Interim Report II/2018

January – June

E.ON Group Financial Highlights

First half € in millions	2018	2017	+/- %
Sales[1]	17,043	19,583	-13
Adjusted EBITDA[1, 2]	2,799	2,715	+3
Adjusted EBIT[1, 2]	1,942	1,767	+10
Net income/Net loss	2,908	4,034	-28
Net income/Net loss attributable to shareholders of E.ON SE	2,704	3,872	-30
Adjusted net income[1, 2]	1,052	881	+19
Investments[1]	1,414	1,314	+8
Cash provided by operating activities[1]	1,420	4,879	-71
Cash provided by operating activities before interest and taxes[1]	2,068	5,260	-61
Economic net debt (June 30 and December 31)[1]	15,876	19,248	-18
Employees (June 30 and December 31)[1]	42,738	42,699	–
Earnings per share[3, 4] (€)	1.25	1.85	-32
Adjusted net income per share[1, 3, 4] (€)	0.49	0.42	+17
Shares outstanding (weighted average; in millions)	2,167	2,091	+4

[1]Includes the discontinued operations in the Renewables segment (see Note 4 to the Condensed Consolidated Financial Statements).
[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 Adjusted EBIT (earnings before interest and taxes) is our most important earnings figure for the purpose of internal management control and as an indicator of our businesses' long-term earnings power. It is adjusted to exclude certain items, mainly non-operating income and expenses. In line with our internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

Adjusted EBITDA Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is adjusted to exclude certain items, mainly non-operating income and expenses. For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

Adjusted net income An earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating items. For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

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. For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

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Dear Shareholders,

At the end of the first half of the current financial year, your E.ON is on course. Adjusted for the effect of a new accounting standard, our first-half sales of €17 billion were at the prior-year level. Our adjusted EBIT of €1.9 billion exceeded the weak prior-year figure by about 10 percent. Our adjusted net income rose by 19 percent to just under €1.1 billion. Our results are in line with our forecast for full-year 2018, which we affirm: we expect to record adjusted EBIT of €2.8 to €3 billion and adjusted net income of €1.3 to €1.5 billion.

We're pleased that first-half adjusted EBIT in our core business—Energy Networks, Customer Solutions, and Renewables—surpassed the prior-year figure by €156 million, or 10 percent. In the fiercely competitive German market, we achieved five-digit customer growth on a net basis in the first half of the year, and *Focus Money*, a weekly business magazine, named us the country's energy supplier with the best customer service for the third time. These are gratifying accomplishments. But competition remains keen. We're actively responding to these challenges with new products, new solutions, and even better, more efficient processes, particularly for our customers. We're also making good progress with the digitization of our business: in less than a year, we've developed a more digital, cloud-based IT platform for our customer business to the point of being able to test it live. It will play a big role in making our customer experience even better and in reducing service costs.

We completed the sale of our Uniper stake to Fortum in June, thereby substantially strengthening our balance sheet and reducing our economic net debt by 18 percent to just €15.9 billion. As we announced, this gives us the flexibility to further enhance your E.ON's strategic position. We'll use this flexibility to implement the transaction we agreed on with RWE in March, whose centerpiece is our acquisition of innogy. When the necessary regulatory approvals are obtained, this will create a new E.ON and an even more powerful company, a company focusing on smart grids and innovative customer solutions and fully dedicated to serving its customers. This will open up outstanding prospects for E.ON and enable us to play a key role in shaping Europe's energy transition. This, in turn, will benefit you, our shareholders, as well as E.ON and innogy's employees and enterprise partners.

Since announcing the transaction with RWE, we've already taken important steps toward the planned integration. Together with RWE and innogy, we reached a collective-bargaining Agreement in Principle with ver.di and IGBCE. In July we and the E.ON SE Works Council and Group Works Council concluded a Framework Agreement on important social aspects of the planned integration. Both agreements establish reliability for the changes ahead as we move toward a new E.ON—for our employees and also for innogy's. In July we also reached an agreement with innogy to work together in planning the integration. To the degree permitted by law, innogy will therefore play a constructive role in this process. This is good news for all of us and for you, our shareholders.

In late July we successfully completed our voluntary public takeover offer to innogy's minority shareholders. Through the end of the extended offer period, 9.4 percent of innogy stock was tendered to us. Together with RWE's 76.8 percent stake, this results in 86.2 percent of the innogy shares. We're very satisfied with this result. Although the conclusion of the agreed-on acquisition of RWE's majority stake alone will enable us to integrate innogy into E.ON, we're very pleased that many other innogy shareholders accepted our offer.

Overall, the first half of 2018 was satisfactory. Now we've entered into what promises to be a both exciting and strenuous second half, one that I'm certain will take us closer to a new and even more powerful E.ON.

Best wishes,

Dr. Johannes Teyssen

At the end of the second quarter of 2018, E.ON stock (including reinvested dividends) was 4 percent above its year-end closing price for 2017. It thereby slightly outperformed its peer index, the STOXX Utilities (+2 percent), and the broader European stock market as measured by the EURO STOXX 50 index (-1 percent).

Despite a lower number of shares traded, E.ON's first-half trading volume rose by 17 percent year on year to €15.4 billion because of higher average share prices in the first half of 2018.

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

E.ON Stock

	June 30, 2018	Dec. 31, 2017
Shares outstanding (millions)	2,167	2,167
Closing price (€)	9.15	9.06
Market capitalization (€ in billions)[1]	19.8	19.6

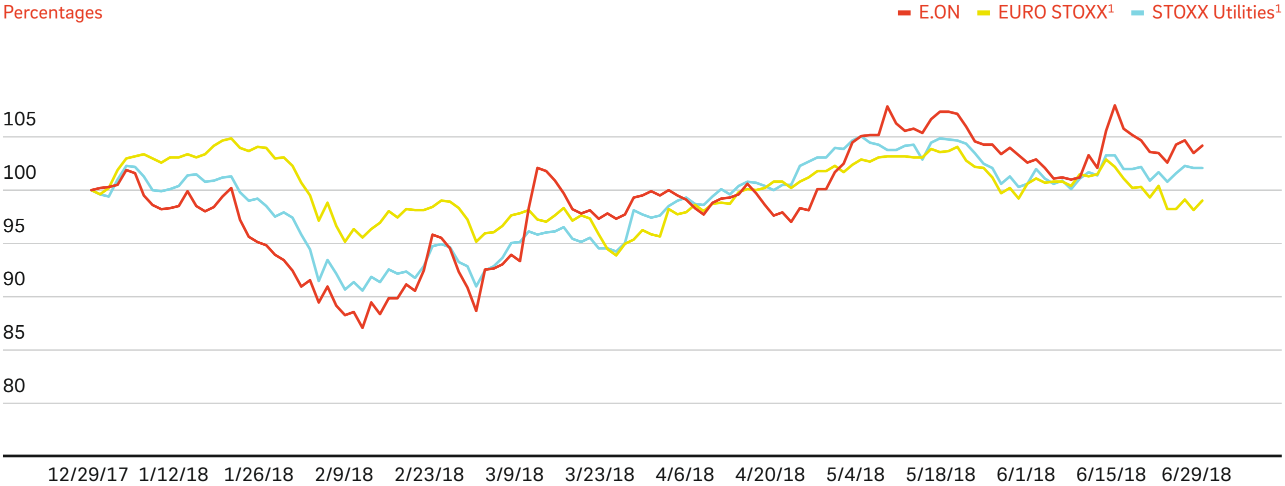
[1]Based on shares outstanding.

Performance and Trading Volume

First half	2018	2017
High (€)[1]	9.54	9.06
Low (€)[1]	7.89	6.64
Trading volume[2]		
Millions of shares	*1,733*	*1,766*
€ in billions	*15.4*	*13.2*

[1]Xetra.
[2]Source: Bloomberg (all German stock exchanges).

E.ON Stock Performance



[1]Based on the performance index.

Interim Group Management Report

January – June 2018

- **First-half adjusted EBIT and adjusted net income surpass prior-year figures**
- **Forecast for full-year adjusted EBIT and adjusted net income affirmed**
- **Sale of Uniper stake to Fortum closed; sales price of €3.8 billion received**
- **Economic net debt reduced further**
- **Voluntary public takeover offer for innogy SE stock successfully concluded; in addition to agreed-on purchase of RWE’s 76.8-percent stake, 9.4 percent of innogy stock was tendered to E.ON**

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.

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. Substantially all of the operations in this segment are classified as discontinued operations effective June 30, 2018 (see page 9 for more information and Note 4 to the Condensed Consolidated Interim Financial Statements).

Non-Core Business
This segment consists of our non-strategic activities. This applies to the operation of our nuclear power stations in Germany (which is managed by our PreussenElektra unit) and the generation business in Turkey.

Special Events in the Reporting Period

Asset Swap with RWE
On March 12, 2018, E.ON SE and RWE AG reached an agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy SE as part of an extensive asset swap. As part of this swap, E.ON will transfer to RWE substantially all of its renewables business as well as the minority stakes, held by its subsidiary PreussenElektra, in Emsland und Gundremmingen nuclear power stations, which are operated by RWE. However, the E.ON Group will retain certain assets reported in its Renewables segment, namely: businesses operated by e.disnatur in Germany and Poland as well as a 20-percent stake in Rampion offshore wind farm. The transaction will take place in several steps and is subject to the usual antitrust approvals.

Renewables
Pursuant to IFRS 5, the operations in the Renewables segment that will be transferred are reported as discontinued operations effective June 30, 2018 (for more information, see Note 4 to the Condensed Consolidated Interim Financial Statements). Until their final transfer to RWE, however, the Renewables segment will be managed as before. For the purpose of internal management control, its results will therefore be fully included in the relevant key performance indicators. In addition, the scheduled depreciation charges required by IFRS 5 and the carrying amount of these discontinued operations will be recorded in equity and disclosed accordingly.

The Interim Group Management Report's presentation of the key performance indicators relevant for management control therefore includes the results of discontinued operations in the Renewables segment. Pages 13 to 15 of the Interim Group Management Report and Note 12 to the Condensed Consolidated Interim Financial Statements contain reconciliations of these indicators to the disclosures in the E.ON SE and Subsidiaries Consolidated Statements of Income, Consolidated Balance Sheets, and Consolidated Statements of Cash Flows.

Minority Stakes in Nuclear Power Stations
Under the agreement with E.ON, RWE will acquire not only substantially all of E.ON's renewables business but also its minority stakes in Lippe-Ems GmbH and Gundremmingen GmbH nuclear power stations, which are operated by RWE. These minority stakes and the associated debt, which had previously been reported at Non-Core Business, are reclassified as a disposal group effective June 30, 2018.

Voluntary Public Takeover Offer for innogy SE Stock
Following approval of the offer documents by the German Federal Financial Supervisory Authority, on April 27, 2018, E.ON published its voluntary public takeover offer ("PTO") for innogy SE stock. The extended acceptance period for the PTO ended on July 25, 2018. In addition to the 76.8-percent stake to be acquired from RWE, 9.4 percent of innogy stock was tendered under the PTO.

To finance the PTO, E.ON secured a €5 billion acquisition facility, which will fund the acquisition of innogy stock not held by RWE. Considering the tender ratio under the PTO, E.ON partially cancelled the facility down to €2 billion.

Sale of Uniper Stake
In September 2017 E.ON and Fortum Corporation of Espoo, Finland, concluded an agreement under which E.ON had the right to sell its 46.65-percent stake in Uniper to Fortum in early 2018. Until the end of September 2017 we classified this stake as an associated company and accounted for it using the equity method. We then reclassified it as an asset held for sale. In January 2018 E.ON decided to exercise its option to tender its Uniper stake. After the necessary antitrust approvals were obtained, the transaction closed on June 26, 2018, with E.ON receiving liquid funds totaling €3.8 billion. The disposal of the stake and the derecognition of the associated derivative financial instruments resulted in income totaling €1.1 billion. Note 4 to the Condensed Consolidated Interim Financial Statements contains more information.

Changes in Segment Reporting
At the beginning of 2018 we made a number of reclassifications. The generation business in Turkey is now reported under Non-Core Business. Customer Solutions' heat business in Germany is no longer reported at its Germany unit but rather at its Other unit. In addition, costs for the ongoing expansion of our business of providing new digital products and services as well as innovative projects, which were previously allocated to Corporate Functions/Other, are now allocated to the appropriate operating units at Customer Solutions. We adjusted the prior-year figures accordingly. These reclassifications were already factored into the earnings forecast for 2018 contained in our 2017 Annual Report.

IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers"
We apply IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers," for the first time effective the start of 2018. The impact of the initial application of these standards on E.ON SE and Subsidiaries Consolidated Interim Financial Statements as of June 30, 2018—in particular, on sales, costs of materials, and a reduction in the value of financial assets—is explained in detail in Note 2 to the Condensed Consolidated Interim Financial Statements.

Sale of E.ON Gas Sverige
The E.ON Group closed the sale of E.ON Gas Sverige AB, its gas distribution network company in Sweden, on April 25, 2018. The buyer was the European Diversified Infrastructure Fund II. The transaction closed with retroactive economic effect.

Sale of Hamburg Netz

In 2017 E.ON agreed to sell its 74.9-percent stake in Hamburg Netz GmbH to the Free and Hanseatic City of Hamburg. The transaction closed on January 1, 2018. The payment was received in 2017.

Initial Public Offering of Enerjisa Enerji

A 20-percent stake (E.ON's share: 10 percentage points) of Enerjisa Enerji A.Ş. was successfully placed on the stock market on February 8, 2018. The issuance price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. continues to be a joint venture between E.ON and Sabanci, each of which holds 40 percent. The book gain on this transaction was more than offset by cumulative adverse currency-translation effects.

Business Report

Industry Environment

Energy Policy and Regulatory Environment

The German federal government, which has been in office since March 2018, agreed on a range of energy- and climate-policy proposals. In particular, these proposals include changes to the regulatory regime for distribution grids, a target of renewables to provide 65 percent of the country's electricity by 2030, the simplification and collation of energy-efficiency regulations, the development of a plan for the future of mobility, the codification of the proposals contained in the climate-protection plan in a Climate-Protection Law, and more latitude for digital business models with due consideration for data protection. In addition, a commission for "Growth, Structural Transformation, and Employment" will develop a plan for Germany to phase out coal-fired power generation.

At the end of 2017 European institutions agreed on a reform of the EU Emissions Trading Scheme. One of the main reforms is the establishment of a market stability reserve, under which surplus emission allowances will be temporarily or permanently removed from the market from 2019 onward. In June 2018 European institutions agreed on the EU's climate- and energy-policy targets for 2030: carbon emissions are to be reduced by at least 40 percent, renewables' share of gross energy consumption increased to 32 percent, and energy efficiency raised by 32.5 percent.

In July 2018 the United Kingdom passed a law that requires Ofgem, its energy regulatory agency, to introduce price caps for residential customers on the standard variable and default tariffs for electricity and gas. The price caps will be in place from the end of 2018 to 2020 and can be extended to 2023. Ofgem must review the level of the price caps every six months.

Earnings Situation

Business Performance

E.ON's operating business continued to deliver a positive performance in the first half of 2018. Nevertheless, our sales of €17 billion were €2.5 billion below the prior-year figure. The decline resulted largely from changes in the accounting treatment of certain levies pursuant to IFRS 15, which was applied for the first time in 2018. These levies are no longer reported in full but rather are netted against the corresponding costs of materials (for more information, see Note 2 to the Condensed Consolidated Interim Financial Statements).

First-half adjusted EBIT in our core businesses of €1.7 billion was 10 percent above the weak prior-year figure of €1.6 billion. First-half adjusted EBIT for the E.ON Group of €1.9 billion was also 10 percent higher. Adjusted net income of €1,052 million surpassed the likewise weak prior-year figure of €881 million by €171 million, or 19 percent.

Sales

We recorded sales of €17 billion in the first half of 2018, about €2.5 billion less than the prior-year figure. The initial application of IFRS 15 reduced sales by €2.7 billion.

Energy Networks' sales of €6.1 billion were 30 percent below the prior-year figure of €8.6 billion. This is primarily attributable to netting effects in conjunction with IFRS 15 in Germany and the Czech Republic.

Customer Solutions' sales were at the prior-year level. Increases in the United Kingdom and the Other unit were partially offset by a decline in Germany.

Renewables' sales rose year on year, primarily because of an increase in output due to the commissioning of new onshore and offshore wind farms. This was partially offset by unfavorable wind conditions (particularly offshore) and by the expiration of support mechanisms.

Sales at Non-Core Business declined significantly year on year, mainly because of lower sales prices and the absence of one-off items at PreussenElektra.

Sales[1]

	Second quarter			First half		
€ in millions	2018	2017	+/- %	2018	2017	+/- %
Energy Networks	3,099	4,428	-30	6,053	8,627	-30
Customer Solutions	4,734	4,652	+2	11,479	11,201	+2
Renewables	340	334	+2	741	710	+4
Non-Core Business	323	527	-39	601	891	-33
Corporate Functions/Other	156	195	-20	318	392	-19
Consolidation	-939	-1,033	+9	-2,149	-2,238	+4
E.ON Group	**7,713**	**9,103**	**-15**	**17,043**	**19,583**	**-13**

[1]Includes the discontinued operations in the Renewables segment. Sales from continuing operations amounted to €16.8 billion in the first half of 2018 (prior year: €19.2 billion).

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €144 million was 24 percent below the prior-year level and primarily reflected the completion of IT projects.

Other operating income declined by 29 percent, from €5,384 million to €3,807 million, mainly because of the refund of €2,850 million in nuclear-fuel taxes recorded in the prior-year period. In addition, the sale of securities resulted in lower income than in the prior-year period. Income from currency-translation effects of €1,323 million was at the prior-year level of €1,319 million, whereas income from derivative financial instruments rose from €441 million by €663 million to €1,104 million. Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses. Current-year income from derivative financial instruments also includes the derecognition of derivative financial instruments marked to market in conjunction with the disposal of our Uniper stake. The sale of equity interests yielded income of €892 million, which includes €593 million from the sale of our remaining Uniper stake to Fortum.

Costs of materials of €12,910 million were significantly below the prior-year level of €15,715 million. The decline is mainly attributable to the aforementioned initial application of IFRS 15 in 2018.

Personnel costs of €1,273 million were €138 million below the figure from the first half of 2017, primarily because of our Phoenix reorganization plan, which has been under way since the start of 2017.

Depreciation charges declined from €760 million to €704 million. A reduction in depreciation charges on capitalized dismantling costs at PreussenElektra was the principal factor.

Other operating expenses declined by 22 percent, from €3,488 million to €2,713 million. This is chiefly because expenditures relating to derivative financial instruments decreased from €1,012 million to €310 million. By contrast, expenditures relating to currency-translation effects rose from €1,102 million to €1,262 million. The prior-year figure was adversely affected by our obligation to pass on a portion of the refunded nuclear-fuel tax to the minority shareholders of our jointly owned power stations (€327 million).

Income from companies accounted for under the equity method of €146 million was substantially below the prior-year figure of €650 million. The decline resulted primarily from the absence of the earnings from our Uniper stake. Effective the end of September 2017, when we reclassified this stake as an asset held for sale, we no longer record its book value in equity. This effect was partially counteracted by higher equity earnings, particularly from our equity investments in Turkey.

Adjusted EBIT

For the purpose 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"). It includes the discontinued operations in the Renewables segment (see the commentary in Note 12 to the Condensed Consolidated Interim Financial Statements).

First-half adjusted EBIT in our core business was €156 million above the weak prior-year figure. Energy Networks' adjusted EBIT was at the prior-year level. Adjusted EBIT at Customer Solutions rose by about €37 million. The principal factor was a wider gross margin in the power and gas sales business in Germany. By contrast, adjusted EBIT in the United Kingdom declined because price increases were more than offset by higher procurement costs, regulatory effects, and lower power sales volume.

Renewables' adjusted EBIT rose by €31 million, primarily because of an increase in output due to the commissioning of new onshore and offshore wind farms. This was partially offset by unfavorable wind conditions (particularly offshore) and by the expiration of support mechanisms.

Adjusted EBIT reported under Corporate Functions/Other improved by €98 million year on year, owing in part to lower costs for personnel and materials as a result of our Phoenix reorganization program.

The E.ON Group's adjusted EBIT surpassed the prior-year figure by €175 million. In addition to the aforementioned factors affecting adjusted EBIT in our core businesses, adjusted EBIT at Non-Core Business was higher. The positive effect of the increase in the carrying amount of the generation business in Turkey was partially offset by a decline in earnings at PreussenElektra.

Adjusted EBIT

	Second quarter			First half		
€ in millions	2018	2017	+/- %	2018	2017	+/- %
Energy Networks	428	409	+5	1,070	1,087	-2
Customer Solutions	85	121	-30	477	440	+8
Renewables	65	45	+44	236	205	+15
Corporate Functions/Other	-38	-67	+43	-66	-164	+60
Consolidation	3	-8	–	1	-6	–
Adjusted EBIT from core business	**543**	**500**	**+9**	**1,718**	**1,562**	**+10**
Non-Core Business	115	229	-50	224	205	+9
E.ON Group adjusted EBIT	**658**	**729**	**-10**	**1,942**	**1,767**	**+10**

Net Income/Loss

We recorded first-half net income attributable to shareholders of E.ON SE of €2.7 billion and corresponding earnings per share of €1.25. In the prior-year period we recorded net income of €3.9 billion and earnings per share of €1.85.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, for the first half of 2018, includes the earnings from the discontinued operations at Renewables (Note 4 to the Condensed Consolidated Interim Financial Statements contains more information).

We had a tax expense on continuing operations of €203 million compared with €494 million in the prior-year period. Our tax rate on net income from continuing operations declined from 11 percent to 7 percent, mainly because of higher income subject to tax exposure and one-off effects from prior tax years. Our tax rate for the prior-year period mainly reflected one-off items relating to the refund of the nuclear-fuel tax, which was subject to a minimum tax.

First-half net book gains were substantially above the prior-year figure, mainly because of the disposal of our Uniper stake, Hamburg Netz, and E.ON Gas Sverige. Overall, the initial public offering of Enerjisa Enerji in Turkey resulted in a book loss. In addition, book gains on the sale of securities were significantly below the prior-year figure.

Net Income/Loss

	Second quarter		First half	
€ in millions	2018	2017	2018	2017
Net income/loss	1,875	3,299	2,908	4,034
Attributable to shareholders of E.ON SE	*1,824*	*3,245*	*2,704*	*3,872*
Attributable to non-controlling interests	*51*	*54*	*204*	*162*
Income/Loss from discontinued operations, net	-21	-7	-96	-126
Income/Loss from continuing operations	**1,854**	**3,292**	**2,812**	**3,908**
Income taxes	-19	384	203	494
Financial results	57	-459	243	-311
Income/Loss from continuing operations before financial results and income taxes	**1,892**	**3,217**	**3,258**	**4,091**
Income/Loss from equity investments	47	35	51	20
EBIT	**1,939**	**3,252**	**3,309**	**4,111**
Non-operating adjustments	**-1,343**	**-2,565**	**-1,594**	**-2,542**
Net book gains (-)/losses (+)	*-751*	*-221*	*-855*	*-273*
Restructuring expenses	–	*82*	*26*	*176*
Marking to market of derivative financial instruments	*-627*	*3*	*-840*	*346*
Impairments (+)/Reversals (-)	–	–	–	–
Other non-operating earnings	*35*	*-2,429*	*75*	*-2,791*
Reclassified businesses of Renewables (adjusted EBIT)	62	42	227	198
Adjusted EBIT	**658**	**729**	**1,942**	**1,767**
Impairments (+)/Reversals (-)	–	–	–	19
Scheduled depreciation and amortization	344	379	700	753
Reclassified businesses of Renewables (scheduled depreciation and amortization)	82	90	157	176
Adjusted EBITDA	**1,084**	**1,198**	**2,799**	**2,715**

Restructuring expenses declined substantially year on year. The decrease is in part attributable to considerably lower expenditures in conjunction with Group-wide cost-reduction programs.

At June 30, 2018, the marking to market of the derivatives we use to shield our operating business from price fluctuations as well as other derivatives resulted in a positive effect of €840 million (prior year: -€346 million), mainly because of derivative financial instruments in conjunction with contractual rights and obligations relating to the sale of our Uniper stake. As in the prior-year period, there were also effects resulting from hedging against price fluctuations, in particular at Customer Solutions.

We recorded no impairment charges or reversals at continuing operations in the first half of 2018 or the prior-year period.

The substantial decline in other non-operating earnings is chiefly attributable to our receipt of the refund of the nuclear-fuel tax in the prior-year period, which also includes the equity earnings on our Uniper stake. This stake was reclassified as an asset held for sale as of September 30, 2017. Since this date, its book value is no longer recorded in equity.

