Interim Report II/2019

January – June

E.ON Group Financial Highlights

First half € in millions	2019	2018	+/- %
Sales[1]	16,089	15,356	+5
Adjusted EBITDA[1,2]	2,710	2,799	-3
Adjusted EBIT[1,2]	1,717	1,942	-12
Net income/Net loss	544	2,908	-81
Net income/Net loss attributable to shareholders of E.ON SE	387	2,704	-86
Adjusted net income[1,2]	885	1,052	-16
Investments[1]	1,319	1,414	-7
Cash provided by operating activities[1]	496	1,420	-65
Cash provided by operating activities before interest and taxes[1]	1,467	2,068	-29
Economic net debt (June 30 and December 31)[1]	20,201	16,580	+22
Employees (June 30 and December 31)[1]	43,313	43,302	–
Earnings per share[3,4] (€)	0.18	1.25	-86
Adjusted net income per share[1,3,4] (€)	0.41	0.49	-16
Shares outstanding (weighted average; in millions)	2,167	2,167	–

[1]Includes the discontinued operations in the Renewables segment (see Note 4 to the Condensed Consolidated Interim Financial Statements).
[2]Adjusted for non-operating effects (see Glossary of Selected Financial Terms).
[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,

2019 could mark a historic turning point for climate protection. More and more people are concerned about the earth's future. They're taking to the streets and making it clear by how they vote in elections that they expect policymakers to take specific action to reduce carbon emissions. I'm not surprised by this new urgency. In fact, it's overdue. Although Europe is moving forward with the transformation of energy production, it has still achieved too little with regard to climate protection. This is primarily because no progress has been made in reducing the carbon emissions of the transport and heating sectors. For years E.ON has advocated that carbon emissions need to have a price that provides an incentive to avoid them. I'm pleased that there's now a debate about how this can be achieved.

We advocate carbon pricing for all sectors of the economy and a fair distribution of the energy transition's costs. A carbon price must be accompanied by sensible social and economic policies so that it doesn't unduly burden individual segments of the population. If fossil energy becomes more expensive, consumers need to receive relief: clean electricity needs to become cheaper for everyone. The first step should be a reduction of Germany's electricity tax to the minimum tax in Europe. Green energy reaches people in the form of electricity. This will make it possible for heat and mobility to also become increasingly carbon-neutral.

I'm convinced that the energy future will get here faster than many believe. People want climate protection. They want to live up to their responsibility for their children's future. Your new E.ON is prepared for this energy future. Indeed, our networks and digital customer solutions are making it possible. This year alone we're investing €1.7 billion in smart grids that take green power and bring it to people, companies, and communities. We're also developing innovations for greater energy efficiency in households and businesses, for climate-friendlier heat production, and for e-mobility and the associated charging infrastructure.

Precisely this is the main idea behind our planned takeover of innogy. The new E.ON will be in an even stronger position to work with its customers to shape the new energy world. We want to become a pacesetter in innovation and to invest even more in climate-friendly solutions in our network and customer businesses—in close partnership with individuals, communities, and startups. We're very confident that we'll obtain the EU's approval as planned and thus to close the transaction this September.

We're taking on the planned takeover of innogy from a solid financial position. Our first-half adjusted EBIT of €1.7 billion and adjusted net income of €0.9 billion are in line with our expectations. We can therefore reaffirm our forecast for the 2019 financial year. We continue to expect our adjusted EBIT to be between €2.9 and €3.1 billion and our adjusted net income to be between €1.4 and €1.6 billion. We also reaffirm our proposed dividend for the 2019 financial year of 46 cents per share.

But it's also clear that our competitive and business environment remains challenging. That's why we've pledged that the integration of innogy will definitely achieve the anticipated synergies. Beyond this, we're continuously making our business more efficient.

The planned takeover of innogy will be a decisive step in E.ON's transformation. The idea isn't to make us bigger. But to make us better. Better for the success of a genuine energy transition across all sectors of the economy. Better for climate protection. Better for our customers and for you, our owners.

Best wishes,

Dr. Johannes Teyssen

At the end of the second quarter of 2019, E.ON stock (including reinvested dividends) was 16 percent above its year-end closing price for 2018. It thereby slightly outperformed its peer index, the STOXX Utilities (+15 percent), and slightly underperformed the broader European stock market as measured by the EURO STOXX 50 index (+18 percent).

E.ON's first-half trading volume declined by 30 percent year on year to €10.8 billion because fewer shares were traded.

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

E.ON Stock

	June 30, 2019	Dec. 31, 2018
Shares outstanding (millions)	2,167	2,167
Closing price (€)	9.55	8.63
Market capitalization (€ in billions)[1]	20.7	18.7

[1]Based on shares outstanding.

