximately €171.9 billion as of December 31, 2016 (due within one year: €7.1 billion) and to €218.2 billion as of December 31, 2015 (due within one year: €7.2 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 2016 fiscal year compared with the previous year. The principal reason for this was a price-related reduction in the minimum purchase obligations for gas procurement.

Contractual obligations for the purchase of electricity amounted to approximately €0.6 billion as of December 31, 2016 (due within one year: €0.3 billion) and to approximately €2.0 billion as of December 31, 2015 (due within one year: €1.0 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 €3.9 billion as of December 31, 2016 (due within one year: €0.3 billion) and to approximately €5.4 billion as of December 31, 2015 (due within one year: €0.3 billion). In addition to purchase obligations mainly for heat and alternative fuels, the European Generation segment has long-term contractual obligations for services relating to the interim and permanent storage of fuel rods in connection with the Uniper Group's Swedish nuclear power plants.

There were additional financial obligations of approximately €1.0 billion as of December 31, 2016 (due within one year: €0.3 billion) and approximately €1.1 billion as of December 31, 2015 (due within one year: €0.5 billion). Among other items, they include financial obligations for future purchases of services.

(26) Litigation

A number of different court actions, arbitration proceedings and regulatory investigations and proceedings are currently pending against the Uniper Group, and further actions or proceedings may be instituted or asserted in the future. In addition to disputes under public law, this in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) concerning price increases and anticompetitive practices.

These aforementioned proceedings include several court or arbitration proceedings with major customers and major suppliers, also initiated in some instances by the Uniper Group, on contract amendments and price adjustments in long-term supply contracts and procurement options for electricity and gas, and in certain cases for other commodities, as well as long-term bookings of line capacity and long-term contracts for storage capacity in response to the altered situation brought about by market upheavals, and also reimbursements of costs. In some of these cases, the validity of the price-adjustment clauses and of the contracts in their entirety is being challenged; in others, the effectiveness of contract terminations is in dispute. Long-term gas-procurement contracts generally include the option for producers and importers to adjust the terms in line with constantly changing market conditions. On this basis, Uniper continuously conducts extensive negotiations with producers. The possibility of further legal disputes cannot be excluded.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

The Uniper Group is also engaged in proceedings with suppliers in connection with construction and other work on power-plant projects. In addition, proceedings are pending concerning the obligation to pay statutory energy-sector levies and the clarification of regulatory requirements. Moreover, a claim for the reimbursement of compensation received for possible damage to a Uniper power plant is also in litigation.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

Public-law disputes are pending in particular in connection with the operating license of the hard coal power station in Datteln and for the biomass power plant Provence 4 in France, and the coal tax in the Netherlands.

Applying the provisions of IAS 37.92, Uniper is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, in particular because such disclosure could prejudice their outcome.

(27) Supplemental Cash Flow Disclosures

Supplemental Cash Flow Disclosures

€ in millions	2016	2015
Non-cash investing and financing activities		
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	360	771

Cash flow from operating activities (operating cash flow) rose to €2,184 million in 2016 (2015: €1,465 million). The principal driver of this increase was the 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, held in the European Generation segment. The cash outflows recorded in the Global Commodities segment in connection with the agreement reached with Gazprom weighed heavily on operating cash flow, but this was more than offset by optimization activities in the gas business.

Cash flow from investing activities fell to -€328 million in 2016 (2015: -€610 million). Positive factors included the reduced expenditure on investments of €781 million (2015: 1,083 million) and the increase in cash inflows from divestitures, which climbed to €1,235 million (2015: €208 million). These inflows 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. The positive drivers were partly offset by the repayment of shareholder loans to minority owners of nuclear power plants in Sweden, the increase in receivables from the Swedish Nuclear Waste Fund in the European Generation segment, and additions to non-current securities for pensions.

Cash flow from financing activities amounted to -€2,000 million in 2016 (2015: -€979 million). Outflows were higher year over year as a result of transactions with the E.ON Group, specifically the repayment of financial liabilities due to E.ON. This was partly offset by inflows of cash from borrowings sourced in the capital markets.

(28) Derivative Financial Instruments and Hedging Transactions

Strategy and Objectives

In accordance with the E.ON guidelines, which Uniper companies were required to comply with during the periods under review, the use of derivatives is permitted if they are associated with underlying assets or liabilities, legally binding rights or obligations, or planned transactions.

Hedge accounting in accordance with IAS 39 is employed primarily to hedge long-term receivables and debts denominated in foreign currency, as well as planned capital investments.

In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Cross-currency interest rate swaps are the principal instruments used to limit currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing receivables and liabilities and from capital investments denominated in foreign currency and euro by using cash flow hedge accounting in the functional currency of the respective Uniper company.

As of December 31, 2016, hedged transactions outstanding included foreign currency cash flow hedges with maturities of up to 7 years (2015: up to 8 years).

There were no ineffective parts of the cash flow hedges in 2016 or 2015.

Pursuant to the information available as of the balance sheet date, the following effects will accompany the reclassifications from accumulated other comprehensive income to the income statement in subsequent periods:

Timing of Reclassifications from OCI[1] to the Income Statement—2016

€ in millions	Carrying amount	Expected gains/losses			
		2017	2018	2019–2021	>2021
OCI—Currency cash flow hedges	15	-8	-1	-1	-5
OCI—Interest cash flow hedges	–	–	–	–	–
OCI—Commodity cash flow hedges	–	–	–	–	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Timing of Reclassifications from OCI[1] to the Income Statement—2015

€ in millions	Carrying amount	Expected gains/losses			
		2016	2017	2018–2020	>2020
OCI—Currency cash flow hedges	34	-8	-7	-14	-5
OCI—Interest cash flow hedges	-88	9	9	21	49
OCI—Commodity cash flow hedges	–	–	–	–	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Other comprehensive income includes effects from cash flow hedges that are recognized proportionally under the equity method of accounting.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. The fair values of the designated derivatives in cash flow hedges totaled €48 million (2015: €47 million)

A loss of €10 million (2015: €11 million loss) was posted to other comprehensive income in 2016. In the same period, a gain amounting to €12 million (2015: €8 million gain) was reclassified to the income statement.

Valuation of Derivative Instruments

The fair value of derivative financial instruments is sensitive to movements in the underlying market variables. The Company assesses and monitors the fair value of derivative instruments at regular intervals. The fair value to be determined for each derivative instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). Uniper also takes into account the counterparty credit risk when determining fair value (credit value adjustment). The fair values of derivative instruments are calculated using common market valuation methods with reference to available market data on the measurement date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments:

- Currency, electricity, gas, oil and coal forward contracts and swaps, and emissions-related derivatives, are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for electricity and gas options are valued using standard pricing models commonly used in the market. The fair values of caps, floors and collars are determined using quoted market prices or on the basis of option pricing models.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking account of time components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Initial margins paid are disclosed under other assets. Variation margins received or paid during the term of such contracts are reported under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 10% increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €55 million (2015: €111 million) or an increase of €54 million (2015: €111 million), respectively.

At the beginning of 2016, a loss of €30 million (2015: €13 million loss) from the initial measurement of derivatives was deferred. In 2016, there was a gain of €243 million from additions of derivatives. The realization of gains and losses during the year generated an additional loss of €16 million and an additional gain of €22 million (2015: €17 million loss). This resulted in a net deferred gain of €219 million at year-end (2015: €30 million loss), which will be realized as the contract terms end.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used:

Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

	December 31, 2016		December 31, 2015	
€ in millions	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
FX forward transactions	7,404.3	0.7	5,845.7	55.4
Other derivatives	–	–	0.1	–
Total	**7,404.3**	**0.7**	**5,845.8**	**55.4**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

	December 31, 2016		December 31, 2015	
€ in millions	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Electricity forwards	48,458.0	499.6	49,251.4	283.2
Exchange-traded electricity forwards	16,472.3	-258.0	17,602.1	412.8
Electricity swaps	727.0	-205.7	2,458.0	76.2
Electricity options	22.7	-12.9	141.1	-29.2
Gas forwards	37,461.4	68.0	36,019.0	870.6
Exchange-traded gas forwards	14,145.2	-243.4	12,344.1	249.2
Gas swaps	3,493.1	-66.0	5,042.8	45.4
Gas options	417.2	-156.5	59.2	-15.2
Coal forwards and swaps	1,737.5	41.6	1,190.0	17.5
Exchange-traded coal forwards	7,583.7	166.3	12,953.3	-208.7
Oil derivatives	526.0	-3.0	1,059.5	-38.2
Exchange-traded oil derivatives	981.5	8.7	439.8	-6.1
Emissions-related derivatives	9.0	-1.9	27.9	-8.2
Exchange-traded emissions-related derivatives	343.3	15.6	651.4	38.0
Other derivatives	117.9	56.1	105.6	32.6
Other exchange-traded derivatives	111.0	18.7	112.7	43.3
Total	**132,606.8**	**-72.8**	**139,457.9**	**1,763.2**