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 includes the earnings (adjusted to exclude non-operating effects) of the discontinued operations at Renewables as if they had not been reclassified pursuant to IFRS 5. For more information, see page 9 of the Interim Group Management Report and Notes 4 and 12 to the Condensed Consolidated Interim Financial Statements.

As a rule, the E.ON Management Board uses this figure in conjunction with its consistent dividend policy and aims for E.ON to have a payout ratio that is on par with its relevant peer companies. In view of the planned acquisition of innogy as part of an extensive asset swap with RWE, we intend to propose to the Annual Shareholders Meeting that E.ON pay a dividend of €0.43 per share for the 2018 financial year.

Adjusted Net Income

	Second quarter		First half	
€ in millions	2018	2017	2018	2017
Income/Loss from continuing operations before financial results and income taxes	**1,892**	**3,217**	**3,258**	**4,091**
Income/Loss from equity investments	47	35	51	20
EBIT	**1,939**	**3,252**	**3,309**	**4,111**
Non-operating adjustments	-1,343	-2,565	-1,594	-2,542
Reclassified businesses of Renewables (adjusted EBIT)	62	42	227	198
Adjusted EBIT	**658**	**729**	**1,942**	**1,767**
Net interest income/loss	-104	424	-294	291
Non-operating interest expense (+)/income (-)	-17	-596	21	-632
Reclassified businesses of Renewables (operating interest expense (+)/income (-))	-32	-17	-57	-43
Operating earnings before taxes	**505**	**540**	**1,612**	**1,383**
Taxes on operating earnings	-119	-129	-361	-307
Operating earnings attributable to non-controlling interests	-51	-46	-145	-152
Reclassified businesses of Renewables (taxes and minority interests on operating earnings)	-10	-9	-54	-43
Adjusted net income	**325**	**356**	**1,052**	**881**

Financial Situation

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

Financial Position

For the purpose of internal management control, economic net debt includes the discontinued operations at Renewables as well as the waste-disposal and dismantling obligations associated with our stakes in Emsland and Gundremmingen nuclear power stations, which are classified as a disposal group at PreussenElektra (see Note 4 to the Condensed Consolidated Interim Financial Statements).

Compared with the figure recorded at December 31, 2017 (€19.2 billion), our economic net debt declined by €3.3 billion to €15.9 billion, in particular because of the proceeds on the sale of our Uniper stake.

Furthermore, our net financial position at the balance-sheet date was influenced mainly by the dissolution of Versorgungskasse Energie VVaG i.L. in the first quarter of 2018 and the transfer of these assets to other investment vehicles. Because most of these assets were transferred to our Contractual Trust Arrangement, this affected our economic net debt only slightly, since our provisions for pensions were reduced by the nearly same amount. The impact on our economic net debt of the transfer of the remaining assets to other share investments and third parties was offset by positive effects from the sale of Hamburg Netz GmbH.

Economic Net Debt

€ in millions	June 30, 2018	Dec. 31, 2017
Liquid funds	6,570	5,160
Non-current securities	1,733	2,749
Financial liabilities	-10,889	-13,021
FX hedging adjustment	118	114
Net financial position	**-2,468**	**-4,998**
Provisions for pensions	-2,854	-3,620
Asset-retirement obligations[1]	-10,554	-10,630
Economic net debt	**-15,876**	**-19,248**
Reclassified businesses of Renewables and PreussenElektra	1,873	–
Economic net debt (continuing operations)	**-14,003**	**-19,248**

[1]This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet from continuing and discontinued operations (€11,482 million at June 30, 2018; €11,673 million at December 31, 2017). This is because we calculate our economic net debt in part based on the actual amount of our obligations.

E.ON's creditworthiness has been assessed by Standard & Poor's (S&P) and Moody's with long-term ratings of BBB and Baa2, respectively. As a result of the agreement E.ON concluded with RWE on March 12, 2018, to acquire RWE's 76.8-percent stake in innogy SE and E.ON's voluntary public takeover offer, both S&P and Moody's anticipate an improvement in E.ON's business risk profile. On March 13, 2018, S&P therefore confirmed its rating with a stable outlook. After Moody's reviewed its rating for a possible downgrade, on May 17, 2018, Moody's confirmed its Baa2 rating with a stable outlook. S&P's and Moody's short-term ratings are unchanged at A-2 and P-2, respectively.

Investments

The E.ON Group's first-half investments were above the prior-year level. A slight decline in investments in our core business was more than offset by higher investments at Non-Core Business. We invested about €1.2 billion in property, plant, and equipment and intangible assets (prior year: €1.2 billion). Share investments totaled €0.2 billion versus €0.1 billion in the prior-year period.

Investments

First half € in millions	2018	2017	+/- %
Energy Networks	580	545	+6
Customer Solutions	209	209	–
Renewables	449	528	-15
Corporate Functions/Other	16	27	-41
Consolidation	-3	-2	–
Investments in core business	**1,251**	**1,307**	**-4**
Non-Core Business	163	7	–
E.ON Group investments	**1,414**	**1,314**	**+8**

Energy Networks' investments were €35 million above the prior-year level. Investments in maintenance and expansion in Sweden increased by €16 million to €163 million. Investments in East-Central Europe/Turkey were €19 million higher, in particular because of new network connections and maintenance in Hungary and upgrades to our power networks in Romania. Investments in Germany were at the prior-year level.

Customer Solutions invested €209 million, the same as in the prior-year period. Investments in the current-year period went principally toward the rollout of smart meters in the United Kingdom and the maintenance, upgrade, and expansion of existing assets and our heat distribution network in Sweden.

Investments at Renewables were €79 million lower. The decline reflects lower expenditures for new-build projects, whereas the prior-year figure includes expenditures for three such projects (Radford's Run, Bruenning's Breeze, and Rampion). By contrast, expenditures for equity investments were €25 million higher, due primarily to the Arkona project.

Investments at Non-Core Business were €156 million above the prior-year level, primarily because of a capital increase at Enerjisa Üretim in Turkey, which we account for using the equity method. The capital increase was covered by cash inflow from the initial public offering of Enerjisa Enerji.

Cash Flow

Cash provided by operating activities of continuing and discontinued operations before interest and taxes of €2.1 billion was €3.2 billion below the prior-year level. The main factors in the decline were the refunded nuclear-fuel tax of €2.85 billion we received in June 2017 and positive working-capital effects in the prior-year period. Cash provided by operating activities of continuing and discontinued operations also declined owing to higher interest and tax payments.

Cash Flow[1]

First half € in millions	2018	2017
Cash provided by (used for) operating activities (operating cash flow)	1,420	4,879
Operating cash flow before interest and taxes	2,068	5,260
Cash provided by (used for) investing activities	3,656	511
Cash provided by (used for) financing activities	-2,659	1,941

[1]From continuing and discontinued operations.

Cash provided by investing activities of continuing and discontinued operations totaled approximately €3.7 billion versus €0.5 billion in the prior-year period. The sale of our stake in Uniper SE was the principal factor (+€3.8 billion), whereas the purchase and sale of securities and changes in restricted funds reduced cash provided by investing activities by €0.8 billion.

Cash provided by financing activities of continuing and discontinued operations of -€2.7 billion was €4.6 billion below the prior-year figure of +€1.9 billion. This is principally attributable to the issuance of €2 billion in bonds in the first half of 2017, the roughly €1.35 billion capital increase conducted in March 2017, and higher cash outflow to repay bonds in the current-year period (€0.4 billion). In addition, E.ON SE's dividend payout was about €0.3 billion higher than in the prior-year period.

Asset Situation

Our total assets and liabilities of €52.8 billion were about €3.2 billion, or 6 percent, below the figure from year-end 2017. Non-current assets of €29.2 billion were €11 billion lower than at year-end 2017, in particular because of the reclassification of operations at Renewables that are to be transferred to RWE. This resulted in the reclassification of non-current assets as assets held for sale, which are reported under current assets. This reclassification led, in particular, to a significant reduction in fixed assets.

Current assets increased by 50 percent, from €15.8 billion to €23.6 billion, mainly because of the aforementioned reclassification of assets at Renewables in the amount of €10.2 billion. The derecognition of our Uniper stake in the amount of €3 billion, which had been classified as an asset held for sale, had a countervailing effect.

Our equity ratio (including non-controlling interests) at June 30, 2018, was 16 percent, which is 4 percentage points higher than at year-end 2017. This change reflects our positive net income in the first half of the current year. The dividend payout of €0.8 billion, which includes dividends to non-controlling interests, was a countervailing factor. Equity attributable to shareholders of E.ON SE was about €5.7 billion at June 30, 2018. Equity attributable to non-controlling interests was roughly €2.8 billion.

Non-current debt decreased by €3.6 billion, or 10 percent. This was likewise attributable to the aforementioned reclassification of operations at Renewables. In addition, the waste-disposal and dismantling obligations associated with our stakes in Emsland and Gundremmingen nuclear power stations, which are to be transferred to RWE, were reclassified as current debt. Provisions for pensions declined as well, primarily because of the transfer of pension assets formerly managed by Versorgungskasse Energie VVaG i.L. to our Contractual Trust Arrangement. This created additional plan assets within the meaning of IAS 19.

Current debt of €12.8 billion was 9 percent below the figure at year-end 2017, also due primarily to the aforementioned effects of the reclassification of debt at Renewables and PreussenElektra. By contrast, the repayment of a dollar-denominated bond in the amount of roughly €1.7 billion in April 2018 and a decline in operating liabilities served to reduce current debt.

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2018	%	Dec. 31, 2017	%
Non-current assets	29,151	55	40,164	72
Current assets	23,616	45	15,786	28
Total assets	**52,767**	**100**	**55,950**	**100**
Equity	8,457	16	6,708	12
Non-current liabilities	31,551	60	35,198	63
Current liabilities	12,759	24	14,044	25
Total equity and liabilities	**52,767**	**100**	**55,950**	**100**

Employees

At June 30, 2018, the E.ON Group had 42,738 employees worldwide, nearly unchanged from year-end 2017. E.ON also had 702 apprentices in Germany and 132 board members and managing directors worldwide. As of the same date, 27,004 employees, or 63 percent of all employees, were working outside Germany, slightly higher than the 62 percent at year-end 2017.

Employees[1]

Headcount	June 30, 2018	Dec. 31, 2017[2]	+/- %
Energy Networks	17,361	17,379	–
Customer Solutions	19,709	19,519	+1
Renewables	1,317	1,206	+9
Corporate Functions/Other[3]	2,457	2,683	-8
Core business	**40,844**	**40,787**	**–**
Non-Core Business	1,894	1,912	-1
E.ON Group	**42,738**	**42,699**	**–**

[1]Does not include board members, managing directors, or apprentices.
[2]The prior-year figures were adjusted to reflect the changes in our segment reporting (see page 9).
[3]Includes E.ON Business Services.

The decline in Energy Networks' headcount resulting from the sale of Hamburg Netz GmbH was offset by the transfer of employees from Customer Solutions in the Czech Republic and the filling of vacancies (in Germany, predominantly with apprentices who had successfully completed their training).

The increase in the number of employees at Customer Solutions mainly reflects the transfer of employees who were previously reported under Corporate Functions/Other and new hiring in the Czech Republic, Romania, and Sweden. The increase was partially offset by the impact of restructuring projects in Germany and the United Kingdom.

The expansion of support functions, particularly in the United States, led to an increase in Renewables' headcount.

The transfer of employees to other segments, in particular Customer Solutions, was the main reason for the significant decline in the number of employees at Corporate Functions/Other. The Phoenix reorganization program also led to staff reductions.

Non-Core Business currently consists of our nuclear energy business in Germany. Its headcount decreased because of the ongoing transition from power generation to asset dismantling, which requires less staff.

Forecast Report

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecasts for the 2018 financial year continue to be influenced by the business environment in the energy industry. Examples include regulatory intervention in Germany and the United Kingdom. The current low interest-rate environment and increasingly fierce competition in our core markets continue to put downward pressure on achievable margins.

We continue to expect the E.ON Group's 2018 adjusted EBIT to be between €2.8 and €3 billion and its 2018 adjusted net income to be between €1.3 and €1.5 billion.

Our forecast by segment:

We expect Energy Networks' 2018 adjusted EBIT to be below the prior-year figure. Operating earnings in Germany will be stable. On balance, however, the positive regulatory one-off item recorded in 2017 relating to the delayed repayment of personnel costs along with the deconsolidation of Hamburg Netz will lead to a substantial decline in earnings. In addition, we expect a tariff-driven decline in earnings at our gas networks in Romania this year, which is the transition year to the next regulatory period. By contrast, improved power tariffs in Sweden will have a positive impact.