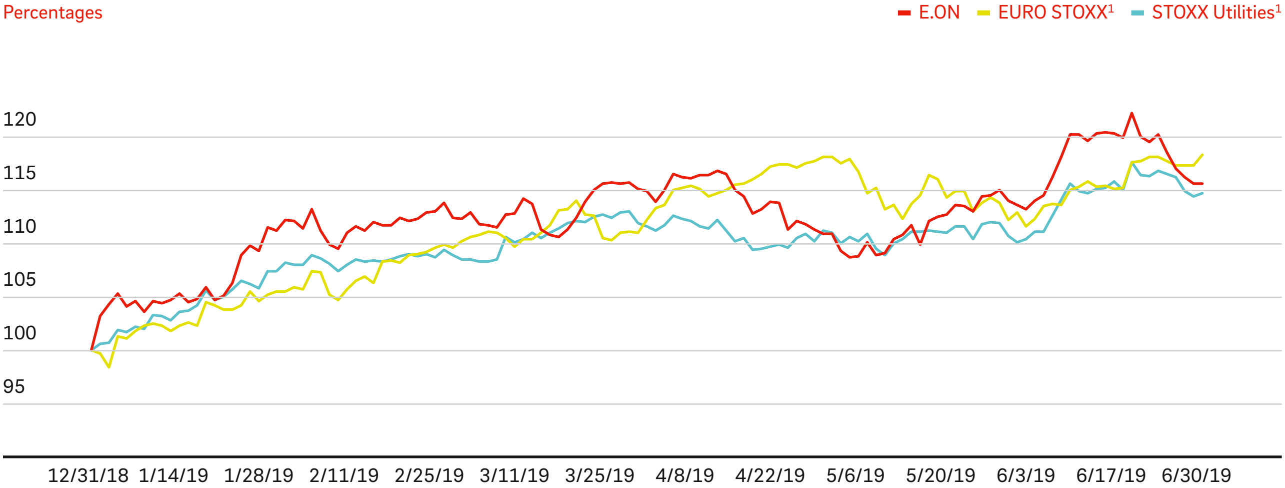
Performance and Trading Volume

First half	2019	2018
High (€)[1]	10.09	9.54
Low (€)[1]	8.90	7.89
Trading volume[2]		
Millions of shares	*1,124*	*1,733*
€ in billions	*10.8*	*15.4*

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

E.ON Stock Performance

Percentages



[1]Based on the performance index.

Interim Group Management Report

January – June 2019

- Forecast for 2019 adjusted EBIT and adjusted net income reaffirmed
- As expected, first-half adjusted EBIT and adjusted net income below prior-year figures
- Economic net debt higher due primarily to the initial application of IFRS 16 and lower actuarial interest rates

Corporate Profile

Business Model

E.ON is an investor-owned energy company. Led by Corporate headquarters 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.

Corporate Headquarters

Corporate headquarters' main task is to lead the E.ON Group. This involves charting E.ON's strategic course and managing and funding its existing business portfolio. Corporate headquarters' 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 and East-Central Europe/Turkey (where we operate energy networks) and Sweden (where we operate power networks). East-Central Europe/Turkey 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 Business Solutions, which provides customers with turnkey distributed-energy solutions, is also part of this segment.

Renewables

This segment consists of our onshore wind, offshore wind, and solar farms. 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 our nuclear power stations in Germany (which are managed by our PreussenElektra unit) and the generation business in Turkey.

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. We described in detail the particulars of the planned transaction and the voluntary public takeover offer for innogy SE stock in our 2018 Annual Report (see the chapter entitled "Corporate Profile" in the Combined Group Management Report and Note 4 to the Consolidated Financial Statements). The transaction, which was filed with the European Commission in January 2019, 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 the purpose of internal management control, their results will continue to 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.

This Interim Report's presentation of the key performance indicators relevant for management control therefore includes the results of discontinued operations in the Renewables segment. Pages 12 to 14 of the Interim Group Management Report and Note 12 contain reconciliations of these indicators to the disclosures in the E.ON SE and Subsidiaries Condensed Consolidated Interim Statements of Income, Consolidated Balance Sheets, and Consolidated Statements of Cash Flows.

Collective Bargaining Agreement Reached
Employee associations and trade unions ver.di and IGBCE agreed to a comprehensive collective bargaining agreement for the new E.ON's employees in Germany. The agreement is an important step in implementing the Collective Policy Statement on the planned transaction between E.ON and RWE that the Company and unions agreed to in May 2018. Its provisions include attractive severance payments for employees who leave voluntarily, early-retirement arrangements, and the possibility of transferring to a company that will provide further employment and qualification. The collective bargaining agreement is subject to the antitrust approval of E.ON's acquisition of innogy and will not become effective until the transaction closes.

New E.ON's First Top Executives Named
The new E.ON's designated management team at the level directly below the Management Board has largely been appointed. The positions are not relevant from a competitive perspective. The names of those selected were published at E.ON and innogy in June 2019. The future management team named so far consists of roughly half E.ON and half innogy executives. This decision represents another important milestone in our preparations for the planned acquisition of innogy. The appointments are subject to the transaction's approval by the relevant antitrust and regulatory authorities.

Special Events in the Reporting Period

IFRS 16 *Leases*
We apply IFRS 16 *Leases* for the first time effective the start of 2019. It supersedes IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. The main impact of the application of IFRS 16 is an increase in fixed assets (due to the capitalization of right-of-use assets) and of financial liabilities (due to the disclosure of the corresponding lease liabilities). Initial application resulted in lease liabilities of €0.8 billion and right-of-use assets of roughly €0.8 billion, based on existing accruals and deferrals. In each case, €0.3 billion of the amount was recorded at discontinued operations. Note 2 to the Condensed Consolidated Interim Financial Statements contains more information.

