Interim Report II/2017

January – June

E.ON Group Financial Highlights[1]

January 1–June 30 € in millions	2017	2016	+/- %
Sales	19,583	20,254	-3
Adjusted EBITDA[2]	2,715	2,901	-6
Adjusted EBIT[2]	1,767	2,001	-12
Net income/Net loss	4,034	-2,929	–
Net income/Net loss attributable to shareholders of E.ON SE	3,872	-3,034	–
Adjusted net income[2]	881	604	+46
Investments	1,314	1,323	-1
Cash provided by operating activities of continuing operations	4,879	1,644	+197
Cash provided by operating activities of continuing operations before interest and taxes	5,260	2,282	+130
Economic net debt (June 30 and December 31)	21,485	26,320	-18
Employees (June 30 and December 31)	42,724	43,138	-1
Earnings per share[3, 4] (€)	1.85	-1.55	–
Adjusted net income per share[3, 4] (€)	0.42	0.31	+35
Shares outstanding (in millions, June 30 and December 31)	2,167	1,952	+11

[1]Adjusted for discontinued operations.
[2]Adjusted for non-operating effects (see Glossary).
[3]Based on shares outstanding (weighted average).
[4]Attributable to shareholders of E.ON SE.

Glossary of Selected Financial Terms

Adjusted EBIT Earnings before interest and taxes. It is our most important earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power. The EBIT used by E.ON is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain items, mainly non-operating income and expenses.

Adjusted EBITDA Earnings before interest, taxes, depreciation, and amortization. The EBITDA used by E.ON is derived from income/loss from continuing operations before interest income, income taxes, depreciation, and amortization and is adjusted to exclude certain items, mainly non-operating income and expenses.

Adjusted net income An earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating items. Along with effects from the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, and other material non-operating income and expenses (after taxes and non-controlling interests), and interest expense/income not affecting net income, which consists of the interest expense/income resulting from non-operating effects.

Economic net debt A key figure that supplements net financial position with pension obligations and asset-retirement obligations. In the case of material provisions affected by negative real interest rates, we use the actual amount of the obligation instead of the balance-sheet figure to calculate our economic net debt.

Investments Cash-effective investments as shown in the Consolidated Statements of Cash Flows.

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Dear Shareholders,

Your E.ON's operating business performed very well in the second quarter of 2017. Although the E.ON Group's first-half sales of €19.6 billion and adjusted EBIT of €1.8 billion were below the respective prior-year numbers, second-quarter adjusted EBIT in our core business (Energy Networks, Customer Solutions, and Renewables) improved by 25 percent year on year. First-half adjusted net income of €881 million was significantly higher, surpassing the prior-year figure by 46 percent. As promised, at the halfway mark we already almost made up for our extraordinarily weak first quarter, which was affected by a number of seasonal factors. We can therefore reaffirm our forecast for full-year 2017: we expect to post adjusted EBIT of €2.8 to €3.1 billion and adjusted net income of €1.2 to €1.45 billion.

We brought the reorganization of the responsibility for nuclear-waste disposal in Germany to a successful conclusion as planned. For this purpose, in early July we paid, as planned, roughly €10 billion into Germany's public fund to finance nuclear-waste disposal. In return, E.ON is no longer liable for the intermediate and final storage of nuclear waste. That's very good news, particularly for you, our shareholders. Because it means that E.ON is now released from these perpetual liabilities.

We're moving toward our objective of restrengthening your company's balance sheet faster than anticipated. We've already reduced our economic net debt significantly from €26.3 billion at year-end 2016 to €21.5 billion at June 30, 2017. In March we successfully conducted a capital increase of roughly €1.35 billion. In June the German Federal Constitutional Court ruled the nuclear-fuel tax invalid. The lion's share of the €2.85 billion in taxes already refunded had a positive impact on our balance sheet. We continue to systematically implement our debt-reduction plan. It will encompass the sale of our Uniper stake and the transfer our Nord Stream stake into our pension fund. Other items include cost savings on the dismantling of nuclear power stations and the disposal of non-core assets.

This will result in some more good news for you: the successful reduction of our debt gives us the flexibility to increase our dividend payout. Beginning with the dividend for the 2018 financial year, we intend to raise our payout ratio from the current 50 to 60 percent to a minimum of 65 percent. The Supervisory Board approved the Management Board's proposal for the increase. We'll present our new dividend policy in greater detail at the time we release our results for 2017. We're aiming for a dividend policy that's on par with our competitors and for dividend growth in absolute terms.

At the same time, we have the financial flexibility to invest in new growth. At the time we release our 2017 results, we'll announce how we intend to make use of this flexibility.

For your company's continued success it's pivotal that we satisfy our customers, capture market share, and achieve profitable growth with our palette of solutions. We made significant progress in these areas as well. We launched new products for residential customers, such as the Aura energy-storage system for owners of solar arrays and the SolarCloud, which enables customers to store their surplus solar power in a virtual account and use it later at any time. It's particularly pleasing that the demand for E.ON solar solutions has increased sixfold in one year. We also achieved substantial growth in our B2B business, whose order volume has grown dramatically. We expect this business to double in 2017 relative to 2016. Multinational companies from a variety of industries—Procter & Gamble, Dow Chemical, Britvic, DS Smith, Pilkington, and Goodyear—have recently opted for solutions from E.ON. These new products and services strengthen your new E.ON's earnings profile.

I hope this gives you an idea of how hard we worked in the first half of 2017 to continue implementing our new strategy. We strengthened our balance sheet and sharply reduced our debt. Our operating business is performing well. We're moving forward systemically and agilely in the second half of the year as well. Moreover, we have the flexibility for disciplined, sustainable growth. Our objective for you is clear: we intend to make your E.ON an even more attractive investment.

Best wishes,

Dr. Johannes Teyssen

At the end of the second quarter of 2017, E.ON stock (including reinvested dividends) was 27 percent above its year-end closing price for 2016. It thereby outperformed its peer index, the STOXX Utilities (+8 percent), and the broader European stock market as measured by the EURO STOXX 50 index (+7 percent).

The increase in the number of shares outstanding relative to year-end 2016 is attributable to the capital increase conducted in March 2017 by means of partial utilization of authorized capital. This increased the number of shares outstanding by about 200 million shares. The capital increase yielded E.ON SE gross issuance proceeds of approximately €1.35 billion.

In addition, in 2017 shareholders were given the option of receiving their dividend in cash or exchanging a portion of it for shares of E.ON stock. The acceptance rate was about 33 percent, and E.ON consequently issued about 15 million treasury shares. This increased the number of shares outstanding at June 30, 2017, to 2,167 million.

Despite a higher number of shares traded, E.ON's first-half trading volume declined by 5 percent year on year to €13.2 billion because of lower average share prices in the first half of 2017.

Visit eon.com for the latest information about E.ON stock.

E.ON Stock

	June 30, 2017	Dec. 31, 2016
Shares outstanding (millions)	2,167	1,952
Closing price (€)	8.25	6.70
Market capitalization (€ in billions)[1]	17.9	13.1

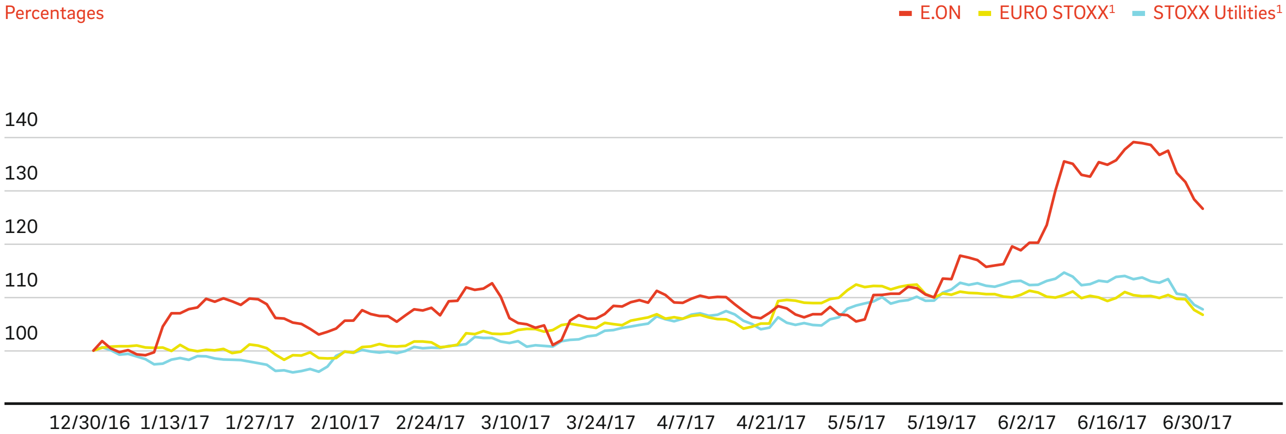
[1]Based on shares outstanding.

Performance and Trading Volume

January 1–June 30	2017	2016
High (€)[1]	9.06	8.49
Low (€)[1]	6.64	7.00
Trading volume[2]		
Millions of shares	*1,766.0*	*1,601.0*
€ in billions	*13.2*	*13.9*

[1]Xetra; adjusted for Uniper.
[2]Source: Bloomberg (all German stock exchanges).

E.ON Stock Performance



[1]Based on the performance index.

Interim Group Management Report

January – June 2017

- Dividend payout ratio to increase
- Forecast for full-year adjusted EBIT and adjusted net income affirmed
- First-half adjusted EBIT down year on year; second-quarter adjusted EBIT significantly above year-earlier quarter
- First-half adjusted net income considerably above prior-year level
- Economic net debt debt reduced, balance sheet substantially strengthened
- Operating cash flow considerably higher due, among other items, to refund of nuclear-fuel tax

Corporate Profile

Business Model

E.ON is an investor-owned energy company. Led by Group Management in Essen, our operations are segmented into three operating units: Energy Networks, Customer Solutions, and Renewables. Our non-strategic operations are reported under Non-Core Business.

Group Management
The main task of Group Management is to lead the E.ON Group. This involves charting E.ON's strategic course and managing and funding its existing business portfolio. Group Management's tasks include optimizing E.ON's overall business across countries and markets from a financial, strategic, and risk perspective and conducting stakeholder management.

In view of our new strategy and the Annual Shareholders Meeting's vote to spin off Uniper, we applied IFRS 5 and reported the Uniper Group as a discontinued operation in 2016. After the Control Termination Agreement took effect, Uniper was deconsolidated effective December 31, 2016, and is recorded in our Consolidated Financial Statements as an associated company in accordance with our stake and accounted for using the equity method. Uniper's earnings are reported under non-operating earnings.

Energy Networks
This segment consists of our power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East-Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Slovakia, and Turkey). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out any necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer connections.

Customer Solutions
This segment serves as the platform for working with our customers to actively shape Europe's energy transition. This includes supplying customers in Europe (excluding Turkey) with power, gas, and heat as well as with products and services that enhance their energy efficiency and autonomy and provide other benefits. Our activities are tailored to the individual needs of customers across all segments: residential, small and medium-sized enterprises, large commercial and industrial, and public entities. E.ON's main presence in this business is in Germany, the United Kingdom, Sweden, Italy, the Czech Republic, Hungary, and Romania. E.ON Connecting Energies, which provides customers with turn-key distributed-energy solutions, is also part of this segment.

Renewables
This segment consists of Onshore Wind/Solar and Offshore Wind/Other. We plan, build, operate, and manage renewable generation assets. We market their output in several ways: in conjunction with renewable incentive programs, under long-term electricity supply agreements with key customers, and directly to the wholesale market.

Non-Core Business
This segment consists of our non-strategic operations, the operation of our nuclear power stations in Germany (which is managed by our PreussenElektra unit).