We anticipate that Customer Solutions' adjusted EBIT will be below the prior-year level. Earnings in the United Kingdom will be lower, primarily because of the intervention of the U.K. Competition and Markets Authority and restructuring expenses. Amid keen competition in the power and gas retail market, earnings in Germany will surpass the prior-year level owing to the non-recurrence of adverse items recorded in the prior year. In addition, restructuring expenses will have a negative impact.

We expect Renewables' adjusted EBIT to be above the prior-year level, in particular because of the addition of Rampion wind farm.

We anticipate that adjusted EBIT at Corporate Functions/Other will improve and thus significantly exceed the previous year's level, primarily because of cost savings delivered by the Phoenix reorganization program.

At Non-Core Business we expect PreussenElektra's adjusted EBIT to be significantly lower than the prior-year level, in particular because of declining sales prices and the absence of one-off items recorded in 2017.

Forecast Performance of Other Key Figures

The Forecast Report contained in our 2017 Annual Report presents our forecast for other key figures for the 2018 financial year. There are likewise no changes to these disclosures.

Risk and Chances Report

The Combined Group Management Report contained in our 2017 Annual Report describes in detail our management system for assessing risks and chances and the measures we take to limit risks.

Risiks 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 2017 Combined Group Management Report. The E.ON Group's risk and chance position described there remained essentially unchanged at the end of the first half of 2018.

Assessment of the Risk Situation

At the end of the first half of 2018 the risk situation of the E.ON Group's operating business had not changed significantly compared with year-end 2017. From today's perspective, we do not perceive any risks that could threaten the existence of E.ON SE, the E.ON Group, or individual segments.

Business Segments

Energy Networks

Below we report important non-financial key figures for this segment; namely, power and gas passthrough.

Power and Gas Passthrough

First-half power passthrough was at the prior-year level. Gas passthrough declined by 14 percent.

Power passthrough in Germany of 53.5 billion kWh was at the prior-year level. Gas passthrough declined by 17 percent to 49.1 billion kWh, owing primarily to the sale of Hamburg Netz.

Power passthrough in Sweden was at the prior-year level. Gas passthrough declined because of the sale of the gas distribution business in April 2018.

Power passthrough at East-Central Europe/Turkey was at the prior-year level. Weather factors in all countries were mainly responsible for the 1.2 billion kWh decline in gas passthrough.

Energy Passthrough[1]

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Second quarter								
Power	25.5	25.5	8.0	8.7	8.9	8.7	42.4	42.9
Line loss, station use, etc.	0.8	0.8	0.2	0.2	0.5	0.6	1.5	1.6
Gas	15.6	17.9	–	0.7	5.1	6.5	20.7	25.1
First half								
Power	53.5	54.0	19.7	19.3	19.0	18.7	92.2	92.0
Line loss, station use, etc.	1.9	1.9	0.6	0.6	1.4	1.5	3.9	4.0
Gas	49.1	59.5	1.5	2.1	24.6	25.8	75.2	87.4

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Condensed Consolidated Interim Financial Statements).

Sales and Adjusted EBIT

Energy Networks' first-half sales declined by €2.6 billion year on year. Its adjusted EBIT was nearly unchanged.

Sales in Germany of €4.8 billion were 34 percent below the prior-year figure of €7.2 billion, primarily because of netting effects in conjunction with IFRS 15 (€2.5 billion) and the sale of Hamburg Netz GmbH, which took effect on January 1, 2018. By contrast, primarily a weather-driven increase in renewables feed-in had a positive impact on sales. First-half adjusted EBIT declined by €36 million to €565 million, in particular because of the non-recurrence of a positive one-off item relating to the delayed repayment of personnel costs due to regulatory reasons, the aforementioned sale of Hamburg Netz, and the beginning of the third gas regulatory period. This was partially offset by a one-off effect in the current year.

Sales in Sweden were below the prior-year level due to the transfer of the gas sales business to Customer Solutions and the sale of the gas distribution business in April 2018. Adjusted EBIT benefited from an improved gross margin in the power business, which resulted from tariff increases. This was partially offset by adverse currency-translation effects.

Sales at East-Central Europe/Turkey declined significantly. This is primarily attributable to netting effects in conjunction with the application of IFRS 15 in the Czech Republic (€0.1 billion). Adjusted EBIT was at the prior-year level.

Energy Networks

	Germany		Sweden		East-Central Europe/Turkey		Total	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Second quarter								
Sales	2,537	3,782	218	265	344	381	3,099	4,428
Adjusted EBITDA	358	332	141	147	171	173	670	652
Adjusted EBIT	212	186	103	107	113	116	428	409
First half								
Sales	4,766	7,208	511	563	776	856	6,053	8,627
Adjusted EBITDA	848	891	331	320	368	358	1,547	1,569
Adjusted EBIT	565	601	254	239	251	247	1,070	1,087

Customer Solutions

Below we report important non-financial key figures for this segment; namely, power and gas sales volume.

Power and Gas Sales Volume

This segment's first-half power and gas sales declined by 1.9 billion kWh and 4.6 billion kWh, respectively.

Power sales in Germany of 19.3 billion kWh were slightly (-3 percent) below the prior-year level. Power sales to residential and small and medium enterprise ("SME") customers were lower due to keener competition. Power sales to industrial and commercial ("I&C") customers were at the prior-year level. Power sales to the wholesale market declined owing to lower sales volume on already-contracted deliveries to some Uniper wholesale customers relative to 2017. By contrast, buybacks through the direct marketing of output in conjunction with Germany's Renewable Energy Law were higher. Gas sales of 19 billion kWh were 26 percent below the prior-year level. The reason for the significant decline in gas sales to the wholesale market (7.4 billion kWh) is the same as for power. Residential and SME customers consumed less gas because of weather factors. Gas sales to I&C customers rose.

Power Sales[1]

	Germany Sales		United Kingdom		Other[2]		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Second quarter								
Residential and SME	3.6	3.8	4.0	4.1	4.8	4.9	12.4	12.8
I&C	2.1	2.0	3.4	3.7	6.2	6.2	11.7	11.9
Sales partners	–	–	–	–	0.2	0.2	0.2	0.2
Customer groups	**5.7**	**5.8**	**7.4**	**7.8**	**11.2**	**11.3**	**24.3**	**24.9**
Wholesale market	3.0	2.8	0.2	0.2	1.9	2.4	5.1	5.4
Total	**8.7**	**8.6**	**7.6**	**8.0**	**13.1**	**13.7**	**29.4**	**30.3**
First half								
Residential and SME	8.6	9.1	9.6	9.9	11.5	11.3	29.7	30.3
I&C	4.2	4.1	7.2	7.5	12.9	13.0	24.3	24.6
Sales partners	–	–	–	–	0.4	0.5	0.4	0.5
Customer groups	**12.8**	**13.2**	**16.8**	**17.4**	**24.8**	**24.8**	**54.4**	**55.4**
Wholesale market	6.5	6.8	0.4	0.5	4.4	4.9	11.3	12.2
Total	**19.3**	**20.0**	**17.2**	**17.9**	**29.2**	**29.7**	**65.7**	**67.6**

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Condensed Consolidated Interim Financial Statements).
[2]Excludes E.ON Connecting Energies.

First-half power sales in the United Kingdom were 0.7 billion kWh lower. Lower consumption was the principal factor for residential and SME customers. Power sales to I&C customers declined owing to lower average offtake per customer. By contrast, gas sales rose by 1.1 billion kWh. Gas sales to residential and SME customers increased mainly because of weather factors. Gas sales to I&C customers were at the prior-year level.

Power sales at the Other unit (Sweden, Hungary, the Czech Republic, Romania, and Italy) declined by 0.5 billion kWh. Power sales to residential and SME customers were at the prior-year level. Power sales to I&C customers in the Czech Republic declined owing to keener competition. This decline was almost completely offset by the acquisition of new I&C customers in Italy. The expiration of a sales contract in the Czech Republic was the principal factor in the significant decline in power sales to the wholesale market.

Other's gas sales were 1.1 billion kWh higher. Gas sales to residential and SME customers declined owing to weather factors, particularly in Romania. Gas sales to I&C customers rose mainly because of the addition of the gas sales business in Sweden, which in the prior-year period was reported at Energy Networks. By contrast, gas sales to I&C customers were adversely affected by a weather-driven decline in sales volume and a slight decrease in customer numbers in Romania and the Czech Republic. The increase in gas sales to the wholesale market is attributable to weather-driven demand spikes in Romania and the advent of direct market access in Italy.

Gas Sales[1]

	Germany Sales		United Kingdom		Other[2]		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Second quarter								
Residential and SME	2.3	3.2	5.1	5.3	2.6	3.6	10.0	12.1
I&C	1.4	0.9	1.8	1.7	4.1	3.9	7.3	6.5
Sales partners	–	–	–	–	0.4	0.4	0.4	0.4
Customer groups	**3.7**	**4.1**	**6.9**	**7.0**	**7.1**	**7.9**	**17.7**	**19.0**
Wholesale market	1.7	5.6	–	–	0.9	0.3	2.6	5.9
Total	**5.4**	**9.7**	**6.9**	**7.0**	**8.0**	**8.2**	**20.3**	**24.9**
First half								
Residential and SME	12.9	13.2	21.2	20.2	16.6	17.4	50.7	50.8
I&C	3.4	2.5	4.2	4.1	11.8	10.9	19.4	17.5
Sales partners	–	–	–	–	0.8	0.8	0.8	0.8
Customer groups	**16.3**	**15.7**	**25.4**	**24.3**	**29.2**	**29.1**	**70.9**	**69.1**
Wholesale market	2.7	10.1	–	–	2.1	1.1	4.8	11.2
Total	**19.0**	**25.8**	**25.4**	**24.3**	**31.3**	**30.2**	**75.7**	**80.3**

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Condensed Consolidated Interim Financial Statements).
[2]Excludes E.ON Connecting Energies.

Sales and Adjusted EBIT

Customer Solutions' first-half sales and adjusted EBIT increased by €278 million and €37 million, respectively.

Sales in Germany declined, primarily because of the expiration of procurement contracts for some Uniper wholesale customers. Lower sales volume to residential and SME customers also had an adverse impact on sales. These effects were partially offset by higher sales to I&C customers resulting from an increase in gas sales volume. Adjusted EBIT was significantly above the prior-year level, primarily because of a wider gross margin in power and gas sales. This led to a positive effect in the first half of 2018 that will flatten out as the year goes forward.

Sales were higher in the United Kingdom due to price increases and a weather-driven increase in gas sales volume. A reduction in power sales volume had an adverse impact on sales. Adjusted EBIT declined because of higher procurement costs, regulatory effects, and lower power sales. These effects were partially offset by the aforementioned price increases.

Other's sales rose by €148 million, primarily because of higher sales prices in Sweden, Italy, and Hungary. The aforementioned addition of the gas sales business in Sweden and higher sales volume in Italy also had a positive impact on sales. By contrast, sales in the Czech Republic declined, mainly because of netting effects pursuant to IFRS 15. Currency-translation effects in Sweden adversely affected sales as well. Adjusted EBIT was at the prior-year level.

Customer Solutions

	Germany Sales		United Kingdom		Other		Total	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Second quarter								
Sales	1,542	1,528	1,590	1,572	1,602	1,551	4,734	4,651
Adjusted EBITDA	15	34	75	95	66	67	156	196
Adjusted EBIT	7	26	54	70	24	25	85	121
First half								
Sales	3,555	3,683	3,981	3,723	3,943	3,795	11,479	11,201
Adjusted EBITDA	150	78	244	279	225	234	619	591
Adjusted EBIT	135	64	202	230	140	146	477	440

Renewables

Below we report important non-financial key figures for this segment; namely, power generation and power sales volume.

Power Generation

This segment's first-half owned generation rose by 1.2 billion kWh.

Power Generation

	Renewables	
Billion kWh	2018	2017
Second quarter		
Owned generation	3.6	3.0
Purchases	0.5	0.5
Jointly owned power plants	*0.2*	*0.2*
Third parties	*0.3*	*0.3*
Power sales	**4.1**	**3.5**
First half		
Owned generation	7.8	6.6
Purchases	1.4	1.1
Jointly owned power plants	*0.4*	*0.4*
Third parties	*1.0*	*0.7*
Power sales	**9.2**	**7.7**

Owned generation was higher, in particular because of the commissioning of Bruenning's Breeze and Radford's Run onshore wind farms in the United States and Rampion offshore wind farm in the United Kingdom. Unfavorable wind conditions in nearly all countries in Europe had an adverse impact on owned generation.