Enlargement of E.ON Supervisory Board
Immediately after the successful takeover of innogy SE, E.ON plans to enlarge its Supervisory Board by six to a total of twenty members until the 2023 Annual Shareholders Meeting. Shortly after the closure of the innogy transaction, the commercial court is to appoint three additional shareholder representatives whose confirmation would take place at the 2020 Annual Shareholders Meeting. The three additional employee representatives are to be representatives of the current innogy. The E.ON Annual Shareholders Meeting approved this joint proposal by the Management Board and Supervisory Board on May 14, 2019. From 2023 onward, the size of the Supervisory Board will be set at twelve members.

Business Report

Industry Environment

Energy Policy and Regulatory Environment
Since the coalition agreement was signed in March 2018, the German federal government has moved forward with the following energy and climate policies:

Germany intends for renewables to provide 65 percent of its energy by 2030. To meet this target, the federal government has held auctions for more than 6,000 MW of renewables capacity (solar, onshore wind, offshore wind as well as solar and wind) since March 2018. Due to legal difficulties relating to the approval of projects, the auctions for onshore wind have all been undersubscribed. The government has been drafting the Ordinance Authorization for innovation tenders under the Renewable Energy Law, which will encompass an innovative flexibility aspect along with renewable energy, since the end of June. It is also currently drafting the Building Energy Efficiency Act.

In March 2019, the German federal government established a climate cabinet to facilitate a concerted approach to key climate-protection issues. The cabinet has so far met twice and discussed the possibility of carbon pricing. The federal government intends to present its carbon pricing plan on September 20, 2019.

This past January, the Coal Commission presented a plan for phasing out coal in Germany. The federal government has already drafted the main features of a law to strengthen the economies of the country's coal-producing regions. It intends to pass a Coal Phaseout Law, which defines the phaseout's specific path, by the end of the year.

The Network Development Plan 2030 and the Network Expansion Acceleration Act (known by its German acronym, "NABEG") have improved the environment for network expansion in Germany. However, the recently enacted Energy Services Act rescinded the obligation to pay grid fees for power-to-other-fuels plants established by NABEG.

The European Union enacted additional laws that are part of the Clean Energy Package. The Renewable Energy Directive ("RED II") sets a target for renewables to be expanded to 32 percent by 2030. The Market Design Directive ("MDD") for the internal electricity market contains numerous policies to enhance distributed flexibility through self-supply, storage technologies, and energy communities. Contrary to the Clean Energy Package's proactive policies, the most recent EU climate summit was unable to obtain majority support for the European Union to be carbon-neutral by 2050.

Earnings Situation

Business Performance

E.ON's operating business performed as expected in the first half of 2019. Sales rose by €0.7 billion year on year to €16.1 billion. First-half adjusted EBIT in our core businesses of €1,472 million was below the prior-year figure of €1,718 million. First-half adjusted EBIT for the E.ON Group declined by 12 percent, from €1,942 million to €1,717 million. Adjusted net income of €885 million was 16 percent below the prior-year figure of €1,052 million.

Sales

We recorded sales of €16.1 billion in the first half of 2019, 5 percent above the prior-year figure of €15.4 billion.

Energy Networks' sales of €4.5 billion were at the prior-year level. Sales in Germany and Sweden were roughly unchanged at €3.2 billion and €0.5 billion, respectively. By contrast, sales in East-Central Europe/Turkey were slightly above the prior-year level, in part because of higher network fees in Hungary and the Czech Republic.

Customer Solutions' sales rose by €0.6 billion to €12.1 billion. Sales in Germany increased by about €0.3 billion year on year, primarily because of higher power and gas sales volume. Sales in the United Kingdom were at the prior-year level. Sales at this segment's Other unit rose by €0.4 billion, principally because of higher sales prices in Italy and the Czech Republic and higher sales volume in Italy, the Czech Republic, and Hungary.

Renewables' sales rose year on year, owing in particular to an increase in output due to the commissioning of an offshore wind farm in the United Kingdom and an onshore wind farm in the United States. Sales were adversely affected by lower energy prices in the United Kingdom and the expiration of incentive mechanisms in Italy.

Sales at Non-Core Business declined slightly year on year, in particular because of the expiration of supply contracts at PreussenElektra.

Sales[1]

	Second quarter			First half		
€ in millions	2019	2018	+/- %	2019	2018	+/- %
Energy Networks[2]	2,035	1,990	+2	4,488	4,366	+3
Customer Solutions	5,106	4,734	+8	12,109	11,479	+5
Renewables	329	340	-3	807	741	+9
Non-Core Business	237	323	-27	573	601	-5
Corporate Functions/Other	143	156	-8	278	318	-13
Consolidation	-923	-939	+2	-2,166	-2,149	-1
E.ON Group	**6,927**	**6,604**	**+5**	**16,089**	**15,356**	**+5**

[1]Includes the discontinued operations in the Renewables segment. Sales from continuing operations amounted to €15.7 billion in the first half of 2019 (prior year: €15.1 billion).
[2]Income and expenses resulting from the Renewable Energy Law's feed-in scheme in Germany have been netted out; we adjusted the prior-year figure accordingly (amount netted out in the first half of 2018: €1.7 billion).