Business Report

Industry Environment

Energy Policy and Regulatory Environment
On June 30, 2017, the German Bundestag passed the Grid Fee Modernization Act which lays the legal foundation for transmission grid fees to be standardized nationwide and for changes to be made in the compensation for avoided grid fees pursuant to Section 18 of the Electricity Grid Charges Ordinance. The act, which will be implemented gradually, will yield considerable savings for our distribution grid customers by 2023.

The German Federal Constitutional Court ruled that the nuclear-fuel tax was invalid. This entitled E.ON to a tax refund of approximately €2,850 million. The refund was paid in full in June 2017. It is recorded as other operating income and as cash provided by operating activities of continuing operations. Note 3 to the Condensed Consolidated Interim Financial Statements contains more information.

Earnings Situation

Business Performance

E.ON's operating business performed well in the second quarter of 2017. Our first-half sales of €19.6 billion and adjusted EBIT of €1.8 billion were below the respective prior-year numbers. As announced, we already almost offset our extraordinarily weak first quarter of 2017. In the second quarter, our Energy Networks and Customer Solutions segments delivered particularly strong earnings increases. Overall, our second-quarter adjusted EBIT in our core business was €98 million above the prior-year figure.

First-half adjusted EBIT for the E.ON Group of about €1.8 billion was 12 percent below the prior-year figure of €2 billion. Adjusted net income of €881 million surpassed the prior-year figure of €604 million by €277 million, or 46 percent.

Sales

Our first-half sales declined by €0.7 billion to €19.6 billion. Energy Networks' sales surpassed the prior-year figure by €0.3 billion, primarily because of higher costs charged by upstream grid operators in Germany that we passed through to our customers. Energy Networks recorded slightly higher sales in Sweden and East-Central Europe/Turkey owing to volume and price factors. Customer Solutions' sales declined by about €0.8 billion, principally because of currency-translation effects and lower sales volume in the United Kingdom as well as the expiration of supply contracts for the wholesale customer business in Germany, which was transferred to Uniper at the end of 2015. Sales at our Renewables segment were up year on year, primarily because of higher output due to improved wind conditions in the United States and because of the contribution of Colbeck's Corner wind farm, which entered service in May 2016. Sales at Non-Core Business rose by €140 million. The adverse impact of lower sales prices and the expiration of supply contracts was more than offset by higher sales volume to Uniper and non-recurring effects in conjunction with legal proceedings involving PreussenElektra. The prior-year figure for Corporate Functions/Other includes E&P operations in the North Sea that were sold in 2016.

Sales

	Second quarter			First half		
€ in millions	2017	2016	+/- %	2017	2016	+/- %
Energy Networks	4,428	4,141	+7	8,627	8,322	+4
Customer Solutions	4,649	4,898	-5	11,195	11,997	-7
Renewables	334	283	+18	710	680	+4
Non-Core Business	527	298	+77	891	751	+19
Corporate Functions/Other	195	279	-30	392	585	-33
Consolidation	-1,030	-916	–	-2,232	-2,081	–
E.ON Group	**9,103**	**8,983**	**+1**	**19,583**	**20,254**	**-3**

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €196 million was at the prior-year level and primarily reflects the completion of IT projects.

Other operating income increased sharply (by 96 percent), from €2,822 million to €5,527 million, mainly because of the refund of nuclear-fuel taxes paid in previous years. In addition, the sale of securities resulted in higher profits than in the prior-year period. By contrast, income from derivative financial instruments declined from €793 million to €489 million, and income from currency-translation effects decreased from €1,477 million to €1,318 million. Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses.

Costs of materials of €15,647 million were at the prior-year level of €15,685 million. Lower procurement costs for power and gas (in particularly at Customer Solutions in the United Kingdom) were offset by higher power procurement costs at our nuclear business.

Personnel costs of €1,477 million were €23 million above the figure from the first half of 2016, mainly because of the costs of our restructuring program, which has been under way since the start of the year. By contrast, personnel costs were reduced by lower past-service costs for pension plans and by lower wage and salary costs due to the reduction in our headcount.

Depreciation charges changed only slightly year on year, declining from €953 million to €936 million. The non-recurrence of impairment charges recorded at Energy Networks (in particular on a gas storage facility) in the prior year was the primary factor. In addition, impairment charges recorded at Renewables at the end of 2016 reduced scheduled depreciation charges in the current year. By contrast, Germany's Act Reorganizing Responsibility for Nuclear Waste Management led to higher depreciation charges on capitalized dismantling costs.

Other operating expenses rose by 19 percent, from €3,012 million to €3,586 million. This is principally because expenditures relating to derivative financial instruments increased substantially, from €318 million in the first half of 2016 to €1,024 million in the first half of 2017. Other operating expenses also increased owing to our obligation to pass on a portion of the refunded nuclear-fuel tax to the minority shareholders of our jointly owned power stations. By contrast, expenditures relating to currency-translation effects declined from €1,343 million to €1,101 million.

Income from companies accounted for under the equity method of €646 million was substantially above the prior-year figure of €169 million. The increase results from the inclusion, for the first time, of our stake in Uniper SE as a company accounted for using the equity method. It was partially offset by lower earnings at Energy Networks' East-Central Europe/Turkey unit.

Adjusted EBIT

For purposes of internal management control and as an indicator of our businesses' long-term earnings power, we use earnings before interest and taxes that have been adjusted to exclude non-operating effects ("adjusted EBIT"; see Note 15 to the Condensed Consolidated Interim Financial Statements).

First-half adjusted EBIT in our core business declined by €193 million year on year. Energy Networks' adjusted EBIT was higher due primarily to the delayed repayment of personnel costs from 2015 in Germany due to regulatory reasons along with an improved gross power margin due to higher tariffs and lower prices for the use of other operators' networks in Sweden. Earnings at Energy Networks' East-Central Europe/Turkey unit were at the prior-year level. Customer Solutions' adjusted EBIT declined by about €210 million year on year, primarily because of higher power network fees, lower gas sales prices, and higher costs for customer service and customer acquisition in Germany; lower sales volume and higher costs in the United Kingdom; and higher power and gas procurement costs in Romania. Earnings were slightly lower at Customer Solutions' other units as well. Renewables' adjusted EBIT was about €50 million lower, mainly because of the non-recurrence of a book gain recorded in the prior-year period at Offshore Wind/Other.

Adjusted EBIT for the E.ON Group declined by €234 million, owing primarily to the items mentioned above in the commentary on adjusted EBIT in our core businesses and the absence of earning streams from E&P operations in the North Sea divested in 2016.

Adjusted EBIT

	Second quarter			First half		
€ in millions	2017	2016	+/- %	2017	2016	+/- %
Energy Networks	396	302	+31	1,026	872	+18
Customer Solutions	119	71	+68	449	659	-32
Renewables	45	91	-51	205	254	-19
Corporate Functions/Other	-67	-66	–	-178	-109	–
Consolidation	-8	-11	–	-6	13	–
Adjusted EBIT from core business	**485**	**387**	**+25**	**1,496**	**1,689**	**-11**
Non-Core Business (PreussenElektra)	244	35	+597	271	283	-4
Other (divested operations)	–	8	–	–	29	–
Adjusted EBIT	**729**	**430**	**+70**	**1,767**	**2,001**	**-12**

Net Income/Loss

We recorded first-half net income attributable to shareholders of E.ON SE of €3.9 billion and corresponding earnings per share of €1.85. In the prior-year period we recorded a net loss of €3 billion and negative earnings per share of €1.55.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, for the first half of 2016, primarily includes our earnings related to Uniper. Note 5 to the Condensed Consolidated Interim Financial Statements contains more information.

We had a tax expense of €549 million compared with €567 million in the prior-year period. Our tax rate on income from continuing operations declined from 37 percent to 12 percent. One-off items relating to the refund of the nuclear-fuel tax, which is subject to a minimum tax rate, constituted the principal reason in the current-year period. Higher expenditures that did not reduce taxes along with one-off effects relating to tax expenditures from previous periods were the main reasons why our tax rate was significantly higher in the prior-year period.

First-half net book gains were roughly €300 million above the prior-year figure and resulted in particular from the sale of securities, which were sold in preparation for the payment that was made in July 2017 to Germany's public fund for financing nuclear-waste disposal. In 2016 we recorded lower book gains on the sale of securities and a book loss on the sale of our U.K. E&P business.

Restructuring and cost-management expenditures rose by €48 million and, as in the prior-year period, resulted mainly from cost-cutting programs and the One2Two project. The increase is attributable to our Phoenix restructuring and cost-cutting program, which was launched in 2017.

We use derivatives to shield our operating business from price fluctuations. Marking to market of derivatives at June 30, 2017, resulted in a negative effect of €311 million (prior year: +€552 million). This effect was recorded mainly at Customer Solutions, as it was in the prior-year period.

In the first half of 2017 we recorded a small amount of impairment-charge reversals and did not record any impairment charges (prior year: €44 million).

The increase in other non-operating earnings is attributable to effects resulting from the ruling by Germany's highest court on the invalidity of the nuclear-fuel tax and to the equity earnings on our Uniper stake.

Net Income/Loss

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Net income/loss	3,299	-4,195	4,034	-2,929
Attributable to shareholders of E.ON SE	*3,244*	*-4,204*	*3,872*	*-3,034*
Attributable to non-controlling interests	*55*	*9*	*162*	*105*
Income/Loss from discontinued operations, net	–	4,393	–	3,884
Income/Loss from continuing operations	**3,299**	**198**	**4,034**	**955**
Income taxes	394	154	549	567
Financial results	-442	382	-273	826
Income/Loss from continuing operations before financial results and income taxes	**3,251**	**734**	**4,310**	**2,348**
Income/Loss from equity investments	35	12	24	-12
EBIT	**3,286**	**746**	**4,334**	**2,336**
Non-operating adjustments	**-2,557**	**-316**	**-2,567**	**-335**
Net book gains (-)/losses (+)	*-221*	*21*	*-273*	*25*
Restructuring and cost-management expenses	*83*	*80*	*177*	*129*
Marking to market of derivative financial instruments	*3*	*-423*	*311*	*-552*
Impairments (+)/Reversals (-)	*-2*	*39*	*-5*	*44*
Other non-operating earnings	*-2,420*	*-33*	*-2,777*	*19*
Adjusted EBIT	**729**	**430**	**1,767**	**2,001**
Impairments (+)/Reversals (-)	5	7	22	9
Scheduled depreciation and amortization	464	452	926	891
Adjusted EBITDA	**1,198**	**889**	**2,715**	**2,901**

Adjusted Net Income

Like EBIT, net income also consists of non-operating effects, such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other material non-operating income and expenses (after taxes and non-controlling interests), and interest expense/income not affecting net income, which consists of the interest expense/income resulting from non-operating effects. Adjusted net income also does not include income/loss from discontinued operations.

The E.ON Management Board uses this figure in conjunction with its consistent dividend policy. Starting with the 2018 financial year, the goal will be to pay out to E.ON shareholders a minimum of 65 percent of adjusted net income as dividends. E.ON therefore will aim for a payout ratio that is on par with its relevant peer companies. E.ON still plans to propose a dividend of €0.30 per share for the 2017 financial year.

Adjusted Net Income

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Income/Loss from continuing operations before financial results and income taxes	**3,251**	**734**	**4,310**	**2,348**
Income/Loss from equity investments	35	12	24	-12
EBIT	**3,286**	**746**	**4,334**	**2,336**
Non-operating adjustments	-2,557	-316	-2,567	-335
Adjusted EBIT	**729**	**430**	**1,767**	**2,001**
Interest expense shown in the consolidated statements of income	407	-394	249	-814
Interest expense (+)/income (-) not affecting net income	-595	6	-632	4
Operating earnings before interest and taxes	**541**	**42**	**1,384**	**1,191**
Taxes on operating earnings	-137	-72	-347	-456
Operating earnings attributable to non-controlling interests	-48	-24	-156	-131
Adjusted net income	**356**	**-54**	**881**	**604**

Financial Situation

E.ON presents its financial condition using, among other financial measures, economic net debt and operating cash flow.