Power procurement increased, principally because of existing power supply contracts at our onshore business in the United Kingdom. This was partially offset by a reduction in power procurement due to adverse wind conditions in Denmark.

Sales and Adjusted EBIT

Renewables' first-half sales and adjusted EBIT both increased by €31 million.

Renewables

€ in millions	2018	2017
Second quarter		
Sales	340	334
Adjusted EBITDA	149	137
Adjusted EBIT	65	45
First half		
Sales	741	710
Adjusted EBITDA	396	386
Adjusted EBIT	236	205

Sales and adjusted EBIT rose in particular because of an increase in output resulting from the commissioning of Bruenning's Breeze and Radford's Run onshore wind farms in December 2017 and Rampion offshore wind farm in April 2018. Unfavorable wind conditions (particularly offshore) and the expiration of support mechanisms had an adverse impact.

Non-Core Business

Below we report important non-financial key figures for this segment; namely, power generation and power procurement.

PreussenElektra's Power Generation

This segment's power procured (owned generation and purchases) of 18.2 billion kWh was at the prior-year level. The increase in owned generation is principally attributable to the unplanned outage of Brokdorf nuclear power station in 2017. Consequently, less power was purchased to meet delivery obligations than in the prior-year period.

Power Generation

	PreussenElektra	
Billion kWh	2018	2017
Second quarter		
Owned generation	7.2	5.9
Purchases	2.4	3.1
Jointly owned power plants	*0.2*	*0.3*
Third parties	*2.2*	*2.8*
Total	**9.6**	**9.0**
Station use, line loss, etc.	-0.1	–
Power sales	**9.5**	**9.0**
First half		
Owned generation	14.7	11.7
Purchases	3.5	6.2
Jointly owned power plants	*0.6*	*0.6*
Third parties	*2.9*	*5.6*
Total	**18.2**	**17.9**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**18.1**	**17.8**

Sales and Adjusted EBIT

Sales at Non-Core Business of €601 million were €290 million below the prior-year figure. Adjusted EBIT rose by €19 million to €224 million.

PreussenElektra's sales declined significantly, mainly because of lower sales prices and the absence of one-off items in conjunction with legal proceedings. The decline in adjusted EBIT is mainly attributable to lower sales prices and one-off items. This was partially offset by lower expenditures to procure power to cover delivery obligations due to the increase in owned generation.

By contrast, adjusted EBIT at the generation business in Turkey was higher because prior-year equity earnings on our stake in Enerjisa Üretim were adversely affected in particular by a book loss on the sale of a hydroelectric station.

Non-Core Business

	PreussenElektra		Generation Turkey		Total	
€ in millions	2018	2017	2018	2017	2018	2017
Second quarter						
Sales	323	527	–	–	323	527
Adjusted EBITDA	135	290	-5	-15	130	275
Adjusted EBIT	120	244	-5	-15	115	229
First half						
Sales	601	891	–	–	601	891
Adjusted EBITDA	294	364	-20	-66	274	298
Adjusted EBIT	244	271	-20	-66	224	205

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, 2018, which are part of the quarterly financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Düsseldorf, August 7, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann Wirtschaftsprüfer (German Public Auditor)	Aissata Touré Wirtschaftsprüferin (German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	Second quarter 2018	Second quarter 2017[1]	First half 2018	First half 2017[1]
Sales including electricity and energy taxes		7,721	9,206	17,121	19,780
Electricity and energy taxes		-148	-224	-369	-543
Sales[2]	(12)	**7,573**	**8,982**	**16,752**	**19,237**
Changes in inventories (finished goods and work in progress)		7	3	9	4
Own work capitalized		68	114	144	190
Other operating income[3]		2,747	4,304	3,807	5,384
Cost of materials[2]		-5,955	-7,567	-12,910	-15,715
Personnel costs		-650	-711	-1,273	-1,411
Depreciation, amortization and impairment charges		-346	-381	-704	-760
Other operating expenses		-1,626	-1,759	-2,713	-3,488
Income from companies accounted for under the equity method	(7)	74	232	146	650
Income from continuing operations before financial results and income taxes		**1,892**	**3,217**	**3,258**	**4,091**
Financial results		-57	459	-243	311
Income/Loss from equity investments		*47*	*35*	*51*	*20*
Income from other securities, interest and similar income	(5)	*122*	*685*	*194*	*885*
Interest and similar expenses		*-226*	*-261*	*-488*	*-594*
Income taxes		19	-384	-203	-494
Income from continuing operations		**1,854**	**3,292**	**2,812**	**3,908**
Income/Loss from discontinued operations, net	(4)	21	7	96	126
Net income		**1,875**	**3,299**	**2,908**	**4,034**
Attributable to shareholders of E.ON SE		*1,824*	*3,245*	*2,704*	*3,872*
Attributable to non-controlling interests		*51*	*54*	*204*	*162*
in €					
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[4]	(6)				
from continuing operations		0.83	1.50	1.21	1.79
from discontinued operations		0.01	0.00	0.04	0.06
from net income		**0.84**	**1.50**	**1.25**	**1.85**
Weighted-average number of shares outstanding (in millions)		2,167	2,162	2,167	2,091

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]The presentation of our sales and costs of materials in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary on Note 2).
[3]The decrease in other operating income is mainly due to the refund of the nuclear-fuel tax (€2.85 billion) included in the previous year. This was partially offset by income from the disposal and derecognition of derivative financial instruments in connection with the sale of the Uniper stake (total €1.1 billion) (see also Note 4).
[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	2018	2017	2018	2017
Net income	**1,875**	**3,299**	**2,908**	**4,034**
Remeasurements of defined benefit plans	10	178	12	149
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	46	-1	47
Income taxes	-4	-52	-10	-51
Items that will not be reclassified subsequently to the income statement	**6**	**172**	**1**	**145**
Cash flow hedges	4	55	-5	185
Unrealized changes—hedging reserve[1]	*18*	*-219*	*36*	*-52*
Unrealized changes—reserve for hedging costs[1]	*26*	*17*	*-31*	*-41*
Reclassification adjustments recognized in income	*-40*	*257*	*-10*	*278*
Fair value measurement of financial instruments	-36	-193	-52	-178
Unrealized changes	*-1*	*-66*	*-13*	*-15*
Reclassification adjustments recognized in income	*-35*	*-127*	*-39*	*-163*
Currency—translation adjustments	-43	60	-179	85
Unrealized changes—hedging reserve[1]/other	*-58*	*57*	*-196*	*84*
Unrealized changes—reserve for hedging costs[1]	*2*	*2*	*4*	*1*
Reclassification adjustments recognized in income	*13*	*1*	*13*	*–*
Companies accounted for under the equity method	92	-332	78	-266
Unrealized changes	*-125*	*-332*	*-251*	*-266*
Reclassification adjustments recognized in income	*217*	*–*	*329*	*–*
Income taxes	30	2	7	-31
Items that might be reclassified subsequently to the income statement	**47**	**-408**	**-151**	**-205**
Total income and expenses recognized directly in equity	**53**	**-236**	**-150**	**-60**
Total recognized income and expenses (total comprehensive income)	**1,928**	**3,063**	**2,758**	**3,974**
Attributable to shareholders of E.ON SE	*1,893*	*3,005*	*2,568*	*3,801*
Continuing operations	*1,933*	*2,977*	*2,517*	*3,641*
Discontinued operations	*-40*	*28*	*51*	*160*
Attributable to non-controlling interests	*35*	*58*	*190*	*173*

[1]IFRS 9, which we are applying for the first time in 2018, requires us to divide the unrealized change in cash flow hedges and in the currency-translation adjustments into two categories. We adjusted the prior-year figures accordingly.

E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	June 30, 2018	Dec. 31, 2017
Assets			
Goodwill		2,061	3,337
Intangible assets		2,133	2,243
Property, plant and equipment		17,018	24,766
Companies accounted for under the equity method	(7)	2,605	3,547
Other financial assets	(7)	2,350	3,541
Equity investments		*671*	*792*
Non-current securities		*1,679*	*2,749*
Financial receivables and other financial assets		445	452
Operating receivables and other operating assets		1,388	1,371
Deferred tax assets		1,138	907
Income tax assets		13	–
Non-current assets		**29,151**	**40,164**
Inventories		641	794
Financial receivables and other financial assets		238	236
Trade receivables and other operating assets		5,543	5,781
Income tax assets		353	514
Liquid funds		6,467	5,160
Securities and fixed-term deposits		*645*	*670*
Restricted cash and cash equivalents		*751*	*1,782*
Cash and cash equivalents		*5,071*	*2,708*
Assets held for sale	(4)	10,374	3,301
Current assets		**23,616**	**15,786**
Total assets		**52,767**	**55,950**
Equity and Liabilities			
Capital stock		2,201	2,201
Additional paid-in capital		9,862	9,862
Retained earnings		-2,496	-4,552
Accumulated other comprehensive income[1]		-2,735	-2,378
Treasury shares	(8)	-1,126	-1,126
Equity attributable to shareholders of E.ON SE		**5,706**	**4,007**
Non-controlling interests (before reclassification)		3,230	3,195
Reclassification related to put options		-479	-494
Non-controlling interests		**2,751**	**2,701**
Equity		**8,457**	**6,708**
Financial liabilities		9,274	9,922
Operating liabilities		4,662	4,690
Income tax liabilities		852	969
Provisions for pensions and similar obligations	(10)	2,840	3,620
Miscellaneous provisions		12,460	14,381
Deferred tax liabilities		1,463	1,616
Non-current liabilities		**31,551**	**35,198**
Financial liabilities		843	3,099
Trade payables and other operating liabilities		6,310	8,099
Income tax liabilities		390	673
Miscellaneous provisions		2,008	2,041
Liabilities associated with assets held for sale	(4)	3,208	132
Current liabilities		**12,759**	**14,044**
Total equity and liabilities		**52,767**	**55,950**

[1]Thereof relating to discontinued operations (June 30, 2018): €25 million.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

First half € in millions	2018	2017[1]
Net income	**2,908**	**4,034**
Income/Loss from discontinued operations, net	-96	-126
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	704	760
Changes in provisions	-159	118
Changes in deferred taxes	93	-11
Other non-cash income and expenses	316	-197
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-907	-310
Changes in operating assets and liabilities and in income taxes	-1,774	394
Cash provided by (used for) operating activities of continuing operations	**1,085**	**4,662**
Cash provided by (used for) operating activities of discontinued operations	335	217
Cash provided by (used for) operating activities (operating cash flow)	**1,420**	**4,879**
Proceeds from disposal of	4,204	106
Intangible assets and property, plant and equipment	*63*	*83*
Equity investments	*4,141*	*23*
Purchases of investments in	-966	-799
Intangible assets and property, plant and equipment	*-806*	*-788*
Equity investments	*-160*	*-11*
Changes in securities, financial receivables and fixed-term deposits	-157	1,510
Changes in restricted cash and cash equivalents	1,030	211
Cash provided by (used for) investing activities of continuing operations	**4,111**	**1,028**
Cash provided by (used for) investing activities of discontinued operations	-455	-517
Cash provided by (used for) investing activities	**3,656**	**511**
Payments received/made from changes in capital[2]	6	1,360
Cash dividends paid to shareholders of E.ON SE	-650	-345
Cash dividends paid to non-controlling interests	-156	-199
Changes in financial liabilities	-1,874	842
Cash provided by (used for) financing activities of continuing operations	**-2,674**	**1,658**
Cash provided by (used for) financing activities of discontinued operations	15	283
Cash provided by (used for) financing activities	**-2,659**	**1,941**
Net increase/decrease in cash and cash equivalents	**2,417**	**7,331**
Effect of foreign exchange rates on cash and cash equivalents	-6	-3
Cash and cash equivalents at the beginning of the year[3]	2,762	5,574
Cash and cash equivalents at the end of the period	**5,173**	**12,902**
Less: Cash and cash equivalents of discontinued operations at the end of the period	**-102**	**-69**
Cash and cash equivalents of continuing operations at the end of the period	**5,071**	**12,833**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents of continuing operations at the beginning of 2018 also include the holdings of €54 million in Hamburg Netz GmbH, which was deconsolidated in the first quarter of 2018.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency—translation adjustments: Hedging reserve[1]/ other	Currency—translation adjustments: Reserve for hedging costs[1]	Fair value measure-ment of financial instruments	Cash flow hedges: Hedging reserve[1]	Cash flow hedges: Reserve for hedging costs[1]
Balance as of January 1, 2017	**2,001**	**9,201**	**-8,495**	**-1,156**	**6**	**353**	**-1,114**	**-137**
Change in scope of consolidation								
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	-216	-1	-172	151	41
Net income/loss			*3,872*					
Other comprehensive income			*126*	*-216*	*-1*	*-172*	*151*	*41*
Remeasurements of defined benefit plans			*126*					
Changes in accumulated other comprehensive income				*-216*	*-1*	*-172*	*151*	*41*
Balance as of June 30, 2017	**2,201**	**9,862**	**-4,944**	**-1,372**	**5**	**181**	**-963**	**-96**
Balance as of December 31, 2017	**2,201**	**9,862**	**-4,552**	**-1,663**	**8**	**293**	**-943**	**-73**
IFRS 9, IFRS 15 adjustment	–	–	-17	–	–	-203	–	–
Balance as of January 1, 2018	**2,201**	**9,862**	**-4,569**	**-1,663**	**8**	**90**	**-943**	**-73**
Change in scope of consolidation								
Treasury shares repurchased/sold								
Capital increase								
Capital decrease								
Dividends			-650					
Share additions/reductions			1					
Net additions/disposals from reclassification related to put options								
Total comprehensive income			2,722	-67	-4	-25	-89	31
Net income/loss			*2,704*					
Other comprehensive income			*18*	*-67*	*-4*	*-25*	*-89*	*31*
Remeasurements of defined benefit plans			*18*					
Changes in accumulated other comprehensive income				*-67*	*-4*	*-25*	*-89*	*31*
Balance as of June 30, 2018	**2,201**	**9,862**	**-2,496**	**-1,730**	**4**	**65**	**-1,032**	**-42**

[1]IFRS 9, which we are applying for the first time in 2018, requires us to divide the unrealized change in cash flow hedges and in net investment hedges into two categories. We adjusted the prior-year figures accordingly.

