Half-Year Interim Report 2020

Financial Results

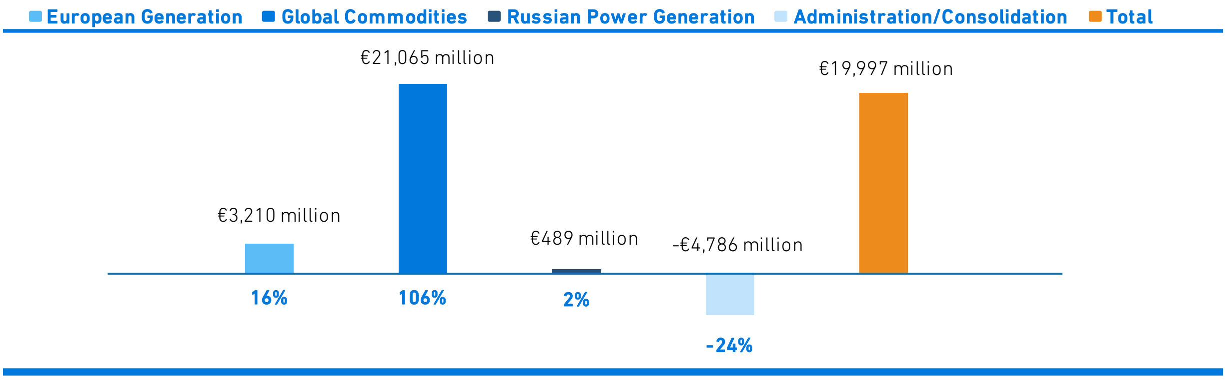
Performance Indicators at a Glance

Financial and Non-Financial Indicators for the Uniper Group

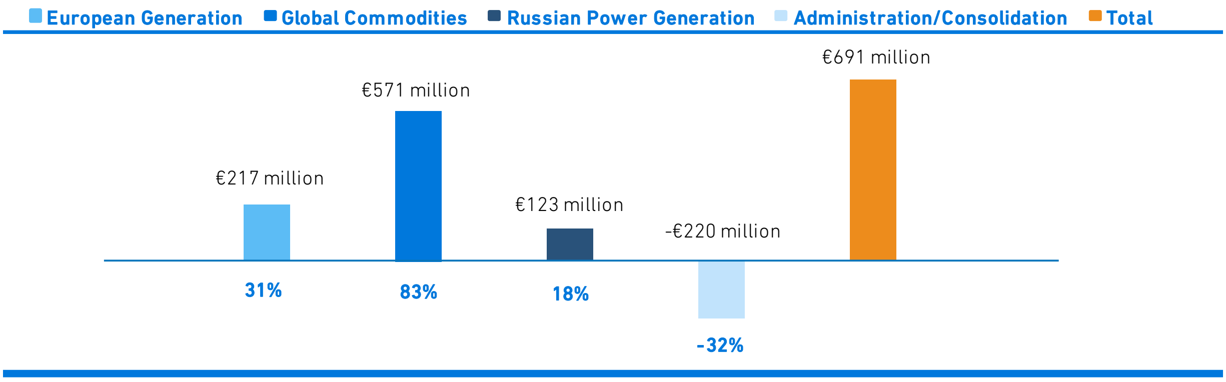
January 1–June 30	Unit	2020	2019	2018	2017	2016
Power procurement and owned generation	Billion kWh	268.8	318.7	359.4	376.7	347.2
Electricity sales	Billion kWh	266.6	316.5	358.3	375.6	345.9
Gas volume sold	Billion kWh	1,137.6	1,105.2	1,027.8	994.8	841.6
Sales[1]	€ in millions	19,977	33,736	35,968	37,305	33,327
Adjusted EBIT[2]	€ in millions	691	308	601	930	1,135
For informational purposes: Adjusted EBITDA[2]	€ in millions	1,012	657	940	1,253	1,540
Net income/loss[1]	€ in millions	677	921	-522	1,057	-3,885
Earnings per share[1 3 4]	€	1.75	2.40	-1.49	2.64	-10.58
Cash provided by operating activities (operating cash flow)	€ in millions	288	-322	465	1,407	1,952
Adjusted net income[5]	€ in millions	527	189	N/A	N/A	N/A
Investments	€ in millions	279	240	244	294	292
Growth	*€ in millions*	*175*	*145*	*154*	*192*	*144*
Maintenance and replacement	*€ in millions*	*104*	*94*	*90*	*102*	*148*
Economic net debt[6]	€ in millions	3,296	2,650	2,509	2,445	4,167
Employees as of the reporting date[6]		11,591	11,532	11,780	12,180	12,635

[1]The comparative figures shown have been restated based on changes in accounting and presentation methods for the first–half of 2019. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements. The first–half figures for 2016–2018 continue to be presented as originally reported.
[2]Adjusted for non-operating effects.
[3]Basis: outstanding shares as of reporting date.
[4]For the respective fiscal year.
[5]Adjusted net income is used as a management indicator for the entire Group for the first time beginning in 2020. The figure for 2019 is disclosed solely for informational purposes to provide year-over-year comparability.
[6]Figures as of June 30, 2020; comparative figures as of December 31 of each year.

External Sales Revenues



Adjusted EBIT



Contents

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

Uniper applies commercial rounding. Any rounding differences existing between individual amounts and totals are accepted.

This Interim Report, and especially the Forecast Report section, contains certain forward-looking statements that are based on current assumptions and forecasts made by Uniper SE management and on other information currently available to Uniper SE management. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial condition, development or performance of the Company to differ materially from that anticipated in the estimates given here. Risks and chances of this nature include, but are not limited to, the risks specifically described in the Risk and Chances Report.

Interim Management Report

- Adjusted EBIT significantly higher year over year
- Adjusted net income significantly above prior-year period
- Higher economic net debt as result of dividend payment and higher pension provisions
- Earnings forecast narrowed and planned dividend proposal for 2020 reaffirmed

Business Model of the Group

Uniper is a parent-owned international energy company with operations in more than 40 countries and some 11,500 employees. Its business is the secure provision of energy and related services in an increasingly decarbonizing environment. The Uniper Group is composed of three operating business segments: European Generation, Global Commodities and Russian Power Generation. The Russian Power Generation operating segment was previously called International Power Generation. Following the disposal in early April 2019 of the 6.1% financial investment in the Brazilian energy utility ENEVA S.A., this segment now includes only Russian activities. Combined separately under Administration/Consolidation are administrative functions that are performed centrally across segments, as well as the consolidations required to be carried out at Group level. The ultimate parent company of the Uniper Group is Uniper SE; the corporate headquarters are in Düsseldorf, Germany. The majority shareholder of Uniper SE, with an indirect interest of 73.4%, is Fortum Oyj, Espoo, Finland ("Fortum"). As a separate listed group, Uniper publishes its quarterly statements, its half-year interim financial statements and its consolidated annual financial statements, all of which are also included in Fortum's respective consolidated financial statements. The majority shareholder of Fortum is the Republic of Finland.

Business Report

Industry Environment

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

Energy Policy and Regulatory Environment

On July 8, 2020, the EU Commission published its "Hydrogen Strategy" along with a strategy for the integration of the energy sector, the objective of which is to better connect the different energy sectors, from electricity and heat to transportation and industry. These are the initial political programs and legislative projects which are intended to pave the way to meet the net zero emissions target by 2050. Specifically, the Internal Gas Market Directive is to be revised by 2021. The hydrogen strategy includes defining targets for the expansion of hydrogen production capacities by 40 GW by 2030 (6 GW by 2024). While the focus is on the development and use of renewable hydrogen, technologies for "blue hydrogen" produced from natural gas are not precluded.

On June 10, 2020, the German federal cabinet adopted the national hydrogen strategy. The goals of this strategy include building generation plants of up to 5 GW in Germany by 2030, including the necessary offshore and onshore power generation. Other key elements are the planned exemption of power-to-gas plants fed with renewable electricity from the surcharge mandated by the German Renewable Energy Sources Act, an expansion path for electrolyzers of 10 GW by 2035, and the fundamental openness to new technologies in heating and parts of the transport sector. The strategy favors "green hydrogen", which is produced from renewable energies, but it also sees market potential for "blue hydrogen". The measures of the hydrogen strategy must be translated into laws or funding programs that are based on these measures, although there is not yet a timetable for the implementation.

On January 29, 2020, the German federal government adopted legislation to end coal-fired power generation as part of its proposed coal phase-out law. In addition to phasing out lignite-fired power generation, the proposed legislation also specifies the phase-out path for the country's hard-coal power plants. The law was passed by the German Bundestag and Federal Council on July 3, 2020. One of the results of this is that the auctions for the first coal-fired power plants to be decommissioned can now start as planned in 2020. At the same time, the Structural Development Act was passed, which regulates structural change, including at the sites of coal-fired power plants, and provides funding for this purpose.

The Dutch government is currently preparing its Urgenda package, which is intended to achieve climate protection targets. The measures are being taken as a consequence of the ruling by the Dutch Supreme Court in December 2019 ordering the government to deliver a reduction in carbon emissions of 25% (from 1990 levels) by the end of 2020. The Urgenda measures could include a production limit for coal-fired power plants.

The Swedish government has adopted a national plan to adapt hydroelectric power to modern environmental conditions. The decision strikes a balance between efficient access to hydroelectric power and measures for the sustainable use of hydroelectric power. Since mid-June 2020 there has been an intense debate on energy in Sweden about the risk of electricity shortages in the south of the country. The Swedish transmission system operator Svenska Kraftnät has taken several measures to strengthen supply security, including an agreement with Vattenfall to operate the Ringhals 1 nuclear reactor from July 1 to September 15. Ringhals 1 was temporarily shut down for maintenance work on March 15, 2020. Due to current market prices, the shutdown was extended until after the summer, when its further operation will be reevaluated based on the market situation. In addition, an agreement was signed with the operator of the Karlshamnsverket power plant to enable the power plant to operate during the summer in order to stabilize the electricity system in southern Sweden.

Trade negotiations between the EU and the United Kingdom have intensified and now take place weekly. The energy sector is one of eleven areas being negotiated. The British government has outlined its plans to introduce a British emissions trading system from January 2021. Among other things, a reserve price for auctions of £15/tCO2 has been established. The British government is open to linking the system to the EU ETS if this is considered mutually beneficial.

In Russia, the government decision of January 25, 2019 introduced the competitive capacity auction ("KOM") procedure for the modernization of thermal power plants. The selection of power plants to be included in the 2026 modernization program ("KOMMod"), originally scheduled for the end of June 2020, has not yet taken place. On June 29, 2020, the Russian Ministry of Energy postponed the selection until September 1, 2020.

Given the ongoing global coronavirus (Covid-19) pandemic, all European and national legislative projects may be subject to unforeseeable delays in parliamentary processes.

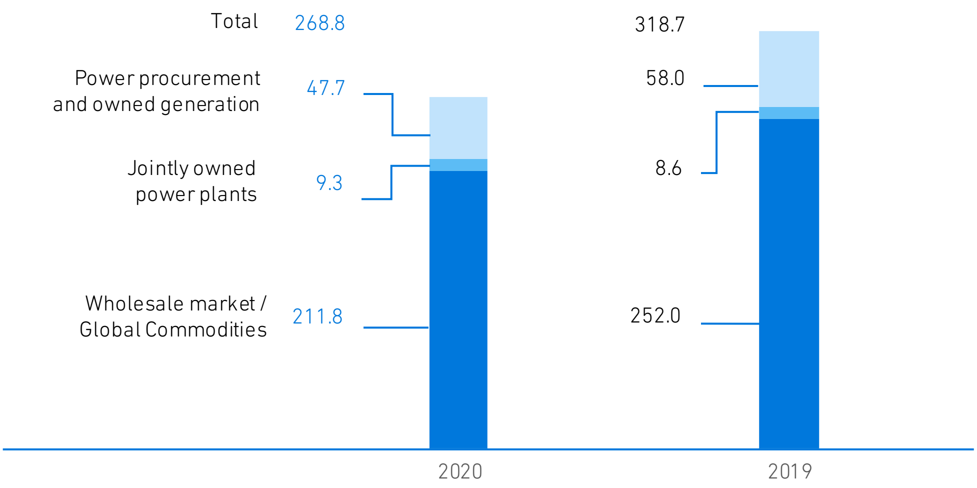
Business Performance

Power Procurement and Owned Generation

In the first half of 2020, the amount of electricity generated by the Uniper Group's own power plants stood at 47.7 billion kWh, a significant decrease of 10.3 billion kWh, or 17.8%, compared with the prior-year period. Purchased electricity fell significantly, by 39.6 billion kWh, or 15.2%, to 221.0 billion kWh.

Power Procurement and Owned Generation[1, 2]

Billion kWh in the first half-year



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

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

The European Generation segment's owned generation totaled 25.9 billion kWh in the first half of 2020, a change of -6.7 billion kWh, or -20.6%, down significantly from the prior-year level of 32.7 billion kWh. There was a significant decline in demand due to the Covid-19 pandemic, resulting in a noticeable deterioration in the market conditions for the use of Uniper's power plant portfolios. This resulted in shorter uptimes in all the power plants in the fossil power plant fleet. This decline is due in part to the sale of the Uniper Group's generation activities in France in the third quarter of 2019. An increase in flows of water in Sweden compared with the prior-year period, mainly due to stronger snowmelt and increased precipitation, resulted in higher electricity generation at Uniper's hydroelectric power plants.

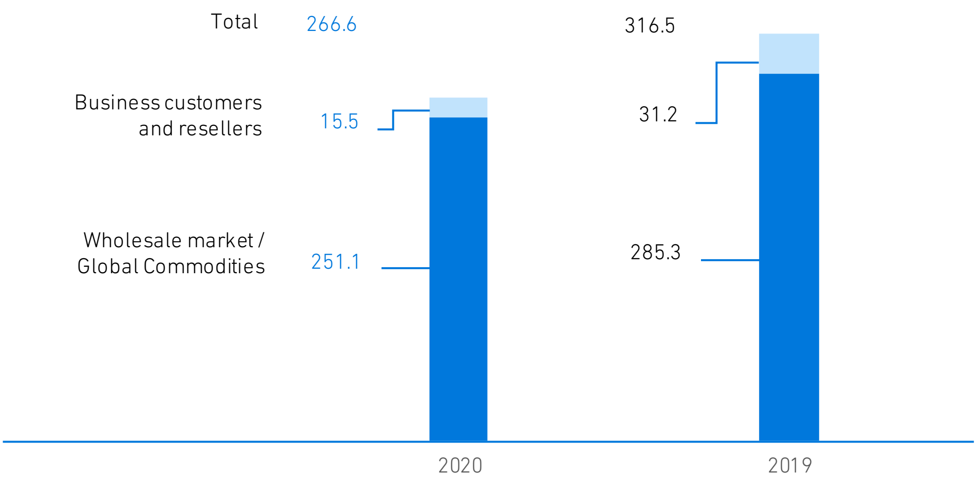
In the Russian Power Generation segment, owned generation declined significantly year over year by 3.6 billion kWh, or 14.2%, from 25.4 billion kWh in the prior-year period to 21.8 billion kWh in the first half of 2020. Uptimes at the Berezovskaya power plant fell significantly by 25% compared to the prior-year period due to the weather-related increase in cheaper energy supplied by competitors. Other factors in this reduction were lower demand resulting from an exceptionally warm start to the year and the effects of the Covid-19 pandemic, which, in addition to a general decline in demand, also reduced demand from oil and gas producers and led to lower foreign demand.

Electricity Sales

In the first half of 2020, the Uniper Group's electricity sales stood at 266.6 billion kWh, a significant decrease of -15.8% from the level of 316.5 billion kWh recorded in the prior-year period.

Electricity Sales[1, 2]

Billion kWh in the first half-year



[1]Difference from electricity procurement results from operating consumption and network losses.

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

The changes in electricity sales volumes were primarily due to the decline in owned generation and the sale of the Uniper Group's generation activities in France as well as the associated lower optimization activities in the Global Commodities segment.

Alongside electricity trading in the energy markets, a portion of the Uniper Group's electricity sales to major customers such as municipal utilities and industrial customers in Germany and in Europe is transacted through an internal sales unit, Uniper Energy Sales GmbH ("UES"). In addition to sales, UES also handles marketing for the Uniper Group. It also offers its customers services in consulting, service and the electricity industry.