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €143 million was at the prior-year level of €144 million and primarily reflected the completion of IT projects.

Other operating income declined by 68 percent, from €3,807 million to €1,236 million. The sale of equity interests and securities resulted in lower income (-€942 million) than in the prior-year period. Income from currency-translation effects of €506 million and income from derivative financial instruments of €345 million were below the prior-year figures (€1,323 million and €1,104 million, respectively). Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses. Prior-year income from derivative financial instruments included the derecognition of derivative financial instruments marked to market in conjunction with the disposal of our Uniper stake. The sale of equity interests in the prior-year period yielded income of €892 million, which included €593 million from the sale of our remaining Uniper stake to Fortum.

Costs of materials of €12,045 million were significantly above the prior-year level of €11,223 million. The increase is mainly attributable to Customer Solutions. An expanded customer base and higher network fees were the principal reasons for the increase in costs of materials in Germany. Costs of materials in Italy and the Czech Republic rose owing to increases in procurement costs and sales volume.

Personnel costs of €1,324 million were €51 million above the figure from the first half of 2018 (€1,273 million), mainly because of new hires, salary adjustments, and restructuring measures.

Depreciation charges rose from €704 million to €805 million. This mainly reflects the initial application of IFRS 16 and the resulting depreciation of right-of-use assets. In addition, PreussenElektra recorded higher depreciation charges on capitalized dismantling costs.

Other operating expenses declined by 20 percent, from €2,713 million to €2,183 million, chiefly because expenditures relating to currency-translation effects decreased from €1,262 million to €493 million. By contrast, expenditures relating to derivative financial instruments rose from €310 million to €674 million.

Income from companies accounted for under the equity method of €217 million was substantially above the prior-year figure of €146 million. A significant increase in equity earnings from our stake in Enerjisa Üretim was partially offset by a reduction in equity earnings from our stake in Enerjisa Enerji.

Adjusted EBIT

For the purpose of internal management control and as the most important 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"). This figure includes the operating earnings of the discontinued operations in the Renewables segment.

As anticipated, first-half adjusted EBIT in our core business was €246 million below the prior-year figure. Although Energy Networks' adjusted EBIT was at the prior-year level (as was that of its operations in Sweden), its earnings in Germany nevertheless declined slightly, primarily because of the non-recurrence of positive one-off items recorded in the prior-year period. Adjusted EBIT in Germany was also adversely affected by a reduction in the allowed return on equity coinciding with the beginning of the third regulatory period for power. However, these effects were offset by the expansion of our regulated asset base. Adjusted EBIT at the East-Central Europe/Turkey unit declined primarily because of lower earnings from Enerjisa Enerji, an equity investment in Turkey.

Adjusted EBIT at Customer Solutions decreased by €237 million year on year. Adjusted EBIT in Germany was significantly below the high prior-year level. The principal factor was a narrower gross margin in the power and gas sales business. This decline likely will largely balance itself out as the year moves forward. Adjusted EBIT in the United Kingdom was also significantly lower than in the prior-year period because of the regulatory

Adjusted EBIT

	Second quarter			First half		
€ in millions	2019	2018	+/- %	2019	2018	+/- %
Energy Networks	416	428	-3	1,039	1,070	-3
Customer Solutions	21	85	-75	240	477	-50
Renewables	64	65	-2	275	236	+17
Corporate Functions/Other	-43	-38	-13	-89	-66	-35
Consolidation	3	3	–	7	1	–
Adjusted EBIT from core business	**461**	**543**	**-15**	**1,472**	**1,718**	**-14**
Non-Core Business	81	115	-30	245	224	+9
E.ON Group adjusted EBIT	**542**	**658**	**-18**	**1,717**	**1,942**	**-12**

price cap that took effect in 2019 and a smaller customer base. The Other unit's adjusted EBIT declined as well, primarily owing to lower earnings in Sweden and Hungary.

Renewables' adjusted EBIT rose by €39 million, primarily because of an increase in output due to the commissioning of offshore wind farms in Germany and the United Kingdom and an onshore wind farm in the United States. By contrast, earnings were adversely affected by lower energy prices in the United Kingdom and the expiration of incentive mechanisms in Italy.

The E.ON Group's adjusted EBIT was €225 million below the prior-year figure. Although earnings in our core business declined owing to the aforementioned reasons, earnings at the Non-Core Business segment were significantly higher. This is primarily attributable to the generation business in Turkey, whose hydroelectric stations considerably increased their output relative to the prior-year period. By contrast, PreussenElektra's adjusted EBIT was lower.

Net Income/Loss

We recorded first-half net income attributable to shareholders of E.ON SE of €0.4 billion and corresponding earnings per share of €0.18. In the prior-year period we recorded net income of €2.7 billion and earnings per share of €1.25.