(29) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2016

€ 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	568	568	AfS	568	98	107
Financial receivables and other financial assets	4,322	4,322		4,322	84	140
Receivables from finance leases	*224*	*224*	*n/a*	*224*	*84*	*140*
Financial reimbursement rights relating to asset retirement obligations	*2,388*	*2,388*	*n/a*	*2,388*	–	–
Other financial receivables and financial assets	*1,710*	*1,710*	*LaR*	*1,710*	–	–
Trade receivables and other operating assets	22,107	21,544		21,544	4,844	8,384
Trade receivables	*7,353*	*7,353*	*LaR*	*7,353*	–	–
Derivatives with no hedging relationships	*13,777*	*13,777*	*HfT*	*13,777*	*4,844*	*8,384*
Derivatives with hedging relationships	–	–	*n/a*	–	–	–
Other operating assets	*977*	*414*	*LaR*	*414*	–	–
Securities and fixed-term deposits	322	322	AfS	322	172	150
Cash and cash equivalents	169	169	AfS	169	138	31
Restricted cash	10	10	AfS	10	10	–
Assets held for sale	3	–	AfS	–	–	–
Total assets	**27,501**	**26,935**		**26,935**	**5,346**	**8,812**
Financial liabilities	2,870	2,870		3,128	797	1,544
Bonds	*498*	*498*	*AmC*	*501*	*501*	–
Commercial paper	–	–	*AmC*	–	–	–
Bank loans/Liabilities to banks	*918*	*918*	*AmC*	*918*	–	*918*
Liabilities from finance leases	*483*	*483*	*n/a*	*787*	–	–
Other financial liabilities	*971*	*971*	*AmC*	*922*	*296*	*626*
Trade payables and other operating liabilities	22,341	21,118		21,118	5,185	8,452
Trade payables	*1,349*	*1,349*	*AmC*	*1,349*	–	–
Derivatives with no hedging relationships	*13,839*	*13,839*	*HfT*	*13,839*	*5,185*	*8,444*
Derivatives with hedging relationships	*8*	*8*	*n/a*	*8*	–	*8*
Put option liabilities under IAS 32[2]	*98*	*98*	*AmC*	*98*	–	–
Other operating liabilities	*7,047*	*5,824*	*AmC*	*5,824*	–	–
Total liabilities	**25,211**	**23,988**		**24,246**	**5,982**	**9,996**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 2. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 24).

The carrying amounts of cash and cash equivalents and of trade receivables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This is the case, for example, for equities held.

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2015

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measure-ment category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	369	369	AfS	369	67	142
Financial receivables and other financial assets	11,388	11,388		11,388	92	146
Receivables from finance leases	*238*	*238*	*n/a*	*238*	*92*	*146*
Assets from the Swedish National Fund	*2,281*	*2,281*	*n/a*	*2,281*	*–*	*–*
Other financial receivables and financial assets	*8,869*	*8,869*	*LaR*	*8,869*	*–*	*–*
Trade receivables and other operating assets	27,772	26,399		26,399	6,464	9,337
Trade receivables	*8,564*	*8,564*	*LaR*	*8,564*	*–*	*–*
Derivatives with no hedging relationships	*16,119*	*16,119*	*HfT*	*16,119*	*6,464*	*9,290*
Derivatives with hedging relationships	*47*	*47*	*n/a*	*47*	*–*	*47*
Other operating assets	*3,042*	*1,669*	*LaR*	*1,669*	*–*	*–*
Securities and fixed-term deposits	249	249	AfS	249	249	–
Cash and cash equivalents	299	299	AfS	299	266	33
Restricted cash	1	1	AfS	1	1	–
Assets held for sale	228	197	AfS	197	–	197
Total assets	**40,306**	**38,902**		**38,902**	**7,139**	**9,855**
Financial liabilities	12,847	12,322		12,568	12	134
Bonds	*–*	*–*	*AmC*	*–*	*–*	*–*
Commercial paper	*–*	*–*	*AmC*	*–*	*–*	*–*
Bank loans/Liabilities to banks	*134*	*134*	*AmC*	*134*	*–*	*134*
Liabilities from finance leases	*491*	*491*	*n/a*	*737*	*–*	*–*
Other financial liabilities	*12,222*	*11,697*	*AmC*	*11,697*	*12*	*–*
Trade payables and other operating liabilities	24,423	22,954		22,954	5,928	8,414
Trade payables	*1,599*	*1,599*	*AmC*	*1,599*	*–*	*–*
Derivatives with no hedging relationships	*14,348*	*14,348*	*HfT*	*14,348*	*5,928*	*8,414*
Derivatives with hedging relationships	*–*	*–*	*n/a*	*–*	*–*	*–*
Put option liabilities under IAS 32[2]	*102*	*102*	*AmC*	*102*	*–*	*–*
Other operating liabilities	*8,374*	*6,905*	*AmC*	*6,905*	*–*	*–*
Total liabilities	**37,270**	**35,276**		**35,522**	**5,940**	**8,548**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 2. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 24).

The fair value of shareholdings in unlisted companies and of financial liabilities that are not actively traded is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Shareholdings for which fair value measurement was not applied as the cash flows could not be reliably determined, are not material in comparison with the overall position of the Uniper Group.

The carrying amount of borrowings under short-term credit facilities and of trade payables is used as the fair value due to the short maturities of these items. The determination of the fair value of derivative financial instruments is discussed in Note 28.

In the 2016 fiscal year, there were no material reclassifications between Levels 1 and 2 of the fair value hierarchy. At the end of each reporting period, Uniper assesses whether there might be grounds for reclassification between hierarchy levels. In financial derivatives, the spin-off from E.ON has resulted in a reclassification from Level 2 into Level 3. The reclassification relates to a financial derivative, previously contracted within the E.ON Group, whose fair value is now estimated using only Uniper-specific parameters. The additions to Level 3 of the fair value hierarchy resulted primarily from the conversion of a physical electricity delivery contract into a financial forward contract.

The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data (see also Note 2). In this fiscal year, no equity investments were reclassified into Level 3 of the fair value hierarchy or from Level 3 into Level 2. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

€ in millions	Jan. 1, 2016	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/Losses in OCI	Dec. 31, 2016
Equity investments	160	6	-1	–	-16	–	–	214	363
Derivative financial instruments	359	266	–	–	-100	-186	–	–	339
Total	**519**	**272**	**-1**	**0**	**-116**	**-186**	**0**	**214**	**702**

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, 2016

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/pledged	Net value
Financial assets						
Trade receivables	*7,353*	–	*7,353*	*3,381*	–	*3,972*
Interest-rate and currency derivatives	*151*	–	*151*	–	–	*151*
Commodity derivatives	*13,626*	–	*13,626*	*6,456*	*310*	*6,860*
Total	**21,130**	**0**	**21,130**	**9,837**	**310**	**10,983**
Financial liabilities						
Interest-rate and currency derivatives	*148*	–	*148*	–	–	*148*
Commodity derivatives	*13,699*	–	*13,699*	*6,456*	*539*	*6,704*
Other operating liabilities	*7,047*	–	*7,047*	*3,381*	–	*3,666*
Total	**20,894**	**0**	**20,894**	**9,837**	**539**	**10,518**

Netting Agreements for Financial Assets and Liabilities as of December 31, 2015

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	8,564	–	8,564	3,982	–	4,582
Interest-rate and currency derivatives	155	–	155	–	–	155
Commodity derivatives	16,011	–	16,011	6,213	478	9,320
Total	**24,730**	**0**	**24,730**	**10,195**	**478**	**14,057**
Financial liabilities						
Interest-rate and currency derivatives	100	–	100	–	–	100
Commodity derivatives	14,248	–	14,248	6,213	426	7,609
Other operating liabilities	8,374	–	8,374	3,982	–	4,392
Total	**22,722**	**0**	**22,722**	**10,195**	**426**	**12,101**

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, 2016, other financial assets amounting to €539 million (2015: €426 million) had been deposited as collateral.