Financial Position

Compared with the figure recorded at December 31, 2016 (€26.3 billion), our economic net debt declined by €4.8 billion to €21.5 billion, mainly because of our substantial operating cash flow resulting in part from the refund of the nuclear-fuel tax. The capital increase we conducted in March 2017 also contributed to the improvement.

Our gross financial debt increased to €14.7 billion relative to year-end 2016, mainly because of the issuance of €2 billion in bonds in May 2017 to fund the payment, which was due in July, to Germany's public fund for financing nuclear-waste disposal. We issued three euro-denominated bonds with maturities in 2021, 2024, and 2029. The principal countervailing factors were the on-schedule repayment of a €900 million euro-denominated bond and currency-translation effects.

Economic Net Debt

€ in millions	June 30, 2017	Dec. 31, 2016
Liquid funds	14,252	8,573
Non-current securities	3,850	4,327
Financial liabilities	-14,691	-14,227
FX hedging adjustment	311	390
Net financial position	**3,722**	**-937**
Provisions for pensions	-3,748	-4,009
Asset-retirement obligations[1]	-21,459	-21,374
Economic net debt	**-21,485**	**-26,320**

[1]This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet (€12,249 million at March 31, 2017; €22,515 million at December 31, 2016). This is because we calculate our economic net debt in part based on the actual amount of our obligations and because our Consolidated Balance Sheet still contains the obligations that will be reduced by the payment we made to Germany's public fund for financing nuclear-waste disposal in the third quarter of 2017. These obligations were reclassified in our Consolidated Balance Sheet as other operating liabilities (see Note 3 to Condensed Consolidated Interim Financial Statements).

The creditworthiness of E.ON has been assessed by Standard & Poor's ("S&P") and Moody's with long-term ratings of BBB and Baa2, respectively. In March 2017 both S&P and Moody's downgraded E.ON's rating from BBB+ and Baa1 with a negative outlook, respectively. The outlook of both ratings is now stable. The new ratings reflect both agencies' anticipation that in the near to medium term E.ON will be able to maintain a leverage ratio as required for these ratings. E.ON's short-term ratings have been unchanged with A-2 (S&P) and P-2 (Moody's).

Investments

First-half investments in our core business and our total investments were at the prior-year level. We invested €1.2 billion in property, plant, and equipment and intangible assets (prior year: €1.3 billion). Share investments totaled €70 million versus €71 million in the prior-year period.

Investments

January 1–June 30 € in millions	2017	2016	+/- %
Energy Networks	545	534	+2
Customer Solutions	209	250	-16
Renewables	528	473	+12
Corporate Functions/Other	27	52	-48
Consolidation	-2	-5	+60
Investments in core business	**1,307**	**1,304**	**–**
Non-Core Business (PreussenElektra)	7	11	-36
Other (divested operations)	–	8	–
E.ON Group investments	**1,314**	**1,323**	**-1**

Energy Networks' first-half investments were €11 million higher. Investments of €147 million to upgrade and maintain networks in Sweden were €33 million above the prior-year figure. Investments at East-Central Europe/Turkey were €50 million higher due to the reassignment of investment projects (such as grid maintenance, repair, and connections) in the Czech Republic from Customer Solutions to Energy Networks. By contrast, Energy Networks' investments in Germany of €231 million were lower than in the prior-year period.

Customer Solutions invested €41 million less than in the prior-year period, principally because of the already-mentioned reassignment of investment projects in the Czech Republic from this segment to Energy Networks. In addition, investments in the United Kingdom and Germany were lower.

Investments at Renewables were €55 million higher. Onshore Wind/Solar's investments increased by €37 million, primarily because of expenditures for two large new-build projects (Radford's Run and Bruenning's Breeze), which will enter service this year. Offshore Wind/Other's investments increased by €18 million owing to expenditures for the Rampion new-build project and for expenditures in line with our stake in the Arkona project.

Investments at Non-Core Business (nuclear energy operations in Germany) were slightly below the prior-year level.

Cash Flow

The main changes in the line items of our Consolidated Statements of Cash Flows primarily reflect the legally binding developments in our nuclear power business in Germany in the second quarter: first, the refund resulting from the Federal Constitutional Court's ruling that the nuclear-fuel tax was invalid; second, the preparations for the payment, which was made in July 2017, to Germany's public fund for financing nuclear-waste disposal.

Cash Flow[1]

January 1–June 30 € in millions	2017	2016
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	4,879	1,644
Operating cash flow before interest and taxes	5,260	2,282
Cash provided by (used for) investing activities	512	-1,519
Cash provided by (used for) financing activities	1,940	-2,089

[1]From continuing operations.

Cash provided by operating activities of continuing operations of €4.9 billion was €3.2 billion above the prior-year figure. The increase resulted primarily from the €2.85 billion in nuclear-fuel taxes refunded in June 2017, lower income tax payments, and the strong cash flow generated by our core business.

Cash provided by investing activities of continuing operations amounted to about €0.5 billion compared with -€1.5 billion in the prior-year period. This +€2 billion change is primarily attributable to higher cash inflow from the sale of securities.

Cash provided by financing activities of continuing operations amounted to €1.9 billion compared with -€2.1 billion in the prior-year period. The change of roughly +€4 billion is mainly attributable to net cash inflow from the issuance of €2 billion in bonds (whereas the prior-year period saw net cash outflows for the repayment of financial liabilities), the roughly €1.35 billion capital increase conducted by E.ON SE in March 2017, and a €0.6 billion reduction in the dividend payout to E.ON SE shareholders relative to the prior year.

Asset Situation

Our total assets and liabilities of €68.7 billion were about €5 billion, or 8 percent, above the figure from year-end 2016. Non-current assets of €45.9 billion were slightly lower relative to year-end 2016, with an increase in property, plant, and equipment being more than offset by the sale of non-current securities and a reduction in non-current receivables on derivative financial instruments. Current assets rose significantly (by €5.4 billion, or 31 percent) to €22.8 billion. This is mainly attributable to an increase in liquid funds resulting from the roughly €1.35 billion capital increase conducted by E.ON SE in the first quarter and the roughly €2 billion bond issuance in the second quarter as well as our positive operating cash flow in the first half of 2017.

Our equity ratio (including non-controlling interests) at June 30, 2017, was 9 percent, which is about 7 percentage points higher than at year-end 2016. This change reflects the already-mentioned capital increase as well as our positive net income in the first half of the current year. Equity attributable to shareholders of E.ON SE was about €3.7 billion at June 30, 2017. Equity attributable to non-controlling interests was roughly €2.5 billion.

Non-current debt decreased by €1.4 billion, or 3 percent, owing to a reduction in liabilities relating to derivative financial instruments, lower pension obligations, and a decline in nuclear asset-retirement obligations. The reclassification of non-current liabilities as current liabilities and an increase in operating liabilities led to a €1.5 billion rise in current liabilities. At the June 30, 2017 balance-sheet date, non-current and current liabilities resulting from Germany's Act Reorganizing Responsibility for Nuclear Waste Management were reclassified as operating liabilities.

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2017	%	Dec. 31, 2016	%
Non-current assets	45,873	67	46,296	73
Current assets	22,845	33	17,403	27
Total assets	**68,718**	**100**	**63,699**	**100**
Equity	6,198	9	1,287	2
Non-current liabilities	37,920	55	39,287	62
Current liabilities	24,600	36	23,125	36
Total equity and liabilities	**68,718**	**100**	**63,699**	**100**

Employees

At June 30, 2017, the E.ON Group had 42,724 employees worldwide, a slight decline of 1 percent from year-end 2016. E.ON also had 793 apprentices in Germany and 124 board members and managing directors worldwide. As of the same date, 26,282 employees, or 62 percent of all employees, were working outside Germany, slightly higher than the 60 percent at year-end 2016.

Employees[1]

Headcount	June 30, 2017	Dec. 31, 2016	+/- %
Energy Networks	17,182	16,814	+2
Customer Solutions	19,090	19,106	–
Renewables	1,125	1,082	+4
Corporate Functions/Other[2]	3,375	4,102	-18
Core business	**40,772**	**41,104**	**-1**
Non-Core Business (PreussenElektra)	1,952	2,034	-4
E.ON Group	**42,724**	**43,138**	**-1**

[1]Does not include board members, managing directors, or apprentices.
[2]Includes E.ON Business Services.

Energy Networks' headcount increased principally because of the transfer of employees from Customer Solutions in the Czech Republic and the filling of vacancies (in Germany, predominantly with apprentices who had completed their training).

The number of employees at Customer Solutions was largely stable. Although transfers of employees to Uniper, to non-consolidated companies, and to Energy Networks in the Czech Republic reduced Customer Solutions' headcount, these effects were counteracted by the hiring of staff for our service business in the United Kingdom, for our sales business in Italy, and for customer solutions in Sweden.

The expansion of Renewables' business in the United States led to a slight increase in its headcount.

The transfer of E.ON Business Services employees to Uniper led to the significant decline in the headcount at Corporate Functions/Other.

Non-Core Business consists of our nuclear energy business in Germany. Its headcount decreased mainly because of retirements and the expiration of temporary employment contracts. This was not counteracted by the hiring of apprentices who had completed their training.

Forecast Report

Business Environment

Macroeconomic Situation

The OECD forecasts a gradual acceleration of global economic growth in 2017 and 2018. It expects the global economy to grow by 3.5 percent in 2017 and by 3.6 percent in 2018. The corresponding figures for the United States are 2.1 percent and 2.4 percent, while weaker growth (1.8 percent and 1.8 percent) is forecast for the euro zone. The OECD sees substantial political uncertainty and financial risks. It believes that fiscal initiatives and structural reforms should lead to stronger growth.

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecast for full-year 2017 earnings continues to be significantly influenced by the difficult business environment. Examples include a weaker British pound and the interventionist remedies proposed by Britain's Competition and Markets Authority. In addition, the current low-interest-rate environment and increasingly fierce competition in our core markets are putting downward pressure on achievable returns.

For our 2017 earnings forecast, we adjusted our internal financial key figures with respect to the treatment of nuclear asset-retirement obligations. Effects resulting from the valuation of these provisions at the balance-sheet date are now reported under non-operating earnings. This change, which improves the depiction of E.ON's underlying earnings strength, took effect on January 1, 2017. In view of the fundamental change in our business and its structure in 2016, it did not make sense to adjust the prior-year figures.

We continue to expect the E.ON Group's 2017 adjusted EBIT to be between €2.8 and €3.1 billion and its 2017 adjusted net income to be between €1.2 and €1.45 billion.

Our forecast by segment:

We expect Energy Networks' 2017 adjusted EBIT to be significantly above the prior-year figure. The principal positive factors in Germany are special regulatory effects such as the delayed repayment of higher provisions for pensions from 2015 along with non-recurring items stemming from the conversion to Germany's amended incentive-regulation scheme. Germany's Grid Fee Modernization Act took effect on July 22, 2017; however, it will not impact grid fees until 2018, and there will be no retroactive effect. E.ON grid operators will pass the fees through and not record them in income. There therefore will not be a one-off earnings increase in 2017 or the repayment of this increase in years 2019 to 2021. In addition, improved power tariffs in Sweden and the Czech Republic will increase earnings. In Hungary we will benefit from the new regulation period in 2017.

We anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. Earnings in Germany will be lower due primarily to the absence of positive one-off items recorded in the prior year, lower gas sales price, and higher costs for customer retention and acquisition. The intervention of the Competition and Markets Authority and rising costs for customer acquisition as part of our new marketing strategy will impact our earnings in the United Kingdom. Earnings there will also be adversely affected by the planned Brexit and the forecast development of the British pound. Earnings will be lower in Romania primarily because of narrower margins in response to keener competition in the wake of market liberalization.