Pursuant to IFRS 5, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, for the first six months of 2019 and in the prior-year period, includes the earnings from the discontinued operations at Renewables.

We had a tax expense on continuing operations of €244 million compared with €203 million in the prior-year period. Our tax rate on net income from continuing operations increased from 7 percent in the first half 2018 to 42 percent in the reporting period, mainly because of higher expenses without tax relief. In the prior year, the lower tax rate is mainly based on higher income not subject to tax exposure and one-off tax effects for prior years.

Net Income/Loss

	Second quarter		First half	
€ in millions	2019	2018	2019	2018
Net income/loss	51	1,875	544	2,908
Attributable to shareholders of E.ON SE	*-6*	*1,824*	*387*	*2,704*
Attributable to non-controlling interests	*57*	*51*	*157*	*204*
Income/Loss from discontinued operations, net	-37	-21	-209	-96
Income/Loss from continuing operations	**14**	**1,854**	**335**	**2,812**
Income taxes	94	-19	244	203
Financial results	134	57	393	243
Income/Loss from continuing operations before financial results and income taxes	**242**	**1,892**	**972**	**3,258**
Income/Loss from equity investments	40	47	42	51
EBIT	**282**	**1,939**	**1,014**	**3,309**
Non-operating adjustments	**198**	**-1,343**	**437**	**-1,594**
Net book gains (-)/losses (+)	*-7*	*-751*	*-19*	*-855*
Restructuring expenses	*52*	*–*	*90*	*26*
Marking to market of derivative financial instruments	*133*	*-627*	*336*	*-840*
Impairments (+)/Reversals (-)	*–*	*–*	*–*	*–*
Other non-operating earnings	*20*	*35*	*30*	*75*
Reclassified businesses of Renewables (adjusted EBIT)	62	62	266	227
Adjusted EBIT	**542**	**658**	**1,717**	**1,942**
Impairments (+)/Reversals (-)	1	–	5	–
Scheduled depreciation and amortization	403	344	802	700
Reclassified businesses of Renewables (scheduled depreciation and amortization, impairment charges and reversals)	93	82	186	157
Adjusted EBITDA	**1,039**	**1,084**	**2,710**	**2,799**

Financial results declined by €0.2 billion year on year, mainly because of valuation effects relating to non-current provisions that are reported under non-operating earnings.

First-half net book gains declined significantly. The prior-year figure included book gains on the disposal of our remaining Uniper stake, Hamburg Netz, E.ON Gas Sverige, and, overall, a book loss on the initial public offering of Enerjisa Enerji. In addition, book gains on the sale of securities were below the prior-year figure.

Restructuring expenses were higher than in the prior-year period and in 2019 consisted primarily of expenditures in conjunction with the planned acquisition of innogy.

At June 30, 2019, the marking to market of derivatives resulted in a negative effect of €336 million (prior year: +€840 million). Negative items in the first half of 2019 resulted primarily from hedging against price fluctuations, in particular at Customer Solutions. The figure for the first half of 2018 was mainly attributable to derivative financial instruments in conjunction with contractual rights and obligations relating to the sale of our Uniper stake.

We recorded no non-operating impairment charges or reversals at continuing operations in the first six months of 2019 or the prior-year period.

Other non-operating earnings improved year on year, in part because of realized income from hedging transactions for certain currency risks.

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.

As a rule, the E.ON Management Board uses this figure in conjunction with its consistent dividend policy and aims for a continual increase in dividend per share. In conjunction with the planned acquisition of innogy and in line with the Company's current dividend policy, the E.ON Management Board and Supervisory Board will propose paying shareholders a dividend of €0.46 per share for the 2019 financial year.

Adjusted Net Income

€ in millions	Second quarter 2019	Second quarter 2018	First half 2019	First half 2018
Income/Loss from continuing operations before financial results and income taxes	**242**	**1,892**	**972**	**3,258**
Income/Loss from equity investments	40	47	42	51
EBIT	**282**	**1,939**	**1,014**	**3,309**
Non-operating adjustments	198	-1,343	437	-1,594
Reclassified businesses of Renewables (adjusted EBIT)	62	62	266	227
Adjusted EBIT	**542**	**658**	**1,717**	**1,942**
Net interest income/loss	-174	-104	-435	-294
Non-operating interest expense (+)/income (-)	62	-17	190	21
Reclassified businesses of Renewables (operating interest expense (+)/income (-))	-45	-32	-90	-57
Operating earnings before taxes	**385**	**505**	**1,382**	**1,612**
Taxes on operating earnings	-93	-119	-302	-361
Operating earnings attributable to non-controlling interests	-49	-51	-135	-145
Reclassified businesses of Renewables (taxes and minority interests on operating earnings)	-8	-10	-60	-54
Adjusted net income	**235**	**325**	**885**	**1,052**

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.