The following tables illustrate the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

Cash Flow Analysis as of December 31, 2016

€ in millions	Cash outflows 2017	Cash outflows 2018	Cash outflows 2019–2021	Cash outflows from 2022
Bonds	–	500	–	–
Bank loans/Liabilities to banks	828	17	67	6
Liabilities from finance leases	74	48	132	1,014
Other financial liabilities	555	145	20	500
Financial guarantees	–	–	–	–
Cash outflows for financial liabilities	**1,457**	**710**	**219**	**1,520**
Trade payables	1,349	–	–	–
Derivatives (with/without hedging relationships)	8,752	2,262	442	20
Put option liabilities under IAS 32	11	–	–	87
Other operating liabilities	5,800	1	38	–
Cash outflows for trade payables and other operating liabilities	**15,912**	**2,263**	**480**	**107**
Cash outflows for liabilities within the scope of IFRS 7	**17,369**	**2,973**	**699**	**1,627**

Cash Flow Analysis as of December 31, 2015

€ in millions	Cash outflows 2016	Cash outflows 2017	Cash outflows 2018–2020	Cash outflows from 2021
Bonds	–	–	–	–
Bank loans/Liabilities to banks	21	31	61	35
Liabilities from finance leases	52	69	135	1,098
Other financial liabilities	11,789	67	62	1,872
Financial guarantees	–	–	–	–
Cash outflows for financial liabilities	**11,862**	**167**	**258**	**3,005**
Trade payables	1,599	–	–	–
Derivatives (with/without hedging relationships)	33,798	11,708	7,663	–
Put option liabilities under IAS 32	102	–	–	–
Other operating liabilities	7,128	–	–	–
Cash outflows for trade payables and other operating liabilities	**42,627**	**11,708**	**7,663**	**0**
Cash outflows for liabilities within the scope of IFRS 7	**54,489**	**11,875**	**7,921**	**3,005**

As in the previous year, no financial guarantees were issued in the 2016 fiscal year.

For financial liabilities that bear floating interest rates, the rates that were fixed on the balance sheet date are used to calculate future interest payments for subsequent periods as well. Financial liabilities that can be terminated at any time are assigned to the earliest maturity band in the same way as put options that are exercisable at any time.

In gross-settled derivatives (usually currency derivatives and commodity derivatives), outflows are accompanied by related inflows of funds or commodities.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

Net Gains and Losses by Category[1]

€ in millions	2016	2015
Loans and receivables	35	-260
Available for sale	-352	302
Held for trading	-1,833	-1,269
Amortized cost	-198	-158
Total	**-2,348**	**-1,385**

[1]The categories are described in detail in Note 2.

In addition to interest income and expenses from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables. Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest on financial liabilities, reduced by capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives and of realized gains and losses on currency derivatives is the most important factor in the net result for this category.

Risk Management

Principles

The risk management system at the Uniper Group is based on centrally developed, globally applicable principles.

The organizational structure, specialist expertise, systems, processes and policies are material components of the Group's risk management system and ensure that risks are appropriately identified, analyzed, quantified, aggregated and managed. The risk management system 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.

The risk from financial instruments is primarily bundled within the trading unit and managed centrally. Key to the risk management system for financial instruments are the principles of managing market-price and credit risks, as well as financing activities and associated liquidity risks.

The management and control of the aforementioned risks is organized along three "lines of defense," each of which operates separately from the other two. The first line consists of the Group's trading operations, which decide on the assumption of risk and, as risk owners, actively manage those risks. The second line consists of risk and control units that are responsible for the processing of trades and for risk analysis and monitoring. The third line of defense is the realm of internal audit, which reviews and supervises the activities of the first and second lines.

One of the central responsibilities of Uniper SE's Management Board is to ensure that an effective risk management system is put in place. Functions and tasks to support and aid the operational implementation of the central risk management principles are delegated appropriately within the Uniper organization, with due consideration given to functional responsibilities.

The Risk Committee of the Uniper Group is the supreme body in charge of monitoring the risks associated with the Uniper Group's business activities. Headed by the Group's Chief Financial Officer, it is further composed of the Chief Risk Officer, the Chief Commercial Officer, the Chief Operating Officer and the Executive Vice President for Group Finance. This committee discusses material risks exposures and decides on their disposition. Risk monitoring and the management of countermeasures 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.

2. Market Risks

The Uniper Group is exposed to the risk of changes in prices in foreign currencies, interest rates and commodities as part of its ordinary business activities. Uniper SE has developed-risk reduction strategies to limit the resulting fluctuations in earnings, equity, indebtedness and cash flows that are applicable across the entire Uniper Group. Financial derivatives are used for the purpose of reducing risk and optimizing earnings.

Foreign Exchange Risk Management

Uniper SE is responsible for controlling the currency risks to which the Uniper Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the Uniper Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of items in the balance sheets and income statements of the consolidated foreign Uniper companies included in the Consolidated Financial Statements. Translation risks are hedged through borrowing in the corresponding local currency, which may also include shareholder loans in foreign currency. In addition, derivative and primary financial instruments are employed as needed. The Uniper Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The Uniper Group is also exposed to operating and financial transaction risks attributable to foreign currency transactions. These risks arise for the Uniper Group companies primarily from physical and financial trading in commodities, from business relations within the Uniper Group and from capital spending projects in foreign currencies. The Uniper companies are responsible for controlling their operating currency risks. Uniper SE is responsible for the overall coordination of the companies' hedging activities and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and also by shareholder loans within the Uniper Group denominated in foreign currency.

The one-day value-at-risk (99% confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €24,6 million as of December 31, 2016 (2015: €27.5 million) and resulted primarily from the positions in U.S. dollars, Swedish kronor, British pounds and Russian rubles.

Interest Risk Management

The Uniper companies are generally financed using the Uniper Group's cash pooling system. Cash pooling balances bear interest at market rates specific to maturities and currencies. Individual Uniper companies that are not included in the E.ON Group cash pool due to legal restrictions arrange financing independently or deposit their excess liquidity with leading local banks.

Uniper SE funds itself primarily on the basis of fixed interest rates. In the case of one currently existing floating-rate financial liability, a rate change of +1 percentage point would result in an additional interest expense of €2 million in the subsequent fiscal year.

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 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. The previously applied profit-at-risk ("PaR") metric has been replaced by a simplified value-at-risk ("VaR") calculation. Now a weighted 1-day VaR is determined that reflects the weights of average holding periods, with market liquidities taken into account. Comparability of PaR and VaR is assured in principle. At portfolio level, the transition from Par to a weighted 1-day VaR had only a minimal effect on the calculated risk exposure.

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 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, the calendar-year-based, weighted value-at-risk, which takes into account market liquidities and ignores correlations between the years, for the financial and physical commodity positions covering a planning horizon of three years amounted to €681 million as of December 31, 2016 (2015: €982 million PaR). The reduction of the risk relative to the previous year resulted primarily from gas-related financial instruments, where they reflect both a reduction of risk exposure and improvements in methodology.

As of December 31, 2016, the Uniper Group had entered into electricity, gas, coal, oil and emissions-related derivatives with a notional value of €132,607 million (2015: €139,458 million).

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 €4,226 million (2015: 5,865 million) has been accepted in the context of risk management.

The amounts and backgrounds of financial assets received as collateral are described in more detail in Note 17.

To reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Margining involves paying cash into a margin account to cover unfavorable price movements in contracts entered into on a margin basis. The inherent margining and liquidity risk is linked directly to actual or potential market price movements. The resulting margining risk is measured, monitored and managed using an overall limit for the entire Uniper Group.

To further reduce credit risk, derivative transactions are generally executed on the basis of standard agreements under which the netting of all open transactions can in principle be agreed with individual counterparties.

Exchange-traded forward and option contracts as well as exchange-traded emissions-related derivatives having an aggregate notional value of €39,637 million as of the balance sheet date (2015: €44,103 million) bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

Liquid funds are generally invested with counterparties with good credit ratings. Uniper companies that are not included in the Uniper Group cash pool due to legal restrictions deposit money with leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels, stock prices and other market-relevant information at the banks and at other significant counterparties.

(30) Transactions with Related Parties

Uniper exchanges goods and services with a large number of companies as part of its continuing operations Some of these companies are related parties of both E.ON Group the Uniper Group.