We expect Renewables' adjusted EBIT to be at the prior-year level. Major new-build projects (such as Radford's Run, Bruenning's Breeze, Arkona, and Rampion wind farms) will not enter service and contribute to earnings until the end of 2017 or in subsequent years.

We anticipate that adjusted EBIT at Corporate Functions/Other will be significantly below the prior-year level, primarily because of the non-recurrence of positive earnings from derivative transactions recorded in 2016.

At Non-Core Business we now expect PreussenElektra's adjusted EBIT to be at the prior-year level.

Risk and Chances Report

The Combined Group Management Report contained in our 2016 Annual Report describes in detail our risk management systems and the measures we take to limit risks.

Risks and Chances

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The resulting risks and chances are described in detail in the 2016 Combined Group Management Report. These risks remained essentially unchanged at the end of the first half of 2017.

Management's Assessment of the Risk Situation

At the end of the first half of 2017 the risk situation of the E.ON Group's core operating business had not changed significantly compared with year-end 2016. However, a number of uncertainties no longer exist: those regarding Germany's nuclear-fuel tax and nuclear moratorium (which were eliminated by court rulings), those regarding the funding and the transfer of the payment into Germany's public fund for financing nuclear-waste disposal, and those regarding the Grid Fee Modernization Act. From today's perspective, we do not perceive any risks that could threaten the existence of the E.ON Group or individual segments.

Business Segments

Energy Networks

Below we report on a number of important non-financial key figures for this segment, such as power and gas passthrough.

Power and Gas Passthrough
First-half power passthrough was at the prior-year level. Gas passthrough rose by 2.2 billion kWh, or 3 percent.

Power and gas passthrough in Germany of 32.4 billion kWh and 59.4 billion kWh, respectively, were at the prior-year level. High gas sales volume in the first quarter was offset by low sales volume in the second. Average temperatures in January and February were lower relative to the prior year, whereas average temperatures in March through June were relatively high.

Power passthrough in Sweden was lower than in the prior-year period, primarily because of comparably lower temperatures at the beginning of 2016. Gas passthrough declined owing to the closure of a power station in Malmö.

Power passthrough at East-Central Europe/Turkey was 0.4 billion kWh above the prior-year level due principally to positive economic development in the Czech Republic and comparatively lower temperatures in all countries. Weather factors were responsible for the 2.8 billion kWh increase in gas passthrough.

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Second quarter								
Power	14.7	14.8	8.7	8.2	8.6	8.3	32.0	31.3
Line loss, station use, etc.	0.6	0.6	0.2	0.3	0.6	0.6	1.4	1.5
Gas	17.8	22.9	0.7	0.7	6.4	5.9	24.9	29.5
First half								
Power	32.4	32.3	19.3	19.5	18.2	17.8	69.9	69.6
Line loss, station use, etc.	1.3	1.3	0.6	0.5	1.5	1.5	3.4	3.3
Gas	59.4	59.2	2.1	2.9	25.8	23.0	87.3	85.1

Sales and Adjusted EBIT

This segment's first-half sales rose by €305 million, its adjusted EBIT by €154 million.

Sales in Germany were slightly above the prior-year level, primarily because of higher costs charged by upstream power grid operators that we passed through to our customers. These passthrough costs are not recorded in income. By contrast, the amount of electricity delivered onto our network in conjunction with the Renewable Energy Law was lower than in the prior-year period due to weather factors. Sales in the gas business were roughly at the prior-year level. Energy Networks' first-half adjusted EBIT of €606 million was significantly above the prior-year figure, primarily because of the delayed repayment of personnel costs from 2015 due to regulatory reasons.

Sales in Sweden were slightly higher due to price factors. Adjusted EBIT was significantly higher thanks to an improved gross margin in the power business, which resulted from tariff increases and lower prices for the use of third-party networks.

Sales in East-Central Europe/Turkey were €45 million above the prior-year level due to volume and price effects in Hungary and the Czech Republic. Adjusted EBIT was at the prior-year level. Earnings in Romania rose owing to an improved gross margin in the gas business and an adverse internal one-off effect in the prior-year period in conjunction with services provided by the Customer Solutions segment. Wider margins and lower costs for services provided by the Customer Solutions segment led to higher earnings in the Czech Republic. These positive developments were offset by the negative earnings on our equity stake in Turkey (which reflect adverse currency-translation and interest-rate effects), a book loss on the sale of a hydroelectric station, and narrower margins at the retail business in the liberalized market. These items were partially offset by improved earnings in the distribution grid business in Turkey.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2017	2016	2017	2016	2017	2016	2017	2016
Second quarter								
Sales	3,782	3,544	265	233	381	364	4,428	4,141
Adjusted EBITDA	334	301	147	125	158	127	639	553
Adjusted EBIT	188	144	107	84	101	74	396	302
First half								
Sales	7,208	7,002	563	509	856	811	8,627	8,322
Adjusted EBITDA	896	793	320	279	292	286	1,508	1,358
Adjusted EBIT	606	492	239	197	181	183	1,026	872

Customer Solutions

Below we report on a number of this segment's important non-financial key figures, such as power and gas sales volume.

Power and Gas Sales Volume

This segment's first-half power and gas sales declined by 3.7 billion kWh and 0.7 billion kWh, respectively.

Power sales in Germany of 20.1 billion kWh were 14 percent below the prior-year level. Power sales to residential and small and medium enterprise ("SME") customers were lower due to keener competition. The decline in power sales to industrial and commercial ("I&C") customers resulted mainly from the transfer of the remaining wholesale customers to Uniper. Power sales to sales partners were lower, mainly because deliveries to a municipal utility ended. Power sales to the wholesale market were below the prior-year level due to the expiration of procurement contracts for wholesale customers, which were reassigned from E.ON to Uniper at the end of 2015. Gas sales volume of 26.4 billion kWh increased by 10 percent. Gas sales to residential and SME customers were lower due to keener competition. Gas sales to I&C customers declined owing to the above-mentioned reason for the power business. Gas sales to the wholesale market were higher due to a change in how we classify resales to Uniper, which in 2016 were included on the procurement side. Weather factors caused second-quarter gas sales to be much lower than sales in the colder months of January through March.

First-half power sales in the United Kingdom decreased by 1.5 billion kWh. Declining customer numbers led to lower power sales to residential and SME customers. A reduction in sales volume and in the number of customer facilities served was the reason for the decline in power sales to I&C customers. Gas sales decreased by 4.6 billion kWh. Lower customer numbers and, in part, a weather-driven decline in demand were responsible for the reduction in gas sales to residential and SME customers. The reason for the decline in gas sales to I&C customers is the same as for power.

Power sales at the Other unit (Sweden, Hungary, the Czech Republic, Romania, and Italy) rose by 1.2 billion kWh, primarily because of lower temperatures, a production outage at a customer in Hungary in the prior-year period, the acquisition of new customers in Romania, and our new procurement organization in Sweden. Gas sales were 1.5 billion kWh higher. This is chiefly attributable to a weather-driven increase in sales volume to residential and SME customers in Romania and Italy.

Power Sales

	Germany		United Kingdom		Other[1]		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Second quarter								
Residential and SME	3.7	4.0	4.1	4.7	4.9	4.4	12.7	13.1
I&C	2.0	2.3	3.7	3.7	6.2	6.7	11.9	12.7
Sales partners	0.1	0.2	–	–	0.5	0.6	0.6	0.8
Customer groups	**5.8**	**6.5**	**7.8**	**8.4**	**11.6**	**11.7**	**25.2**	**26.6**
Wholesale market	2.8	4.5	0.2	0.2	2.4	1.4	5.4	6.1
Total	**8.6**	**11.0**	**8.0**	**8.6**	**14.0**	**13.1**	**30.6**	**32.7**
First half								
Residential and SME	9.0	9.5	9.9	11.3	11.3	10.7	30.2	31.5
I&C	4.1	4.7	7.5	7.6	13.0	13.9	24.6	26.2
Sales partners	0.2	0.3	–	–	1.3	1.3	1.5	1.6
Customer groups	**13.3**	**14.5**	**17.4**	**18.9**	**25.6**	**25.9**	**56.3**	**59.3**
Wholesale market	6.8	9.0	0.5	0.5	4.6	3.1	11.9	12.6
Total	**20.1**	**23.5**	**17.9**	**19.4**	**30.2**	**29.0**	**68.2**	**71.9**

[1]Excludes E.ON Connecting Energies.

Gas Sales

Billion kWh	Germany 2017	Germany 2016	United Kingdom 2017	United Kingdom 2016	Other[1] 2017	Other[1] 2016	Total 2017	Total 2016
Second quarter								
Residential and SME	3.2	3.7	5.3	6.9	3.5	2.8	12.0	13.4
I&C	0.9	1.0	1.7	1.9	3.9	3.9	6.5	6.8
Sales partners	–	–	–	–	0.3	0.3	0.3	0.3
Customer groups	**4.1**	**4.7**	**7.0**	**8.8**	**7.7**	**7.0**	**18.8**	**20.5**
Wholesale market	5.9	2.6	–	–	0.5	0.6	6.4	3.2
Total	**10.0**	**7.3**	**7.0**	**8.8**	**8.2**	**7.6**	**25.2**	**23.7**
First half								
Residential and SME	13.2	14.3	20.2	24.2	17.3	15.2	50.7	53.7
I&C	2.5	2.8	4.1	4.7	10.9	10.1	17.5	17.6
Sales partners	–	–	–	–	0.8	0.7	0.8	0.7
Customer groups	**15.7**	**17.1**	**24.3**	**28.9**	**29.0**	**26.0**	**69.0**	**72.0**
Wholesale market	10.7	6.9	–	–	1.3	2.8	12.0	9.7
Total	**26.4**	**24.0**	**24.3**	**28.9**	**30.3**	**28.8**	**81.0**	**81.7**

[1]Excludes E.ON Connecting Energies.

Sales and Adjusted EBIT

Customer Solutions' first-half sales and adjusted EBIT decreased by €802 million and €210 million, respectively.

Sales in Germany declined, primarily because of the expiration of procurement contracts of E.ON Energie Deutschland's wholesale customers who were reassigned to Uniper at the end of 2015. Lower sales volume to residential and SME customers also had an adverse impact on sales. Adjusted EBIT was below the prior-year level, primarily because of the delay in passing higher power grid fees through to customers. Earnings were also adversely affected by a reduction in gas sales prices in November 2016 and by higher costs for customer service and customer acquisition.

Currency-translation effects, lower sales volume due to declining customer numbers, and reduced demand caused sales in the United Kingdom to decline by €0.6 billion. Adjusted EBIT decreased owing to lower sales volume and higher costs in conjunction with regulatory energy-efficiency obligations and the mandatory installation of smart meters at all customer premises.

Other's sales rose by €64 million, primarily because of a weather-driven increase in sales volume in Romania and at E.ON Connecting Energies' new distributed-generation projects and growth in its business of providing energy-efficiency solutions. Other's adjusted EBIT declined by €74 million, principally because of higher power and gas procurement costs, particularly in Romania.

Customer Solutions

€ in millions	Germany 2017	Germany 2016	United Kingdom 2017	United Kingdom 2016	Other 2017	Other 2016	Total 2017	Total 2016
Second quarter								
Sales	1,626	1,736	1,572	1,721	1,451	1,441	4,649	4,898
Adjusted EBITDA	51	56	97	34	46	51	194	141
Adjusted EBIT	34	44	72	11	13	16	119	71
First half								
Sales	3,917	4,150	3,723	4,356	3,555	3,491	11,195	11,997
Adjusted EBITDA	122	196	282	338	200	269	604	803
Adjusted EBIT	86	164	233	291	130	204	449	659

Renewables

Below we report on a number of important non-financial key figures for this segment, such as power generation and power sales volume.

Power Generation

This segment's first-half owned generation rose by 0.6 billion kWh.