Compared with the figure recorded at December 31, 2018 (€16.6 billion), our economic net debt increased by €3.6 billion to €20.2 billion. This was primarily due to €0.8 billion in items resulting from the initial application of IFRS 16 (see Note 2 to the Condensed Consolidated Interim Financial Statements), investment expenditures, and E.ON SE's dividend payout. Despite the positive development of plan assets (+€0.9 billion), significantly lower actuarial interest rates led to an increase of €1.8 billion in defined benefit obligations, which also had an adverse impact on our economic net debt. The initial application of IFRS 16 does not have a material impact on E.ON's debt-bearing capacity because operating lease relationships were already included in its calculation prior to the introduction of IFRS 16.

Economic Net Debt

€ in millions	June 30, 2019	Dec. 31, 2018
Liquid funds	2,659	5,423
Non-current securities	2,680	2,295
Financial liabilities	-11,336	-10,721
FX hedging adjustment	62	-28
Net financial position	**-5,935**	**-3,031**
Provisions for pensions	-3,958	-3,261
Asset-retirement obligations[1]	-10,308	-10,288
Economic net debt	**-20,201**	**-16,580**
Reclassified businesses of Renewables and PreussenElektra	2,308	1,961
Economic net debt (continuing operations)	**-17,893**	**-14,619**

[1]This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet from continuing and discontinued operations (€12,200 million at June 30, 2019; €11,889 million at December 31, 2018). 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. The outlook for both ratings is stable. Both S&P and Moody's anticipate that E.ON will acquire innogy and, over the near and medium term, will be able to maintain a debt ratio commensurate with these ratings. S&P's and Moody's short-term ratings are unchanged at A-2 and P-2, respectively.

Investments

On balance, the E.ON Group's first-half investments were below the prior-year level. An increase in investments in our core businesses was offset by lower 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 €0.1 billion versus €0.2 billion in the prior-year period.

Investments

First half € in millions	2019	2018	+/- %
Energy Networks	643	580	+11
Customer Solutions	343	209	+64
Renewables	293	449	-35
Corporate Functions/Other	37	16	+131
Consolidation	-1	-3	–
Investments in core business	**1,315**	**1,251**	**+5**
Non-Core Business	4	163	-98
E.ON Group investments	**1,319**	**1,414**	**-7**

Energy Networks' investments were €63 million above the prior-year level. Investments in Germany rose primarily because of new connections as well as replacements and upgrades. IT investments in Sweden were lower than in 2018. Investments in East-Central Europe/Turkey were lower than in the prior-year period, in particular because of the reassignment of investment projects in the Czech Republic between Customer Solutions and Energy Networks relative to the prior year.

Customer Solutions invested €134 million more than in the prior-year period. The increase in the current-year period resulted in particular from investments in the maintenance, upgrade, and expansion of existing assets as well as in the district heating network and the construction of an innovative waste-recycling and power plant in Sweden. The aforementioned reassignment of investment projects in the Czech Republic and E.ON Business Solutions' investments in embedded generating units were additional reasons for the increase in investments relative to the prior-year period.

Investments at Renewables were €156 million lower. The decline resulted from a reduction in expenditures for new-build projects, whereas the prior-year figure includes expenditures for four such projects (Rampion, Radford's Run, Stella, and Bruenning's Breeze), which entered service at the end of 2017 or in 2018, and investments commensurate with our stake in the Arkona project.

Investments at Non-Core Business were €159 million lower than in 2018. The decline primarily reflects the fact that the prior-year figure includes a capital increase at Enerjisa Üretim in Turkey, which we account for using the equity method.

Cash Flow

Cash provided by operating activities of continuing and discontinued operations before interest and taxes of €1.5 billion was €0.6 billion below the prior-year figure. The adverse factors include higher cash-effective earnings in the prior-year period and working capital fluctuations in the first half of the current year. Cash provided by operating activities of continuing and discontinued operation was also lower principally because of higher tax payments.

Cash Flow[1]

First half € in millions	2019	2018
Cash provided by (used for) operating activities (operating cash flow)	496	1,420
Operating cash flow before interest and taxes	1,467	2,068
Cash provided by (used for) investing activities	-1,708	3,656
Cash provided by (used for) financing activities	-1,403	-2,659

[1]From continuing and discontinued operations.

Cash provided by investing activities of continuing and discontinued operations totaled approximately -€1.7 billion versus +€3.7 billion in the prior-year period. The sale of our remaining stake in Uniper SE in the prior year was the main factor, accounting for €3.7 billion of the change. The purchase and sale of securities and the change in financial receivables and restricted funds resulted in net cash outflow of €0.5 billion in the current year compared with net cash inflow of €0.9 billion in the first half of the prior year.

Cash provided by financing activities of continuing and discontinued operations of -€1.4 billion was above the prior-year figure of -€2.7 billion. This primarily reflects the repayment of a bond in 2018. The increase in the dividend payout from €0.8 billion in 2018 to €1.1 billion in the current financial year was a countervailing factor.

Asset Situation

Our total assets and liabilities of €53.7 billion were about €0.6 billion, or 1 percent, below the figure from year-end 2018. Non-current assets of €32.3 billion were €1.4 billion higher than at year-end 2018. This change primarily reflects the initial application of IFRS 16 *Leases* and the resulting capitalization of right-of-use assets as well as the sale of non-current securities.