The deconsolidation agreement between E.ON SE, E.ON Beteiligungen GmbH and Uniper SE was entered into with an effective date of December 31, 2016 (see also Note 1). The signing of the deconsolidation agreement results in E.ON SE losing control of the Uniper Group.

For that reason, for the purposes of the disclosure of transactions with related parties, the relationships with E.ON SE and its subsidiaries and joint ventures in the 2016 fiscal year have been presented as transactions involving entities with significant influence over Uniper. In the previous year, transactions with E.ON SE as the higher-level parent company and with direct and indirect subsidiaries of E.ON SE were reported separately. 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. Transactions with associated companies of the E.ON Group are also included. The joint ventures and unconsolidated subsidiaries of the E.ON Group that in the previous year had also been reported as “other related parties” are as of December 31, 2016, presented as “entities with significant influence over Uniper” on the basis of the executed deconsolidation agreement.

The share of the transactions referred to in the following section made up by transactions with other related parties is not material.

The following were the principal transactions with related parties in the 2016 and 2015 fiscal years.

Related-Party Transactions

€ in millions	2016	2015
Income	**10,955**	**15,823**
Parent company	–	*1,427*
E.ON subsidiaries	–	*13,532*
Entities with significant influence over Uniper	*10,356*	–
Associated companies	*341*	*558*
Joint ventures	*21*	*31*
Other related parties	*237*	*275*
Expenses	**7,008**	**8,733**
Parent company	–	*1,315*
E.ON subsidiaries	–	*6,759*
Entities with significant influence over Uniper	*6,500*	–
Associated companies	*259*	*556*
Joint ventures	*45*	*61*
Other related parties	*204*	*42*
Receivables	**2,245**	**12,441**
Parent company	–	*8,631*
E.ON subsidiaries	–	*2,753*
Entities with significant influence over Uniper	*1,253*	–
Associated companies	*482*	*551*
Joint ventures	*446*	*456*
Other related parties	*64*	*50*
Liabilities	**2,012**	**13,361**
Parent company	–	*10,069*
E.ON subsidiaries	–	*2,974*
Entities with significant influence over Uniper	*1,835*	–
Associated companies	*3*	*260*
Joint ventures	*42*	*51*
Other related parties	*132*	*7*

Transactions in Connection with the Legal Reorganization of the Uniper Group in 2015

A large number of corporate restructuring measures were taken in connection with the legal reorganization. The following material transactions were completed in the 2015 fiscal year, among others:

- Acquisition of 100% of the shares in Uniper Global Commodities SE, Düsseldorf, Germany, from E.ON Beteiligungen GmbH (spin-off of group of assets) at the book value of €5,425 million, which is below fair value.
- Acquisition of 100% of the shares in Uniper Exploration & Production GmbH, Düsseldorf, Germany, from E.ON Ruhrgas Portfolio GmbH at the fair value of €2,337 million. To acquire 100% of the shares in Uniper Exploration & Production GmbH, E.ON SE made a contribution to the capital reserves of Uniper Beteiligungs GmbH in the amount of the purchase price.
- Acquisition (contribution in kind) of 100% of the shares in Uniper Trend s.r.o., České Budějovice, Czech Republic, from E.ON SE at a fair value of €4,419 million.
- At the end of 2015 real estate was transferred from E.ON to the Uniper Group. A purchase price of €98 million was agreed for these assets previously utilized by Uniper or for Uniper business activities.

Furthermore, in the course of the corporate restructuring measures 100% of the shares in Sydkraft AB, Malmö, Sweden, and 100% of the shares in Uniper UK Limited, Coventry, United Kingdom, which had previously acquired the local business activities, were acquired from E.ON Fünfundzwanzigste Verwaltungs GmbH for an insignificant purchase price. The fair value of these activities amounted to €4.5 billion.

Transactions for Goods and Services and Financing Activities

Goods delivered and services performed, as well as income from transactions and goods and services received and expenses from transactions with the E.ON Group, were as follows in the 2016 and 2015 fiscal years:

Business relationships with related parties primarily consist of the Group-wide procurement and sales activities of Uniper Global Commodities SE, mainly in connection with electricity and gas in the commodity markets for the E.ON Group, and the central financing function of E.ON SE for the Uniper Group. These relationships are responsible for the extensive mutual obligations and trade relations.

Income generated from transactions with E.ON SE and E.ON Group companies included in particular revenues from deliveries of electricity and gas amounting to €8,073 million in the 2016 fiscal year (2015: €12,822 million). The corresponding expenses from transactions with E.ON SE and E.ON Group companies principally related to materials expenses for the procurement of electricity and gas amounting to €3,118 million (2015: €6,234 million). Both revenues and cost of materials result from spot and forward transactions concluded at market terms that were conducted by Uniper Global Commodities SE as part of the provision of market access for the E.ON Group's companies.

Accordingly, receivables and liabilities due from/to related parties in 2016 mainly consist of trade receivables relating to electricity and gas transactions in the amount of €822 million (2015: €1,161 million) and trade payables relating to electricity and gas transactions in the amount of €337 million (2015: €473 million).

Other Services

E.ON companies have provided services to the Uniper Group for central functions, such as IT services, personnel-related services, accounting. The services were provided partly by E.ON Group companies and also by E.ON SE. For further information, see also Note 7.

Financing

The Uniper Group had been integrated into the cash management system of the E.ON Group until January 3, 2016, and subsequently, until September 15, 2016, it had been financed by E.ON SE under a credit facility arrangement. Interest was paid on cash pooling balances at market rates. Financial receivables and liabilities due from/to E.ON SE are presented without netting in the Consolidated Financial Statements. Financial receivables as of December 31, 2016, amounted to €0 million (2015: €7,368 million). Financial liabilities as of December 31, 2016, amounted to €0 million (2015: €10,712 million). For further details see also Notes 17 and 24. The interest expenses and interest income generated in connection with the financing activities with E.ON SE and E.ON Group companies in the 2016 fiscal year 20 amounted to €186 million (2015: €205 million) and €5 million (2015: €30 million), respectively.

Hedging Transactions and Derivative Financial Instruments

In the 2016 and 2015 fiscal years, the Uniper Group entered into hedging transactions to protect against exchange rate movements via E.ON SE. Where these forward transactions are classified as derivative financial instruments under IFRS, they were accounted for as derivative receivables or liabilities at fair value on an ongoing basis. Income from these hedging transactions in the 2016 fiscal year amounted to €429 million (2015: €1,283 million), while the expenses from these hedging transactions amounted to €442 million for 2016 (2015: €1,216 million). The reduction of income and expenses resulted from the organizational restructuring of the Finance department in the context of the spin-off. As of the balance sheet date there no longer were any derivative receivables or liabilities from currency hedging transactions with E.ON SE (2015: derivative receivables from currency hedging transactions of €155 million, derivative liabilities from currency hedging transactions of €99 million).

Gains from the marking to market of commodity futures transactions with E.ON companies amounted to €957 million in the 2016 fiscal year (2015: €566 million); corresponding losses amounted to €2,230 million (2015: €230 million). Derivative receivables relating to the marking to market of commodity futures transactions were recognized in the amount of €382 million in 2016 (2015: €1,287 million); corresponding derivative liabilities relating to the marking to market of commodity futures transactions were recognized in the amount of €1,250 million (2015: €746 million).

Leasing

The Uniper Group has entered into lease agreements with the E.ON Group. Until the end of the 2015 fiscal year, these consisted in particular of operating lease agreements with German E.ON Group companies within the nuclear power sector. Liabilities from finance leases with the E.ON Group as of December 31, 2016 amounted to €19 million (December 31, 2015: €26 million). These liabilities were all due within one year as of December 31, 2016 (December 31, 2015: €5 million).

Collateral, Global Letters of Awareness, Guarantees

The E.ON Group has provided collateral in favor of the Uniper Group. The guarantees issued by the E.ON Group had a value of The guarantees issued by the E.ON Group had a value of €3,855 million as of December 31, 2016 (2015: €6,942 million). The reduction as of December 31, 2016, was mainly caused by the expiration of guarantees and by changes in corporate legal structures triggered by the spin-off, in which Uniper SE itself assumed some of the guarantees that E.ON SE had given in favor of Uniper companies.

The guarantees from E.ON for the Uniper Group referred to above include guarantees in connection with the Swedish nuclear power activities. 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. The transfer of these guarantees and obligations from E.ON to Uniper requires the approval of the Swedish nuclear energy regulatory authority which had not been granted as of December 31, 2016. Until approval is received from the regulatory authority, the Uniper Group has released E.ON from any obligations arising from these guarantees by means of an indemnification agreement.