Onshore Wind/Solar's generation was 0.6 billion kWh higher. Favorable wind conditions led to higher output in nearly all countries in Europe. The commissioning of Colbeck's Corner wind farm in the United States and improved availability were also positive factors.

Offshore Wind/Other's owned generation was at the prior-year level. Owned generation in Germany was higher due to better wind conditions at Amrumbank West wind farm, although this was partially counteracted by grid congestion. Output in the United Kingdom declined owing to unfavorable wind conditions at the start of the year. This was partially offset by higher availability.

Power Generation

	Onshore Wind/Solar		Offshore Wind/Other		Total	
Billion kWh	2017	2016	2017	2016	2017	2016
Second quarter						
Owned generation	2.3	1.9	0.7	0.7	3.0	2.6
Purchases	0.3	0.3	0.2	0.2	0.5	0.5
Jointly owned power plants	–	–	*0.2*	*0.2*	*0.2*	*0.2*
Third parties	*0.3*	*0.3*	–	–	*0.3*	*0.3*
Power sales	**2.6**	**2.2**	**0.9**	**0.9**	**3.5**	**3.1**
First half						
Owned generation	4.9	4.3	1.7	1.7	6.6	6.0
Purchases	0.7	0.7	0.4	0.4	1.1	1.1
Jointly owned power plants	–	–	*0.4*	*0.4*	*0.4*	*0.4*
Third parties	*0.7*	*0.7*	–	–	*0.7*	*0.7*
Power sales	**5.6**	**5.0**	**2.1**	**2.1**	**7.7**	**7.1**

Sales and Adjusted EBIT

Renewables' first-half sales were €30 million above the prior-year level, whereas its adjusted EBIT was €49 million lower.

Onshore Wind/Solar's sales increased owing primarily to higher output resulting from better wind conditions in the United States and the commissioning of Colbeck's Corner in May 2016. Its adjusted EBIT rose, mainly because of the contribution from Colbeck's Corner and higher earnings on equity interests in the United States.

Offshore Wind/Other's sales and adjusted EBIT decreased by €12 million and €73 million, respectively, mainly because of the adverse effect of unfavorable wind conditions in the United Kingdom and the non-recurrence of a book gain recorded in the prior-year period.

Renewables

	Onshore Wind/Solar		Offshore Wind/Other		Total	
€ in millions	2017	2016	2017	2016	2017	2016
Second quarter						
Sales	201	151	133	132	334	283
Adjusted EBITDA	69	60	68	131	137	191
Adjusted EBIT	16	-6	29	97	45	91
First half						
Sales	389	347	321	333	710	680
Adjusted EBITDA	182	172	204	274	386	446
Adjusted EBIT	77	53	128	201	205	254

Non-Core Business

Below we report on a number of important non-financial key figures for this segment, such as power generation and power procurement.

PreussenElektra's Power Generation

This segment's power procured (owned generation and purchases) of 17.9 billion kWh was at the prior-year level. The reduction in owned generation is principally attributable to the extended overhaul at Brokdorf nuclear power station due to an increased oxide layer on some fuel elements. The increase in power procured reflects the purchase of power to meet delivery obligations. Second-quarter power procured rose by 2.1 billion kWh owing mainly to the purchase of power to meet delivery obligations. As for owned generation, the outage of Brokdorf for the entire second quarter was almost completely offset by increased output at Grohnde and Gundremmingen B, which had scheduled outages in the second quarter of 2016.

Power Generation

	PreussenElektra	
Billion kWh	2017	2016
Second quarter		
Owned generation	5.9	6.2
Purchases	3.1	1.0
Jointly owned power plants	*0.3*	*0.2*
Third parties	*2.8*	*0.8*
Total	**9.0**	**7.2**
Station use, line loss, etc.	–	–
Power sales	**9.0**	**7.2**
First half		
Owned generation	11.7	15.5
Purchases	6.2	2.7
Jointly owned power plants	*0.6*	*0.6*
Third parties	*5.6*	*2.1*
Total	**17.9**	**18.2**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**17.8**	**18.1**

PreussenElektra's Sales and Adjusted EBIT

This segment's sales were up €140 million year on year. The adverse impact of lower sales prices and the expiration of supply contracts was more than offset by higher sales volume to Uniper and one-off items, in particular in conjunction with a legal proceeding. The improvement in second-quarter sales is also attributable to higher sales volume to Uniper due to changes in our overhaul strategy (overhauls in 2016 were mainly in the second quarter, those in 2017 mainly in the first) and to one-off items.

Adjusted EBIT of €271 million was slightly below the prior-year figure of €283 million. The adverse impact of the unplanned outage at Brokdorf and higher depreciation charges was almost offset by the absence of the nuclear-fuel tax (which expired at the end of 2016) and by one-off items. The improvement in second-quarter adjusted EBIT is attributable to the same factors as for the first half of the year and to higher sales volume to Uniper due to changes in our overhaul strategy.

Non-Core Business

	PreussenElektra	
€ in millions	2017	2016
Second quarter		
Sales	527	298
Adjusted EBITDA	290	57
Adjusted EBIT	244	35
First half		
Sales	891	751
Adjusted EBITDA	364	327
Adjusted EBIT	271	283

To E.ON SE, Essen

We have reviewed the condensed consolidated interim financial statements—comprising the balance sheet, income statement, statement of recognized income and expenses, condensed cash flows statement, statement of changes in equity and selected explanatory notes—and the interim group management report of E.ON SE for the period from January 1 to June 30, 2017, which are part of the half-year financial report pursuant to § (Article) 37w 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 8, 2017

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Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

		Second quarter		First half	
€ in millions	Note	2017	2016	2017	2016
Sales including electricity and energy taxes		9,327	9,219	20,126	20,834
Electricity and energy taxes		-224	-236	-543	-580
Sales	(15)	**9,103**	**8,983**	**19,583**	**20,254**
Changes in inventories (finished goods and work in progress)		3	9	4	12
Own work capitalized		117	105	196	195
Other operating income[1]		4,356	1,146	5,527	2,822
Cost of materials[2]		-7,524	-7,286	-15,647	-15,685
Personnel costs		-746	-755	-1,477	-1,454
Depreciation, amortization and impairment charges		-470	-506	-936	-953
Other operating expenses[2]		-1,811	-1,037	-3,586	-3,012
Income/Loss from companies accounted for under the equity method	(9)	223	75	646	169
Income/Loss from continuing operations before financial results and income taxes		**3,251**	**734**	**4,310**	**2,348**
Financial results	(7)	442	-382	273	-826
Income/Loss from equity investments		*35*	*12*	*24*	*-12*
Income from other securities, interest and similar income[3]		*670*	*84*	*851*	*162*
Interest and similar expenses		*-263*	*-478*	*-602*	*-976*
Income taxes		-394	-154	-549	-567
Income/Loss from continuing operations		**3,299**	**198**	**4,034**	**955**
Income/Loss from discontinued operations, net	(5)	–	-4,393	–	-3,884
Net income/loss		**3,299**	**-4,195**	**4,034**	**-2,929**
Attributable to shareholders of E.ON SE		*3,244*	*-4,204*	*3,872*	*-3,034*
Attributable to non-controlling interests		*55*	*9*	*162*	*105*
in €					
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[4]	(8)				
from continuing operations		1.50	0.10	1.85	0.43
from discontinued operations		0.00	-2.25	0.00	-1.98
from net income/loss		**1.50**	**-2.15**	**1.85**	**-1.55**

[1]The change in other operating income results primarily from the refund of the nuclear-fuel tax paid in previous years (approximately €2.85 billion).
[2]In the previous year, expenses for concession payments amounting to €0.2 billion were recognized in other operating expenses. In the current year, these expenses are contained in cost of materials in the amount of €0.2 billion. In addition, other operating expenses increased as a result of the obligation to pass on the refunded nuclear-fuel tax to minority shareholders of jointly-owned power plants in the amount of €0.3 billion.
[3]Interest income includes a receivable for interest relating to judicial proceedings in connection with the refund for nuclear-fuel taxes in the amount of €0.5 billion.
[4]Based on weighted-average number of shares outstanding.

E.ON SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Net income/loss	**3,299**	**-4,195**	**4,034**	**-2,929**
Remeasurements of defined benefit plans	178	-1,289	149	-3,106
Remeasurements of defined benefit plans of companies accounted for under the equity method	46	–	47	-1
Income taxes	-52	261	-51	248
Items that will not be reclassified subsequently to the income statement	**172**	**-1,028**	**145**	**-2,859**
Cash flow hedges	55	-85	185	-510
Unrealized changes	*-202*	*-263*	*-93*	*-958*
Reclassification adjustments recognized in income	*257*	*178*	*278*	*448*
Available-for-sale securities	-193	37	-178	20
Unrealized changes	*-66*	*47*	*-15*	*65*
Reclassification adjustments recognized in income	*-127*	*-10*	*-163*	*-45*
Currency translation adjustments	60	337	85	550
Unrealized changes	*59*	*267*	*85*	*480*
Reclassification adjustments recognized in income	*1*	*70*	–	*70*
Companies accounted for under the equity method	-332	34	-266	16
Unrealized changes	*-332*	*34*	*-266*	*11*
Reclassification adjustments recognized in income	–	–	–	*5*
Income taxes	2	-20	-31	-35
Items that might be reclassified subsequently to the income statement	**-408**	**303**	**-205**	**41**
Total income and expenses recognized directly in equity	**-236**	**-725**	**-60**	**-2,818**
Total recognized income and expenses (total comprehensive income)	**3,063**	**-4,920**	**3,974**	**-5,747**
Attributable to shareholders of E.ON SE	*3,005*	*-4,880*	*3,801*	*-5,703*
Continuing operations	*3,005*	*-400*	*3,801*	*-1,479*
Discontinued operations	*0*	*-4,480*	*0*	*-4,224*
Attributable to non-controlling interests	*58*	*-40*	*173*	*-44*

E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	June 30, 2017	Dec. 31, 2016
Assets			
Goodwill		3,399	3,463
Intangible assets		2,408	2,329
Property, plant and equipment		25,506	25,242
Companies accounted for under the equity method	(9)	6,585	6,352
Other financial assets	(9)	4,654	5,148
Equity investments		*804*	*821*
Non-current securities		*3,850*	*4,327*
Financial receivables and other financial assets		538	553
Operating receivables and other operating assets		1,551	1,761
Income tax assets		8	7
Deferred tax assets		1,224	1,441
Non-current assets		**45,873**	**46,296**
Inventories		758	785
Financial receivables and other financial assets		642	463
Trade receivables and other operating assets		6,242	6,719
Income tax assets		936	851
Liquid funds		14,252	8,573
Securities and fixed-term deposits		*696*	*2,147*
Restricted cash and cash equivalents		*654*	*852*
Cash and cash equivalents		*12,902*	*5,574*
Assets held for sale	(5)	15	12
Current assets		**22,845**	**17,403**
Total assets		**68,718**	**63,699**
Equity and Liabilities			
Capital stock		2,201	2,001
Additional paid-in capital		9,862	9,201
Retained earnings		-4,944	-8,495
Accumulated other comprehensive income		-2,245	-2,048
Treasury shares	(10)	-1,126	-1,714
Equity attributable to shareholders of E.ON SE		**3,748**	**-1,055**
Non-controlling interests (before reclassification)		3,000	2,896
Reclassification related to put options		-550	-554
Non-controlling interests		**2,450**	**2,342**
Equity		**6,198**	**1,287**
Financial liabilities		10,236	10,435
Operating liabilities		4,886	5,247
Income taxes		1,362	1,433
Provisions for pensions and similar obligations	(12)	3,748	4,009
Miscellaneous provisions		15,208	15,609
Deferred tax liabilities		2,480	2,554
Non-current liabilities		**37,920**	**39,287**
Financial liabilities		4,455	3,792
Trade payables and other operating liabilities	(3)	17,264	6,888
Income taxes		713	434
Miscellaneous provisions	(3)	2,166	12,008
Liabilities associated with assets held for sale	(5)	2	3
Current liabilities		**24,600**	**23,125**
Total equity and liabilities		**68,718**	**63,699**