Current assets declined by 9 percent, from €23.4 billion to €21.3 billion, mainly because of a €2.8 billion reduction in liquid funds. This is principally attributable to cash-effective investments, the purchase of securities, and the dividend payout.

Our equity ratio (including non-controlling interests) at June 30, 2019, was 12 percent, which is 4 percentage points lower than at year-end 2018. This change mainly reflects the dividend payout totaling €1.1 billion, the remeasurement of pension obligations, and other items not affecting net income recorded under other comprehensive income. This was partially offset by net income for the current year. Equity attributable to E.ON SE shareholders was about €4 billion at June 30, 2019. Equity attributable to non-controlling interests was roughly €2.6 billion.

Non-current debt rose by €0.7 billion, or 2 percent, in part owing to an increase in pension obligations resulting mainly from the decline in actuarial interest rates and to an increase in liabilities from derivative financial instruments. This item also reflects the initial application of IFRS 16 *Leases* and the resulting recognition

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2019	%	Dec. 31, 2018	%
Non-current assets	32,331	60	30,883	57
Current assets	21,347	40	23,441	43
Total assets	**53,678**	**100**	**54,324**	**100**
Equity	6,633	12	8,518	16
Non-current liabilities	31,276	58	30,545	56
Current liabilities	15,769	30	15,261	28
Total equity and liabilities	**53,678**	**100**	**54,324**	**100**

of right-of-use assets. The reclassification of some non-current debt as current debt due to a €1.4 billion bond maturing in May 2020 was a countervailing factor.

Current debt of €15.8 billion was 3 percent above the figure at year-end 2018, due primarily to the aforementioned reclassification of non-current debt as current debt. By contrast, a decline in operating liabilities served to reduce current debt.

Employees

At June 30, 2019, the E.ON Group had 43,313 employees worldwide, nearly unchanged from year-end 2018. E.ON also had 712 apprentices in Germany and 127 board members and managing directors worldwide. As of the same date, 63 percent (27,207) of all employees were working outside Germany, the same percentage as at year-end 2018.

Employees[1]

Headcount	June 30, 2019	Dec. 31, 2018	+/- %
Energy Networks	19,905	17,896	+11
Customer Solutions	17,608	19,692	-11
Renewables	1,506	1,374	+10
Corporate Functions/Other[2]	2,418	2,447	-1
Core business	**41,437**	**41,409**	**–**
Non-Core Business	1,876	1,893	-1
E.ON Group	**43,313**	**43,302**	**–**

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

Energy Networks' headcount increased significantly relative to year-end 2018. This was mainly attributable to the reassignment of employees (primarily in the Czech Republic and Romania) from Customer Solutions to this segment. The filling of vacancies to expand the business (in Germany, predominantly with apprentices who had successfully completed their training) was another factor. Additional employees were hired to fulfill regulatory requirements.

The decline in the number of employees at Customer Solutions mainly reflects the aforementioned reassignment of employees to Energy Networks. Headcount was also reduced by restructuring projects, principally in the United Kingdom, in Hungary, and at E.ON Business Solutions.

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

The number of employees at Corporate Functions/Other and Non-Core Business was almost unchanged relative to year-end 2018.

Forecast Report

Anticipated Earnings and Financial Situation

Forecast Earnings Performance

We continue to expect the E.ON Group's 2019 adjusted EBIT to be between €2.9 and €3.1 billion. Our forecast for adjusted EBIT by segment is unchanged from our 2018 Annual Report. We expect the E.ON Group's 2019 adjusted net income to be between €1.4 and €1.6 billion.

Our forecast by segment:

We expect Energy Networks' 2019 adjusted EBIT to be slightly above the prior-year figure. The network business in Germany will deliver a positive performance and benefit from additional investments in its regulated asset base. Higher power tariffs in Sweden will increase earnings as well. The new regulatory period for gas networks in Romania will have an adverse impact.

We anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. The intervention of the U.K. Competition and Markets Authority will be the primary negative factor.

We expect Renewables' adjusted EBIT to be above the prior-year level. The completion of Arkona offshore wind farm in December 2018 and especially the expansion of onshore wind capacity in North America will have a positive impact on earnings.

We anticipate that adjusted EBIT at Corporate Functions/Other will improve and thus exceed the prior-year figure, primarily because of additional cost savings.

We expect Non-Core Business's adjusted EBIT to be at the prior-year level. We anticipate positive operating developments at the generation business in Turkey, due in part to a weather-driven increase in hydropower output; the deterioration of the exchange rate will be a countervailing factor. We expect PreussenElektra's earnings to reflect rising market prices counteracted by higher depreciation charges in conjunction with our dismantling obligations; the latter effect will be enhanced by a further decline in discount rates.

Anticipated Development of Cash-effective Investments

We now expect our cash-effective investments to total €4 billion (formerly €3.7 billion) in 2019. The increase is mainly attributable to higher investments at Customer Solutions' business in Sweden, additional investments at Non-Core Business, and slightly higher network investments.

Forecast Performance of Other Key Figures

The Forecast Report contained in our 2018 Annual Report presents our forecast for other key figures for the 2019 financial year. For the E.ON Group there are no changes to these disclosures.