Electricity sales by UES in the first half of 2020 came to 13.2 billion kWh, which was significantly below the level of the prior-year period (17.2 billion kWh). Lower volumes were purchased, especially by industrial customers, due to the consequences of the Covid-19 pandemic, which led to lockdowns and reduced working hours. The reduction is also attributable to expiring contracts with customers.

Gas Business

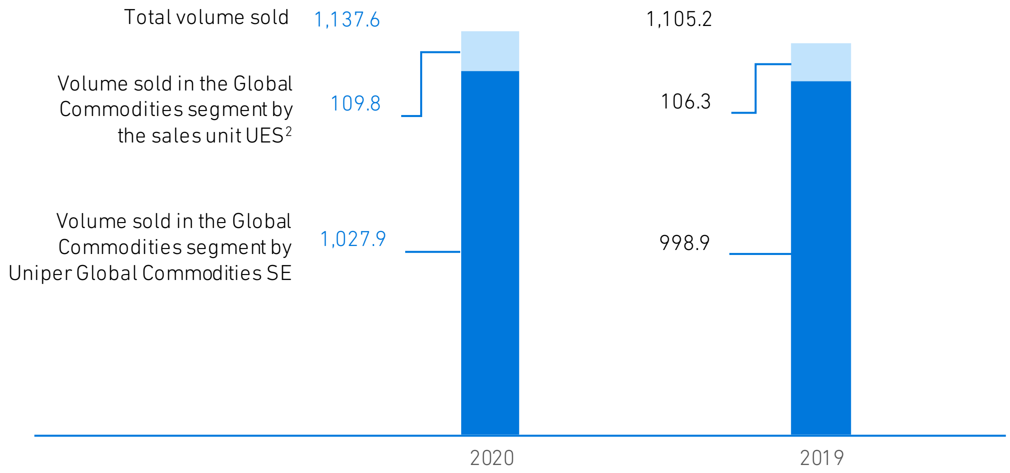
The total volume of natural gas sold in fiscal 2020 was 1,137.6 billion kWh (prior-year period: 1,105.2 billion kWh). During the same period, the Uniper Group acquired a total of 1,170.8 billion kWh (prior-year period: 1,123.1 billion kWh). The vast majority of the volumes moved result from transactions on domestic and foreign trading markets, which are carried out to manage the Group's own gas-fired power plants, to optimize booked natural gas storage or transport capacities, and to commercially exploit regional price differences, among other things.

Sales Business

Uniper sells natural gas to resellers (e.g. municipal utilities), large industrial customers and power plant operators through its internal sales unit UES. The volume of gas sold by UES in the first half of 2020 came to 109.8 billion kWh, slightly above the previous year period (106.3 billion kWh). There were negative volume effects due to another very mild winter and spring as well as low purchases, especially by industrial customers, caused by Covid-19 (short working hours, lockdown) in the second quarter, however, these effects were more than offset by new customer acquisitions and new contracts.

Gas Sales[1]

Billion kWh in the first half-year



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

[2]Including intragroup volumes.

Long-Term Gas Supply Contracts

The procurement of natural gas is largely based on long-term contracts with suppliers from Germany, the Netherlands, Norway and Russia. In the first half of 2020, Uniper had long-term contracts amounting to 190 billion kWh (prior-year period: 195 billion kWh).

Gas Storage Capacity

Uniper Energy Storage GmbH is responsible for the operation of gas storage for the 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 in the European storage market and the development of new storage technologies. Uniper Energy Storage GmbH manages natural gas storage facilities in Germany and Austria. In addition, a British Uniper Group company operates a gas storage facility in the United Kingdom. In the first half of 2020, gas storage capacity was 7.6 billion m^3. This was slightly (0.1 billion m^3) below the prior-year period (7.7 billion m^3).

Business Developments and Key Events in the First Half of 2020

By resolution of the Supervisory Board of Uniper SE dated January 27, 2020, Niek den Hollander was appointed to succeed Keith Martin as a member of the Management Board of Uniper SE from June 1, 2020. The appointment was made for three years in accordance with the recommendations of the German Corporate Governance Code.

On March 26, 2020, Fortum announced that it had closed the first tranche of the agreement to purchase shares of Uniper SE on March 26, 2020, resulting in the acquisition of shares held by Elliott Management Corporation and its affiliates ("Elliott") and by Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"). After closing the first tranche, Fortum held 69.6% of the voting rights of Uniper SE. On May 8, 2020, Fortum closed the second and final tranche of the agreement and purchased the remaining 3.8% stake in Uniper SE held by Elliott. Effective May 8, 2020, Fortum held 73.4% of the shares and voting rights of Uniper SE.

In an extraordinary meeting of the Supervisory Board on April 3, 2020, Dr. Bernhard Reutersberg resigned his office as Chairman of the Supervisory Board and left the Supervisory Board. At the same time as Dr. Reutersberg, Jean-François Cirelli, David Charles Davies, Dr. Marion Helmes and Rebecca Ranich also resigned from and left the Supervisory Board. The reason for the resignations was a corresponding request by Fortum for the immediate resignation of the independent shareholder representatives on the Supervisory Board.

On April 17, 2020, the Düsseldorf District Court appointed the following individuals as new members and shareholder representatives of the Uniper SE Supervisory Board (in alphabetical order):

- Prof. Dr. Werner Brinker, independent energy consultant, Germany
- Dr. Bernhard Günther, Member of the Management Board of Innogy SE, Germany
- Prof. Dr. Klaus-Dieter Maubach, Managing Director of maubach.icp GmbH and member (Deputy Chairman) of the Board of Directors of Fortum Oyj, Finland
- Sirpa-Helena Sormunen, General Counsel of Fortum Oyj, Finland
- Tiina Tuomela, Executive Vice President, Generation, of Fortum Oyj, Finland

The court-appointed Supervisory Board members were reelected to the Supervisory Board at the Annual Shareholders Meeting on May 20, 2020. The Supervisory Board of Uniper SE elected Prof. Dr. Klaus-Dieter Maubach as new Chairman of the Supervisory Board.

In March 2020, the World Health Organization officially designated the outbreak of the novel lung disease (Covid-19) a pandemic that is currently spreading around the world. Uniper is continuously monitoring developments in this regard and has taken measures to protect its employees and business partners. Uniper also has effective business continuity plans in place for its operations and administrative functions, which ensure that the Company is well prepared for such events. Nevertheless, the pandemic and the measures taken to contain it worldwide have had a negative impact on the global traded markets and have contributed to significant decreases in prices and substantial price volatility in the commodity and financial markets. Uniper has not applied for assistance under the German government's package of measures to help businesses mitigate the impact of the coronavirus. These current – and possible future – developments, which were apparent as of the reporting date, also have an impact on Uniper's assets, financial condition and earnings, and have been taken into account accordingly in the financial statements. Loss allowances for operating financial assets – such as trade receivables – were increased due to expected higher future defaults by customers that have been weakened economically by the pandemic. In addition, as a result of the decline in commodity prices, corresponding impairments were recognized on inventories, which were in part offset by positive effects from hedging transactions. As a result of the government support programs in Germany and the ECB bond purchase programs, interest rates fell compared with year-end 2019, which led to a corresponding increase in pension provisions. The fair value of plan assets is at almost the same level as at the end of 2019. The updating of forecasts of market prices for commodities, electricity and gas on the trading markets resulted in individual impairments on generation assets, particularly in the European Generation and Russian Power Generation segments. Individual other equity investments were also measured at a lower fair value due to the updating of assumptions. The decrease in the line items for revenues and cost of materials is due mainly to changes in market prices, since a significant portion of the contracts involving physical settlement that Uniper enters into (failed own-use contracts) is realized at the spot price applicable on the settlement date – applying the recognition and measurement rules codified in IFRS – rather than at the originally hedged price. The difference between the spot price and the contractually hedged price is instead recognized in the line items for other operating income and expenses. Driven down by the pandemic, the decreased commodity spot prices have thus brought about a shift in the presentation of realized income and expenses from revenues and cost of materials to other operating income and expenses, but that shift does not affect contractual cash flows and therefore has no impact on adjusted EBIT. Hedging additionally resulted in a net positive unrealized contribution to earnings as prices fell.

In connection with the draft legislation to end coal-fired power generation adopted by the German federal government, Uniper announced on January 30, 2020, that it intended to decommission some power plant units. The coal phase-out in Germany was formally enacted into law by the Bundestag and the Bundesrat on July 3. Insofar as they are relevant as of the reporting date, the effects on Uniper have been taken into account in the half-year interim financial statements.

In January 2020, Gazprom Export and Uniper agreed to end arbitration proceedings in which the parties had asked for price adjustments to natural gas supply contracts. Long-term gas supply contracts often include price review clauses that – under defined circumstances – enable each side to engage in discussions about the pricing. It is not unusual that those discussions lead to arbitration proceedings. Such proceedings do not prevent the parties from seeking to reach an out-of-court agreement through continued commercial negotiations.

On February 21, 2020, Uniper signed an agreement with Saale Energie GmbH ("Saale Energie"), a subsidiary of EPH (Energetický a průmyslový holding, a. s.), on the sale of its stake in the Schkopau lignite-fired power plant in Saxony-Anhalt. Uniper is the operator of the power plant and holds a stake in the power plant operating company of about 58%. Saale Energie already holds a stake of around 42% in the Schkopau power plant and will take over Uniper's stake with effect from October 2021. Once it has sold its interest in the Schkopau power plant, Uniper will have fully withdrawn from lignite-fired power generation in Europe.

In February 2020, Uniper entered into a six-year contract with the United Kingdom's National Grid Electricity System Operator to deliver innovative grid stability services. Following the contract signing, Uniper plans to deliver inertia services and voltage control to the British grid at its Killingholme and Grain power plants.

In the first quarter of 2020, Uniper received the payment from the British capacity market, which had been suspended from the end of 2018 through 2019. The associated revenues had already been recognized in the 2018 financial statements. The British capacity market has been functioning normally again since January 1, 2020, with corresponding income and payments in the first half of 2020.

Within the wider context of developing LNG projects in Germany MOL (Mitsui O.S.K. Lines Ltd., Tokyo, Japan) and LTW (LNG Terminal Wilhelmshaven GmbH) signed a contract on May 26, 2020, to build and charter an LNG terminal ship – known in the industry as a Floating Storage and Regasification Unit (FSRU) – for the planned LNG landing terminal in Wilhelmshaven on the North Sea. LTW, a wholly-owned indirect subsidiary of Uniper SE, is the project developer and operator behind the future LNG terminal in Wilhelmshaven.

The owners of the Irsching 5 gas power plant near Ingolstadt – Uniper, N-ERGIE, Mainova and ENTEGA – decided on May 28, 2020, to return the plant to the market on October 1, 2020. This decision was made due to improved market prices – in particular, lower gas prices – which should make it possible to operate the highly efficient gas power plant profitably. At the same time, and for the same reasons, Uniper, the sole owner of the Irsching 4 gas power plant, is preparing to resume market operation of that plant as well. The owners reserve the right to reassess the situation from year to year and to revise the decision in the event of a deterioration in market conditions.

The Datteln 4 power plant was successfully commissioned on May 30, 2020.

The increasing share of renewable energies is presenting grid operators worldwide with growing challenges to maintain balance in electricity grids. Frequency deviations in the grid can lead to poorer power quality and, in the worst case, to power outages. On June 8, 2020, Uniper announced that it was launching an innovative battery solution that would meet the growing need for fast frequency control – and thus grid stability. The first implementation of this battery technology will take place in two of Uniper's hydroelectric power plants in northern Sweden: Edsele with a capacity of six megawatts and Lövön with a capacity of nine megawatts.

On June 10, 2020, the German federal government adopted the National Hydrogen Strategy and specified the composition of the National Hydrogen Council. Among others, the CEO of Uniper, Andreas Schierenbeck, was appointed to the 26-member committee of national and international experts from science and industry. The Council's task is to advise and support a committee of state secretaries from relevant ministries of the German government by making proposals and recommendations for action in the implementation and further development of the hydrogen strategy.

The first half of 2020 was characterized by very mild temperatures also seen in the prior-year period, and additionally by the impact of the Covid-19 pandemic. This led to significant declines in sales volumes for both electricity and gas. The decline in the gas business, however, was more than offset by new customer acquisitions, which resulted in slight volume growth relative to the prior-year period. The preceding effects also depressed electricity and gas prices, with electricity additionally impacted by higher water volumes in Sweden and higher supply from renewables. In the gas business, it was primarily the combination of reduced market demand coinciding with relatively high storage levels that ultimately led to significantly lower price levels at individual gas trading points. This presented gas suppliers with the challenge of optimizing economically the volumes procured under long-term supply contracts. Thanks to its diversified, flexible gas-storage and gas-optimization portfolio, Uniper successfully mastered this challenge. A decrease in power generation and spreads also reflected this development, even as the comparatively limited use of the fossil-fuel generation portfolio led to an increased focus on the spot, intraday and system-services markets. Furthermore, as in the preceding quarter, hydroelectric power generation in Sweden exceeded that of the prior-year period because of the hydrological situation.

The earnings performance of the Russian majority shareholding Unipro was negatively affected primarily by lower electricity prices in the day-ahead market due to the impact of the Covid-19 pandemic – especially at oil and gas producers, as well as by reduced foreign demand combined with a weather-related increase in supply.

Owing to circumstances including the impact of the Covid-19 pandemic, Uniper now expects that Unit 3 of the Berezovskaya power plant in Russia will return to service in the first half of 2021. The remaining investment amount still to be spent now stands at roughly 6 billion rubles.

Changes in Ratings

On March 20, 2020, S&P affirmed Uniper's rating at BBB, albeit with a negative outlook, as a result of the announcement of Fortum to further increase its shareholding in Uniper. With the transaction closing in May 2020 Fortum's share in Uniper rose to 73.4%. The negative outlook reflects the outlook on Fortum Oyj. Per S&P rating methodology Uniper's rating is capped at the rating of its majority shareholder Fortum Oyj (currently BBB, outlook negative).

Uniper is rated BBB+ with a stable outlook by Scope Ratings. The rating was affirmed on May 25, 2020.

In general, Uniper strives to maintain a stable investment-grade rating of BBB. Further information on Uniper's credit ratings can be found on the Uniper website at https://www.uniper.energy/ratings.

Earnings

Sales Performance

Sales

January 1–June 30 € in millions	2020	2019[1]	+/- %
European Generation	3,210	6,566	-51.1
Global Commodities	21,065	36,919	-42.9
Russian Power Generation	489	578	-15.4
Administration/Consolidation	-4,786	-10,327	-53.7
Total	**19,977**	**33,736**	**-40.8**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

At €19,977 million, sales revenues in the first half of 2020 were roughly 41% below the prior-year figure (first half of 2019: €33,736 million). The comparative figures shown for the prior-year period of the first half of 2019 have been restated in view of a change in accounting and presentation methods (further information is provided in Note 3 to the 2019 Consolidated Financial Statements). The change relates to certain realized forward transactions that are to be included in sales and cost of materials at the respective spot price.

European Generation

Sales in the European Generation segment fell by €3,356 million, from €6,566 million in the prior-year period to €3,210 million in the first half of 2020.

The decline in sales from the previous year resulted primarily from the sale in the third quarter of 2019 of Uniper's activities in France, which thus were still contributing to the segment's revenues in the prior-year period. In addition, there was a decline in sales due to significantly lower spot prices and the absence of a positive effect from 2019 (the inverse of Global Commodities) from the management of the long-term price risk of emission allowances compared to the previous year period. These effects were partially offset by higher sales from the British power plant business due to the resumption of the capacity market in the UK.

Global Commodities

Sales in the Global Commodities segment decreased by €15,854 million, from €36,919 million in the prior-year period to €21,065 million in the first half of 2020.

The reduction is attributable in particular to lower prices in the electricity and gas business. Internal sales in the electricity business decreased significantly owing to lower transaction levels between the power plant operating companies in the European Generation segment and the trading unit in the Global Commodities segment and due to lower trading and optimization activities. External sales in the gas business fell because of lower prices. Sales in the first half of 2020 also fell because the revenues from the generation and sales activities in France that were sold in the third quarter of 2019 were now absent. Higher gas trading volumes and significantly higher oil sales volumes had a slight offsetting effect.