A Uniper CTA was established in the 2015 fiscal year as part of the planned spin-off. The acquisition of the MEON limited partnership shares by E.ON SE on December 31, 2015 resulted in the transfer of the portion of the liquidity assistance guarantee to MEON attributable to the spin-off to E.ON SE. The portion of the liquidity assistance guarantee relating to the assumption of debt expired upon termination of the assumption of debt on December 31, 2015.

Company Pension Plans

In the past, the majority of the Uniper Group's employees were members of the E.ON Group pension plans. The benefits vary in accordance with the legal, tax and financial circumstances in the particular country, and are generally based on the employees' length of service and remuneration. In the course of the legal reorganization, plan assets have been or are being transferred from the E.ON Group to the Uniper Group. This mainly relates to German and English companies (see Note 22).

Insurances

In the 2016 and 2015 fiscal years, the Uniper Group was insured under the E.ON Group insurance arrangements. The costs incurred for this were borne by the Uniper Group. In the context of Uniper becoming an independent entity, the insurance coverage provided by the E.ON Group was replaced by separate insurance coverage for the Uniper Group by the date of the spin-off.

Other

In addition, profit-and-loss-pooling agreements and fiscal units for tax purposes were in place with the E.ON Group in the past; these were ended at the close of the 2015 fiscal year. Receivables from profit transfers and liabilities for losses assumed were reported under operating receivables and other operating assets or under trade payables and other operating liabilities, respectively. Receivables and liabilities in connection with control and profit-and-loss-pooling agreements and fiscal units for tax purposes were presented as contributions and transfers from reserves by the shareholder.

In connection with the legal reorganization and the subsequent waiver of a receivable, a contribution by the shareholder in the amount of €336 million was recorded in the 2015 fiscal year. In addition, an amount of €115 million was recorded in other operating income in the 2015 fiscal year as income from the redemption of a loan. A gain on the sale of PEGI / Nord Stream to E.ON of €528 million was recorded in the 2016.

Related Parties

Under IAS 24, compensation paid to key management personnel (members of the Management Board and of the Supervisory Board) must be disclosed. In the prior-year figures, the costs economically attributable to the Uniper Group were determined using an allocation key based on the number of employees, and were recognized accordingly in the Consolidated Statement of Income.

The expense for the 2016 fiscal year for members of the Uniper Management Board amounted to €15.2 million (2015: €2.6 million) in short-term benefits, €0.0 million (2015: €0.5 million) in termination benefits and €1.0 million (2015: €0 million) in post-employment benefits. The expense determined in accordance with IFRS 2 for the share-based payment tranches in existence in 2016 was €0.3 million (2015: €0.1 million).

The total expense recognized was therefore €16.5 million. Other provisions have been recognized in the amount of €4.1 million.

Additionally taken into account in 2016 were actuarial losses totaling €0.7 million (2015: €0 million). The post-employment benefits is equal to the service and interest cost of the provisions for pensions.

No Uniper SE Supervisory Board compensation was paid to members of the Uniper SE Supervisory Board because only the Annual Shareholders Meeting of Uniper SE to be held in the summer of 2017 can adopt a legally binding compensation policy for the Supervisory Board. A provision of €1,0 million based on an estimate was recognized to cover Uniper SE Supervisory Board compensation for 2016. Reimbursements of Supervisory Board members for outlays, as well as Supervisory Board compensation paid to Supervisory Board members by subsidiaries of Uniper SE, were immaterial.

The proportional expense, determined on the basis of the costs allocated, for the short-term remuneration of members of the Supervisory Board in the 2015 fiscal year amounted to €0.8 million. Employee representatives on the Supervisory Board were awarded compensation under the existing employment contracts with subsidiaries of Uniper SE totaling €0.4 million (2015: €0.1 million).

For further details on the compensation of key management personnel, see also the Compensation Report on page 80.

(31) Segment Information

The following information for the 2016 and 2015 reporting years 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 it operates.

Business Segments

The following operating business segments are reported separately in accordance with IFRS 8.

European Generation

The European Generation segment comprises the various facilities for generating power and heat 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 solar and wind power facilities. The majority of the energy generated is sold to the Global Commodities segment, which is responsible for the marketing and sale of the energy to major customers via the trading markets and its own sales organization. A further portion of the energy generated is marketed by means of long-term electricity and heat supply contracts. In addition to the power plant business, this segment is also engaged in the marketing of energy services ranging from fuel procurement and engineering to operational and maintenance services to trading services (under the “Energy Services” brand).

Global Commodities

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

International Power Generation

The International Power Generation segment brings together the operating power generation business of the Uniper Group in Russia and Brazil. PAO Unipro, an indirect subsidiary of Uniper SE listed in Russia, is responsible for conducting all business in connection with power generation and associated activities in Russia. These include the procurement of the fuels needed for the power plants, the operation and management of the plants and the trading and sale of the energy produced. The Uniper Group's business in Brazil primarily comprises an 8.28% financial investment in the energy utility ENEVA S.A held by the Uniper Group and a 50% shareholding in Pecém II Participações S.A., which operates a coal power plant.

In addition, the Group-wide non-operating functions carried out centrally for all segments of the Uniper Group are brought together under Administration/Consolidation. In addition, the consolidations required to be carried out at Group level took place are made here.

Adjusted EBIT, earnings before interest and taxes adjusted for non-operating effects, is the key measure at Uniper for purposes of internal management control and as the most important indicator of a business's operating performance. Because it was still included in the E.ON Group for part of the 2016 fiscal year, adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”) was additionally taken into account in the internal reporting organization.

Unadjusted earnings before interest and taxes (EBIT) represents the 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. Operating earnings also include income from investment subsidies for which liabilities are recognized.

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

The table below presents the reconciliation of the Group's earnings in accordance with IFRS and the adjusted earnings before interest and taxes:

Reconciliation of Income/Loss before Financial Results and Income Taxes

€ in millions	2016	2015
Income/Loss before financial results and income taxes	**-3,973**	**-3,397**
Income/Loss from equity investments	10	-12
EBIT	**-3,963**	**-3,409**
Non-operating adjustments	5,325	4,210
Net book gains/losses	*-522*	*-38*
Marking to market of derivative financial instruments	*1,636*	*-511*
Restructuring/Cost management expenses[1, 2]	*344*	*137*
Non-operating impairment charges (+)/reversals (-)[3]	*2,921*	*4,199*
Miscellaneous other non-operating earnings	*946*	*423*
Adjusted EBIT	**1,362**	**801**
Economic depreciation and amortization/reversals[3, 4]	760	916
Adjusted EBITDA	2,122	1,717

[1]Expenses for restructuring / cost management in the Global Commodities segment included depreciation and amortization of €16 million in 2016 (2015: €18 million).
[2]Expenses for restructuring / cost management do not include expenses incurred for the current restructuring program and its related subprojects.
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the statement of income since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring / cost management expenses and in miscellaneous other non-operating earnings.
[4]Economic depreciation and amortization/reversals include only operating depreciation and amortization.

Due to the adjustments made, the measures shown here may differ from the key figures determined in accordance with IFRS.

Net Book Gains/Losses

The book gains/losses in the 2016 fiscal year amounting to €522 million (2015: €38 million) resulted primarily from the sale of PEG Infrastruktur AG and Nord Stream AG and of AS Latvijas Gāze.

Fair Value Measurement of Derivative Financial Instruments

The fair value measurement as of the reporting date of derivatives used to hedge the operating business against price fluctuations generated an expense of €1,636 million (2015: €511 million income).

Restructuring / Cost Management

In 2016, restructuring/cost-management expenses increased by €207 million year over year. They amounted to €344 million in the 2016 fiscal year (2015: €137 million). The expenses were incurred primarily for the strategic realignment. This amount also includes real-estate transfer taxes of approximately €236 million that arose in the context of the spin-off.

Non-operating Impairments/Reversals

The earnings reported for 2016 were heavily impacted, as in the previous year, by impairments amounting to €3,381 million (2015: €4,540 million). The reason for the impairment tests required was triggered primarily by revised assumptions about the long-term development of electricity and primary energy prices—supported by studies from well-known forecasting institutions and Uniper management's estimates—as well as the partially deteriorating political environment and its expected effect on future profitability. Most of the impairments related to the European Generation and Global Commodities segments. Impairments were also recognized in and International Power Generation segments. In 2016, reversals of impairments amounting to €460 million (2015: €341 million) were recorded, principally in the European Generation segment.