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	**-1,055**	**2,896**	**-554**	**2,342**	**1,287**
					0
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**
-1,126	**4,007**	**3,195**	**-494**	**2,701**	**6,708**
–	-220	–	–	–	-220
-1,126	**3,787**	**3,195**	**-494**	**2,701**	**6,488**
		-43		-43	-43
					0
		58		58	58
					0
	-650	-176		-176	-826
	1	6		6	7
			15	15	15
	2,568	190		190	2,758
	2,704	*204*		*204*	*2,908*
	-136	*-14*		*-14*	*-150*
	18	*-17*		*-17*	*1*
	-154	*3*		*3*	*-151*
-1,126	**5,706**	**3,230**	**-479**	**2,751**	**8,457**

(1) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2018, 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"). In accordance with Section 115 of the German Securities Trading Act, it comprises interim financial statements and an interim management report.

With the exception of the changes described in Note 2, this Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2017 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, 2017, which provide the basis for this Interim Report.

(2) New Standards and Interpretations

Significant Standards and Interpretations Applicable in 2018

Since January 1, 2018, E.ON has applied IFRS 9, "Financial Instruments," (IFRS 9) and IFRS 15, "Revenue from Contracts with Customers" (IFRS 15). IFRS 9 replaces the accounting for financial instruments previously regulated in IAS 39, "Financial Instruments: Recognition and Measurement." In accordance with the transition provisions of IFRS 9, E.ON has applied the standard retrospectively without changing the prior-year figures, with the exception of certain aspects of hedge accounting.

IFRS 15 replaces the previous standards and interpretations IAS 11, "Construction Contracts," IAS 18, "Revenue", IFRIC 13 "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue—Barter Transactions Involving Advertising Services." The E.ON Group applies IFRS 15 using the modified retrospective method.

The transition effects from the first-time application of IFRS 9 and IFRS 15 were recognized directly in equity. The effects of the transition on the balance sheet, retained earnings and accumulated other comprehensive income are shown in the following tables:

Reconciliation of the Consolidated Balance Sheet Due to the Effects of IFRS 9 and IFRS 15

€ in millions	Dec. 31, 2017	Effects from IFRS 9	Effects from IFRS 15	Jan. 1, 2018
Non-current assets	**40,164**	**-35**	**80**	**40,209**
of which intangible assets	*2,243*	–	*6*	*2,249*
of which property, plant and equipment	*24,766*	–	*-14*	*24,752*
of which equity investments	*792*	*-46*	–	*746*
of which financial receivables and other financial assets	*452*	*-1*	–	*451*
of which operating receivables and other operating assets	*1,371*	–	*39*	*1,410*
of which deferred tax assets	*907*	*12*	*49*	*968*
Current assets	**15,786**	**-66**	**31**	**15,751**
of which trade receivables and other operating assets	*5,781*	*-66*	*31*	*5,746*
Total assets	**55,950**	**-101**	**111**	**55,960**
Equity	**6,708**	**-101**	**-119**	**6,488**
of which retained earnings	*-4,552*	*102*	*-119*	*-4,569*
of which accumulated other comprehensive income	*-2,378*	*-203*	–	*-2,581*
of which non-controlling interests (before reclassification)	*3,195*	–	–	*3,195*
Non-current liabilities	**35,198**	**–**	**199**	**35,397**
of which operating liabilities	*4,690*	–	*196*	*4,886*
of which deferred tax liabilities	*1,616*	–	*3*	*1,619*
Current liabilities	**14,044**	**–**	**31**	**14,075**
of which trade payables and other operating liabilities	*8,099*	–	*31*	*8,130*
Total equity and liabilities	**55,950**	**-101**	**111**	**55,960**

Reconciliation of Retained Earnings—IFRS 9 and IFRS 15

€ in millions	
Retained earnings, December 31, 2017	**-4,552**
Effects from IFRS 9	**102**
Reclassification from accumulated other comprehensive income (fair value measurement of financial instruments)	*196*
Allocation to provisions for expected future credit losses	*-67*
Deferred tax liabilities	*-27*
Non-controlling interests	*–*
Effects from IFRS 15	**-119**
Retained earnings, January 1, 2018	**-4,569**

Reconciliation of Accumulated Other Comprehensive Income (Fair Value Measurement of Financial Instruments)—IFRS 9

€ in millions	
Fair value measurement of financial instruments, December 31, 2017	**293**
Reclassification to retained earnings	-196
Revaluation due to change in scope	-46
Deferred tax liabilities	39
Non-controlling interests	–
Fair value measurement of financial instruments, January 1, 2018	**90**

The first-time application of IFRS 9 and IFRS 15 had no material effect on earnings per share under IAS 33.

IFRS 9—Effect of First-Time Adoption

Classification and measurement

IFRS 9 introduces new regulations for the classification and measurement of financial assets. E.ON has replaced the previous categories under IAS 39 of financial assets held for trading (HfT), available-for-sale securities (AfS) and loans and receivables (LaR) with the new categories under IFRS 9 of financial assets measured at amortized cost (AmC), financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit and loss (FVPL). The classification of financial assets is based on the business model and the characteristics of the cash flows.

If a financial asset is held for the purpose of collecting contractual cash flows and the cash flows of the financial asset represent exclusively interest and principal payments, then the financial asset is measured at amortized cost (AmC).

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it is used both to collect contractual cash flows and for sales purposes and the cash flows of the financial asset consist exclusively of interest and principal payments.

Derivatives and debt instruments that do not exclusively serve to collect contractual cash flows or to both generate contractual cash flows and sales revenue, or whose cash flows do not exclusively consist of interest and principal payments are measured at fair value through profit and loss (FVPL). For equity instruments that are not held for trading purposes, E.ON has uniformly exercised the option of recognizing changes in fair value through profit and loss (FVPL). Changes in fair value previously recognized in accumulated other comprehensive income were reclassified to retained earnings at the date of transition. The classification into different measurement categories for certain financial instruments resulted in particular from the reassessment of business models.

The following table presents a reconciliation of the carrying amounts of financial assets and the corresponding measurement categories from IAS 39 to IFRS 9 at the date of first-time adoption.

Reconciliation of the Measurement Categories of Financial Assets from IAS 39 to IFRS 9

€ in millions	Carrying amounts, December 31, 2017	IAS 39 measurement category	Revaluation due to change in scope	Revaluation due to the application of the impairment model	Carrying amounts, January 1, 2018	IFRS 9 measurement category
Equity investments	792	AfS			746	
Other share investments					*154*	*FVPL*
Equity investments that fall within the scope of IFRS 10 and IFRS 11 and are accounted for at cost on materiality grounds			*-46*		*592*	*n/a*
Financial receivables and other financial assets	688			-1	687	
Receivables from finance leases	*329*	*n/a*		*-1*	*328*	*n/a*
Other financial receivables and financial assets	*359*	*LaR*			*359*	
					241	*AmC*
					118	*n/a[1]*
Trade receivables and other operating assets	7,152			-66	7,086	
Trade receivables	*3,879*	*LaR*		*-66*	*3,813*	
					3,757	*AmC*
					56	*n/a[1]*
Derivatives with no hedging relationships	*1,401*	*HfT*			*1,401*	*FVPL*
Derivatives with hedging relationships	*279*	*n/a*			*279*	*n/a*
Other operating assets	*1,593*				*1,593*	
	846	*LaR*			*820*	*AmC*
	747	*n/a*			*773*	*n/a*
Securities and fixed-term deposits	3,419	AfS			3,419	
					991	*FVPL*
					2,225	*FVOCI*
					203	*AmC*
Cash and cash equivalents	2,708	LaR			2,708	
					2,192	*AmC*
					516	*FVPL*
Restricted cash and cash equivalents	1,782	LaR			1,782	AmC
Assets held for sale	3,301	n/a			3,301	n/a
Total financial assets	**19,842**		**-46**	**-67**	**19,729**	

[1]Relates to receivables from equity investments that fall within the scope of IFRS 10 and IFRS 11 and are accounted for at cost on materiality grounds.

The first-time application of IFRS 9 had no effect on financial liabilities.

Impairment of financial assets
According to IFRS 9, impairments of financial assets must no longer be recognized only for losses already incurred, but also for expected future credit defaults. E.ON takes into account expected future credit losses on initial recognition of financial assets carried at amortized cost, financial assets measured at fair value through other comprehensive income, and receivables from finance leases.

The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). The probability of default describes the probability that a debtor will not meet their payment obligations and the receivable will therefore default. Exposure at default is the amount of the financial asset to be allocated to E.ON at the time of default. Loss given default is the expectation of what portion of a financial asset is no longer recoverable in the event of default and is determined taking into account guarantees, other loan collateral and, if appropriate, insolvency ratios.

For trade receivables, expected credit losses are recognized over their entire residual term using the simplified method. For other financial assets, E.ON first determines the credit loss expected within the first twelve months. In derogation of this, in the event of a significant increase in the default risk, the expected credit loss over the entire residual term of the respective instrument is recognized. A significant increase in the default risk is assumed if the internally determined counterparty risk has been downgraded by at least three levels since initial recognition. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, E.ON determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. In the E.ON Group, a default or the classification of a receivable as uncollectible is assumed after 180 or 360 days, depending on the region.

The effects of determining expected future credit losses in connection with the initial application of the new impairment model are shown in the following table:

Reconciliation of Valuation Allowances—IFRS 9

€ in millions	Accumulated valuation allowances under IAS 39 as of December 31, 2017	Change in valuation allowances due to the application of the new impairment model in accordance with IFRS 9	Accumulated valuation allowances as of January 1, 2018
Trade receivables	-737	-66	-803
Financial receivables and other financial assets	-99	-1	-100

Derivatives and Hedging
All derivative financial instruments in place as of December 31, 2017, which were used as hedging transactions in a cash flow hedge or in a hedge of a net investment, meet the requirements of IFRS 9 for hedge accounting and are therefore being carried forward unchanged, taking into account a change in designation. However, in accordance with IFRS 9, the currency basis spread (hedging costs) will from now on be separated from the hedging instrument and reported separately as an excluded component in accumulated other comprehensive income in the reserve for hedging costs as a component of equity.

This change was applied retrospectively to all foreign currency derivatives that are part of cash flow hedges or hedges of a net investment and resulted in a reclassification of €73 million from the hedging reserve to the hedging cost reserve as of January 1, 2018. The corresponding prior-year figures were restated retrospectively.