Russian Power Generation

Sales in the Russian Power Generation segment declined by €89 million, from €578 million in the prior-year period to €489 million in the first half of 2020.

The sales performance in the Russian Power Generation segment was negatively affected primarily by lower electricity prices in the day-ahead market due to the impact of the Covid-19 pandemic – especially at oil and gas producers, as well as by reduced foreign demand combined with a weather-related increase in supply.

Administration/Consolidation

Revenues attributable to the Administration/Consolidation reconciliation item changed by €5,541 million, from -€10,327 million in the first half of 2019 to -€4,786 million in the first half of 2020.

This is primarily a consolidation effect arising from less intersegment transactions between the power plant operating companies of the European Generation segment and the Uniper Group's trading unit in the Global Commodities segment.

Sales by product break down as follows:

Sales

January 1–June 30 € in millions	2020	2019[1]	+/- %
Electricity	7,280	12,667	-42.5
Gas	11,188	19,562	-42.8
Other	1,510	1,507	0.2
Total	**19,977**	**33,736**	**-40.8**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Significant Earnings Trends

The net income of the Group was €677 million (first half of 2019 net income of €921 million; prior-year figure restated, see also Note 3 to the 2019 Consolidated Financial Statements). Income before financial results and taxes decreased to €868 million (first half of 2019: €1,113 million; prior-year figure restated, see also Note 3 to the 2019 Consolidated Financial Statements).

The principal factors driving this earnings trend are presented below:

The cost of materials decreased by €13,348 million in the first half of 2020 to €18,935 million (first half of 2019: €32,283 million; prior-year figure restated, see also Note 3 to the 2019 Consolidated Financial Statements), thus following the sales trend described previously.

Personnel costs increased by €18 million in the first half of 2020 to €509 million (first half of 2019: €491 million). This increase mainly resulted from expenses for Uniper's new strategy, which includes a proactive coal exit plan in Europe. It was partially offset by the disposal of Uniper's activities in France in the third quarter of 2019.

Depreciation, amortization and impairment charges amounted to €562 million in the first half of 2020 (first half of 2019: €357 million). The increase of €205 million is primarily attributable to the increase in impairment charges on property, plant and equipment to €238 million, which was recognized in the European Generation and Russian Power Generation segments (first half of 2019: €5 million). The reversal of impairment charges on previously amortized power plants amounted to €149 million in the first half of 2020 (first half of 2019: no reversals). These related mainly to two gas-fired power plants in Germany, which were reversed due to their planned reentry into the market. Total regular depreciation and amortization were only marginally lower than in the prior-year period, having declined by €29 million.

Other operating income increased to €16,467 million in the first half of 2020 (first half of 2019: €14,584 million; prior-year figure restated, see also Note 3 to the 2019 Consolidated Financial Statements). This was caused primarily by the marking to market of commodity derivatives. Income from invoiced and open transactions and from related currency hedges amounted to €16,002 million, having increased by €1,940 million year over year (first half of 2019: €14,062 million).

Other operating expenses increased to €15,638 million in the first half of 2020 (first half of 2019: €14,173 million; prior-year figure restated, see also Note 3 to the 2019 Consolidated Financial Statements). The increase resulted primarily from changes in the fair value of commodity derivatives. Expenses from invoiced and open transactions and from related currency hedges increased by €1,504 million year over year to €15,034 million (first half of 2019: €13,530 million).

Reconciliation of Income/Loss before Financial Results and Taxes

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

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

The non-operating effects on earnings for which EBIT is adjusted include gains and losses from the fair value measurement of derivative financial instruments used in hedges, as well as certain effects resulting from the measurement of physically settled contracts within the scope of IFRS 9, which are measured at the market price at physical settlement instead of the contractually hedged price. Additionally, certain book gains/losses, expenses for (and income from) restructuring and 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, are eliminated.

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of derivatives are also included in other operating expenses and income. These hedges entered into as part of the energy trading business, however, have no impact on adjusted EBIT until maturity. In addition, for physically settled derivative financial instruments within the scope of IFRS 9, further non-operating adjustments of revenues, cost of materials, other operating income and other operating expenses are also made to adjust for the difference between the economically and contractually hedged contract price and the spot price on the settlement date that is relevant for income and expense recognition under IFRS. Since unadjusted EBIT is derived from the revenue and cost of materials (i.e., inventories and emission rights, including their subsequent measurement) measured for these transactions at the IFRS-relevant spot price when they are settled, the difference between such measurement and one based on the economically hedged contract price is adjusted accordingly to determine adjusted EBIT.

Expenses for (and income from) restructuring and cost-management programs initiated prior to the spin-off represent additional expenses and income 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 reported net income before financial results and taxes of €868 million (first half of 2019: €1,113 million) is adjusted for non-operating effects totaling -€182 million (first half of 2019: -€810 million) and, in addition, increased by the net income from equity investments of €5 million (first half of 2019: €5 million) to produce adjusted EBIT of €691 million (first half of 2019: €308 million).

The bottom line in the table below shows the detailed reconciliation of income/loss before financial results and taxes in accordance with IFRS to adjusted EBIT, and additionally provides an overview of what items are affected by non-operating adjustments:

Reconciliation of Income/Loss before Financial Results and Taxes 2020[1]

		Adjustments of items of income/loss before financial results and taxes to adjusted EBIT								
January 1–June 30 € in millions	**Income statement items**	**Net book gains (-) / losses (+)**	**FV measure-ment of deriva-tives**	**Adj. of reve-nues and cost of materials**	**Restruc-turing[2] [3]**	**Misc. other non-op. earnings**	**Impair-ment charges/ reversals[4]**	**Total adjust-ments**	**Net income from equity invest-ments**	**Components of adjusted EBIT**
Sales including electricity and energy taxes	20,123	–	–	9,370	–	–	–	9,370	–	29,493
Electricity and energy taxes	-146	–	–	–	–	–	–	0	–	-146
Sales	**19,977**	**–**	**–**	**9,370**	**–**	**–**	**–**	**9,370**	**–**	**29,347**
Changes in inventories (finished goods and work in progress)	22	–	–	–	–	–	–	0	–	22
Own work capitalized	28	–	–	–	–	–	–	0	–	28
Other operating income	16,467	-2	-12,390	–	–	-51	-148	-12,592	–	3,875
Cost of materials	-18,935	–	–	-9,094	–	132	–	-8,962	–	-27,897
Personnel costs	-509	–	–	–	48	–	–	48	–	-461
Depreciation, amortization and impairment charges	-562	–	–	–	2	–	237	239	–	-323
Other operating expenses	-15,638	2	11,674	–	9	30	–	11,714	–	-3,924
Income from companies accounted for under the equity method	17	–	–	–	–	–	–	0	–	17
Reconciliation of income/loss before financial results and taxes to adjusted EBIT (summarized)	**868**	**-1**	**-716**	**276**	**60**	**111**	**89**	**-182**	**5**	**691**

[1]Owing to the adjustments made, the earnings items shown here may differ from the figures determined in accordance with IFRS.
A reconciliation of income/loss before financial results and taxes prepared in compliance with the Guidelines on Alternative Performance Measures published by the European Securities Markets Authority (ESMA) is provided in the notes to the interim financial statements.
[2]Expenses for (and income from) restructuring and cost management in the Global Commodities segment included depreciation and amortization of €2 million in the first half of 2020 (first half of 2019: €6 million).
[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 the depreciation, amortization and impairment charges reported in the income statement since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring/cost-management expenses and in miscellaneous other non-operating earnings.

Reconciliation of Income/Loss before Financial Results and Taxes 2019[1]

January 1–June 30 € in millions	Income statement items	Net book gains (-) / losses (+)	FV measure-ment of deriva-tives	Adj. of reve-nues and cost of materials	Restruc-turing[2] [3]	Misc. other non-op. earnings	Impair-ment charges/ reversals[4]	Total adjust-ments	Net income from equity invest-ments	Components of adjusted EBIT
		Adjustments of items of income/loss before financial results and taxes to adjusted EBIT								
Sales including electricity and energy taxes[2]	33,951	–	–	3,029	–	–	–	3,029	–	36,980
Electricity and energy taxes	-216	–	–	–	–	–	–	0	–	-216
Sales	**33,736**	**–**	**–**	**3,029**	**–**	**–**	**–**	**3,029**	**–**	**36,765**
Changes in inventories (finished goods and work in progress)	22	–	–	–	–	–	–	0	–	22
Own work capitalized	35	–	–	–	–	–	–	0	–	35
Other operating income[2]	14,584	-5	-10,006	–	–	-204	–	-10,216	–	4,368
Cost of materials[2]	-32,283	–	–	-3,260	–	97	–	3,164	–	-29,119
Personnel costs	-491	–	–	–	1	1	–	2	–	-489
Depreciation, amortization and impairment charges	-357	–	–	–	6	–	2	8	–	-349
Other operating expenses[2]	-14,173	4	9,534	–	-3	-5	–	9,530	–	-4,643
Income from companies accounted for under the equity method	40	–	–	–	–	–	–	0	–	40
Reconciliation of income/loss before financial results and taxes to adjusted EBIT (summarized)	**1,113**	**-1**	**-473**	**-231**	**4**	**-112**	**2**	**-810**	**5**	**308**

[1]Owing to the adjustments made, the earnings items shown here may differ from the figures determined in accordance with IFRS. A reconciliation of income/loss before financial results and taxes prepared in compliance with the Guidelines on Alternative Performance Measures published by the European Securities Markets Authority (ESMA) is provided in the notes to the interim financial statements.
[2]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.
[3]Expenses for (and income from) restructuring and cost management in the Global Commodities segment included depreciation and amortization of €2 million in the first half of 2020 (first half of 2019: €6 million).
[4]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 the depreciation, amortization and impairment charges reported in the income statement since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring/cost-management expenses and in miscellaneous other non-operating earnings.

The fair value measurement of derivatives used to hedge the operating business against price fluctuations resulted in a net gain of €716 million in the first half of 2020, due to changed market values in connection with decreased commodity prices in the forward markets (first half of 2019: net gain of €473 million).

Revenues and cost of materials for physically settled commodity derivatives (contracts that are accounted for under IFRS 9 (failed own-use contracts)) were adjusted for the difference between the spot prices relevant pursuant to IFRS and the contract prices relevant from the management perspective by an expense of €276 million net in the first half of 2020 (first half of 2019: income of €231 million).

In the first half of 2020, restructuring and cost-management expenses/income changed by €56 million relative to the prior-year period. The expenses in the first half of 2020 amounted to €60 million (first half of 2019: expenses of €4 million). They consisted primarily of expenses incurred for Uniper's new strategy, which includes, among other things, a proactive phase-out plan for coal in Europe. In the previous year, mainly expenses from the spin-off and transfer agreement with E.ON had been adjusted on a non-operating basis.

Non-operating impairment charges and reversals totaling €89 million were recognized in the reporting period. The impairments were primarily attributable to the European Generation and Russian Power Generation segments. Reversals of impairments recognized in previous years related primarily to the European Generation segment in the first half of 2020. In the previous year, non-operating impairments had been reported in the amount of €2 million.

An expense of €111 million was classified as miscellaneous other non-operating earnings in the first half of 2020 (first half of 2019: income of €112 million). The change resulted primarily from temporary reductions in current assets and from adjustments of provisions recognized for non-operating effects in the Global Commodities segment.

Adjusted EBIT

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

Segments

The following table shows adjusted EBIT for the first half of 2020 and the first half of 2019 broken down by segment:

Adjusted EBIT

January 1–June 30 € in millions	2020	2019	+/- %
European Generation	217	173	25.2
Global Commodities	571	91	527.5
Russian Power Generation	123	174	-29.1
Administration/Consolidation	-220	-130	-68.5
Total	**691**	**308**	**124.6**

European Generation

Adjusted EBIT in the European Generation segment increased by €44 million, from €173 million in the prior-year period to €217 million in the first half of 2020.

The increase in adjusted EBIT is attributable mainly to higher prices obtained in the nuclear power business, higher volumes in the hydroelectric business and improved results at fossil-fuel power plants. This positive development is attributable, on the one hand, to lower expenses for provisions for carbon allowances compared with the prior-year period due to price and volume factors. Lower expenses recognized in the context of measuring provisions for carbon allowances as part of operating activities are offset by hedges that will not be realized until the end of 2020, and for which interim gains on fair value measurement, which were lower compared with the prior-year period, are reported as non-operating earnings until they are realized. The resumption of the British capacity market, on the other hand, led to a positive earnings effect compared with the prior-year period. Looking at the segments in isolation, this is offset by the absence of a positive effect from 2019 (the inverse of Global Commodities) from the management of the long-term price risk of emission allowances with the Global Commodities segment.

Global Commodities

Adjusted EBIT in the Global Commodities segment rose by €480 million, from €91 million in the prior-year period to €571 million in the first half of 2020.

The increase in earnings is mainly attributable to the gas business, which benefited from unusual price structures. In this very volatile environment, the supply mix was successfully adapted to meet customer demand. In addition, the absence of a negative effect (the inverse of European Generation) resulting from the management of the long-term price risk for emission allowances with the European Generation segment had a positive impact. Furthermore, market price driven negative contributions in the first quarter of 2020 in the coal, freight and oil business were fully compensated in the second quarter of 2020 with the settlement of respective hedges.

Russian Power Generation

Adjusted EBIT in the Russian Power Generation segment decreased by €51 million, from €174 million in the prior-year period to €123 million in the first half of 2020.

The earnings were negatively affected primarily by lower electricity prices in the day-ahead market due to the impact of the Covid-19 pandemic – especially at oil and gas producers, as well as by reduced foreign demand combined with a weather-related increase in supply.

Administration/Consolidation

Adjusted EBIT attributable to the Administration/Consolidation reconciliation item changed by -€90 million, from -€130 million in the first half of 2019 to -€220 million in the first half of 2020. The reconciliation of the operating segments' adjusted EBIT to the Group's adjusted EBIT with respect to the measurement of the provision for a shortage of carbon allowances (remeasurement to cross-segment figures at Group level) had an overall significantly negative impact. There was also a negative effect from the remeasurement of coal inventories across segments.

Adjusted Net Income

Beginning in the 2020 fiscal year, the Uniper Group is using adjusted net income as an additional internal management indicator and as a further key indicator of the after-tax profitability of its operations – one that also takes into account important income and expense components that are not included in adjusted EBIT – as well as for determining the variable compensation of the Management Board.

Adjusted net income for the first half of 2020 amounted to €527 million, a year-over-year increase of €338 million (first half of 2019: €189 million). Adjusted net income is composed of adjusted EBIT, net operating interest income and income taxes on operating earnings, less non-controlling interests in operating earnings.

The starting point is adjusted EBIT, which is reconciled from income/loss before financial results and taxes as previously presented. Adjusted EBIT is further adjusted for selected non-operating items. They include net non-operating interest income and other financial results, as well as income taxes on non-operating earnings and non-controlling interests in non-operating earnings.

Included in other financial results are effects such as measurement effects from changes in the fair value of securities and of the KAF (the Swedish Nuclear Waste Fund; "Kärnavfallsfonden"). Not being a component of adjusted EBIT, other financial results are added back to adjusted EBIT in a first step to determine adjusted net income, together with net interest income, so that all earnings components of the income statement are also shown in the reconciliation to adjusted net income. They are then eliminated in a second step, together with non-operating interest expense and income. Other financial results thus have no effect on adjusted net income. Non-operating interest effects include, for example, interest on provisions financed through the KAF, which are eliminated correspondingly with other financial results.