Miscellaneous Other Non-operating Earnings

At -€946 million, miscellaneous other non-operating earnings were well below the prior-year figure of -€423 million. The deterioration was principally due to the recognition of a provision for onerous contracts. In the 2015 fiscal year, effects in connection with the planned early decommissioning of units 1 and 2 of the Oskarshamn power plant in Sweden had a negative impact on earnings.

Financial Information by Business Segment

€ in millions	European Generation		Global Commodities	
	2016	2015	2016	2015
External sales	2,988	3,016	63,233	87,972
Intersegment sales	3,847	4,547	3,232	3,235
Sales	**6,835**	**7,563**	**66,465**	**91,207**
EBITDA[1]	654	1,125	1,456	449
Economic depreciation and amortization/reversals[1, 2]	-528	-619	-129	-187
Adjusted EBIT (segment result)	**126**	**506**	**1,327**	**262**
Equity-method earnings[3]	–	-3	121	175
Operating cash flow before interest and taxes	**942**	**1,133**	**1,096**	**767**
Investments	**494**	**774**	**99**	**112**

[1]Total economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the income statement since this item also includes 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.
[2]Economic depreciation and amortization/reversals include only operating depreciation and amortization.
[3]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 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 before interest and taxes to operating cash flow:

Operating Cash Flow before Interest and Taxes

€ in millions	2016	2015	Difference
Operating cash flow	**2,184**	**1,465**	**719**
Interest payments	186	152	34
Tax payments	-6	404	-410
Operating cash flow before interest and taxes	**2,364**	**2,021**	**343**

	International Power		Administration/Consolidation		Uniper Group	
	2016	2015	2016	2015	2016	2015
	1,063	1,134	1	-7	67,285	92,115
	–	–	-7,079	-7,782	0	0
	1,063	**1,134**	**-7,078**	**-7,789**	**67,285**	**92,115**
	201	335	-189	-192	2,122	1,717
	-95	-99	-8	-11	-760	-916
	106	**236**	**-197**	**-203**	**1,362**	**801**
	-9	-5	–	-1	112	166
	340	**388**	**-14**	**-267**	**2,364**	**2,021**
	187	**193**	**1**	**4**	**781**	**1,083**

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2016	2015
Electricity	27,623	34,260
Gas	37,146	54,459
Other	2,516	3,396
Total	**67,285**	**92,115**

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 companies accounted for under the equity method, by geographic area:

Geographic Segment Information

	Germany		United Kingdom	
€ in millions	2016	2015	2016	2015
External sales by location of customer	21,036	27,191	17,395	30,778
External sales by location of seller	63,572	87,757	97	159
Intangible assets	800	1,032	1	1
Property, plant and equipment	3,768	4,978	1,204	1,915
Companies accounted for under the equity method	697	947	27	–

The Group's customer structure did not result in any major concentration in any given geographical region or business area, with the exception of the business relationships with the E.ON Group described in Note 30. Due to the Company's large number of customers and the variety of its business activities, there are no customers whose business volume is material in relation to the total business volume of the Group.

Sweden		Europe (other)		Other		Total	
2016	2015	2016	2015	2016	2015	2016	2015
1,529	2,010	26,215	30,635	1,110	1,501	67,285	92,115
236	317	3,264	3,691	116	191	67,285	92,115
63	64	1,254	1,060	3	2	2,121	2,159
2,885	2,960	3,776	4,444	67	–	11,700	14,297
53	55	40	125	10	9	827	1,136

(32) Other Significant Issues after the Balance Sheet Date

The Capacity Market auction in the United Kingdom in February 2017 (the "Early 2017 Auction") concluded at a price that fell significantly short of market expectations. However, because the auction was influenced by extraordinary parameters, Uniper does not consider the outcome of this auction to be a meaningful indicator of future auction outcomes in the United Kingdom. The statement made in the revenue forecast for the European Generation segment on page 66 has not changed as a result of the auction.

In mid-February 2017, Uniper decided to seek judicial review of a partial aspect of the permit issued for the Datteln 4 power plant pursuant to immission control laws, and has filed a lawsuit to that end. The suit has no impact on the effectiveness of the permit and the upcoming schedule for the completion and commissioning of the power plant.

On March 5, 2017—after the preparation of the Consolidated Financial Statements —Uniper signed an agreement on the sale of all its commercial and legal interests in OAO Severneftegazprom and AO Gazprom YRGM Development, which are held via a subsidiary. The purchase price for Uniper's participation amounts to €1,749 million (USD 1,850 million) plus cash on balance sheet per December 31, 2016. The consummation of the transaction is subject to the required regulatory approvals of the competent Russian authorities as well as co-shareholder consent. The transaction is anticipated to close by year end and will be retroactively effective as of January 1, 2017. Uniper does not expect any material effect on net income/loss from reclassification as a disposal group for the first quarter 2017. Uniper further expects at this time that the reclassification of cumulative foreign currency gains and losses from other comprehensive income to to the income statement at final closing could lead to an effect currently estimated at approximately -€0.8 billion on non-operating income, which would not affect the Uniper Group's equity.

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, 2017/Düsseldorf, March 6, 2017

The Management Board

Klaus Schäfer

Christopher Delbrück

Keith Martin

Eckhardt Rümmler

(33) List of Shareholdings Pursuant to Section 313 (2) HGB

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2016)

Legal name, Registered office	Percentages
AB Svafo, SE, Stockholm[5]	22.00
ADRIA LNG d.o.o. za izradu studija u likvidaciji, HR, Zagreb[5]	39.17
Aerodis, S.A., FR, Colombes[1]	100.00
AO Gazprom YRGM Development, RU, Salekhard[1]	25.00
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
Blåsjön Kraft AB, SE, Arbrå[4]	50.00
Carbiogas B.V., NL, Nuenen[5]	33.33
Deutsche Flüssigerdgas Terminal oHG, DE, Essen[2]	90.00
DFTG-Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2]	90.00
Donau-Wasserkraft Aktiengesellschaft, DE, München[1]	100.00
E.ON Belgium N.V., BE, Vilvoorde[1]	100.00
E.ON Benelux Geothermie B.V. (in liquidation), NL, Rotterdam[2]	100.00
E.ON Benelux Levering B.V., NL, Eindhoven[1]	100.00
E.ON Business Services Benelux B.V., NL, Rotterdam[2]	100.00
E.ON Perspekt GmbH, DE, Essen[5]	30.00
E.ON Ruhrgas Austria GmbH in Liqu., AT, Wien[2]	100.00
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.00
EASYCHARGE.me GmbH, DE, Düsseldorf[2]	100.00
EGC UAE SUPPLY & PROCESSING LTD FZE, AE, Fujairah free zone[2]	100.00
Energie-Pensions-Management GmbH, DE, Hannover[5]	30.00
Ergon Holdings Ltd, MT, St. Julians[1]	100.00
Ergon Insurance Ltd, MT, St. Julians[1]	100.00
Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[4]	75.22
Etzel Gas-Lager Management GmbH, DE, Friedeburg[5]	75.20
Exporting Commodities International LLC, US, Marlton[4]	49.00
Freya Bunde-Etzel GmbH & Co. KG, DE, Essen[3]	59.98
Gas-Union GmbH, DE, Frankfurt am Main[4]	23.58
Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1]	50.20
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[5]	50.00
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1]	66.67
Greanex LLC, US, Wilmington[2]	51.00
Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2]	100.00
Holford Gas Storage Limited, GB, Edinburgh[1]	100.00
Hydropower Evolutions GmbH, DE, Düsseldorf[2]	100.00
Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[2]	100.00
Inwestycyjna Spólka Energetyczna-IRB Sp. z o.o., PL, Warschau[5]	50.00
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
Knäreds skogsfastigheter AB, SE, Sundsvall[2]	100.00

[1]Consolidated affiliated company.
[2]Affiliated company not consolidated for reasons of immateriality (accounted for at cost).
[3]Joint venture pursuant to IFRS 11.
[4]Associated company (accounted for under the equity method).
[5]Joint ventures and associated companies (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 either Section 264 (3) or Section 264b of the German Commercial Code.
[8]Local-GAAP figures as of December 31, 2015, in EUR.