IFRS 15—Effect of First-Time Adoption
The amended revision criteria for principal/agent relationships result in a material change in the income statement for certain passthroughs for the promotion of Renewables. These passthroughs are no longer recognized as sales revenues with an offsetting entry in cost of materials, but instead are netted directly. The netting effects led to a €2.7 billion reduction in the income statement in the first half of 2018. The change has no impact on earnings. Other conversion effects from IFRS 15 related primarily to the divergence of cash flows and revenue recognition, which led to the recognition of contract assets (€20 million) and contract liabilities (€227 million), as well as the compulsory capitalization of directly attributable costs of contract acquisition, which are expected to be amortized over the term of the contract (€50 million). This reduced retained earnings by €119 million as of January 1, 2018, taking deferred taxes into account.

The E.ON Group recognizes the majority of its revenue from contracts with customers over time and not point in time. Revenue is broken down in detail in the information by segment (see pages 50 and 51 of the interim report) into external and internal revenue per segment, as well as by material regions and technologies. The overview also shows how sales are reflected in operating cash flow.

Additional Standards and Interpretations Applicable in 2018

In addition to the new standards described in detail above, other standards and interpretations are to be applied that do not have a material impact on E.ON's Consolidated Financial Statements as of June 30, 2018:

- IFRIC 22, "Foreign Currency Transactions and Advance Consideration"
- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle), Application of the Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2, "Classification and Measurement of Share-Based Payment"
- Amendments to IFRS 4, "Applying IFRS 9 with IFRS 4"
- Amendments to IAS 40, "Transfers of Investment Property"

Significant Standards and Interpretations Not Yet Applicable in 2018

IFRS 16, "Leases"
In January 2016, the IASB published the accounting standard IFRS 16, "Leases," which replaces the previous standard IAS 17, "Leases," and IFRIC 4, "Determining Whether an Arrangement Contains a Lease." In particular, the new standard amends the accounting treatment of leases with the lessee. In the future, the lessee will regularly be required to capitalize an asset for the right of use in connection with the leasing arrangement and recognize a corresponding leasing liability.

Excluded from this standard are low-value assets and leasing arrangements with a term of less than twelve months if the corresponding options are exercised. The lessor will continue to differentiate between finance leases and operating leases. IFRS 16 also contains a number of other provisions relating to recognition, disclosures and sale and leaseback transactions. The application of IFRS 16 is required for fiscal years beginning on or after January 1, 2019. It has been adopted by the EU into European law.

E.ON has launched a Group-wide project to implement IFRS 16. The analysis phase was completed in the first quarter of 2018, and the contract is currently being drawn up. Based on current knowledge, the implementation of IFRS 16 is expected to have the greatest impact in the areas of land and buildings and vehicle fleets. The qualitative effects will be determined at the end of 2018.

(3) Scope of Consolidation

The number of consolidated companies is as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2017	**84**	**148**	**232**
Additions	3	–	3
Disposals/Mergers	2	2	4
Consolidated companies as of June 30, 2018	**85**	**146**	**231**

As of June 30, 2018, 29 companies were accounted for under the equity method (December 31, 2017: 30) and one company was presented pro rata as a joint operation (December 31, 2017: 1).

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2018

Exchange of Business Activities with RWE

On March 12, 2018, E.ON SE entered into an agreement with RWE AG to acquire the 76.8-percent stake in innogy SE held by RWE. The acquisition is to take place within the framework of a comprehensive exchange of business activities and investments. In this context, E.ON will transfer to RWE most of its Renewables business and the minority interests held by E.ON subsidiary PreussenElektra in the Emsland and Gundremmingen nuclear power plants operated by RWE. However, certain Renewables' business activities of e.disnatur, in Germany and Poland, and a 20-percent interest in the Rampion offshore wind farm will remain with the E.ON Group. The entire transaction will be completed in multiple steps and is subject to the usual antitrust approvals.

Renewables

The parts of the Renewables business to be transferred to RWE have been presented as discontinued operations since June 30, 2018. The expenses and income attributable to this were reported separately on the face of the Group's income statement under income/loss from discontinued operations, net. The prior-year figures were adjusted accordingly. The relevant assets and liabilities are reported in a separate line on the balance sheet; prior-year figures are not to be adjusted. The cash flows of the parts of the Renewables business to be transferred are also reported separately in the cash flow statement. As in the income statement, the previous year's figures were adjusted accordingly in the cash flow statement.

All intragroup receivables, payables, expenses and income between the companies of the discontinued operation and the remaining E.ON Group companies will be eliminated. For deliveries, goods and services that were previously intragroup in nature, but which after the deconsolidation will be continued either between the companies to be transferred or with third parties, the elimination entries required for the consolidation of income and expenses were allocated entirely to the discontinued operation.

The key figures presented in the segment reporting also include the business activities in the Renewables segment which are to be transferred to RWE. These figures are presented as if the transferred operation had not been reclassified in accordance with IFRS 5. Note 12 provides additional information and the corresponding reconciliations.

Pursuant to IFRS 5.18, the carrying amounts of all of the discontinued operation's assets and liabilities must be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, no material impairments or need for reversals were recognized. In addition, the carrying amount of the discontinued operation as a whole must be tested for impairment by comparing it with the fair value less costs to sell. The fair value less costs to sell is determined from the transaction price agreed with RWE for the parts of the Renewables business to be transferred less the expected transaction costs. The comparison did not result in the recognition of any additional impairment as of June 30, 2018.

In the first six months of 2018, E.ON generated revenues of €40 million (2017: €41 million), interest income of €37 million (2017: €33 million), no material interest expenses, and other income of €25 million (2017: €8 million) and other expenses of €448 million (2017: €328 million), with companies to be transferred in the Renewables segment.

The following table shows the main items of the income statement of the discontinued operation in the Renewables segment (after allocation of elimination entries):

Income Statement—Renewables (Summary)

First half € in millions	2018	2017
Sales	291	346
Other income	70	110
Other expense	-239	-276
Income/Loss from discontinued operations before income taxes	**122**	**180**
Income taxes	-26	-54
Income/Loss from discontinued operations, net	**96**	**126**

The following table shows major balance sheet line items for the discontinued operation in the Renewables segment:

Major Balance Sheet Line Items—Renewables (Summary)

€ in millions	June 30, 2018
Intangible assets and goodwill	1,507
Property, plant and equipment	7,269
Miscellaneous assets	1,433
Assets held for sale	**10,209**
Liabilities	-1,621
Provisions	-646
Liabilities associated with assets held for sale	**-2,267**

The preceding figures do not include receivables from or liabilities to the E.ON Group.

Discontinued operations in the Renewables segment include financial assets of €94 million recognized at fair value as well as financial liabilities at fair value in the amount of €61 million.

The fair values of financial assets are derived from market values in the amount of €69 million and the fair values of financial liabilities in the amount of €47 million. The fair values of the remaining financial assets and financial liabilities are determined using valuation methods.

Minority Interests in Nuclear Power Plants

In addition to the transfer of the majority of the Renewables business, under the agreement RWE will acquire the minority interests held by E.ON in the nuclear power plants operated by RWE, Kernkraftwerke Lippe-Ems GmbH and Kernkraftwerk Gundremmingen GmbH. The minority interests included in the Non-Core Business segment and related liabilities are classified as a disposal group as of June 30, 2018. In total, assets in the amount of €0.2 billion, provisions in the amount of €0.7 billion and liabilities in the amount of €0.2 billion were reclassified to the disposal group.

Uniper

E.ON and Finnish energy company Fortum Corporation, Espoo, Finland, entered into an agreement in September 2017 that enabled E.ON to decide to sell its 46.65-percent stake in Uniper to Fortum at a total value of €22 per share at the beginning of 2018. In this connection Fortum published a takeover offer for all of the shares of Uniper on November 7, 2017. In January 2018, E.ON decided to offer its shareholding in Uniper for sale in the framework of the takeover bid. After all regulatory approvals and conditions for the completion of the voluntary public takeover bid had been met, the sale of the stake in Uniper to Fortum was completed on June 26, 2018. The purchase price was €3.8 billion. This includes the dividends paid by Uniper to E.ON in 2018.

After derecognition of the Uniper shares of approximately €3.0 billion reported as assets held for sale prior to completion of the transaction and the recognition in income of effects from the equity valuation previously recognized in other comprehensive income, the gain on disposal amounted to €0.6 billion. Upon completion of the transaction, derivative financial instruments with a negative fair value of €0.5 billion were also derecognized through profit and loss. The derivative financial instruments were related to the reciprocal rights and obligations arising from the agreement with Fortum.

E.ON Gas Sverige

On April 25, 2018, the E.ON Group completed the sale of its Swedish gas distribution company E.ON Gas Sverige AB, which is part of the Energy Networks segment. The buyer is the European Diversified Infrastructure Fund II (EDIF II). The transaction was completed with retroactive economic effect. The gain on deconsolidation amounted to around €0.1 billion.

Hamburg Netz

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 held this stake in the Energy Networks segment through HanseWerk AG (E.ON's ownership interest: 66.5 percent). After the exercise of this option on October 20, 2017, the corresponding HHNG shares were transferred to the buyer effective January 1, 2018. As of December 31, 2017, the balance sheet items related to HHNG were classified as a disposal group in accordance with IFRS 5. The cash inflow of €0.3 billion that occurred in 2017 is recorded in the consolidated cash flow statement for 2017 under disposals and does not have an effect on economic net debt as of December 31, 2017. HHNG was deconsolidated in the first quarter of 2018.

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.

(5) Financial Results

The following table provides details of financial results:

Financial Results

€ in millions	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017
Income/Loss from companies in which equity investments are held	45	34	51	39
Impairment charges/reversals on other financial assets	2	1	–	-19
Income/Loss from equity investments	**47**	**35**	**51**	**20**
Income/Loss from securities, interest and similar income	122	685	194	885
Interest and similar expenses	-226	-261	-488	-594
Net interest income/loss	**-104**	**424**	**-294**	**291**
Financial results	**-57**	**459**	**-243**	**311**

Income from securities, interest and similar income decreased by €0.7 billion to €0.2 billion. This is mainly due to the reimbursement of interest in connection with the repayment of the nuclear-fuel tax, which was included in the previous year.

(6) Earnings per Share

The computation of earnings per share is shown below:

Earnings per Share

€ in millions	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017
Income/Loss from continuing operations	1,854	3,292	2,812	3,908
Less: Non-controlling interests	-48	-52	-192	-158
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**1,806**	**3,240**	**2,620**	**3,750**
Income/Loss from discontinued operations, net	21	7	96	126
Less: Non-controlling interests	-3	-2	-12	-4
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**18**	**5**	**84**	**122**
Net income/loss attributable to shareholders of E.ON SE	**1,824**	**3,245**	**2,704**	**3,872**
in €				
Earnings per share (attributable to shareholders of E.ON SE)				
from continuing operations	0.83	1.50	1.21	1.79
from discontinued operations	0.01	–	0.04	0.06
from net income/loss	**0.84**	**1.50**	**1.25**	**1.85**
Weighted-average number of shares outstanding (in millions)	2,167	2,162	2,167	2,091

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.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets

	June 30, 2018			December 31, 2017		
€ 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	2,605	1,304	1,301	3,547	1,469	2,078
Equity investments	671	256	5	792	256	5
Non-current securities	1,679	–	–	2,749	–	–
Total	**4,955**	**1,560**	**1,306**	**7,088**	**1,725**	**2,083**

[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 €146 million from companies accounted for under the equity method (first six months of 2017: €650 million) includes no impairments. The decrease is primarily due to the discontinuation of the equity valuation for the investment in Uniper SE at the end of September 2017, which was sold in June 2018.

(8) Treasury Shares

Pursuant to a resolution by the Annual Shareholders Meeting of May 10, 2017, the Company is authorized to acquire treasury 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 the Company's share capital. 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, 2018, was 2,167,149,433 (December 31, 2017: 2,167,149,433).

As of June 30, 2018, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2017: 33,949,567) with a Group carrying amount of €1,126 million (equivalent to 1.54 percent or €33,949,567 of the share capital).

(9) Dividends

At the Annual Shareholders Meeting on May 9, 2018, the shareholders voted to distribute a dividend of €0.30 (2017: €0.21) for each dividend-paying ordinary share, which corresponds to a total dividend amount of €650 million (2017: €452 million).

(10) Provisions for Pensions and Similar Obligations

The decrease in provisions for pensions and similar obligations by €780 million relative to year-end 2017 was primarily the result of employer contributions to plan assets, which in Germany are largely attributable to the transfer of assets formerly managed by Versorgungskasse Energie VVaG i.L. (VKE) to the Contractual Trust Arrangement (CTA). The allocation of net periodic pension expenses partially offset this effect.