Reconciliation to Adjusted Net Income

January 1–June 30 € in millions	2020	2019
Income/Loss before financial results and taxes[1]	**868**	**1,113**
Net income/loss from equity investments	5	5
EBIT[1]	**873**	**1,118**
Non-operating adjustments	-182	-810
Adjusted EBIT	**691**	**308**
Interest income/expense and other financial results	*-28*	*-5*
Non-operating interest expense and negative other financial results (+) / interest income and positive other financial results (-)	*44*	*-31*
Operating interest income/expense and other financial results	16	-36
Income taxes	*-168*	*-192*
Expense (+) / Income (-) resulting from income taxes on non-operating earnings	*14*	*138*
Income taxes on operating earnings	-155	-54
Less non-controlling interests in operating earnings	-25	-29
Adjusted net income	**527**	**189**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Aside from other financial results, the adjustments for financial effects relate primarily to the interest effects of the provisions financed through the KAF in the European Generation segment and of other non-operating provisions in the Global Commodities segment. An expense of €44 million was adjusted for in total (prior-year period: adjustment for income of €31 million).

In the first half of 2020, this resulted in a non-operating tax expense of €14 million (prior-year period: €138 million). The operating tax expense amounted to €155 million (prior-year period: €54 million). This has resulted in an operating effective tax rate of 21.9% (prior-year period: 19.8%).

Financial Condition

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

Economic Net Debt

Economic net debt is used by Uniper to manage the Group's capital structure.

The table Economic Net Debt included for the first time as of March 31, 2020, all details of the positions previously aggregated within "financial liabilities and liabilities from leases." The extended table increases transparency and presents all information on financial liabilities in one place. Starting on June 30, 2020, restricted cash will no longer be included as part of the liquid funds within Uniper's economic net debt. Instead, economic net debt will include "cash and cash equivalents" and "current securities" as separate items going forward. Margining receivables now also include collateral pledged for hedging foreign exchange positions. These changes increase transparency on the type and availability of cash, cash equivalents, securities and receivables as part of the net financial position of Uniper.

The following table shows the determination of economic net debt as of June 30, 2020:

Economic Net Debt

€ in millions	Jun. 30, 2020	Dec. 31, 2019
Cash and cash equivalents[1]	575	825
Current securities	95	46
Non-current securities	87	100
Margining receivables[1]	200	336
Financial liabilities and liabilities from leases	2,140	1,935
Bonds	*–*	*–*
Commercial paper	*170*	*–*
Liabilities to banks	*177*	*120*
Lease liabilities	*839*	*817*
Margining liabilities	*456*	*499*
Liabilities to co-shareholders from shareholder loans	*390*	*396*
Other financing	*107*	*102*
Net financial position	**1,183**	**628**
Provisions for pensions and similar obligations	1,128	1,031
Provisions for asset retirement obligations[2]	985	991
Other asset retirement obligations	*759*	*754*
Asset retirement obligations for Swedish nuclear power plants[3]	*2,511*	*2,557*
Receivables from the Swedish Nuclear Waste Fund recognized on the balance sheet[3]	*2,285*	*2,320*
Economic net debt	**3,296**	**2,650**
For informational purposes: Receivables from the Swedish Nuclear Waste Fund (KAF) ineligible for capitalization[3]	276	291
For informational purposes: Fundamental economic net debt	**3,020**	**2,359**

[1]Comparative figures adjusted (margins increased and liquid funds decreased).

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

[3]Due to IFRS valuation rules (IFRIC 5), €276 million (December 31, 2019: €291 million) of Uniper's share of the fair value of the net assets of the Swedish Nuclear Waste Fund may not be capitalized on the balance sheet. Accordingly, there exists an additional receivable from the Swedish Nuclear Waste Fund ineligible for recognition on the balance sheet, and the economic net obligation for the decommissioning of the Swedish nuclear power plants is thus reported too high in the table by the amount of this receivable.

Compared with December 31, 2019, economic net debt as of June 30, 2020, increased by €646 million to €3,296 million (December 31, 2019: €2,650 million). The net financial position increased by €555 million to €1,183 million compared with year-end 2019 (December 31, 2019: €628 million).

Within the net financial position, financial liabilities and liabilities from leases increased as of June 30, 2020, by €205 million to €2,140 million (December 31, 2019: €1,935 million). The increase is mainly caused by the issuance of commercial paper in the amount of €170 million. As of June 30, 2020, €170 million in commercial paper was outstanding (December 31, 2019: no commercial paper). Liabilities to banks increased by €57 million, mainly caused by higher margin deposits for foreign exchange (FX) transactions. Furthermore, operating cash flow (€288 million) did not offset the dividend payment (-€421 million) and investment spending (-€217 million) in the first six months of 2020. In sum, cash and cash equivalents decreased by €250 million to €575 million compared with year-end 2019 (December 31, 2019: €825 million).

Furthermore, provisions for pensions and similar obligations increased by €97 million to €1,128 million (December 31, 2019: €1,031 million). This development resulted from a reduction in interest rates compared with those at year-end 2019, which led to a corresponding increase in pension obligations, while market values of plan assets remained almost unchanged compared with those at year-end 2019. Provisions for asset retirement obligations decreased slightly to €985 million as of June 30, 2020 (December 31, 2019: €991 million).

Investments

Investments

January 1–June 30 € in millions	2020	2019
Investments		
European Generation	*187*	*133*
Global Commodities	*27*	*14*
Russian Power Generation	*57*	*84*
Administration/Consolidation	*9*	*9*
Total	**279**	**240**
Growth	*175*	*145*
Maintenance and replacement	*104*	*94*

At €279 million in total, the investments of the Uniper Group in the first half of 2020 were significantly above the prior-year level of €240 million. €58 million of the growth investments totaling €175 million in the first half of 2020 are attributable to new growth projects.

In the first half of 2020, €187 million was invested in the European Generation segment, €54 million more than the €133 million reported for the prior-year period. The change was mainly due to higher growth investments for the finalization of Datteln 4 and the new projects Scholven 3 and Irsching 6.

In the Global Commodities segment, investments totaled €27 million in 2020, €13 million higher than in the prior-year period, primarily due to higher growth investments.

In the first half of 2020, €57 million was invested in the Russian Power Generation segment, €27 million less than the €84 million spent in the prior-year period. These investments are primarily attributable to the repair of Unit 3 of the Berezovskaya power plant.

Investment spending in the Administration/Consolidation segment totaled €9 million in the first half of 2020, the same level as in the prior-year period, due mainly to investments in IT projects.

Cash Flow

Cash Flow

January 1–June 30 € in millions	2020	2019
Cash provided by operating activities (operating cash flow)	**288**	**-322**
Cash provided by investing activities	**-217**	**598**
Cash provided by financing activities	**-315**	**-753**

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

Cash provided by operating activities (operating cash flow) rose by €610 million in the first half of 2020 to €288 million (first half of 2019: -€322 million). This resulted primarily from the positive change in cash-effective adjusted EBITDA, which was even stronger than the adjusted EBITDA change, as the latter was burdened by non-cash-effective provision increases.

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

Operating Cash Flow before Interest and Taxes

January 1–June 30 € in millions	2020	2019	+/-
Cash flow from operating activities	**288**	**-322**	**610**
Interest payments and receipts	12	12	
Income tax payments (+) / refunds (-)	53	58	-5
Operating cash flow before interest and taxes	**352**	**-252**	**604**

Cash Flow from Investing Activities

Cash provided by investing activities declined by €815 million, from a cash inflow of €598 million in the prior-year period to a cash outflow of €217 million in the first six months of 2020. Proceeds from disposals declined by €412 million, from a cash inflow of €423 million in the prior-year period to a cash inflow of €11 million in the first six months of 2020. In the prior-year period, proceeds from the sale of securities held as liquid investments had a positive effect of €204 million. Furthermore margin deposits for futures and forward transactions (margining receivables) changed by €119 million. Where there had been a cash inflow of €256 million in the prior-year period, there was a cash inflow of €137 million in the first six months of 2020. Compared with the prior-year period (€239 million), cash outflows for investments in intangible assets and in property, plant and equipment increased slightly, by €41 million, to €280 million.

Cash Flow from Financing Activities

In the first half of 2020, cash provided by financing activities amounted to -€315 million (first half of 2019: -€753 million). Following the redemption in full of all commercial paper outstanding as of year-end 2019 new commercial paper was issued in the amount of €170 million in the first half of 2020 (first half of 2019: cash outflow of €353 million). The decrease in margin receipts for futures and forward transactions led to a cash outflow of €43 million (first half of 2019: cash inflow of €25 million) and to lower margining liabilities. Higher liabilities to banks, brought about by the increase of €57 million in margin receipts from currency-hedging transactions, led to an inflow of liquid funds. These effects were partially offset primarily by the redemption of lease liabilities in the amount of €67 million (first half of 2019: cash outflow of €51 million) and the distribution of Uniper SE's dividend in the amount of €421 million. This reduced liquid funds (first half of 2019: cash outflow of €329 million).

Assets

Consolidated Assets, Liabilities and Equity

€ in millions	Jun. 30, 2020	Dec. 31, 2019[1]
Non-current assets	22,607	23,732
Current assets	18,771	20,024
Total assets	**41,378**	**43,756**
Equity	11,660	11,942
Non-current liabilities	12,653	12,954
Current liabilities	17,065	18,860
Total equity and liabilities	**41,378**	**43,756**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Non-current assets as of June 30, 2020, decreased relative to December 31, 2019, from €23,732 million to €22,607 million. This was due in large part to the €527 million reduction in receivables from derivative financial instruments from €4,787 million to €4,259 million as a result of valuation adjustments and the €391 million reduction in property, plant and equipment from €10,210 million to €9,810 million, mainly due to currency-translation effects (€382 million) and impairment charges (€238 million). This was offset by reversals of impairment charges in the amount of €149 million, mainly for two gas-fired power plants in Germany, which were written back to reflect their planned return to the market.

Current assets decreased relative to December 31, 2019, from €20,024 million to €18,771 million. The main reason for this was the decrease of €2,958 million in trade receivables, which fell from €7,090 million to €4,132 million. It was partially offset by the valuation-related increase of €1,951 million in receivables from derivative financial instruments, which rose from €8,601 million to €10,552 million. Liquid funds fell from €871 million by €202 million to €669 million.

Equity decreased from €11,942 million to €11,660 million as of June 30, 2020. The effect of foreign exchange rates on assets and liabilities in the amount of -€414 million, as well as the dividend of -€421 million distributed in May 2020, both had negative impacts on equity. The net income of the Group of €677 million (of which €36 million is attributable to non-controlling interests) had a positive effect. The remeasurement of defined benefit plans in the amount of -€67 million due to lower applicable discount rates again had a negative effect on equity. The equity ratio was 28% (December 31, 2019: 27%).

Non-current liabilities decreased from €12,954 million at the end of the previous year by €301 million to €12,653 million as of June 30, 2020, predominantly because of fair value measurement.

Current liabilities decreased relative to December 31, 2019, from €18,860 million to €17,065 million on June 30, 2020. This development is primarily attributable to the decrease of €2,868 million in trade payables, which fell from €7,308 million to €4,439 million. It was partially offset by the valuation-related increase of €1,293 million in liabilities from derivative financial instruments, which rose from €8,238 million to €9,531 million. Financial liabilities rose from €815 million by €208 million to €1,023 million, primarily owing to the issuance of commercial paper.

Human Resources

Employees[1]

	Jun. 30, 2020	Dec. 31, 2019	+/- %
European Generation	4,767	4,763	0.1
Global Commodities	1,279	1,264	1.2
Russian Power Generation	4,537	4,507	0.7
Administration/Consolidation	1,008	998	1.0
Total	**11,591**	**11,532**	**0.5**

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

On June 30, 2020, the Uniper Group had 11,591 employees, 155 apprentices and 143 work-study students and interns worldwide. The workforce thus increased by 0.5% compared with December 31, 2019.

The employee headcount in the European Generation segment as of June 30, 2020, remained stable compared with December 31, 2019.

The slight increase in the number of employees in the Global Commodities segment compared with December 31, 2019, is due to natural employee turnover and the resulting replacement of staff in the first half of 2020.

In the Russian Power Generation segment, the number of employees increased compared to December 31, 2019, due to the repair of the Berezovskaya 3 power plant.

The employee headcount in Administration/Consolidation rose mainly due to the reintegration into the Uniper Group of outsourced administrative functions from the Shared Service Center in Cluj, Romania, operated by an external entity.

At 59.2% as of June 30, 2020, the proportion of employees working outside Germany, numbering 6,860, remained constant compared with the end of fiscal 2019.

Risk and Chances Report

The risk management system of the Uniper Group, as well as the measures taken to manage risks and chances per category across the Uniper Group, are described in detail in the Combined Management Report for the year 2019.

Risk and Chances Profile of the Uniper Group

The commercial activity of the Uniper Group is naturally linked with uncertainties which lead to risks and chances. Resulting financial-, credit-, market- and operational- risks and chances including their sub-categories are explained in detail in the 2019 Combined Management Report. The categories of risks/chances, as well as the methodology to determine the assessment classes, have not changed compared to the 2019 Consolidated Financial Statements.

Categories of Risks and Chances in the Uniper Group

Category	Subcategory
Financial Risks/Chances	
Credit Risks and Chances	
Market Risks/Chances	Commodity Price Risks/Chances
	Foreign Currency and Interest Rates Risks/Chances
	Market Environment Risks/Chances
Operational Risks/Chances	Asset Operation Risks/Chances
	Asset Project Risks and Chances
	People and Process Risks/Chances
	Information Technology (IT) Risks and Chances
	Legal Risks/Chances
	Political and Regulatory Risks/Chances

To assess its risk and chances profile, the Uniper Group uses a two-stage process. In a first step, all quantified individual risks and chances with a potential impact on planned adjusted EBIT and/or Net Income are allocated to the categories and subcategories described above. For this all risks/chances which, in the worst-/best-case scenario (99%/1% confidence interval), after consideration of risk management measures could cause net losses/gains of more than €20 million in any one year of the three-year mid-term plan horizon are considered..

In a second step, all risks/chances allocated to one category/subcategory are aggregated via a Monte Carlo simulation. From the resulting aggregated distribution function per year, the 1% (best case) and 99% (worst case) confidence intervals are gathered and an average over the three-year mid-term plan time horizon is calculated. Based on this average value, each category/subcategory is assigned an assessment class for the best and worst case in accordance with the following table.

Assessment Classes

Assessment class	Potential average impact on earnings per year (best case/worst case)
Insignificant	≤ €5 million
Low	> €5 million and ≤€20 million
Moderate	> €20 million and ≤€100 million
Significant	> €100 million and ≤€300 million
Major	> €300 million

The risk and chances profile of the Uniper Group as described in the 2019 Combined Management Report remains mostly valid including the described major individual risks. Below, the key changes to the risk and chances profile as of June 30, 2020 compared to December 31, 2019 are highlighted. This covers changes in the assessment class of the above risk and chances categories, changes to major quantified or qualitative individual risks/chances impacting earnings and/or liquidity. An individual risk (chance) is considered major if it has a potential worst-/best-case impact on earnings or cash flow of at least €300 million in any one year of the three-year mid-term plan horizon.

Compared to year-end 2019 the assessment class in the best-case scenario of the commodity risk/chances category worsened from significant to moderate due to the recently observed increases in commodity prices as well as higher hedge ratios. At the same time Uniper's Credit Risk has increased and has become a major individual risk. The main reasons for this are a higher Credit exposure together with the impact of Covid-19 affecting the credit quality of counterparties. As a result the assessment class for the worst case of the credit risk category worsened from significant to major.

Further important developments to note:

Covid-19 Pandemic-related Risks

The Covid-19 pandemic has started to impact Uniper's financials as well as operational activities (see Berezovskaya 3 update below), however so far those impacts have not been material. The mitigation measures taken worldwide to slow down the spreading of the virus have caused a recession with an expected recovery over an as-yet unknown period. This recession could further negatively impact the physical energy demand from Uniper's portfolio. Further falling commodity prices could lead to lower revenues from Uniper's energy production going forward as well as impairments on Uniper's assets. Issues in Uniper's supply chain – be it from force majeure cases, travel restrictions, missing equipment, etc. – could lead to a delay in Uniper's asset projects or to unplanned outages in Uniper's asset operations. Finally, Covid-19 infections among Uniper's employees could lead to business continuity issues. Management at all levels of Uniper continues to take appropriate actions to implement measures to reduce the risk impacts down to a minimum wherever possible.