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2016)

Legal name, Registered office	Percentages
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
Liqvis GmbH, DE, Düsseldorf[2]	100.00
Lubmin-Brandov Gastransport GmbH, DE, Essen[1]	100.00
Maasvlakte CCS Project B.V., NL, Rotterdam[5]	50.00
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, München[2]	75.00
METHA-Methanhandel GmbH, DE, Essen[1]	100.00
Mittlere Donau Kraftwerke Aktiengesellschaft, DE, München[2]	60.00
Montan GmbH Assekuranz-Makler, DE, Düsseldorf[5]	44.26
OAO Severneftegazprom, RU, Krasnoselkup[4]	25.00
OAO Shaturskaya Upravlyayuschaya Kompaniya, RU, Shatura[1]	51.00
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 Uniper, RU, Shatura[2]	100.00
OOO Unipro Engineering, RU, Moskau[2]	100.00
PAO Unipro, RU, Surgut[1]	83.73
Pecém II Participações S.A., BR, Rio de Janeiro[3]	50.00
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4]	29.98
RGE Holding GmbH, DE, Essen[1]	100.00
Rhein-Main-Donau Aktiengesellschaft, DE, München[1]	77.49
Ringhals AB, SE, Varberg[4]	29.60
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 Kvalificeringscentrum AB, SE, Stockholm[5]	33.30
Stensjön Kraft AB, SE, Stockholm[4]	50.00
Surschiste, S.A., FR, Mazingarbe[2]	100.00
Svensk Kärnbränslehantering AB, SE, Stockholm[5]	34.00
Sydkraft AB, SE, Malmö[1]	100.00
Sydkraft Försäkring AB, SE, Malmö[1]	100.00
Sydkraft Hydropower AB, SE, Sundsvall[1]	100.00
Sydkraft Nuclear Power AB, SE, Malmö[1]	100.00
Sydkraft Thermal Power AB, SE, Malmö[1]	100.00
Teplárna Tábor, a.s., CZ, Tábor[1]	51.95
Uniper Anlagenservice GmbH, DE, Gelsenkirchen[1]	100.00
Uniper Benelux CCS Project B.V., NL, Rotterdam[2]	100.00
Uniper Benelux Holding B.V., NL, Rotterdam[1]	100.00
Uniper Benelux N.V., NL, Rotterdam[1]	100.00

[1]Consolidated affiliated company.
[2]Affiliated company not consolidated for reasons of immateriality (accounted for at cost).
[3]Joint venture pursuant to IFRS 11.
[4]Associated company (accounted for under the equity method).
[5]Joint ventures and associated companies (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 either Section 264 (3) or Section 264b of the German Commercial Code.
[8]Local-GAAP figures as of December 31, 2015, in EUR.

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2016)

Legal name, Registered office	Percentages
Uniper Beteiligungs GmbH, DE, Düsseldorf[1]	100.00
Uniper Brasil Energia Ltda., BR, City of São Paulo[2]	100.00
Uniper Climate & Renewables France Solar S.A.S., FR, Colombes[1]	100.00
Uniper Energies Renouvelables S.A.S., FR, Colombes[1]	100.00
Uniper Energy DMCC, AE, Dubai[1]	100.00
Uniper Energy Sales GmbH, DE, Düsseldorf[1]	100.00
Uniper Energy Sales Polska Sp. z o.o., PL, Warschau[2]	100.00
Uniper Energy Southern Africa (Pty) Ltd., ZA, Johannesburg (Sandton)[2]	100.00
Uniper Energy Storage GmbH, DE, Essen[1]	100.00
Uniper Energy Storage Limited, GB, Coventry[1]	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, Coventry[1]	100.00
Uniper Exploration & Production GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Financial Services GmbH, DE, Regensburg[2]	100.00
Uniper France Energy Solutions S.A.S., FR, Colombes[1]	100.00
Uniper France Power S.A.S., FR, Colombes[1]	100.00
Uniper France S.A.S., FR, Colombes[1]	100.00
Uniper Generation Belgium N.V., BE, Vilvoorde[1]	100.00
Uniper Global Commodities Canada Inc., CA, Toronto[2]	100.00
Uniper Global Commodities London Ltd., GB, London[2]	100.00
Uniper Global Commodities North America LLC, US, Wilmington[1]	100.00
Uniper Global Commodities SE, DE, Düsseldorf[1]	100.00
Uniper Global Commodities UK Limited, GB, Coventry[1]	100.00
Uniper Holding GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper HR Services Berlin GmbH, DE, Berlin[2]	100.00
Uniper Hungary Energetikai Kft., HU, Budapest[1]	100.00
Uniper Infrastructure B.V., NL, Rotterdam[2]	100.00
Uniper IT GmbH, DE, Düsseldorf[2]	100.00
Uniper Kraftwerke GmbH, DE, Düsseldorf[1]	100.00
Uniper Market Solutions GmbH, DE, Düsseldorf[2]	100.00
Uniper NefteGaz LLC, RU, Moskau[2]	100.00
Uniper Risk Consulting GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Ruhrgas BBL B.V., NL, Rotterdam[1]	100.00
Uniper Ruhrgas International GmbH, DE, Essen[1, 7]	100.00
Uniper Russia Beteiligungs GmbH, DE, Düsseldorf[2]	100.00
Uniper Russia Holding GmbH, DE, Düsseldorf[1, 7]	100.00
Uniper Storage Innovation GmbH, DE, Essen[2]	100.00
Uniper Technologies B.V., NL, Rotterdam[2]	100.00
Uniper Technologies GmbH, DE, Gelsenkirchen[1]	100.00
Uniper Technologies Limited, GB, Coventry[1]	100.00
Uniper Trend s.r.o., CZ, České Budějovice[1]	100.00
Uniper UK Corby Limited, GB, Coventry[1]	100.00
Uniper UK Cottam Limited, GB, Coventry[2]	100.00
Uniper UK Gas Limited, GB, Coventry[1]	100.00

[1]Consolidated affiliated company.
[2]Affiliated company not consolidated for reasons of immateriality (accounted for at cost).
[3]Joint venture pursuant to IFRS 11.
[4]Associated company (accounted for under the equity method).
[5]Joint ventures and associated companies (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 either Section 264 (3) or Section 264b of the German Commercial Code.
[8]Local-GAAP figures as of December 31, 2015, in EUR.

Disclosures Pursuant to Section 313 (2) HGB of Companies in which Equity Investments Are Held (as of December 31, 2016)

Legal name, Registered office	Percentages
Uniper UK Ironbridge Limited, GB, Coventry[1]	100.00
Uniper UK Limited, GB, Coventry[1]	100.00
Uniper UK Trustees Limited, GB, Coventry[2]	100.00
Uniper Wärme GmbH, DE, Gelsenkirchen[1]	100.00
Untere Iller AG, DE, Landshut[2]	60.00
Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1]	100.00
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft, DE, Wolfsburg[5]	95.00

Legal name, Registered office	Percentages	Equity as at reporting date 2016	Net income as at reporting date 2016
Other companies in which share investments are held			
AS Latvijas Gaze, LV, Riga[4, 8]	18.26	611,403,000.00	30,517,000.00
ENAG Energiefinanzierungs AG, CH, Schwyz[6, 8]	14.37	96,355,340.35	958,579.06
ENEVA S.A., BR, Rio de Janeiro[6, 8]	8.28	1,089,929,053.00	36,989,510.80
Forsmarks Kraftgrupp AB, SE, Östhammar[6, 8]	8.50	706,459,362.50	619,607.30
Mellansvensk Kraftgrupp AB, SE, Stockholm[6, 8]	5.35	8,389,112.80	105.61