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, 2018	Dec. 31, 2017
Germany	2.00	2.10
United Kingdom	3.00	2.70

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, 2018	Dec. 31, 2017
Present value of all defined benefit obligations	15,405	15,713
Fair value of plan assets	12,565	12,093
Net defined benefit liability	**2,840**	**3,620**
Presented as provisions for pensions and similar obligations	*2,840*	*3,620*

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	2018	2017	2018	2017
Employer service cost	38	40	72	76
Net interest on the net defined benefit liability	15	21	31	41
Past service cost	1	3	3	8
Total	**54**	**64**	**106**	**125**

(11) 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, 2018

€ 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	104	1	4	99
Derivatives	1,726	25	1,650	51
Securities and fixed-term deposits	2,233	2,041	192	–
Cash and cash equivalents	700	700	–	–
Liabilities				
Derivatives	2,327	27	2,300	–

Carrying Amounts of Financial Instruments as of December 31, 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	792	6	259	527
Derivatives	1,680	29	1,519	132
Securities and fixed-term deposits	3,419	2,888	531	–
Liabilities				
Derivatives	2,956	14	2,915	27

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, 2018, financial liabilities include bonds with a fair value of €11,295 million (December 31, 2017: €13,280 million) and promissory notes with a fair value of €281 million (December 31, 2017: €386 million). The carrying amount of the bonds as of June 30, 2018, is €9,020 million (December 31, 2017: €10,641 million). The carrying amount of the promissory notes is €275 million (December 31, 2017: €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, 2017. There were no reclassifications between these two fair-value-hierarchy levels in the first six months of 2018. 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	Dec. 31, 2017	Effects from IFRS 9	Jan. 1, 2018	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, 2018
Equity investments	527	380	147	3	-53	–	–	2	–	–	99
Derivative financial instruments	105	–	105	–	12	–	-66	–	–	–	51
Total	**632**	**380**	**252**	**3**	**-41**	**0**	**-66**	**2**	**0**	**0**	**150**

In the first half of 2018, only the minority interests in nuclear power plants reclassified to the disposal group and the derivative financial instruments of the discontinued operations in the Renewables segment are disclosed under sales (including disposals).

At the beginning of the year, a net loss of €68 million from the initial measurement of derivatives was deferred. In the first six months of 2018, deferred expenses decreased to €0 million. The reduction is mainly due to the recognition of the Renewables business as discontinued operations. Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease or increase of €2 million.

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. Risk-management collateral was accepted in the amount of €1,157 million as of June 30, 2018 (December 31, 2017: €864 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 seleced counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements. As of June 30, 2018, 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.

(12) Segment Reporting

Segment Information

Led by its Group Management in Essen, Germany, the E.ON Group comprises the seven 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 East-Central Europe/Turkey Energy Networks business and the Customer Solutions Other business are of subordinate importance and have similar economic characteristics with respect to customer structure, products and distribution channels.

In addition, changes were made to segment reporting in 2018. The generation business in Turkey is now reported in Non-Core Business. Within the Customer Solutions unit, the German heating business is no longer reported under Germany, but under Other. In addition, costs for the further development of the business with new digital products and services as well as innovative projects that were previously included under Group Management/Other are allocated to the operating units in the Customer Solutions unit. The prior-year figures were adjusted accordingly.

Energy Networks

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

Sweden
This 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 sales activities and the corresponding Customer Solutions in Sweden, Italy, the Czech Republic, Hungary and Romania and E.ON Connecting Energies as well as the heating business in Germany.

Renewables

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

On March 12, 2018, E.ON SE entered into an agreement with RWE AG to acquire the 76.8-percent stake in innogy SE held by RWE. The acquisition is to take place within the framework of a comprehensive exchange of business activities and investments. In this context, E.ON will transfer the majority of its Renewables business to RWE. Since June 30, 2018, the transferred business has been reported as a discontinued operation in E.ON's consolidated financial statements in accordance with IFRS 5 (see Note 4 for further information).

However, until the final transfer to RWE, the activities in the Renewables business will continue unchanged. For internal management purposes, these activities will therefore continue to be fully included in the relevant key performance indicators. The presentation of key performance indicators in segment reporting therefore also includes the components attributable to discontinued operations in the Renewables business. Reconciliations of these figures to the information in the E.ON Group's consolidated income statement and consolidated statement of cash flows are provided on pages 50 to 52.

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, and the electricity generation business in Turkey.

Corporate Functions/Other

Group Management/Other contains E.ON SE itself and the interests held directly by E.ON SE. Until June 26, 2018, the Uniper Group, which is accounted for in the consolidated financial statements using the equity method, was also allocated to this segment. Uniper's earnings were reported under non-operating earnings. Additional information regarding the Uniper Group is provided in Note 4.

Financial Information by Business Segment[1]

First half € in millions	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany Sales		United Kingdom		Other	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales	4,059	6,321	502	544	290	360	3,502	3,668	3,952	3,690	3,769	3,622
Intersegment sales	707	887	9	19	486	496	53	15	29	33	174	173
Sales[2]	**4,766**	**7,208**	**511**	**563**	**776**	**856**	**3,555**	**3,683**	**3,981**	**3,723**	**3,943**	**3,795**
Depreciation and amortization[3]	**-283**	**-290**	**-77**	**-81**	**-117**	**-111**	**-15**	**-14**	**-42**	**-49**	**-85**	**-88**
Adjusted EBIT	**565**	**601**	**254**	**239**	**251**	**247**	**135**	**64**	**202**	**230**	**140**	**146**
Equity-method earnings[4]	*33*	*41*	–	–	*68*	*48*	–	–	–	–	*4*	*7*
Operating cash flow before interest and taxes	**580**	**1,105**	**421**	**305**	**404**	**319**	**-112**	**-147**	**20**	**282**	**231**	**291**
Investments	**231**	**231**	**163**	**147**	**186**	**167**	**10**	**9**	**92**	**97**	**107**	**103**

[1]Because of the changes in our reporting, the prior-year figure was adjusted accordingly.
[2]The presentation of our sales in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary in Note 2).
[3]Adjusted for non-operating effects.
[4]Under IFRS, impairment charges on companies accounted for using the equity method and impairment charges on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for using the equity method and financial results, respectively. These income effects are not part of adjusted EBIT.
[5]Operating business including the divisions in the Renewables segment reclassified as discontinued operations in accordance with IFRS 5.

The following table shows the reconciliation of the revenues reported in segment reporting to the revenues in the income statement:

Reconciliation of Sales

First half € in millions	E.ON Group		Reclassified businesses of Renewables		E.ON Group (continuing operations)	
	2018	2017	2018	2017	2018	2017
External sales	17,043	19,583	-291	-346	16,752	19,237
Intersegment sales	–	–	–	–	–	–
Sales	**17,043**	**19,583**	**-291**	**-346**	**16,752**	**19,237**

Renewables[5]		PreussenElektra		Non-Core Business Generation Turkey		Corporate Functions/ Other		Consolidation		E.ON Group[5]	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
339	396	601	891	–	–	29	88	–	3	17,043	19,583
402	314	–	–	–	–	289	304	-2,149	-2,241	0	0
741	**710**	**601**	**891**	**–**	**–**	**318**	**392**	**-2,149**	**-2,238**	**17,043**	**19,583**
-160	**-181**	**-50**	**-93**	**–**	**–**	**-29**	**-45**	**1**	**4**	**-857**	**-948**
236	**205**	**244**	**271**	**-20**	**-66**	**-66**	**-164**	**1**	**-6**	**1,942**	**1,767**
17	*16*	*29*	*39*	*-20*	*-66*	*31*	*31*	*1*	*–*	*163*	*116*
387	**237**	**129**	**3,073**	**–**	**–**	**19**	**-205**	**-11**	**–**	**2,068**	**5,260**
449	**528**	**9**	**7**	**154**	**–**	**16**	**27**	**-3**	**-2**	**1,414**	**1,314**

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

Reconciliation of Operating Cash Flow

First half € in millions	2018	2017
Operating cash flow before interest and taxes	**2,068**	**5,260**
Interest payments	-419	-295
Tax payments	-229	-86
Operating cash flow	**1,420**	**4,879**
Reclassified businesses of Renewables	-335	-217
Operating cash flow from continuing operations	**1,085**	**4,662**

The following table shows the reconciliation of the investments shown in segment reporting to the investments of continuing operations. The latter correspond to payments for investments reported in the Consolidated Statements of Cash Flows.

Reconciliation of Investments

First half € in millions	2018	2017
Investments	**1,414**	**1,314**
Reclassified businesses of Renewables	-448	-515
Investments from continuing operations	**966**	**799**

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 our business's sustainable earnings power.

The E.ON Management Board is convinced that adjusted EBIT is the most suitable key figure for assessing operating performance because it presents our business's operating earnings independently of non-operating factors, 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, non-operating interest expense/income, income and expenses from the marking to market of derivative financial instruments used for hedging and, where material, book gains/losses, certain 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 in the previous year is also reported in non-operating earnings. 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.

In addition, earnings from discontinued operations in the Renewables segment, adjusted for non-operating effects, are also included here. Pursuant to IFRS 5, equity carried forward from investments in discontinued operations is to be terminated. However, in the future, this will be continued within the framework of internal management and is then also included in adjusted EBIT. As with the treatment of the effects of the equity carried forward, depreciation in discontinued operations, which is generally to be deferred in accordance with IFRS 5, is then continued and carried forward in adjusted EBIT.

The following table shows the reconciliation of income before financial results and income taxes to adjusted EBIT and adjusted EBITDA, respectively:

Reconciliation of Income before Financial Results and Income Taxes

€ in millions	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017
Income/Loss from continuing operations before financial results and income taxes	**1,892**	**3,217**	**3,258**	**4,091**
Income/Loss from equity investments	47	35	51	20
EBIT	**1,939**	**3,252**	**3,309**	**4,111**
Non-operating adjustments	**-1,343**	**-2,565**	**-1,594**	**-2,542**
Net book gains/losses	*-751*	*-221*	*-855*	*-273*
Restructuring expenses	*–*	*82*	*26*	*176*
Market valuation derivatives	*-627*	*3*	*-840*	*346*
Impairments (+)/Reversals (-)	*–*	*–*	*–*	*–*
Other non-operating earnings	*35*	*-2,429*	*75*	*-2,791*
Reclassified businesses of Renewables (adjusted EBIT)	62	42	227	198
Adjusted EBIT	**658**	**729**	**1,942**	**1,767**
Impairments (+)/Reversals (-)	–	–	–	19
Scheduled depreciation and amortization	344	379	700	753
Reclassified businesses of Renewables (scheduled depreciation)	82	90	157	176
Adjusted EBITDA	**1,084**	**1,198**	**2,799**	**2,715**

Page 13 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.

(13) Subsequent Events

Voluntary Public Takeover Offer for the Shares of innogy SE Terminated

On April 27, 2018, E.ON published the voluntary public takeover offer for the shares of innogy SE after approval of the offering document by the German Federal Financial Supervisory Authority. The further acceptance period for the takeover offer ended on July 25, 2018. In addition to the agreed purchase of RWE's 76.8-percent stake in innogy, 9.4 percent of innogy shares were tendered.

In the second quarter of 2018, E.ON concluded an acquisition financing agreement for €5 billion to finance the voluntary public takeover bid. This ensures the financing of the acquisition of innogy shares that are not held by RWE. Taking into account the acceptance rate of the voluntary public takeover offer, E.ON has partially cancelled the acquisition financing, which will then amount to €2.0 billion.

The entire transaction will be completed in multiple steps and is subject to the usual antitrust approvals.

Sale of E.ON Elektrarne

On July 26, 2018, E.ON sold its interest in E.ON Elektrarne s.r.o. to Západoslovenská energetika a.s. (ZSE). The parties have agreed not to disclose the purchase price. The transaction also resulted in the repayment of shareholder loans. ZSE is owned by the Slovak state (51 percent) and the E.ON Group (49 percent in total). The assets of E.ON Elektrarne s.r.o. include, among other things, the Malženice gas and steam power plant. The final transfer of legal ownership is still subject to the registration of the transaction by the Slovakian commercial register, which is expected in due course.

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, 2018

The Board of Management

Teyssen

Birnbaum

König

Spieker

Wildberger

Financial Calendar

November 14, 2018	**Quarterly Statement: January – September 2018**
March 13, 2019	**Release of the 2018 Annual Report**
May 13, 2019	**Quarterly Statement: January – March 2019**
May 14, 2019	**2019 Annual Shareholders Meeting**
August 7, 2019	**Half-Year Financial Report: January – June 2019**
November 13, 2019	**Quarterly Statement: January – September 2019**

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

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