Fortum Strategic Alignment Risk

On May 8, 2020, Fortum announced that it increased the ownership in Uniper and held 73.4% of the shares and voting rights. In an earlier communication from this year, Fortum acknowledged that Uniper's recent strategy update offers a good basis for further alignment of the two companies' strategies, including the development of a joint vision that Fortum said will be communicated by year-end 2020. On June 24, 2020 Fortum appointed Markus Rauramo as the new President and Chief Executive Officer of Fortum Corporation as of 1 July 2020. As Fortum ruled out a domination and/or profit and loss transfer agreement until year-end 2021, Uniper remains an independent, publicly listed company and will continue to act in the interest of all its stakeholders while being fully consolidated into Fortum Oyj's financial statements. Meanwhile, uncertainty in the future relationship between the Uniper Group and Fortum remains, and, as such, entails risks regarding the Uniper Group's ability to pursue its strategic, operational and financial objectives independently. This also leads to an increased people risk in terms of employee attrition and a loss of core competencies. However, after Uniper's recent strategy update and Fortum's public agreement with it, the potential impact and probability of this risk have reduced.

Rating Downgrade Risk

On March 19 and 20, 2020, respectively, S&P Global Ratings affirmed Fortum's and Uniper's BBB credit ratings, albeit with a negative outlook. S&P also announced that going forward they will fully consolidate Uniper into Fortum and link Uniper's issuer credit rating to that of Fortum. On May 25, 2020, Scope Ratings affirmed Uniper's issuer rating of BBB+ with stable outlook. As the outlook on both companies' S&P ratings remains negative, coupled with the added pressure on ratings from the potential adverse effects of the Covid-19 pandemic and the ongoing recession, Uniper's target to maintain a stand-alone investment-grade rating of BBB remains a high priority for Uniper's management.

Information on the Risk Situation of Strategically Important Asset Projects of the Uniper Group

Nord Stream 2: Project Failure Risk

With the US intensifying their efforts on targeted sanctions against the Nord Stream 2 project the probability of a delay or even non-completion of the pipeline is increasing. Uniper actively monitors the situation and takes all required actions to ensure compliance with applicable rules. Uniper is also in constant exchange with relevant stakeholders about the updated grandfathering guidance on CAATSA (Countering America's Adversaries Through Sanctions Act) by the US Department of State. Nord Stream 2 is working to mitigate the effects of the currently still suspended pipelaying activity and to bring the project to completion. A completion of the project receives strong political support from several country governments as well as the EU. The Nord Stream 2 Project failure risk continues to qualify as a major individual risk for Uniper. In case the project can ultimately not be completed Uniper may have to impair the loan provided to Nord Stream 2 and forfeits the planned interest income.

Datteln 4

On May 30, the coal-fired power plant Datteln 4 successfully went into commercial operation. Due to diligent project management this was achieved earlier than planned. The legal dispute with a main customer continues. In the coal exit law for Germany which now has been decided, Datteln 4 is allowed to continue its operation. However, due to several review points (in 2022, 2026, 2029 and 2032) there is a risk of a further shortening of the time of operation. At those revision points, the German government needs to decide if an earlier closure of Datteln 4 is viable and needs to be compensated or not. The court cases concerning the permit are still pending and therefore the risk of a withdrawal of the permit remains.

Berezovskaya 3: Delay Risk

The repair of the boiler at Berezovskaya 3 continues to suffer from resource and productivity issues, which has been exacerbated by the influence of Covid-19. After a significant number of Covid-19 cases occurred on the construction site, work had to be temporarily suspended to avoid a spreading of the virus. As a result, the targeted commercial operation date in the fourth quarter of 2020 is no longer expected to be achieved. The new commercial operation date is now expected in the first half of 2021.

Assessment of the Overall Risk Situation

Uniper's risk-bearing capacity, measured via the market value of its equity, has remained roughly constant. At the same time, Uniper Group's overall risk exposure (considering correlations between categories of risks/chances) has slightly reduced compared to year-end 2019. Based on this, the overall risk situation of the Uniper Group as well as of Uniper SE is not considered to be a threat to the company's continued existence.

Also with regards to the financial targets, the overall risk situation is still considered appropriate.

Forecast Report

Macroeconomic Situation

Covid-19 has plunged the global economy into a deep recession. After peaking around April, the number of infections in Europe and in many other regions has dropped significantly and the spread of the disease seems to be under control. In the USA, Latin America, and parts of Africa and Asia, however, the virus is spreading faster than ever before and there are no signs of improvement in the situation. Lockdown measures to contain the spread have led to a massive drop in production, in Europe particularly from end of March until May. Since most measures have been eased since then, and given the massive financial support from the governments, economic recovery has set in. The pace of that recovery will largely be determined by the further course of the pandemic not only in Europe but worldwide. As long as the number of infections does not fall significantly in all major economies, output and world trade will remain subdued.

Against this backdrop, the OECDs in its most recent forecast for 2020 expects the global economy to grow negatively by 6% in the most favorable scenario and by 7.6% in a scenario with a second wave of infections at the end of 2020. In both cases, economic activity would not be expected to return to pre-crisis levels before the end of 2021.

Anticipated Earnings

The general effects of Covid-19 and the associated volatile development of prices on all European electricity markets have had an impact on the forecast for the 2020 fiscal year. This can be seen, among other things, in the market-related shorter uptimes of fossil-fuel power plants in both Europe and Russia.

The strong results in energy trading, higher electricity prices in all European markets and increased output from hydroelectric power plants in Sweden have an offsetting effect. In addition, the commissioning of the Datteln 4 power plant in Germany will have a positive impact on overall adjusted EBIT.

Uniper therefore expects adjusted EBIT for 2020 to be at the level of the previous year, within a narrowed range from €800 to €1,000 million.

For each of the operating segments, this means:

The European Generation segment's adjusted EBIT for 2020 is expected to be significantly above the figure reported for 2019. Positive contributions will come from rising electricity prices obtained in all European markets and increased output from the hydroelectric power plants in Germany and Sweden, as well as from the commissioning of the Datteln 4 power plant in Germany on May 30, 2020. This will be partially offset by the positive effects from the management of emission allowances via the Global Commodities segment in 2019.

For the Global Commodities segment, Uniper now expects adjusted EBIT for 2020 to be significantly higher than it was in 2019. In addition to the strong energy-trading results for the 2020 fiscal year, the non-recurrence of negative effects realized from the management of emission allowances with the European Generation segment in 2019 will have a positive impact.

Uniper expects adjusted EBIT for the Russian Power Generation Segment for 2020 to be significantly below the prior-year level. Low demand for electricity due to the effects of the Covid-19 pandemic, particularly among oil and gas producers, and higher hydroelectric power supply will adversely affect day-ahead market prices and production volumes.

For adjusted net income, Uniper expects a noticeable increase over 2019 and anticipates that the indicator now will be in a narrowed range between €600 million and €800 million. Adjusted net income largely tends to follow the expected development of adjusted EBIT; in addition, negative interest effects on asset retirement obligations will be reduced.

The disclaimer statement in the table of contents of this Half-Year Interim Report applies, in particular, to the forward-looking statements made here.

Review Report

To Uniper SE, Düsseldorf

We have reviewed the condensed consolidated interim financial statements - comprising the income statement, statement of recognized income and expenses, balance sheet, cash flow statement, statement of changes in group equity and selected explanatory notes - and the interim group management report of Uniper SE, Düsseldorf, for the period from January 1 to June 30, 2020 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, August 10, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Ralph Welter Wirtschaftsprüfer (German Public Auditor)	Michael Servos Wirtschaftsprüfer (German Public Auditor)

Condensed Consolidated Interim Financial Statements

Uniper Consolidated Statement of Income

€ in millions	Note	April 1–June 30 2020	April 1–June 30 2019	January 1–June 30 2020	January 1–June 30 2019
Sales including electricity and energy taxes[1]		7,148	13,018	20,123	33,951
Electricity and energy taxes		-62	-103	-146	-216
Sales	**(14)**	**7,087**	**12,915**	**19,977**	**33,736**
Changes in inventories (finished goods and work in progress)		13	4	22	22
Own work capitalized		18	15	28	35
Other operating income[1]		1,862	5,615	16,467	14,584
Cost of materials[1]		-6,620	-12,441	-18,935	-32,283
Personnel costs		-281	-252	-509	-491
Depreciation, amortization and impairment charges	(6)	-231	-183	-562	-357
Other operating expenses[1]		-1,547	-5,489	-15,638	-14,173
Income from companies accounted for under the equity method	(7)	5	14	17	40
Income/Loss before financial results and taxes[1]		**306**	**198**	**868**	**1,113**
Financial results	(4)	53	-18	-23	0
Net income/loss from equity investments		*2*	*5*	*5*	*5*
Interest and similar income		*35*	*31*	*65*	*62*
Interest and similar expenses		*-41*	*-89*	*-78*	*-155*
Other financial results		*57*	*36*	*-15*	*87*
Income taxes[1]		-166	-16	-168	-192
Net income/loss[1]		**193**	**163**	**677**	**921**
Attributable to shareholders of Uniper SE[1]		*152*	*144*	*641*	*877*
Attributable to non-controlling interests[1]		*41*	*20*	*36*	*43*
€					
Earnings per share (attributable to shareholders of Uniper SE) – basic and diluted	**(5)**				
From continuing operations[1]		0.42	0.39	1.75	2.40
From net income/loss[1]		**0.42**	**0.39**	**1.75**	**2.40**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Uniper Consolidated Statement of Recognized Income and Expenses

€ in millions	April 1–June 30		January 1–June 30	
	2020	2019	2020	2019
Net income/loss[1]	**193**	**163**	**677**	**921**
Remeasurements of equity investments	-3	-2	-43	10
Remeasurements of defined benefit plans	-206	-119	-100	-263
Income taxes	57	35	33	70
Items that will not be reclassified subsequently to the income statement	**-152**	**-85**	**-110**	**-183**
Cash flow hedges	-6	-1	-1	-5
Unrealized changes	*-5*	*-1*	*1*	*-4*
Reclassification adjustments recognized in income	*-1*	*–*	*-1*	*-1*
Currency translation adjustments	262	-7	-414	265
Unrealized changes	*262*	*-7*	*-414*	*264*
Reclassification adjustments recognized in income	*–*	*–*	*–*	*1*
Companies accounted for under the equity method	1	-1	-3	-1
Unrealized changes	*1*	*-1*	*-3*	*-1*
Reclassification adjustments recognized in income	*–*	*–*	*–*	*–*
Income taxes	6	4	1	4
Items that might be reclassified subsequently to the income statement	**262**	**-6**	**-417**	**263**
Total income and expenses recognized directly in equity	**110**	**-91**	**-527**	**80**
Total recognized income and expenses (total comprehensive income)[1]	**303**	**72**	**150**	**1,000**
Attributable to shareholders of Uniper SE[1]	*227*	*45*	*174*	*911*
Attributable to non-controlling interests[1]	*76*	*27*	*-23*	*89*

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Uniper Consolidated Balance Sheet

€ in millions	Note	Jun. 30, 2020	Dec. 31, 2019[1]
Assets			
Goodwill		1,816	1,886
Intangible assets		733	742
Property, plant and equipment and right-of-use assets		9,810	10,201
Companies accounted for under the equity method	(7)	451	446
Other financial assets	(7)	644	710
Equity investments		*557*	*610*
Non-current securities		*87*	*100*
Financial receivables and other financial assets[2]	(10)	3,836	3,813
Receivables from derivative financial instruments	(10)	4,259	4,787
Other operating assets and contract assets	(10)	163	159
Deferred tax assets		894	988
Non-current assets		**22,607**	**23,732**
Inventories		1,862	1,508
Financial receivables and other financial assets	(10)	518	651
Trade receivables	(10)	4,132	7,090
Receivables from derivative financial instruments	(10)	10,552	8,601
Other operating assets and contract assets	(10)	992	1,287
Income tax assets		47	16
Liquid funds[2]		669	871
Current assets		**18,771**	**20,024**
Total assets		**41,378**	**43,756**
Equity and Liabilities			
Capital stock	(8)	622	622
Additional paid-in capital	(8)	10,825	10,825
Retained earnings	(8)	3,262	3,145
Accumulated other comprehensive income		-3,564	-3,207
Equity attributable to shareholders of Uniper SE		**11,145**	**11,386**
Attributable to non-controlling interests		516	556
Equity		**11,660**	**11,942**
Financial liabilities and liabilities from leases	(10)	1,116	1,119
Liabilities from derivative financial instruments	(10)	4,353	4,277
Other operating liabilities and contract liabilities	(10)	267	694
Provisions for pensions and similar obligations	(9)	1,128	1,031
Miscellaneous provisions		5,409	5,422
Deferred tax liabilities		379	410
Non-current liabilities		**12,653**	**12,954**
Financial liabilities and liabilities from leases	(10)	1,023	815
Trade payables	(10)	4,439	7,308
Liabilities from derivative financial instruments	(10)	9,531	8,238
Other operating liabilities and contract liabilities	(10)	1,067	1,322
Income taxes		96	61
Miscellaneous provisions		908	1,115
Current liabilities		**17,065**	**18,860**
Total equity and liabilities		**41,378**	**43,756**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

[2]Comparative figures adjusted (margins increased and liquid funds decreased). Further information can be found in Note 10 to the Interim Financial Statements.

Uniper Consolidated Statement of Cash Flows

January 1–June 30 € in millions	2020	2019
Net income/loss[1]	**677**	**921**
Depreciation, amortization and impairment of intangible assets, of property, plant and equipment, and of right-of-use assets	562	357
Changes in provisions[1]	-166	-589
Changes in deferred taxes[1]	113	178
Other non-cash income and expenses	-205	-93
Gain/Loss on disposal of intangible assets, property, plant and equipment, equity investments and securities (> 3 months)	-1	-12
Changes in operating assets and liabilities and in income taxes[1]	-693	-1,084
Cash provided by operating activities (operating cash flow)	**288**	**-322**
Proceeds from disposal of	10	423
Intangible assets and property, plant and equipment	*6*	*6*
Equity investments	*5*	*417*
Purchases of investments in	-279	-240
Intangible assets and property, plant and equipment	*-262*	*-239*
Equity investments	*-18*	-
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	223	839
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-171	-424
Cash provided by investing activities	**-217**	**598**
Cash proceeds/payments arising from changes in capital structure[2]	4	3
Cash dividends paid to shareholders of Uniper SE	-421	-329
Cash dividends paid to other shareholders	-15	–
Proceeds from new financial liabilities	386	559
Repayments of financial liabilities and reduction of outstanding lease liabilities	-270	-986
Cash provided by financing activities	**-315**	**-753**
Net increase in cash and cash equivalents	**-245**	**-477**
Effect of foreign exchange rates on cash and cash equivalents	-6	6
Cash and cash equivalents at the beginning of the reporting period	825	1,138
Cash and cash equivalents from disposal groups	–	-4
Cash and cash equivalents of first-time consolidated companies	–	8
Cash and cash equivalents at the end of the reporting period	**575**	**670**
Supplementary Information on Cash Flows from Operating Activities		
Tax payments	-53	-58
Interest paid	-32	-38
Interest received	20	27
Dividends received	7	19

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

[2]No material netting has taken place in either of the periods presented here.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income that might be reclassified subsequently to the income statement: Currency translation adjustments	Cash flow hedges	Equity attributable to shareholders of Uniper SE	Non-controlling interests	Total
Balance as of January 1, 2019	**622**	**10,825**	**3,088**	**-3,536**	**5**	**11,004**	**496**	**11,501**
Change in scope of consolidation								
Capital increase								
Dividends			-329			-329	-15	-345
Total comprehensive income			696	219	-3	911	89	1,000
Net income/loss[1]			877			877	43	921
Other comprehensive income			-182	219	-3	34	46	80
Remeasurements of defined benefit plans			-192			-192	-1	-192
Remeasurements of investments			10			10		10
Changes in accumulated other comprehensive income				219	-3	216	47	262
Balance as of June 30, 2019[1]	**622**	**10,825**	**3,454**	**-3,317**	**2**	**11,586**	**570**	**12,157**
Balance as of January 1, 2020[1]	**622**	**10,825**	**3,145**	**-3,207**	**1**	**11,386**	**556**	**11,942**
Dividends			-421			-421	-15	-436
Changes in ownership			6			6	-2	4
Total comprehensive income			531	-357	-1	174	-23	150
Net income/loss			641			641	36	677
Other comprehensive income			-110	-357	-1	-467	-59	-527
Remeasurements of defined benefit plans			-67			-67		-67
Remeasurements of investments			-43			-43	0	-43
Changes in accumulated other comprehensive income				-357	-1	-358	-59	-417
Balance as of June 30, 2020	**622**	**10,825**	**3,262**	**-3,564**		**11,145**	**516**	**11,660**

[1]The comparative figures shown for the respective reporting date have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

(1) General Information and Summary of Significant Accounting Policies

Acquisition by Fortum

On March 26, 2020, Fortum announced that it had closed the first tranche of the agreement to purchase shares of Uniper SE on March 26, 2020, resulting in the acquisition of shares held by Elliott Management Corporation and its affiliates ("Elliott") and by Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"). After closing the first tranche, Fortum held 69.6% of the voting rights of Uniper SE. On May 8, 2020, Fortum closed the second and final tranche of the agreement and purchased the remaining 3.8% stake in Uniper SE held by Elliott. Effective May 8, 2020, Fortum held 73.4% of the shares and voting rights of Uniper SE.