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

First half € in millions	2017	2016
Net income/loss	**4,034**	**-2,929**
Income/Loss from discontinued operations, net	–	3,884
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	936	953
Changes in provisions	125	563
Changes in deferred taxes	120	150
Other non-cash income and expenses	-175	-225
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-313	-67
Changes in operating assets and liabilities and in income taxes	152	-685
Cash provided by (used for) operating activities of continuing operations (operating cash flow)[1]	**4,879**	**1,644**
Cash provided by (used for) operating activities of discontinued operations	–	2,101
Cash provided by (used for) operating activities	**4,879**	**3,745**
Proceeds from disposal of	110	366
Intangible assets and property, plant and equipment	*87*	*103*
Equity investments	*23*	*263*
Purchases of investments in	-1,314	-1,323
Intangible assets and property, plant and equipment	*-1,244*	*-1,252*
Equity investments	*-70*	*-71*
Changes in securities and fixed-term deposits	1,505	-474
Changes in restricted cash and cash equivalents	211	-88
Cash provided by (used for) investing activities of continuing operations	**512**	**-1,519**
Cash provided by (used for) investing activities of discontinued operations	–	-109
Cash provided by (used for) investing activities	**512**	**-1,628**
Payments received/made from changes in capital[2]	1,497	-48
Cash dividends paid to shareholders of E.ON SE	-345	-976
Cash dividends paid to non-controlling interests	-199	-110
Changes in financial liabilities	987	-955
Cash provided by (used for) financing activities of continuing operations	**1,940**	**-2,089**
Cash provided by (used for) financing activities of discontinued operations	–	-524
Cash provided by (used for) financing activities	**1,940**	**-2,613**
Net increase/decrease in cash and cash equivalents	**7,331**	**-496**
Effect of foreign exchange rates on cash and cash equivalents	-3	41
Cash and cash equivalents at the beginning of the year[3]	5,574	5,190
Cash and cash equivalents at the end of the quarter	**12,902**	**4,735**
Less: Cash and cash equivalents of discontinued operations at the end of the quarter	**0**	**528**
Cash and cash equivalents of continuing operations at the end of the quarter	**12,902**	**4,207**

[1]Additional information on operating cash flow is provided in Note 15.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents at the beginning of the previous year also include the holdings of €1 million in E.ON E&P UK, which is reported as a disposal group.

Statement of Changes in Equity

				Changes in accumulated other comprehensive income		
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2016	**2,001**	**12,558**	**9,419**	**-5,351**	**419**	**-903**
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends			-976			
Share additions/reductions			37			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-5,707	536	-13	-519
Net income/loss			*-3,034*			
Other comprehensive income			*-2,673*	*536*	*-13*	*-519*
Remeasurements of defined benefit plans			*-2,673*			
Changes in accumulated other comprehensive income				*536*	*-13*	*-519*
Balance as of June 30, 2016	**2,001**	**12,558**	**2,773**	**-4,815**	**406**	**-1,422**
Balance as of January 1, 2017	**2,001**	**9,201**	**-8,495**	**-1,150**	**353**	**-1,251**
Treasury shares repurchased/sold		-478	-3			
Capital increase	200	1,139				
Capital decrease						
Dividends			-452			
Share additions/reductions			8			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			3,998	-217	-172	192
Net income/loss			*3,872*			
Other comprehensive income			*126*	*-217*	*-172*	*192*
Remeasurements of defined benefit plans			*126*			
Changes in accumulated other comprehensive income				*-217*	*-172*	*192*
Balance as of June 30, 2017	**2,201**	**9,862**	**-4,944**	**-1,367**	**181**	**-1,059**

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
					0
		92		92	92
		3		3	3
	-976	-148		-148	-1,124
	37	-188		-188	-151
			7	7	7
	-5,703	-44		-44	-5,747
	-3,034	*105*		*105*	*-2,929*
	-2,669	*-149*		*-149*	*-2,818*
	-2,673	*-186*		*-186*	*-2,859*
	4	*37*		*37*	*41*
-1,714	**9,787**	**2,924**	**-554**	**2,370**	**12,157**
-1,714	**-1,055**	**2,896**	**-554**	**2,342**	**1,287**
588	107				107
	1,339	137		137	1,476
					0
	-452	-219		-219	-671
	8	13		13	21
			4	4	4
	3,801	173		173	3,974
	3,872	*162*		*162*	*4,034*
	-71	*11*		*11*	*-60*
	126	*19*		*19*	*145*
	-197	*-8*		*-8*	*-205*
-1,126	**3,748**	**3,000**	**-550**	**2,450**	**6,198**

(1) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2017, has been prepared in accordance with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRS IC") effective and adopted for use in the European Union ("EU").

This Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2016 fiscal year.

This Interim Report prepared in accordance with IAS 34 is condensed compared with the scope applied to the Consolidated Financial Statements for the full year. For further information, including information about E.ON's risk management system, please refer to E.ON's Consolidated Financial Statements for the year ended December 31, 2016, which provide the basis for this Interim Report.

(2) Material Standards Applicable in 2018

IFRS 9, "Financial Instruments"

In July 2014, the IASB published the new standard IFRS 9, "Financial Instruments," which must be applied for fiscal years beginning on or after January 1, 2018. The changes to the new standard can be divided into three phases. E.ON expects higher income volatility from the future amendments in phase I "Classification of Financial Instruments" since fewer equity instruments than planned can be classified as fair value through other comprehensive income. Phase II of the project addresses impairment of financial assets. The new impairment model, which, in contrast to the impairment model under IAS 39, takes account not only of losses that have already been incurred but also expected losses (expected loss model), will make more use of forward-looking information and take losses into account at an earlier stage. Because of the new model, in the future E.ON expects the timing on the impairment of financial assets to be different. E.ON expects no material impacts from the third phase of the project "Hedge Accounting."

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers," which must be applied for fiscal years beginning on or after January 1, 2018. Initial application is retrospective, and the E.ON Group has opted for modified retrospective initial application. Within the framework of the project for the implementation of IFRS 15, the following significant impact was identified in comparison with the previous revenue recognition: The revision criteria for principal/agent relationships will at times result in a change in recognition on the balance sheet and income statement. This means that, in particular, revenues and cost of materials will decrease without resulting in any earnings effects. The cumulative effect is considered to be material.

(3) Material transactions in the first half of 2017

Fund to finance the disposal of nuclear waste

On June 16, 2017, with the approval of the European Commission, the Omnibus Act Reorganizing Responsibility for Nuclear Waste Management ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung") adopted by Germany's two houses of parliament in December 2016, entered into force. As part of this, supplemental regulations were published for the specification of the payment amount as well as the procedures for payment into the fund set up by the Federal Republic of Germany to finance the disposal of nuclear waste.

E.ON had committed itself to payment of a basic amount plus carryforward of €7,640 million and a risk surcharge of €2,649 million. Pursuant to this regulation, this amount was payable no earlier than July 3, 2017. As a result, no significant changes were recorded to the provision that had already been established.

As of June 30, 2017, E.ON recognizes the amount of the payment as an other operating liability, since the existing provision recognized in the provision for nuclear waste management obligations had to be reclassified based on the amount and the date.

On July 3, 2017, the payments for the basic amount plus carryforward and the risk surcharge for all nuclear power plants and equity investments in nuclear power plants attributable to E.ON were fully paid up. According to confirmations by the fund, E.ON and other subsidiaries are therefore no longer liable for the disposal tasks assumed by the Federal Republic of Germany.

The payments of €10,289 million are recognized in cash flow from operations in the third quarter of 2017. Taking into account the passing on of charges from and to co-owners, E.ON's payment obligation totaled €10,066 million.

Nuclear-fuel tax

On June 7, 2017, Germany's Federal Constitutional Court published its decision of April 13, 2017, which retroactively declared the nuclear-fuel tax null and void. For E.ON, this resulted in a claim for a refund of the nuclear-fuel tax paid in the period from 2011 to 2016 in the amount of approximately €2,850 million. The refunds were paid in full in June 2017 and are recognized as other operating income and as cash flow from operations.

Primarily taking into account the further allocation from and to co-owners as well as contracting parties, this results in net income of around €2,500 million before income taxes.

In addition, a receivable for interest relating to the judicial proceedings in the amount of approximately €475 million was recognized in interest income.

Contingencies

As of December 31, 2016, E.ON issued collateral in the amount of €3.9 billion for former Group companies, which will be repaid or to a great extent assumed by the companies of the Uniper Group in the future. As a result of the dissolution of various guarantees related to Uniper's trading business, the collateral issued for Uniper since the reporting date has been further reduced by around €1 billion.

(4) Scope of Consolidation

The number of consolidated companies changed as follows during the reporting period:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2016	**77**	**149**	**226**
Additions	4	–	4
Disposals/Mergers	1	5	6
Consolidated companies as of June 30, 2017	**80**	**144**	**224**

As of June 30, 2017, 30 companies were accounted for under the equity method (December 31, 2016: 30) and 1 company was presented pro rata as a joint operation (December 31, 2016: 1).

(5) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2017

In the first half of 2017, no corresponding material transactions or changes in presentation were made.

Discontinued Operations and Assets Held for Sale in 2016

Uniper

The spinoff of the conventional power generation, global energy trading, Russia and exploration and production business areas into a separate entity now called the Uniper Group, which the Management Board of E.ON SE had decided in December 2014, was organizationally and legally completed in 2016.

The spinoff was legally completed with the approval of the spinoff of 53.35 percent of the shares of Uniper by the Annual Shareholders Meeting on June 8, 2016, and when it was entered in the commercial register on September 9, 2016. E.ON shareholders received one Uniper share for every ten E.ON shares. Uniper SE shares were admitted for official trading on the regulated market of the Frankfurt Stock Exchange on September 9, 2016. Trading commenced on September 12, 2016.

From the time at which the Annual Shareholders Meeting granted its consent to the spinoff and until deconsolidation on December 31, 2016, Uniper met the requirements for being reported as a discontinued operation.

Pursuant to IFRS 5, the carrying amounts of all of Uniper's assets and liabilities were required to be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, based on the application of IAS 36, an impairment charge of €2.9 billion was recognized on non-current assets in the second quarter of 2016. Furthermore, provisions were established for anticipated losses in the amount of €0.9 billion.

When trading of Uniper SE shares on the Frankfurt Stock Exchange commenced in the third quarter of 2016, the fair value of Uniper was calculated on the basis of the share price, taking into account a market-rate premium for presentation of ownership. This resulted in the recognition of an additional impairment of €6.1 billion, including deferred taxes, in results from discontinued operations.

On December 31, 2016, the fair value–again taking into account a market-rate premium for presentation of ownership–was once again to be compared with the carrying amount of the Uniper Group. Although the market price had risen compared to the price on September 30, 2016, a further impairment of approximately €0.9 billion resulted from the increase in net assets at Uniper.

As of December 31, 2016, E.ON and Uniper entered into the agreement on the non-exercise of control that was included in the spinoff agreement. Under this agreement, E.ON undertakes to abstain over the long term from exercising voting rights relating to the election of a certain number of supervisory board members of Uniper. With the finalization of the agreement, E.ON lost control over Uniper despite the 46.65-percent stake retained in Uniper, which in principle would provide actual control at the Annual Shareholders Meeting due to E.ON's expected majority presence there.

The remaining 46.65-percent interest in Uniper has been reclassified as an associated company since control was lost, and is accounted for in the consolidated financial statements using the equity method.

In the first six months of 2016, E.ON generated revenues of €1,533 million, interest income of €180 million and interest expenses of €8 million, as well as other income of €781 million and other expenses of €5,792 million, with companies of the Uniper Group.