[1]Consolidated affiliated company.
[2]Affiliated company not consolidated for reasons of immateriality (accounted for at cost).
[3]Joint venture pursuant to IFRS 11.
[4]Associated company (accounted for under the equity method).
[5]Joint ventures and associated companies (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 either Section 264 (3) or Section 264b of the German Commercial Code.
[8]Local-GAAP figures as of December 31, 2015, 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 mandate in other oversight bodies	Start date/ Leaving date
Dr. Bernhard Reutersberg (Chairman of the Supervisoriy Board, Uniper SE)	Chairman of the Supervisoriy Board	E.ON Sverige AB until 2016	from December 18, 2015
Andreas Scheidt (Deputy Chairman of the Supervisoriy Board, Uniper SE)	Federal executive board, ver.di	E.ON SE, Deputy Chairman	from April 14, 2016
Dr. Johannes Teyssen (Deputy Chairman of the Supervisoriy Board, Uniper SE)	Chairman and CEO, E.ON SE	Deutsche Bank AG	from December 18, 2015
Ingrid Marie Asander	Project Coordinator	Sydkraft Hydropower AB from 2016	from April 14, 2016
Oliver Biniek	Employee representative	Uniper Anlagenservice GmbH, Deputy Chairman	from April 14, 2016
Jean-Francois Cirelli	Chairman Blackrock France, Belgium and Luxembourg	Vallourec until 2016	from Jan. 1, 2017
Karl-Heinz Feldmann	Counsel E.ON SE	Preussenelektra GmbH until 2016 E.ON Energie AG until 2016 Hamburger Hof Versicherungs AG until 2016	from April 14 until Dec. 31, 2016
Dr. Marion Helmes	Consultant	Bilfinger SE from 2016 ProSiebensat.1 Media SE, Deputy Chairman NXP Semiconductors N.V. British American Tobacco Plc. from 2016	from Jan. 1, 2017
Barbara Jagodzinski	Chairwoman of the employee council		from April 14, 2016
Andre Muilwijk	Quality Officer		from April 14, 2016
Rebecca Ranich	Independent Board Member	Questar Corporation, Chairman until 2016 National Fuel Gas, from 2016 Yet Analytics Gas Technology Institute, Chairperson	from Jan. 1, 2017
Harald Seegatz	Chairman of the employee council	Uniper Kraftwerke GmbH	from April 14, 2016
Michael Sen	Management Board E.ON SE		from Dec. 18, 2015 until Dec 31, 2016
Dr. Marc Spieker	Management Board E.ON SE		from April 14, 2016
Dr. Verena Volpert	Head of Group Finance E.ON SE	Saarschmiede GmbH Freiformschmiede from 2016 Vibracoustic GmbH from 2016 Preussenelektra GmbH from 2016 E.ON International Finance B.V.	from April 14 until Dec. 31, 2016

Management Board (including Information on Other Directorships Held by the Management Board Members)

The Management Board has the following members:

Management Board

name	profession	Other Directorships	Entry date:
Klaus Schäfer	Chairman of the Management Board (CEO)	Nord Stream AG HSBC Trinkhaus Burkhardt AG until 2016 Uniper Global Commodities SE, Chairman Uniper Kraftwerke GmbH, Chairman Unipro PSJC from 2016	Dec. 30,2015
Christopher Delbrück	Member of the Management Board (CFO)	Nord Stream AG Unipro PJSC	Dec. 30, 2015
Keith Martin	Member of the Management Board (CCO)		March 1, 2016
Eckhardt Rümmler	Member of the Management Board (COO)	Uniper Technologies GmbH, Chairman Uniper Energy Storage GmbH, Chairman Unipro PJSC	Dec. 30, 2015

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 adjusted for economic depreciation and amortization and reversals (see page 18 of this Annual Report for a detailed definition).

Adjusted funds from operations ("adjusted FFO")
Cash flow measure used by Uniper. Adjusted funds from operations ("adjusted FFO"), is an adjusted cash flow from operating activities (see page 18 of this Annual Report for a detailed definition).

Bond
Debt security in which the right to repayment of the bond's nominal value plus interest is securitized. Issuers include government entities, banks and businesses. They are a form of medium- and long-term debt financing for the issuer.

Capital stock
The share capital of a stock corporation as specified in its articles of association and recorded in the commercial register. It is shown on the liabilities side of the balance sheet.

Cash flow statement
The cash flow statement assists in the determination and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing and financing activities.

Cash-effective investments
Cash-effective investments are investments reported in the cash flow statement as cash used for investing activities. These investments are classified either as growth investments or as investments in non-current assets in connection with replacement purchases and maintenance.

Commercial paper ("CP")
Short-term, unsecured debt instruments issued by entities such as businesses and banks as part of a CP program.

Consolidation
In the Consolidated Financial Statements, all Group companies are presented together as if they formed a single legal entity. All intragroup expenses and income, all intragroup trade payables and receivables and all other transactions between Group companies are offset against each other and eliminated. Equity investments in Group companies are offset against their capital stock (consolidation of investments) and all intragroup receivables and liabilities are eliminated, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items of the annual financial statements produces the Consolidated Balance Sheet and the Consolidated Statement of Income.

Contractual Trust Arrangement (“CTA”)
A model for funding pension obligations using a trust. In a CTA, a company with pension obligations transfers assets to a separate, legally independent trustee, which uses the assets to satisfy the company’s pension obligations.

Controllable costs
Controllable costs are an indicator for the analysis and 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 Issuance Programme (“DIP”)
Uniper’s program for issuing bonds domestically and abroad.

Discontinued operations
Identifiable business units that are intended for sale or have been sold. They are subject to special disclosure rules.

Economic net debt
Measure of debt in which the net financial position is reduced by 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 taken into account when determining economic net debt.

Equity-method accounting
Method of accounting for shareholdings in associated companies that is not included in the Consolidated Financial Statements on the basis of full consolidation with all assets and liabilities. The book value (carrying amount) recognized for such shareholdings is adjusted for the change in the owned portion of the shareholding’s equity. This change is shown in the owning company’s income statement.

Fair value
The amount for which assets, liabilities and derivative financial instruments could be exchanged or settled between knowledgeable, willing and independent parties (arm’s-length transaction).

Financial net debt ratio
Ratio of economic net financial position to adjusted EBITDA. The financial net debt ratio serves as a target for the capital structure.

Free cash flow
The free cash flow target describes Uniper's aspiration to achieve neutral to positive free cash from operations after paying out the dividend while simultaneously optimizing the operating, financing and investing components of cash flow.

Free cash flow from operations ("FCFO")
Free cash from operations ("FCFO") is used by Uniper as the basis for calculating dividend payments. FCFO is adjusted FFO less investment spending for maintenance and replacement.

German Corporate Governance Code
The German Corporate Governance Code embodies material statutory provisions for the management and supervision of German listed companies. Its recommendations and suggestions contain internationally and nationally recognized standards of good and responsible corporate governance.

Goodwill
The value of a subsidiary as disclosed in the Consolidated Financial Statements resulting from the consolidation of investments (after elimination of hidden reserves and charges), calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's carrying amount (book value) with its recoverable amount (fair value). If it is determined that an asset's recoverable amount has fallen below its carrying amount, an impairment charge must be recognized on the asset. This is of particular importance with respect to goodwill, which must be tested for impairment at least once a year.

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.

Net financial position
Balance of liquid funds and non-current securities net of financial liabilities (including financial liabilities to affiliated companies).

Net income/loss
Earnings figure that includes interest, income taxes and income from non-controlling interests, and which has not been adjusted for any extraordinary effects.

Operating cash flow before interest and taxes ("OCFbIT")
Operating cash flow before interest and taxes ("OCFbIT") is a measure of cash flow from operating activities (operating cash flow) net of cash provided by or used for interest and taxes (less refunds).

Profit at risk ("PaR")
Risk measure that indicates, with a certain degree of confidence (for example, 95%), that changes in market prices will not cause a profit margin to fall below expectations during the holding period, depending on market liquidity. The relevant market prices are those for power, gas, coal and CO_2 emissions.

Purchase price allocation

Allocation to individual assets and liabilities of the purchase price paid for an acquired entity in a business combination.

Rating

Classification by a rating agency of short- and long-term debt issues or of issuers into grades of credit quality or into rating categories. The main function of a rating is to create transparency and thus comparability for investors and creditors with regard to the risk of default in a financial investment.

Spin-off

Refers to the term from German law governing the reorganization of corporate entities ("Abspaltung"). A spin-off is a separation process in which one or more parts of an entity's assets are transferred to existing or newly-established entities, while the original entity remains intact. As consideration for the assets thus separated, the owners of the transferring entity receive shares in the entity that receives the separated assets.

Spot market

A spot market (or cash market) is the economic venue where offers and bids for spot or cash transactions come together. Items traded in the spot market include, in particular, currencies, securities and commodities that are traded under standardized contracts.

Value at risk ("VaR")

Statistical risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99%) over a certain period of time (for example, one day). Holding periods can be specified with market liquidities taken into account. Due to correlations between markets, the risk to a portfolio determined in VaR can be less than the sum of the individual underlying risks within the portfolio .

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Financial Calendar

May 9, 2017
Quarterly Statement: January – March 2017

June 8, 2017
2017 Annual Shareholders Meeting (Grugahalle, Essen)

August 8, 2017
Interim Report: January – June 2017

November 7, 2017
Quarterly Statement: January – September 2017

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