Significant Accounting Policies

The Interim Financial Statements for the six months ended June 30, 2020, have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and related interpretations of the IFRS Interpretations Committee ("IFRS IC") effective and adopted for use in the European Union ("EU").

These Interim Financial Statements prepared in accordance with IAS 34 are condensed relative to the reporting scope applied to the Consolidated Financial Statements for the full year. Apart from the new financial reporting standards and interpretations presented below that have been adopted by the EU into European law, the accounting policies and consolidation principles used were the same as those applied in the preparation of the Consolidated Financial Statements for the 2019 fiscal year. Further information, including information about the risk management system, is provided in Uniper's Consolidated Financial Statements for the year ended December 31, 2019, which serve as the basis for these Interim Financial Statements.

The Interim Financial Statements and the Consolidated Financial Statements of the Uniper Group are generally prepared based on amortized cost, with the exception of those other equity investments measured at fair value "through other comprehensive income" (changes in fair value recognized in equity), and of financial assets and liabilities (including derivative financial instruments) measured at fair value "through profit or loss" (changes in fair value recognized in income).

Provisions Applicable for the First Time in 2020

New Financial Reporting Standards

Standard/Interpretation		IASB / IFRS IC effective date	Endorsed by EU	Impact on Uniper
Framework	The Conceptual Framework for Financial Reporting	Jan. 1, 2020	Yes	Insignificant
Amendments to IFRS 3	Business Combinations	Jan. 1, 2020	Yes	To be examined on a case-by-case basis
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2020	Yes	Insignificant
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020	Yes	None

Impact of the Covid-19 Pandemic and of the Measures Taken to Contain It Worldwide

In March 2020, the World Health Organization officially designated the outbreak of the novel lung disease (Covid-19) a pandemic that is currently spreading around the world. Uniper is continuously monitoring developments in this regard and has taken measures to protect its employees and business partners. Uniper also has effective business continuity plans in place for its operations and administrative functions, which ensure that the Company is well prepared for such events. Nevertheless, the pandemic and the measures taken to contain it worldwide have had a negative impact on the global traded markets and have contributed to significant decreases in prices and substantial price volatility in the commodity and financial markets. Uniper has not applied for assistance under the German government's package of measures to help businesses mitigate the impact of the coronavirus. These current – and possible future – developments, which were apparent as of the reporting date, also have an impact on Uniper's assets, financial condition and earnings, and have been taken into account accordingly in the financial statements. Loss allowances for operating financial assets – such as trade receivables – were increased due to expected higher future defaults by customers that have been weakened economically by the pandemic. In addition, as a result of the decline in commodity prices, corresponding impairments were recognized on inventories, which were in part offset by positive effects from hedging transactions. As a result of the government support programs in Germany and the ECB bond purchase programs, interest rates fell compared with year-end 2019, which led to a corresponding increase in pension provisions. The fair value of plan assets is at almost the same level as at the end of 2019. The updating of forecasts of market prices for commodities, electricity and gas on the trading markets resulted in individual impairments on generation assets, particularly in the European Generation and Russian Power Generation segments. Individual other equity investments were also measured at a lower fair value due to the updating of assumptions. The decrease in the line items for revenues and cost of materials is due mainly to changes in market prices, since a significant portion of the contracts involving physical settlement that Uniper enters into (failed own-use contracts) is realized at the spot price applicable on the settlement date – applying the recognition and measurement rules codified in IFRS – rather than at the originally hedged price. The difference between the spot price and the contractually hedged price is instead recognized in the line items for other operating income and expenses. Driven down by the pandemic, the decreased commodity spot prices have thus brought about a shift in the presentation of realized income and expenses from revenues and cost of materials to other operating income and expenses, but that shift does not affect contractual cash flows and therefore has no impact on adjusted EBIT. Hedging additionally resulted in a net positive unrealized contribution to earnings as prices fell.

(2) Scope of Consolidation and Equity Investments

The number of consolidated companies breaks down as shown in the following table:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2020	**29**	**31**	**60**
Additions	–	–	–
Disposals/Mergers	1	–	1
Consolidated companies as of June 30, 2020	**28**	**31**	**59**

As of June 30, 2020, a total of 3 domestic and 9 foreign associated companies were accounted for under the equity method (December 31, 2019: 3 domestic companies and 9 foreign companies).

(3) Disposals and Assets Held for Sale

Disposals and Assets Held for Sale in the First Half of 2020

There were no significant disposals in the first half of 2020, and no assets were held for sale during the reporting period.

Disposals and Assets Held for Sale in the First Half of 2019

Uniper Activities in Italy

At the end of March 2019, Uniper concluded an agreement with First State Investments to divest its stake in OLT Offshore LNG Toscana S.p.A. First State Investments acquired Uniper's 48.2% shareholding in OLT and the outstanding loan receivable in its entirety. The sales price for both Uniper's stake and the loan amounted to some €400 million in total and, as part of the closing of the transaction, which is now complete, was adjusted for payments already made to Uniper for 2018 and 2019. Uniper received funds totaling approximately €330 million when the transaction closed.

Uniper Activities in Brazil

In early April 2019, Uniper sold its remaining 6% stake in Brazil-based ENEVA S.A. in the context of a secondary offering of equity positions by several ENEVA shareholders. Net proceeds amounted to roughly €76 million. Before their disposal, the shares were accounted for in OCI with changes in fair value recognized, in accordance with IFRS 9, and presented within other financial assets.

Uniper Activities in France

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

Held as a disposal group in the European Generation segment, the major asset and liability items of these activities as of the June 30, 2019, reporting date were non-current assets of €268 million and current assets of €395 million, as well as provisions of €424 million and liabilities of €341 million.

An immaterial positive deconsolidation effect resulted from the closing of the transaction on July 9, 2019.

(4) Financial Results

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

Financial Results

€ in millions	April 1–June 30		January 1–June 30	
	2020	**2019**	**2020**	**2019**
Income from companies in which equity investments are held	2	5	5	5
Impairment charges/reversals on other financial assets	–	–	–	0
Net income from equity investments	**2**	**5**	**5**	**5**
Interest and similar income	35	31	65	62
Interest and similar expenses	-41	-89	-78	-155
Net interest income	**-6**	**-58**	**-13**	**-92**
Impairment charges/reversals	9	2	-3	-
Net income from securities	10	-1	-16	19
Result from the Swedish Nuclear Waste Fund	38	35	4	68
Other financial results	**57**	**36**	**-15**	**87**
Financial results	**53**	**-18**	**-23**	**0**

In the first half of 2020, financial results declined to roughly -€23 million (first half of 2019: €0 million). The net interest expense of -€13 million (first half of 2019: -€92 million), which was reduced year over year by effects from changes in interest rates applied to the measurement of non-current provisions, was increased further by the negative other financial results of -€15 million (first half of 2019: €87 million). The decline in other financial results was primarily due to the measurement of the Swedish Nuclear Waste Fund and of securities carried at fair value. Income from equity investments remained constant at €5 million (first half of 2019: €5 million).

Primarily because of interest income from financing in connection with the construction of the Nord Stream 2 pipeline in the Baltic Sea, which amounted to €41 million (first half of 2019: €33 million), interest and similar income increased to €65 million (first half of 2019: €62 million).

Interest and similar expenses fell to €78 million (first half of 2019: €155 million). This movement resulted primarily from interest effects in the measurement of non-current provisions. Interest rates declined in the first half of 2020. Since this interest rate decrease was lower than in the prior-year period, the interest expense from the measurement of non-current provisions decreased to €71 million (first half of 2019: €133 million).

Other financial results fell to -€15 million as of June 30, 2020 (first half of 2019: €87 million). This item consists mostly of the decreased valuation result from the Swedish Nuclear Waste Fund in the amount of €4 million (first half of 2019: €68 million) and of the valuation result from other securities in the amount of -€16 million (first half of 2019: €19 million).

(5) Earnings per Share

The computation of basic and diluted earnings per share for the periods indicated is shown below:

Earnings per Share

€ in millions	April 1–June 30 2020	April 1–June 30 2019	January 1–June 30 2020	January 1–June 30 2019[1]
Income/Loss from continuing operations	193	163	677	921
Less: non-controlling interests	-41	-20	-36	-43
Income/Loss from continuing operations (attributable to shareholders of Uniper SE)	**152**	**144**	**641**	**877**
Net income/loss attributable to shareholders of Uniper SE	**152**	**144**	**641**	**877**
€				
Earnings per share (attributable to shareholders of Uniper SE)				
from continuing operations	0.42	0.39	1.75	2.40
from net income/loss	**0.42**	**0.39**	**1.75**	**2.40**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

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.

(6) Impairments and Reversals

Given the current situation (Covid-19), the parameters previously applied were reviewed. Based on the reviews, measurements were updated as of the reporting date on a case-by-case basis. The remeasurements primarily reflected corresponding updates of price assumptions in the “liquid periods,” as well as event-triggered developments in selected assets. The cost of capital is unchanged relative to the December 31, 2019, reporting date. In the European Generation segment, the cost is 6.0% to 7.4% before taxes (which corresponds to 4.7% to 5.2% after taxes). In the Russian Power Generation segment, the cost of capital in local currency is 11.9% before taxes and 9.55% after taxes.

Impairment charges on property, plant and equipment totaled €237 million in the first half of 2020 (first half of 2019: €5 million). They related primarily to power plants within and outside Germany held by the European Generation and Russian Power Generation segments, where they were necessitated by changed market conditions and, specifically in the case of the Berezovskaya 3 power plant unit currently under construction, additionally by continuing delays. Impairment charges in the comparative period of the previous year had related primarily to power plants in the Russian Power Generation segment.

Reversals of impairment charges previously recognized on power plants amounted to €148 million in the first half of 2020 (first half of 2019: no reversals). They related primarily to two gas-fired power plants in Germany held by the European Generation segment, which were written back to reflect their planned return to the market.

(7) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets

€ in millions	June 30, 2020 Uniper Group	Associates[1]	Joint ventures[1]	December 31, 2019 Uniper Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	451	443	8	446	437	9
Equity investments	557	17	5	610	17	5
Non-current securities	87	–	–	100	–	–
Total	**1,095**	**460**	**13**	**1,156**	**454**	**14**

[1]The associates and joint ventures presented as equity investments are associated companies and joint ventures accounted for at cost on materiality grounds.

(8) Equity and Dividend

At the Annual Shareholders Meeting of Uniper SE on May 20, 2020, shareholders resolved to use the net income available for distribution reported in the annual financial statements to distribute a dividend of €1.15 per share (365,960,000 shares) of the dividend-paying capital stock of €622.1 million. The dividend distribution in the amount of €421 million took place on May 25, 2020.

(9) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations increased by €97 million from December 31, 2019, to €1,128 million as of June 30, 2020. The increase was caused especially by net actuarial losses, which resulted primarily from the decrease in the underlying interest rates, and by additions attributable to the net periodic pension cost. These effects were partially offset by employer contributions to plan assets.

The following discount rates were applied for the computation of provisions for pensions and similar obligations in Germany and in the United Kingdom:

Discount Rates

Percentages	Jun. 30, 2020	Dec. 31, 2019
Germany	1.40	1.50
United Kingdom	1.60	2.10

The net defined benefit liability, which is equal to the difference between the present value of the defined benefit obligations and the fair value of plan assets, is determined as shown in the following table:

Net Defined Benefit Liability

€ in millions	Jun. 30, 2020	Dec. 31, 2019
Present value of all defined benefit obligations	3,662	3,563
Fair value of plan assets	2,534	2,532
Net defined benefit liability	**1,128**	**1,031**
Presented as provisions for pensions and similar obligations	*1,128*	*1,031*

The net periodic pension cost for defined benefit plans included in the provisions for pensions and similar obligations breaks down as shown in the following table:

Net Periodic Pension Cost

	April 1–June 30		January 1–June 30	
€ in millions	2020	2019	2020	2019
Employer service cost	16	14	30	27
Past service cost	11	–	11	–
Gains (-) and losses (+) on settlements	–	–	–	–
Net interest on the net defined benefit liability	4	5	8	9
Total	**31**	**19**	**49**	**36**

(10) Additional Disclosures on Financial Instruments

Measurement of Financial Instruments

The value of financial instruments that are generally measured at market value is determined on the basis of fair value measurement. The fair value of derivative financial instruments is sensitive to movements in the underlying market variables. The Uniper Group assesses and monitors the fair value of derivatives at regular intervals. The fair value determined for each derivative financial instrument is the price at which one party can sell to a third party the rights and/or obligations embodied in that derivative. The fair values of derivative financial instruments are calculated using standard market valuation methods, with reference to market data available on the measurement date.

The fair values of individual assets are determined using published exchange or market prices at the time of acquisition in the case of marketable securities. 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 activities.

Derivative financial instruments are covered by industry-standard netting agreements. Master netting agreements based on those developed by the International Swaps and Derivatives Association ("ISDA"), and supplemented by appropriate schedules, are in place with banks. Trading operations conducted within the energy industry are generally governed by master agreements developed by the European Federation of Energy Traders ("EFET"). The aforementioned netting agreements are taken into account when determining the fair values of financial instruments.

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 covering both its own credit risk (debt value adjustment) and the credit risk of the corresponding counterparty (credit value adjustment). This approach also implicitly considers effects on the real economy associated with the Covid-19 pandemic, especially higher probabilities of default. The credit value adjustment for derivative assets was €26 million as of June 30, 2020 (December 31, 2019: €19 million), and the debt value adjustment for derivative liabilities was €19 million (December 31, 2019: €6 million).

Additional Disclosures on Financial Instruments

The following table shows the carrying amounts of the financial assets and financial liabilities that are measured at fair value, classified by measurement source:

Carrying Amounts of Financial Instruments as of June 30, 2020

€ in millions	Total carrying amounts within the scope of IFRS 7	Determined using market prices	Derived from active market prices
Assets measured at fair value			
Equity investments	454	–	44
Derivatives	14,811	6,041	8,669
Other operating assets	77	1	76
Securities and fixed deposits	182	87	95
Liabilities measured at fair value			
Derivatives	13,885	5,053	8,495

Carrying Amounts of Financial Instruments as of December 31, 2019

€ in millions	Total carrying amounts within the scope of IFRS 7	Determined using market prices	Derived from active market prices
Assets measured at fair value			
Equity investments	513	9	25
Derivatives	13,388	4,635	8,357
Other operating assets	99	-	99
Securities and fixed deposits	146	146	0
Liabilities measured at fair value			
Derivatives	12,515	4,095	8,357

The carrying amounts of trade receivables are considered reasonable estimates of their fair values because of their short maturity. The carrying amounts of commercial paper and borrowings under short-term credit facilities, as well as the carrying amount of trade payables, are used as the fair values for these items owing to their short maturities.

Included within financial assets are securities held in institutional investment funds with a total fair value of €45 million (December 31, 2019: €46 million).