The following table shows selected financial information for the Uniper Group, which is reported as discontinued operations for the first half of 2016:

Selected Financial Information—Uniper (Summary)

First half € in millions	2016
Sales	27,550
Other income	3,579
Other expense	-35,013
Income/Loss from continuing operations before income taxes	**-3,884**
Income taxes	-19
Income/Loss from discontinued operations, net	**-3,903**

The deconsolidation of Uniper as of December 31, 2016 resulted in a loss on disposal of €3.6 billion.

The disposed asset and liability items of the Uniper Group related to intangible assets (€1.5 billion), property, plant and equipment (€8.5 billion), other assets (€32.1 billion), provisions (€9.2 billion) and liabilities (€26.5 billion). Taking into account other deconsolidation effects (€0.5 billion), the loss on deconsolidation essentially resulted from the recognition in income of the currency translation effects previously recognized in other comprehensive income.

E.ON Distribuţie România S.A.

E.ON entered into an agreement with Allianz Capital Partners in December 2016 to sell a 30-percent stake in E.ON Distribuţie România S.A. E.ON Distribuţie România S.A owns and operates a gas distribution network of over 20,000 kilometers and a power distribution network of more than 80,000 kilometers, supplying more than 3 million customers. After conclusion of the transaction on December 22, 2016, E.ON retains 56.5 percent of the shares of E.ON Distribuţie România, and another 13.5 percent of the shares are held by the Romanian Ministry of Energy. The parties agreed to not disclose the purchase price. Since this is a sale of shares without loss of control, no profit or loss was realized.

E.ON in Spain

In late November 2014, E.ON entered into contracts with a consortium made up of Macquarie European Infrastructure Fund 4 (MEIF4) and Wren House Infrastructure (WHI) on the sale of its Spanish and Portuguese activities. The transaction closed on March 25, 2015, with a minimal loss on disposal.

As part of the framework agreement and a contractual agreement building on that framework concluded in October 2016, E.ON received an additional payment of €0.2 billion. This payment is included as a purchase price adjustment from discontinued operations in the fourth quarter of 2016.

Exploration and Production Business in the North Sea

In November 2014, E.ON had announced the strategic review of its exploration and production business in the North Sea. Because of a firming commitment to divest itself of these activities, E.ON had reported this business as a disposal group as of September 30, 2015.

E.ON signed an agreement to sell all of its shares in E.ON Exploration & Production Norge AS ("E.ON E&P Norge"), Stavanger, Norway, to DEA Deutsche Erdoel AG ("DEA"), Hamburg, Germany, in October 2015. The transaction was closed in December 2015.

In January 2016, E.ON signed an agreement to sell its British E&P subsidiary E.ON E&P UK Limited, London, United Kingdom, to Premier Oil plc, London, United Kingdom. The base sales price as of the January 1, 2015, effective date was approximately €0.1 billion ($0.12 billion). In addition, E.ON retains liquid funds that existed in the company as of the effective date, and also receives other adjustments that will result in the transaction producing a net cash inflow of approximately €0.3 billion. As the purchase price for the British E&P business became more certain in the fourth quarter of 2015, a charge was recognized on its goodwill in the amount of approximately €0.1 billion. Held as a disposal group in the former Exploration & Production global unit, the major asset and liability items of the British E&P business as of March 31, 2016, were goodwill (€0.1 billion) and other assets (€0.7 billion), as well as liabilities (€0.6 billion). The closing of the transaction at the end of April 2016 resulted in a loss on disposal of about €0.1 billion, which consisted mostly of realized foreign exchange translation differences reclassified from other comprehensive income to the income statement.

Enovos International S.A.

In December 2015, E.ON signed an agreement to sell its 10-percent shareholding in Enovos International S.A., Esch-sur-Alzette, Luxembourg—joining with RWE AG ("RWE"), Essen, Germany, which also sold its own stake—to a bidder consortium led by the Grand Duchy of Luxembourg and the independent private investment company Ardian, Paris, France. The carrying amount of the 10-percent shareholding amounted to approximately €0.1 billion as of December 31, 2015. The transaction closed in the first quarter of 2016. The parties agreed to not disclose the purchase price.

AS Latvijas Gāze

On December 22, 2015, E.ON entered into an agreement to sell 28.974 percent of the shares of its associated shareholding AS Latvijas Gāze, Riga, Latvia, to the Luxembourg company Marguerite Gas I S.à r.l. The carrying amount of the equity interest amounted to approximately €0.1 billion as of December 31, 2015. The transaction, which closed in January 2016 at a sales price of approximately €0.1 billion, resulted in a minimal gain on disposal.

Grid Connection Infrastructure for the Humber Wind Farm

Following the construction and entry into service of the Humber Gateway wind farm in the U.K. North Sea, E.ON was required by regulation to sell to an independent third party the associated grid connection infrastructure currently held by E.ON Climate & Renewables UK Humber Wind Ltd., Coventry, United Kingdom ("Humber Wind"). The sale to Balfour Beatty Equitix Consortium (BBEC) was completed in September 2016. The sales price and carrying amount totaled approximately €0.2 billion each.

Arkona Offshore Wind Farm Partnership

E.ON has made the decision to build the Arkona offshore wind farm project in the Baltic Sea. The Norwegian energy company Statoil has acquired a 50-percent interest in the project and is involved from the start. E.ON is responsible for building and operating the wind farm. The contract on the sale of the 50-percent stake was signed in the first quarter of 2016, and the transaction closed in April 2016. The transaction resulted in a minimal gain on disposal.

(6) Research and Development Costs

The E.ON Group's research and development costs under IFRS totaled €2.9 million in the first six months of 2017 (first six months of 2016: €6.6 million).

(7) Financial Results

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

Financial Results

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Income/Loss from companies in which equity investments are held	35	42	40	45
Impairment charges/reversals on other financial assets	–	-30	-16	-57
Income/Loss from equity investments	**35**	**12**	**24**	**-12**
Income/Loss from securities, interest and similar income[1]	670	84	851	162
Interest and similar expenses	-263	-478	-602	-976
Net interest income/loss	**407**	**-394**	**249**	**-814**
Financial results	**442**	**-382**	**273**	**-826**

[1]See also Note 3.

(8) Earnings per Share

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

Earnings per Share

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Income/Loss from continuing operations	3,299	198	4,034	955
Less: Non-controlling interests	-55	-12	-162	-115
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**3,244**	**186**	**3,872**	**840**
Income/Loss from discontinued operations, net	–	-4,393	–	-3,884
Less: Non-controlling interests	–	3	–	10
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**0**	**-4,390**	**0**	**-3,874**
Net income/loss attributable to shareholders of E.ON SE	**3,244**	**-4,204**	**3,872**	**-3,034**
in €				
Earnings per share (attributable to shareholders of E.ON SE)				
from continuing operations	1.50	0.10	1.85	0.43
from discontinued operations	0.00	-2.25	0.00	-1.98
from net income/loss	**1.50**	**-2.15**	**1.85**	**-1.55**
Weighted-average number of shares outstanding (in millions)	2,162	1,952	2,091	1,952

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

The increase in the weighted-average number of shares outstanding resulted primarily from the capital increase carried out in March 2017. As a result, E.ON increased the share capital of €2,001,000,000 through the partial utilization of its authorized capital via the issue of 200,099,000 new, registered ordinary shares with no par value by €200,099,000 to €2,201,099,000.

The new shares have dividend rights effective from January 1, 2016. As a result of the capital increase, E.ON received gross proceeds from the issue in the amount of approximately €1.35 billion.

In addition, E.ON SE shareholders were again given the option this year of exchanging a portion of the cash dividend of €0.21 for shares of E.ON SE stock. The acceptance rate was 33 percent. As a result, nearly 15 million treasury shares were issued to shareholders.

(9) 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

	June 30, 2017			December 31, 2016		
€ in millions	E.ON Group	Associates[1]	Joint ventures[1]	E.ON Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	6,585	4,480	2,105	6,352	4,096	2,256
Equity investments	804	259	5	821	254	3
Non-current securities	3,850	–	–	4,327	–	–
Total	**11,239**	**4,739**	**2,110**	**11,500**	**4,350**	**2,259**

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

The net income of €646 million from companies accounted for under the equity method (first six months of 2016: €169 million) includes no impairments. The increase is primarily due to the initial recognition of the investment in Uniper SE as a company valued under the equity method.

As of December 31, 2016, a purchase price allocation was made for Uniper SE, which is accounted for under the equity method. The pro rata market capitalization as of December 31, 2016, plus a market control premium, form the basis for the purchase price assumption. The allocation of undisclosed accruals and provisions has been provisionally completed. The undisclosed accruals and provisions are subsequently measured using the equity method.

(10) Treasury Shares

Pursuant to a resolution by the Annual Shareholders Meeting of May 10, 2017, the Company is authorized to purchase own shares until May 9, 2022. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of June 30, 2017, was 2,167,149,433 (December 31, 2016: 1,952,396,600).

As of June 30, 2017, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2016: 48,603,400) having a consolidated book value of €1,126 million (equivalent to 1.54 percent or €33,949,567 of the capital stock).

As part of the scrip dividend for the 2016 fiscal year, shareholder cash dividend entitlements totaling €107 million (2016: –) were settled through the issue and distribution of 14,653,833 (2016: –) treasury shares. The issue of treasury shares reduced by €588 million (2016: –) the valuation allowance for treasury shares, which is measured at historical cost. Conversely, additional paid-in capital was reduced by €478 million. This amount represents the difference between the historical cost and the subscription price of the shares. The discount of €3 million (2016: –) granted on the current share price is charged to retained earnings.

(11) Dividends

At the Annual Shareholders Meeting on May 10, 2017, the shareholders voted to distribute a dividend of €0.21 (2016: €0.50) for each dividend-paying ordinary share, which corresponds to a total dividend amount of €452 million (2016: €976 million). This year, shareholders had the choice between having their dividend settled entirely in cash or converting part of their dividend entitlement into shares of E.ON SE stock. Accounting for a participation rate of roughly 33 percent, 14,653,833 treasury shares were issued for distribution. This reduced the cash distribution to €345 million.

(12) Provisions for Pensions and Similar Obligations

The decrease in provisions for pensions and similar obligations by €261 million relative to year-end 2016 was caused, in particular, by employer contributions to plan assets, net actuarial gains mostly resulting from the increase in the discount rate in Germany and the disposal of pension provisions as a result of the transfers of employees to Uniper. These effects were partly offset by the addition of the net periodic pension cost.

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	June 30, 2017	Dec. 31, 2016
Germany	2.20	2.10
United Kingdom	2.90	2.90

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	June 30, 2017	Dec. 31, 2016
Present value of all defined benefit obligations	15,970	16,392
Fair value of plan assets	12,222	12,383
Net defined benefit liability	**3,748**	**4,009**
Presented as provisions for pensions and similar obligations	*3,748*	*4,009*

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 for Defined Benefit Plans

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Employer service cost	40	51	77	98
Net interest on the net defined benefit liability	21	21	41	43
Past service cost	3	8	8	14
Total	**64**	**80**	**126**	**155**

(13) Additional Disclosures on Financial Instruments

Measurement of Financial Instruments

The value of financial instruments is determined on the basis of fair value measurement. The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. The fair value to be 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. Fair values of derivatives are determined using customary market valuation methods, taking into account the market data available on the measurement date and including a credit risk premium. The counterparty credit risk is recognized in the form of a credit value adjustment.

Derivative financial instruments are covered by market 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. Commodity transactions 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 the financial instruments. Portfolio-based credit risks are also used in the calculations.

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, fixed-term deposits and equity investments, and are adjusted to current market prices as of the reporting dates. 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, E.ON 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.

Presentation of 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, 2017

€ in millions	Carrying amounts within the scope of IFRS 7	Determined using market prices (Level 1)	Derived from active market prices (Level 2)	Determined using valuation techniques (Level 3)
Assets				
Equity investments	804	42	213	549
Derivatives	1,869	58	1,657	154
Securities and fixed-term deposits	4,546	4,098	448	–
Liabilities				
Derivatives	2,316	46	2,233	37

Carrying Amounts of Financial Instruments as of December 31, 2016

€ in millions	Carrying amounts within the scope of IFRS 7	Determined using market prices (Level 1)	Derived from active market prices (Level 2)	Determined using valuation techniques (Level 3)
Assets				
Equity investments	821	66	206	549
Derivatives	2,518	29	2,284	205
Securities and fixed-term deposits	6,474	6,091	383	–
Liabilities				
Derivatives	2,867	43	2,724	100

The carrying amounts of cash and cash equivalents and of trade receivables are considered generally reasonable estimates of fair value because of their short maturity. Similarly, the carrying amounts of commercial paper, borrowings under revolving short-term credit facilities and trade payables are used as the fair value due to the short maturities of these items. As of June 30, 2017, financial liabilities include bonds with a fair value of €14,083 million (December 31, 2016: €16,930 million) and promissory notes with a fair value of €397 million (December 31, 2016: €408 million). The carrying amount of the bonds as of June 30, 2017, is €12,612 million (December 31, 2016: €11,905 million). The carrying amount of the promissory notes is €370 million (December 31, 2016: €370 million). The fair value of the remaining financial instruments largely corresponds to the carrying amount. At the end of each reporting period, E.ON 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, 2016. There were no reclassifications between these two fair value hierarchy levels in the first six months of 2017. 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

€ in millions	Jan. 1, 2017	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/Losses in OCI	June 30, 2017
Equity investments	549	17	-14	–	-14	–	-1	12	549
Derivative financial instruments	105	4	–	-3	-25	–	–	36	117
Total	**654**	**21**	**-14**	**-3**	**-39**	**0**	**-1**	**48**	**666**

At the beginning of 2017, a net loss of €58 million from the initial measurement of derivatives was deferred. The deferred expense from the recognition of derivatives in the first six months of 2017 fell by €3 million to €55 million, which will be recognized during subsequent periods as the contracts are settled. Certain long-term energy contracts are measured using valuation models based on internal fundamental data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €24 million or an increase of €24 million, respectively.

Credit Risk

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. As of June 30, 2017, risk-management collateral was accepted in the amount of €626 million (December 31, 2016: €481 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, 2017, 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.

(14) Related-Party Transactions

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Related parties include, in particular, the companies of the Uniper Group, which are included in the consolidated financial statements using the equity method.

As of June 30, 2017, receivables totaling €495 million (December 31, 2016: €1,136 million), provisions in the amount of €258 million (December 31, 2016: €55 million) and liabilities of €284 million (December 31, 2016: €908 million) to companies of the Uniper Group consist primarily of electricity and gas transactions and the measurement of commodity derivatives. In the first six months of 2017, income from transactions with Uniper companies amounted to €1,361 million and expenses of €3,763 million. In the previous year, income and expenses from relationships with the fully consolidated Uniper companies were consolidated.

(15) Segment Reporting

In line with its business realignment, the E.ON Group, led by its Group Management in Essen, Germany, now comprises the seven new reporting segments described below, as well as a segment for its Non-Core Business and Corporate Functions/Other, all of which are reported here in accordance with IFRS 8. The combined segments, which are not separately reportable, in the Energy Networks East-Central Europe/Turkey unit and the Customer Solutions Other unit are of subordinate importance and have similar economic characteristics with respect to customer structure, products and distribution channels. Information regarding Uniper SE, which was reported as a discontinued operation until its deconsolidation as of December 31, 2016, is provided in Note 5.

Energy Networks

Germany
This segment combines the electricity and gas distribution networks and all related activities in Germany.

Sweden
The segment comprises the electricity and gas networks businesses in Sweden.

East-Central Europe/Turkey
This segment combines the distribution network activities in the Czech Republic, Hungary, Romania, Slovakia and Turkey.

Customer Solutions

Germany
This segment consists of activities that supply our customers in Germany with electricity, gas and heating and the distribution of specific products and services in areas for improving energy efficiency and energy independence.

United Kingdom
The segment comprises sales activities and customer solutions in the U.K.

Other
This segment combines the corresponding Customer Solutions in Sweden, Italy, the Czech Republic, Hungary and Romania, as well as E.ON Connecting Energies.

Renewables

The Renewables segment combines the Group’s activities for the production of wind power plants (onshore and offshore) as well as solar farms.

Non-Core Business

Held in the Non-Core Business segment are the non-strategic activities of the E.ON Group. This includes the operation of the German nuclear power plants, which are managed by the PreussenElektra operating unit.

Corporate Functions/Other

The Corporate Functions/Other segment contains E.ON SE itself, the equity investments held directly within this segment and, for part of 2016, some remaining contributions from the E&P activities in the North Sea. Since December 31, 2016, the Uniper Group, which is accounted for in the consolidated financial statements using the equity method, is also allocated to this segment. The earnings of Uniper are reported under non-operating earnings.

Financial Information by Business Segment

First half € in millions	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany		United Kingdom		Other	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External sales	6,321	6,161	544	502	360	335	3,873	4,110	3,690	4,315	3,418	3,363
Intersegment sales	887	841	19	7	496	476	44	40	33	41	137	128
Sales	**7,208**	**7,002**	**563**	**509**	**856**	**811**	**3,917**	**4,150**	**3,723**	**4,356**	**3,555**	**3,491**
Depreciation and amortization[1]	**-290**	**-301**	**-81**	**-82**	**-111**	**-103**	**-36**	**-32**	**-49**	**-47**	**-70**	**-65**
Adjusted EBIT	**606**	**492**	**239**	**197**	**181**	**183**	**86**	**164**	**233**	**291**	**130**	**204**
Equity-method earnings[2]	*41*	*32*	–	–	*-18*	*46*	–	–	–	–	*7*	*5*
Operating cash flow before interest and taxes[3]	**1,114**	**929**	**305**	**278**	**319**	**302**	**-129**	**-68**	**285**	**136**	**275**	**481**
Investments	**231**	**303**	**147**	**114**	**167**	**117**	**25**	**27**	**97**	**108**	**87**	**115**

[1]Adjusted for non-operating effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of adjusted EBIT.
[3]Operating cash flow from continuing operations.
[4]Includes effects from the hedging of translation risks in accordance with IAS 7. The prior-year figures have been adjusted for improved comparability.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow[1]

First half € in millions	2017	2016	Difference
Operating cash flow before interest and taxes	**5,260**	**2,282**	**2,978**
Interest payments	-295	-331	36
Tax payments	-86	-307	221
Operating cash flow	**4,879**	**1,644**	**3,235**

[1]Operating cash flow from continuing operations.

The investments presented in the financial information by business segment tables are the purchases of investments reported in the Consolidated Statements of Cash Flows.

Adjusted EBIT

Adjusted EBIT, a measure of earnings before interest and taxes ("EBIT") adjusted to exclude non-operating effects, is the most important key figure used at E.ON for purposes of internal management control and as an indicator of a business's sustainable earnings power.

The E.ON Management Board is convinced that adjusted EBIT is the appropriate key figure to use for determining business performance because it is a measure that separates operating income of individual businesses from non-operating influences such as interest and taxes.

Unadjusted EBIT represents the Group's income/loss reported in accordance with IFRS before financial results and income taxes, taking into account the net income/expense from equity investments. To improve its meaningfulness as an indicator of the sustainable earnings power of the E.ON Group's business, unadjusted EBIT is adjusted for certain non-operating effects.

Operating earnings also include income from investment subsidies for which liabilities are recognized.

The non-operating earnings effects for which EBIT is adjusted include, in particular, income and expenses from the marking to market of derivative financial instruments used for hedging and, where material, book gains/losses, cost-management and restructuring expenses, impairment charges and reversals recognized in the context of impairment tests on non-current assets, on equity investments in affiliated or associated companies and on goodwill, and other contributions to non-operating earnings. The refund of the nuclear fuel tax is also reported in non-operating earnings (see also Note 3).

In addition, starting from the 2017 fiscal year, effects from the valuation of certain provisions on the balance sheet date are disclosed in non-operating earnings. The change in recognition results in improved presentation of sustainable earnings power. Due to the fundamental change in operations in 2016 and the structural change to these activities, there is not a reasonably meaningful way to correct prior-year figures.

	Renewables		Non-Core Business		Corporate Functions/Other[4]		Consolidation		E.ON Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	396	467	891	751	89	247	1	3	19,583	20,254
	314	213	–	–	303	338	-2,233	-2,084	0	0
	710	**680**	**891**	**751**	**392**	**585**	**-2,232**	**-2,081**	**19,583**	**20,254**
	-181	**-192**	**-93**	**-44**	**-40**	**-35**	**3**	**1**	**-948**	**-900**
	205	**254**	**271**	**283**	**-178**	**-80**	**-6**	**13**	**1,767**	**2,001**
	16	*11*	*39*	*41*	*31*	*34*	–	–	*116*	*169*
	237	**407**	**3,073**	**361**	**-219**	**-556**	**–**	**12**	**5,260**	**2,282**
	528	**473**	**7**	**11**	**27**	**60**	**-2**	**-5**	**1,314**	**1,323**

The following table shows the reconciliation of earnings before interest and taxes to adjusted EBIT:

Reconciliation of Income before Financial Results and Income Taxes

	Second quarter		First half	
€ in millions	2017	2016	2017	2016
Income/Loss from continuing operations before financial results and income taxes	**3,251**	**734**	**4,310**	**2,348**
Income/Loss from equity investments	35	12	24	-12
EBIT	**3,286**	**746**	**4,334**	**2,336**
Non-operating adjustments	**-2,557**	**-316**	**-2,567**	**-335**
Net book gains/losses	*-221*	*21*	*-273*	*25*
Restructuring/cost-management expenses	*83*	*80*	*177*	*129*
Market valuation derivatives	*3*	*-423*	*311*	*-552*
Impairments (+)/Reversals (-)	*-2*	*39*	*-5*	*44*
Other non-operating earnings[1]	*-2,420*	*-33*	*-2,777*	*19*
Adjusted EBIT	**729**	**430**	**1,767**	**2,001**

[1]The change in other non-operating result is primarily due to the refund of the nuclear-fuel tax paid in previous years.

Page 11 of the Interim Group Management Report provides a more detailed explanation of the reconciliation of adjusted EBIT to the net income/loss reported in the Consolidated Financial Statements.

(16) Events after the Balance Sheet Date

On July 3, 2017, E.ON made the full amount of the due payments into the fund set up by the Federal Republic of Germany to finance the disposal of nuclear waste for all nuclear power plants and equity investments in nuclear power plants attributable to E.ON. According to confirmations by the fund, E.ON is therefore no longer liable for the disposal tasks assumed by the Federal Republic of Germany. More information on this can be found in Note 3.

In July 2017, the Hamburg Senate approved the exercise of a call option agreed in 2014 (following a corresponding referendum) with the Free and Hanseatic City of Hamburg on the previous E.ON majority stake in Hamburg Netz GmbH (74.9 percent, HHNG). E.ON currently holds this stake through HanseWerk AG (E.ON's ownership interest: 66.5 percent). After the expected exercise of the option in the fourth quarter of 2017, the corresponding HHNG shares will be transferred to the buyer effective January 1, 2018.

To the best of our knowledge, and in accordance with applicable reporting 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 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Essen, Germany, August 7, 2017

The Board of Management

Teyssen

Birnbaum

Spieker

Wildberger

Financial Calendar

November 8, 2017	**Interim Report: January – September 2017**
March 14, 2018	**Release of the 2017 Annual Report**
May 8, 2018	**Interim Report: January – March 2018**
May 9, 2018	**2018 Annual Shareholders Meeting**
August 8, 2018	**Interim Report: January – June 2018**
November 14, 2018	**Interim Report: January – September 2018**

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

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