At the end of each reporting period, Uniper assesses whether there might be grounds for reclassification between hierarchy levels. The proportion of fair values measured at Level 1 to those measured at Level 2 has not changed materially compared with December 31, 2019. There were no material reclassifications between these two fair value hierarchy levels in the first half of 2020. No financial instruments were reclassified into Level 3 of the fair value hierarchy during this period, nor were any reclassified out of Level 3 into Level 2. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

€ in millions	December 31, 2019	Purchases (including additions)	Sales (including disposals)	Settle-ments	Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	June 30, 2020
Equity investments	479	–	–	–	0	–	–	-69	410
Derivative financial instruments (assets)	395	–	–	–	-293	–	–	–	102
Derivative financial instruments (liabilities)	-41	–	–	–	-295	–	–	–	-336
Total	**834**	**0**	**0**	**0**	**-588**	**0**	**0**	**-69**	**177**

The changes in initial-measurement effects of derivatives in Level 3 of the fair value hierarchy are shown in the following table:

Reconciliation of the Initial-Measurement Effect in Level 3 of the Fair Value Hierarchy

€ in millions	December 31, 2019	Purchases and sales (including additions and disposals)	Change in fair value during the reporting period	June 30, 2020
Gross fair value	354	99	-170	283
Gain on initial measurement	-431	-90	3	-518
Loss on initial measurement	1	0	0	1
Net fair value	**-76**	**8**	**-167**	**-234**

Certain long-term energy contracts are measured using valuation models based on internal fundamental 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 €67 million or an increase of €67 million, respectively.

Credit Risk

Whenever possible, pledges of collateral are agreed with counterparties for the purpose of reducing credit risk. Guarantees issued by the respective parent companies or evidence of profit and loss transfer agreements in combination with letters of awareness are accepted as collateral. To a lesser extent, the Uniper Group also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. As of June 30, 2020, risk-management collateral was accepted in the amount of €4,403 million (December 31, 2019: €3,989 million). Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements and exchange clearing. As of June 30, 2020, exchange-traded forward and option contracts, as well as exchange-traded emissions-related derivatives, bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

Loss allowances for expected credit losses are recognized on financial assets carried at amortized cost, lease receivables and contract assets, as well as on loan commitments and financial guarantees. This calculation of expected credit losses also implicitly considers effects on collectability associated with the Covid-19 pandemic. In the first half of 2020, there were no significant deteriorations in the ratings of the debtors in the Uniper portfolio, and the model was not adjusted. Although the probabilities of default per rating class have increased, this did not lead to material changes in the level of the loss allowances because of the lower calculation input (significantly reduced gross carrying amounts, especially in trade receivables). No material defaults occurred during the reporting period. In the first half of 2020, this resulted in operating expenses of €5 million because allowances exceeded reversals (first half of 2019: €2 million income). Additional loss allowances of €3 million (first half of 2019: €1 million expense) were recognized in other financial results.

Debt

Economic Net Debt

Economic net debt is used by Uniper to manage the Group's capital structure.

The table Economic Net Debt included for the first time as of March 31, 2020, all details of the positions previously aggregated within "financial liabilities and liabilities from leases." The extended table increases transparency and presents all information on financial liabilities in one place. Starting on June 30, 2020, restricted cash will no longer be included as part of the liquid funds within Uniper's economic net debt. Instead, economic net debt will include "cash and cash equivalents" and "current securities" as separate items going forward. Margining receivables now also include collateral pledged for hedging foreign exchange positions. These changes increase transparency on the type and availability of cash, cash equivalents, securities and receivables as part of the net financial position of Uniper.

The following table shows the determination of economic net debt as of June 30, 2020:

Economic Net Debt

€ in millions	Jun. 30, 2020	Dec. 31, 2019
Cash and cash equivalents[1]	575	825
Current securities	95	46
Non-current securities	87	100
Margining receivables[1]	200	336
Financial liabilities and liabilities from leases	2,140	1,935
Bonds	*–*	*–*
Commercial paper	*170*	*–*
Liabilities to banks	*177*	*120*
Lease liabilities	*839*	*817*
Margining liabilities	*456*	*499*
Liabilities to co-shareholders from shareholder loans	*390*	*396*
Other financing	*107*	*102*
Net financial position	**1,183**	**628**
Provisions for pensions and similar obligations	1,128	1,031
Provisions for asset retirement obligations[2]	985	991
Other asset retirement obligations	*759*	*754*
Asset retirement obligations for Swedish nuclear power plants[3]	*2,511*	*2,557*
Receivables from the Swedish Nuclear Waste Fund recognized on the balance sheet[3]	*2,285*	*2,320*
Economic net debt	**3,296**	**2,650**
For informational purposes: Receivables from the Swedish Nuclear Waste Fund (KAF) ineligible for capitalization[3]	276	291
For informational purposes: Fundamental economic net debt	**3,020**	**2,359**

[1]Comparative figures adjusted (margins increased and liquid funds decreased).

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

[3]Due to IFRS valuation rules (IFRIC 5), €276 million (December 31, 2019: €291 million) of Uniper's share of the fair value of the net assets of the Swedish Nuclear Waste Fund may not be capitalized on the balance sheet. Accordingly, there exists an additional receivable from the Swedish Nuclear Waste Fund ineligible for recognition on the balance sheet, and the economic net obligation for the decommissioning of the Swedish nuclear power plants is thus reported too high in the table by the amount of this receivable.

Compared with December 31, 2019, economic net debt as of June 30, 2020, increased by €646 million to €3,296 million (December 31, 2019: €2,650 million). The net financial position increased by €555 million to €1,183 million compared with year-end 2019 (December 31, 2019: €628 million).

Within the net financial position, financial liabilities and liabilities from leases increased as of June 30, 2020, by €205 million to €2,140 million (December 31, 2019: €1,935 million). The increase is mainly caused by the issuance of commercial paper in the amount of €170 million. As of June 30, 2020, €170 million in commercial paper was outstanding (December 31, 2019: no commercial paper). Liabilities to banks increased by €57 million, mainly caused by higher margin deposits for foreign exchange (FX) transactions. Furthermore, operating cash flow (€288 million) did not offset the dividend payment (-€421 million) and investment spending (-€217 million) in the first six months of 2020. In sum, cash and cash equivalents decreased by €250 million to €575 million compared with year-end 2019 (December 31, 2019: €825 million).

Furthermore, provisions for pensions and similar obligations increased by €97 million to €1,128 million (December 31, 2019: €1,031 million). This development resulted from a reduction in interest rates compared with those at year-end 2019, which led to a corresponding increase in pension obligations, while market values of plan assets remained almost unchanged compared with those at year-end 2019. Provisions for asset retirement obligations decreased slightly to €985 million as of June 30, 2020 (December 31, 2019: €991 million).

(11) Contingent Liabilities, Contingent Assets and Other Financial Obligations

Contingent Liabilities

With respect to the activities of the Swedish nuclear power plants, the companies of the Swedish generation units have issued guarantees to governmental authorities in accordance with Swedish law. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the companies of the Swedish generation unit are responsible for all costs related to the disposal of low-level radioactive waste.

The guarantees referred to above are issued by Sydkraft Nuclear Power AB, a fully consolidated subsidiary of Uniper SE.

Owners of nuclear facilities in Sweden are additionally liable under the Law Concerning Nuclear Liability for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. 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 incident. The conditions enabling this new law to take effect were not yet in place as of June 30, 2020. Nevertheless, the Swedish government decided to increase the insured amount from January 1, 2019, by amending the existing legislation. Accordingly, the liability per incident as of June 30, 2020, is limited to SEK 12,888 million (December 31, 2019: SEK 12,888 million). The necessary insurance for the affected nuclear power plants has been purchased by Uniper.

Other Financial Obligations

Other financial obligations result mainly from contracts entered into with third parties or from legal requirements. They are based on contracts or statutory provisions in which performance and consideration are currently evenly balanced. Where they are not, a provision is recognized, and the amount of that provision is subtracted from the obligation where it is disclosed.

Material changes relative to the December 31, 2019, balance sheet date occurred especially in long-term contractual obligations related to the purchase of fossil fuels such as natural gas, lignite and hard coal. Financial obligations under these purchase contracts amounted to approximately €109.5 billion on June 30, 2020 (due within one year: €4.0 billion) and to approximately €112.8 billion on December 31, 2019 (due within one year: €4.6 billion). The decrease in contractual obligations for purchases of fossil fuels is primarily attributable to a price-related reduction in the minimum purchase requirements for gas procurement.

Gas is usually procured by means 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 usually makes a final and 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.

(12) Transactions with Related Parties

Related Entities

Uniper exchanges goods and services with numerous entities as part of its continuing operations. In the reporting period, these included related entities of the Fortum Group and the Uniper Group.

Uniper is an affiliated company of Fortum Oyj and includes it and its subsidiaries and joint ventures as related parties in its financial reporting. The same is true for the Republic of Finland – in its capacity as majority shareholder of Fortum Oyj – and the entities controlled by it.

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. As in the comparative period of the previous year, the share of the transactions referred to in the following section made up by transactions with other related parties is not material.

There have been no material business transactions with the Republic of Finland, or with material entities controlled by it other than Fortum Oyj, in the first half of 2020. The following transactions with related parties took place in the periods indicated:

Related-Party Transactions – Income Statement

January 1–June 30 € in millions	2020	2019
Income	**318**	**541**
Entities with control over Uniper (Fortum Group)[1]	*59*	*63*
Associated companies	*245*	*463*
Joint ventures	*7*	*10*
Other related parties	*7*	*5*
Expenses	**175**	**218**
Entities with control over Uniper (Fortum Group)[1]	*6*	*7*
Associated companies	*149*	*200*
Joint ventures	*1*	*1*
Other related parties	*19*	*10*

[1]Until March 25, 2020, significant influence by the Fortum Group.

Related-Party Transactions – Balance Sheet

€ in millions	Jun. 30, 2020	Dec. 31, 2019
Receivables	**520**	**488**
Entities with control over Uniper (Fortum Group)[1]	*24*	*1*
Associated companies	*451*	*453*
Joint ventures	*14*	*11*
Other related parties	*31*	*23*
Liabilities	**449**	**438**
Entities with control over Uniper (Fortum Group)[1]	*223*	*225*
Associated companies[2]	*60*	*42*
Joint ventures	*37*	*42*
Other related parties	*129*	*129*

[1]Until March 25, 2020, significant influence by the Fortum Group.

[2]The comparative figure has been restated because of a reclassification to other financial obligations (see also the following body text).

Transactions for Goods and Services, Financing Activities and Other Financial Obligations

Income from transactions and from goods and services received, as well as other expenses from transactions within the Uniper Group and with the Fortum Group were as follows in the first half of 2020:

Business relationships with related entities reflected the Group-wide procurement and sales activities of Uniper Global Commodities SE, primarily in the electricity and gas business. These relationships result in extensive mutual obligations and trading relationships.

Income generated from transactions with related entities of the Uniper Group included especially revenues from deliveries of electricity and gas in the amount of €119 million (first half of 2019: €231 million). The corresponding expenses from transactions with related entities of the Uniper Group consisted especially of material costs associated with electricity and gas procurement in the amount of €116 million (first half of 2019: €157 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 Uniper Group's companies.

The income generated from transactions with Fortum Oyj and Fortum Group companies included especially revenues from electricity deliveries amounting to €58 million (first half of 2019: €63 million). The corresponding expenses from transactions with Fortum Oyj and Fortum Group companies consisted especially of material costs for electricity procurement amounting to €6 million (first half of 2019: €5 million).

As of June 30, 2020, receivables from and liabilities to Fortum Oyj and Fortum Group companies exist in the amount of €24 million (December 31, 2019: €1 million) and €223 million (December 31, 2019: €225 million), respectively. Included in the liabilities are financial liabilities of €222 million (December 31, 2019: €222 million) resulting from a Fortum Group company's share in the financing of the nuclear power plant in Sweden that is jointly operated under Uniper's management.

Other financial obligations to related entities amounted to €2,165 million as of June 30, 2020 (December 31, 2019: €2,308 million; comparative figure restated; see also the explanation in the preceding table "Related-Party Transactions – Balance Sheet").

Hedging Transactions and Derivative Financial Instruments

Gains from the marking to market of commodity forward transactions with Uniper Group companies amounted to €10 million in the first half of 2020 (first half of 2019: €17 million); corresponding losses amounted to €14 million (first half of 2019: €9 million). Derivative receivables relating to the marking to market of commodity forward transactions were recognized in the amount of €18 million (December 31, 2019: €8 million); corresponding derivative liabilities relating to the marking to market of commodity forward transactions were recognized in the amount of €29 million (December 31, 2019: €15 million).

There were no material effects on earnings from the marking to market of commodity forward transactions with Fortum companies.

Related Persons

As of June 30, 2020, there were no material changes to the disclosures in the 2019 Annual Report concerning related persons, with the exception of the matters described below.

The ordinary Management Board members Eckhardt Rümmler and Keith Martin resigned their positions effective January 31, 2020, and April 30, 2020, respectively.

In accordance with the change-of-control severance provisions stipulated in their service agreements, Eckhardt Rümmler and Keith Martin were entitled to settlement payments of approximately €2.3 million each. The settlement payments for Eckhardt Rümmler and Keith Martin had already been disbursed in September 2019 and November 2019, respectively, and were therefore classified as advances. Members of the Management Board had been granted a special incentive bonus in recognition of the successful spin-off of Uniper SE from E.ON SE in September 2016, 25% of which vested following the close of each full year from the effective date of the spin-off of Uniper SE from E.ON SE. For both Eckhardt Rümmler and Keith Martin, 75% of the respective special incentive bonus had vested. The two were therefore required to repay 25% of the special incentive bonus (approximately €0.2 million), respectively. The repayment amounts were offset against the settlement payments.

Provisions recognized in the amount of approximately €0.8 million for company-funded pension entitlements of Keith Martin had already been reversed in 2019 because the company-funded portion of these retirement benefit entitlements never vested.

Niek den Hollander was appointed to the Uniper Management Board as Chief Commercial Officer effective June 1, 2020. Accordingly, his term of office as a member of the Management Board of Uniper is the period from June 1, 2020, through May 31, 2023. His predecessor, Keith Martin, worked at Uniper as Chief Commercial Officer until the end of April 2020. Mr. den Hollander's compensation equals that of his predecessor and is discussed in detail in the 2020 Compensation Report.

On April 3, 2020, the four independent members of the Uniper Supervisory Board, Jean-François Cirelli, David Charles Davies, Dr. Marion Helmes and Rebecca Ranich, as well as its chairman, Dr. Bernhard Reutersberg, had given notice in an extraordinary Supervisory Board meeting that they would resign from and leave the Supervisory Board with immediate effect. In accordance with the Articles of Association of Uniper SE, this triggered the early payout of each departing Supervisory Board member's variable compensation for the 2020 fiscal year, as well as the early settlement and payout of any variable compensation converted into virtual shares during their respective service periods. These obligations had to be revalued as of April 3, 2020, and all expenses still to be incurred had to be recognized as a one-time personnel expense. In return, there will be no more charges to personnel costs in the future from the now-settled variable compensation for these four Supervisory Board members. The payouts totaled approximately €0.5 million. The resulting expense for the 2020 fiscal year amounted to roughly €0.1 million in total.

On April 17, 2020, the Düsseldorf District Court had appointed Prof. Dr. Werner Brinker, Dr. Bernhard Günther, Prof. Dr. Klaus-Dieter Maubach, Sirpa-Helena Sormunen and Tiina Tuomela as new members and shareholder representatives of the Uniper SE Supervisory Board. Subsequently, in an extraordinary meeting on April 22, 2020, the Supervisory Board of Uniper SE had elected Prof. Dr. Klaus-Dieter Maubach as the new Chairman of the Supervisory Board.

The court-ordered appointments of the new Supervisory Board members expired at the closing of the Annual Shareholders Meeting of Uniper SE that was held virtually on May 20, 2020. Prof. Dr. Werner Brinker (member of the Executive and Nomination Committees), Dr. Bernhard Günther (Chairman of the Audit and Risk Committee), Prof. Dr. Klaus-Dieter Maubach, Sirpa-Helena Sormunen and Tiina Tuomela (member of the Audit and Risk Committee) were confirmed as members of the Supervisory Board by the Annual Shareholders Meeting of Uniper SE. Furthermore, Prof. Dr. Klaus-Dieter Maubach was confirmed as Chairman of the Supervisory Board and of the Executive Committee and elected as a member of the Nomination Committee.

Additional information about the compensation of the members of the Management and Supervisory Boards will be provided in the 2020 Annual Report.

(13) Reconciliation of Income/Loss before Financial Results and Taxes to Adjusted EBIT and to Adjusted Net Income

The following information for the first half of 2020 is provided on the basis of the Uniper Group's internal reporting system in order to enable an assessment to be made of the nature and financial consequences of the business activities conducted by the Uniper Group and of the economic environment in which the Group operates.

Adjusted EBIT

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

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

The non-operating effects on earnings for which EBIT is adjusted include gains and losses from the fair value measurement of derivative financial instruments used in hedges, as well as certain effects resulting from the measurement of physically settled contracts within the scope of IFRS 9, which are measured at the market price at physical settlement instead of the contractually hedged price. Additionally, certain book gains/losses, expenses for (and income from) restructuring and 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, are eliminated.

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of derivatives are also included in other operating expenses and income. These hedges entered into as part of the energy trading business, however, have no impact on adjusted EBIT until maturity. In addition, for physically settled derivative financial instruments within the scope of IFRS 9, further non-operating adjustments of revenues, cost of materials, other operating income and other operating expenses are also made to adjust for the difference between the economically and contractually hedged contract price and the spot price on the settlement date that is relevant for income and expense recognition under IFRS. Since unadjusted EBIT is derived from the revenue and cost of materials (i.e., inventories and emission rights, including their subsequent measurement) measured for these transactions at the IFRS-relevant spot price when they are settled, the difference between such measurement and one based on the economically hedged contract price is adjusted accordingly to determine adjusted EBIT.

Expenses for (and income from) restructuring and cost-management programs initiated prior to the spin-off represent additional expenses and income that are not directly attributable to the operating business. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement.

The table below presents the reconciliation of the Group's earnings under IFRS to adjusted earnings before interest and taxes:

Reconciliation of Income/Loss before Financial Results and Taxes

January 1–June 30 **€ in millions**	**2020**	**2019**
Income/Loss before financial results and taxes[1]	**868**	**1,113**
Net income/loss from equity investments	5	5
EBIT[1]	**873**	**1,118**
Non-operating adjustments	-182	-810
Net book gains (-) / losses (+)	*-1*	*0*
Impact of derivative financial instruments[1]	*-716*	*-473*
Adjustments of revenue and cost of materials from physically settled commodity derivatives to the contract price	*276*	*-231*
Restructuring / Cost-management expenses (+) / income (-)[2]	*60*	*4*
Non-operating impairment charges (+) / reversals (-)[3]	*89*	*2*
Miscellaneous other non-operating earnings	*111*	*-112*
Adjusted EBIT	**691**	**308**
For informational purposes: *Economic depreciation and amortization/reversals*	*321*	*349*
For informational purposes: Adjusted EBITDA	*1,012*	*657*

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.
[2]Expenses for (and income from) restructuring and cost management in the Global Commodities segment included depreciation and amortization of €2 million in the first half of 2020 (first half of 2019: €6 million).
[3]Non-operating impairment charges/reversals consist of non-operating impairment charges and reversals triggered by regular impairment tests. The total of the non-operating impairment charges/reversals and economic depreciation and amortization/reversals differs from depreciation, amortization and impairment charges reported in the income statement since the two items also include impairment charges on companies accounted for under the equity method and other financial assets; in addition, a small portion is included in restructuring / cost-management expenses and in miscellaneous other non-operating earnings.

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

The fair value measurement of derivatives used to hedge the operating business against price fluctuations resulted in a net gain of €716 million in the first half of 2020, due to changed market values in connection with decreased commodity prices in the forward markets (first half of 2019: net gain of €473 million).

Revenues and cost of materials for physically settled commodity derivatives (contracts that are accounted for under IFRS 9 (failed own-use contracts)) were adjusted for the difference between the spot prices relevant pursuant to IFRS and the contract prices relevant from the management perspective by an expense of €276 million net in the first half of 2020 (first half of 2019: income of €231 million).

In the first half of 2020, restructuring and cost-management expenses/income changed by €56 million relative to the prior-year period. The expenses in the first half of 2020 amounted to €60 million (first half of 2019: expenses of €4 million). They consisted primarily of expenses incurred for Uniper's new strategy, which includes, among other things, a proactive phase-out plan for coal in Europe. In the previous year, mainly expenses from the spin-off and transfer agreement with E.ON had been adjusted on a non-operating basis.

Non-operating impairment charges and reversals totaling €89 million were recognized in the reporting period. The impairments were primarily attributable to the European Generation and Russian Power Generation segments. Reversals of impairments recognized in previous years related primarily to the European Generation segment in the first half of 2020. In the previous year, non-operating impairments had been reported in the amount of €2 million.

An expense of €111 million was classified as miscellaneous other non-operating earnings in the first half of 2020 (first half of 2019: income of €112 million). The change resulted primarily from temporary reductions in current assets and from adjustments of provisions recognized for non-operating effects in the Global Commodities segment.

Adjusted Net Income

Beginning in the 2020 fiscal year, the Uniper Group is using adjusted net income as an additional internal management indicator and as a further key indicator of the after-tax profitability of its operations – one that also takes into account important income and expense components that are not included in adjusted EBIT – as well as for determining the variable compensation of the Management Board.

Adjusted net income for the first half of 2020 amounted to €527 million, a year-over-year increase of €338 million (first half of 2019: €189 million). Adjusted net income is composed of adjusted EBIT, net operating interest income and income taxes on operating earnings, less non-controlling interests in operating earnings.

The starting point is adjusted EBIT, which is reconciled from income/loss before financial results and taxes as previously presented. Adjusted EBIT is further adjusted for selected non-operating items. They include net non-operating interest income and other financial results, as well as income taxes on non-operating earnings and non-controlling interests in non-operating earnings.

Included in other financial results are effects such as measurement effects from changes in the fair value of securities and of the KAF (the Swedish Nuclear Waste Fund; "Kärnavfallsfonden"). Not being a component of adjusted EBIT, other financial results are added back to adjusted EBIT in a first step to determine adjusted net income, together with net interest income, so that all earnings components of the income statement are also shown in the reconciliation to adjusted net income. They are then eliminated in a second step, together with non-operating interest expense and income. Other financial results thus have no effect on adjusted net income. Non-operating interest effects include, for example, interest on provisions financed through the KAF, which are eliminated correspondingly with other financial results.

Reconciliation to Adjusted Net Income

January 1–June 30 € in millions	2020	2019
Income/Loss before financial results and taxes[1]	**868**	**1,113**
Net income/loss from equity investments	5	5
EBIT[1]	**873**	**1,118**
Non-operating adjustments	-182	-810
Adjusted EBIT	**691**	**308**
Interest income/expense and other financial results	*-28*	*-5*
Non-operating interest expense and negative other financial results (+) / interest income and positive other financial results (-)	*44*	*-31*
Operating interest income/expense and other financial results	16	-36
Income taxes	*-168*	*-192*
Expense (+) / Income (-) resulting from income taxes on non-operating earnings	*14*	*138*
Income taxes on operating earnings	-155	-54
Less non-controlling interests in operating earnings	-25	-29
Adjusted net income	**527**	**189**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Aside from other financial results, the adjustments for financial effects relate primarily to the interest effects of the provisions financed through the KAF in the European Generation segment and of other non-operating provisions in the Global Commodities segment. An expense of €44 million was adjusted for in total (prior-year period: adjustment for income of €31 million).

In the first half of 2020, this resulted in a non-operating tax expense of €14 million (prior-year period: €138 million). The operating tax expense amounted to €155 million (prior-year period: €54 million). This has resulted in an operating effective tax rate of 21.9% (prior-year period: 19.8%).

(14) IFRS 8 Operating Segments

The Uniper Group is composed of three operating business segments: European Generation, Global Commodities and Russian Power Generation. The Russian Power Generation operating segment was previously called International Power Generation. Following the disposal in early April 2019 of the 6.1% financial investment in the Brazilian energy utility ENEVA S.A., this segment now includes only Russian activities.

Combined separately under Administration/Consolidation are the non-operating functions that are performed centrally across segments, as well as the consolidations required to be carried out at Group level.

European Generation

The European Generation segment comprises the various power and heat generation facilities that the Uniper Group operates in Europe. In addition to fossil-fuel power plants (coal-, gas-, oil-fired power plants; combined gas and steam power plants) and hydroelectric power plants, these generation facilities also include nuclear power plants in Sweden. Most of the energy produced is sold to the Global Commodities segment, which is responsible for the marketing and sale of energy to major customers via the traded markets and its own sales organization. A further portion of the energy generated is marketed by means of long-term electricity and heat supply contracts. In addition to the power plant business, this segment also includes the marketing of energy services, which encompass engineering and asset management, as well as operational and maintenance services. Until early July 2019, the sold activities in France were also reported in this segment.

Global Commodities

The Global Commodities segment bundles the energy trading activities and forms the commercial interface between the Uniper Group and the global traded markets for energy and 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. On the basis of long-term contracts with suppliers within and outside Germany, Uniper sells natural gas to resellers (e.g., municipal utilities), major industrial customers and power plant operators. This segment additionally includes infrastructure investments and gas storage operations.

Russian Power Generation

The Russian Power Generation segment brings together the operating power generation business of the Uniper Group in Russia. PAO Unipro, a subsidiary of Uniper SE listed in Russia, is responsible for conducting all business in connection with power generation and associated activities in Russia. These include the procurement of the fuels needed for the power plants, the operation and management of the plants and the trading and sale of the energy produced.

Combined separately under Administration/Consolidation are the non-operating functions that are performed centrally across segments, as well as the consolidations required to be carried out at Group level.

Financial Information by Segment

January 1–June 30	European Generation		Global Commodities[3]		Russian Power Generation		Administration/ Consolidation		Uniper Group	
€ in millions	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External sales[1]	876	1,530	18,610	31,626	489	578	2	2	19,977	33,736
Intersegment sales[1]	2,334	5,037	2,454	5,293	–	–	-4,788	-10,329	–	–
Sales[1]	**3,210**	**6,566**	**21,065**	**36,919**	**489**	**578**	**-4,786**	**-10,327**	**19,977**	**33,736**
Adjusted EBIT (segment result)	**217**	**173**	**571**	**91**	**123**	**174**	**-220**	**-130**	**691**	**308**
Equity-method earnings[2]	–		17	40	–	–	–		17	40
Operating cash flow before interest and taxes	**614**	**73**	**-277**	**-552**	**180**	**224**	**-164**	**3**	**352**	**-252**
Investments	**187**	**133**	**27**	**14**	**57**	**84**	**9**	**9**	**279**	**240**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.
[2]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.
[3]Regarding the change in sales in the Global Commodities segment, see also Notes 3 and 5 to the 2019 Consolidated Financial Statements.

The investments presented in the financial information by business segment tables are the purchases of investments reported in the Consolidated Statement 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

January 1–June 30 € in millions	2020	2019	+/-
Cash flow from operating activities	**288**	**-322**	**610**
Interest payments and receipts	12	12	
Income tax payments (+) / refunds (-)	53	58	-5
Operating cash flow before interest and taxes	**352**	**-252**	**604**

The following segment information by product reflects the classification of revenues in line with IFRS 15, and allocates to the segments the revenues generated from each product:

Sales by Segment and Product

January 1–June 30 € in millions	European Generation		Global Commodities		Russian Power Generation		Administration/ Consolidation		Uniper Group	
	2020	2019[1]	2020	2019[1]	2020	2019	2020	2019[1]	2020	2019[1]
Electricity	2,023	4,904	8,090	15,253	477	564	-3,310	-8,054	7,280	12,667
Gas	885	1,215	11,343	19,915	–	–	-1,041	-1,569	11,188	19,562
Other	302	447	1,632	1,751	12	14	-436	-704	1,510	1,507
Total	**3,210**	**6,566**	**21,065**	**36,919**	**489**	**578**	**-4,786**	**-10,327**	**19,977**	**33,736**

[1]The comparative figures shown have been restated. Further information can be found in Note 3 to the 2019 Consolidated Financial Statements.

Revenues are generated predominantly from sales of electricity and gas via traded markets to industrial customers and resellers, and include hedges settled through physical delivery. Also shown in this line item are revenues earned from the transportation of gas and from deliveries of steam, heat and water, as well as from the rendering of services.

Revenues from trading operations transacted via traded markets (including hedges settled through physical delivery) are recognized when control is transferred to the purchaser. These transactions contain a performance obligation.

For physically settled transactions that are not within the scope of IFRS 9 (own-use transactions), contract prices, which reflect the economic character of these transactions and the contractually agreed consideration amounts, are used from fiscal 2019 forward to determine revenues unless IFRS 15 provides for a different method, e.g., to account for constraint of variable consideration. For physically settled transactions that must be accounted for as derivatives pursuant to IFRS 9 criteria (failed own-use transactions), revenue is recognized at the market price applicable at the time of recognition. Accordingly, such contracts are presented as physical spot contracts with a financial hedge.

(15) Summary of Significant Changes from the Previous Year

The decline in the Group's sales is primarily attributable to lower prices in the electricity and gas business and to decreased trading activities in the electricity business of the Global Commodities segment. The decrease in the cost of materials was almost entirely in line with this development.

The increase in other operating income in the first half of 2020 was attributable, in particular, to the marking to market of commodity derivatives. Income from invoiced and open transactions and from related currency hedges increased by €1,940 million to €16,002 million (first half of 2019: €14,062 million).

Other operating expenses rose in the first half of 2020. The increase resulted primarily from changes in the fair value of commodity derivatives. Expenses from invoiced and open transactions and from related currency hedges increased by €1,504 million year over year to €15,034 million (first half of 2019: €13,530 million).

Property, plant and equipment declined from €10,210 million by €391 million to €9,810 million and resulted primarily from currency-translation effects (-€382 million) and from impairment charges (-€238 million) and reversals (€149 million). Additional information on impairments and reversals is provided in Note 6.

The balance of deferred tax assets and liabilities is €515 million (December 31, 2019: €578 million) and decreased by €63 million. The reduction is primarily attributable to the change in receivables and liabilities from derivative financial instruments.

The principal cause of the decline in current assets was the decrease in trade receivables from €7,090 million by €2,958 million to €4,132 million. The valuation-related increase in receivables from derivative financial instruments from €8,601 million by €1,951 million to €10,552 million had an offsetting effect. Liquid funds fell from €871 million by €202 million to €669 million.

The effect of foreign exchange rates on assets and liabilities led to a decrease in equity of -€414 million, while the distributed dividend reduced equity by a further -€421 million. The net income of the Group of €677 million (of which €36 million is attributable to non-controlling interests) had a positive effect. The remeasurement of defined benefit plans in the amount of -€67 million due to lower applicable discount rates again had a negative effect on equity. The equity ratio was 28% (December 31, 2019: 27%).

Non-current liabilities decreased by €301 million, predominantly because of fair value measurement.

Current liabilities were lower primarily as a result of the decrease in trade receivables from €7,308 million by €2,868 million to €4,439 million. The valuation-related increase in liabilities from derivative financial instruments from €8,238 million by €1,293 million to €9,531 million had an offsetting effect. Financial liabilities rose from €815 million by €208 million to €1,023 million, primarily owing to the issuance of commercial paper.

(16) Other Significant Issues after the Balance Sheet Date

On July 3, 2020, the German legislation to reduce and end coal-fired power generation and amending other laws (coal phase-out law) was formally enacted into law by the Bundestag and the Bundesrat. A law for structural enhancement of the coal regions was enacted at the same time. Insofar as they are relevant as of the reporting date, the effects on Uniper have been taken into account in the half-year interim financial statements.

Declaration of the Management Board

To the best of our knowledge, we declare that, in accordance with applicable principles for interim financial reporting, the Condensed Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Interim Group Management Report 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, August 10, 2020

The Management Board

Andreas Schierenbeck

Sascha Bibert

David Bryson

Niek den Hollander

Financial Calendar

November 10, 2020
Quarterly Statement: January–September 2020

March 4, 2021
2020 Annual Report

May 6, 2021
Quarterly Statement: January–March 2021

May 19, 2021
2021 Annual Shareholders Meeting (Congress Center, Düsseldorf)

August 10, 2021
Half-Year Interim Report: January–June 2021

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