Possible Future Effects of the Transaction with RWE

At this time the Forecast Report contains no statements about the possible future implications of the acquisition of innogy as part of an extensive asset swap with RWE, in particular because it is subject to the usual antitrust approvals.

Risk and Chances Report

The Combined Group Management Report contained in our 2018 Annual Report describes in detail our management system for assessing risks and chances and the measures we take to limit risks.

Risks and Chances

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The resulting risks and chances are described in detail in the 2018 Combined Group Management Report. The E.ON Group's risk and chance position described there remained essentially unchanged at the end of the first six months of 2019.

Assessment of the Risk Situation

At the end of the first six months of 2019, the risk situation of the E.ON Group's core operating business had not changed significantly compared with year-end 2018. 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

On balance, first-half power and gas passthrough was at the prior-year level, including in Germany.

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2019	2018	2019	2018	2019	2018	2019	2018
Second quarter								
Power	24.1	25.5	7.8	8.0	9.1	8.9	41.0	42.4
Line loss, station use, etc.	0.8	0.8	0.3	0.2	0.7	0.5	1.8	1.5
Gas	15.7	15.6	–	–	6.9	5.1	22.6	20.7
First half								
Power	52.0	53.5	18.5	19.7	19.1	19.0	89.6	92.2
Line loss, station use, etc.	1.9	1.9	0.6	0.6	1.4	1.4	3.9	3.9
Gas	48.2	49.1	–	1.5	25.8	24.6	74.0	75.2

Power passthrough in Sweden declined by 1.2 billion kWh owing to weather factors. 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. The 1.2 billion kWh decline in gas passthrough mainly reflects weather factors in Romania.

Sales and Adjusted EBIT

Energy Networks' first-half sales and adjusted EBIT were at the prior-year level.

Sales in Germany of €3.2 billion almost matched those of the 2018 reporting period. First-half adjusted EBIT declined by €22 million to €543 million, primarily because of the non-recurrence of positive one-off items recorded in the prior-year period. Adjusted EBIT was also adversely affected by a reduction in the allowed return on equity coinciding with the beginning of the third regulatory period for power. However, these effects were offset by the expansion of our regulated asset base.

Half-year sales in Sweden were likewise at the prior-year level. Higher power network fees led to an increase in sales, whereas the sale of the gas distribution business led to a decline. Currency-translation effects constituted another adverse factor. Adjusted EBIT was higher, in particular because of an improved gross margin in the power business. This was partially offset by a number of factors, including the aforementioned sale of the gas distribution business and adverse currency-translation effects.

Sales in East-Central Europe/Turkey were slightly higher, in part because of higher network fees in Hungary and the Czech Republic. Adjusted EBIT was below the prior-year level. The earnings decline is principally attributable to our equity stake in Enerjisa Enerji in Turkey, where higher operating earnings in the network and sales businesses were more than offset by a number of factors, including lower financial earnings and adverse currency-translation effects.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2019	2018[1]	2019	2018	2019	2018	2019	2018
Second quarter								
Sales	1,437	1,428	235	218	363	344	2,035	1,990
Adjusted EBITDA	352	358	156	141	156	171	664	670
Adjusted EBIT	199	212	119	103	98	113	416	428
First half								
Sales	3,161	3,079	512	511	815	776	4,488	4,366
Adjusted EBITDA	849	848	340	331	350	368	1,539	1,547
Adjusted EBIT	543	565	262	254	234	251	1,039	1,070

[1]Income and expenses resulting from the Renewable Energy Law's feed-in scheme in Germany have been netted out; we adjusted the prior-year periods accordingly (netting in the first half of 2018: 1.7 billion €).

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 sales declined by 0.3 billion kWh. Its gas sales rose by 2.5 billion kWh.

Our sales business in Germany increased its power sales by 8 percent to 20.8 billion kWh. Power sales to residential and small and medium enterprise ("SME") customers were at the prior-year level, whereas power sales to industrial and commercial ("I&C") customers were significantly higher thanks to successful customer acquisition. Power sales to the wholesale market declined owing to lower sales volume on already-contracted deliveries to some Uniper wholesale customers relative to 2018.

Gas sales of 23.1 billion kWh were significantly (22 percent) above the prior-year level. This is primarily attributable to the acquisition of new residential, SME, and I&C customers. The optimization of our procurement portfolio led to a significant increase in gas sales to the wholesale market.

First-half power sales in the United Kingdom declined by 2.7 billion kWh. Lower consumption and a decline in customer numbers were the principal negative factors for residential and SME customers. Power sales to I&C customers declined owing to lower average offtake per customer and a smaller customer base. Gas sales fell as well, declining by 2.6 billion kWh. The decline in gas sales to residential and SME customers reflects the high prior-year figure (which resulted from weather factors) and a reduction in customer numbers. 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) rose by 0.9 billion kWh. On balance, power sales to residential and SME customers and to I&C customers were at the prior-year level. The optimization of our procurement portfolio in the Czech Republic led to a significant increase in power sales to the wholesale market. This was partially offset by a decline in Sweden.

Other's gas sales were 1 billion kWh higher. On balance, gas sales to residential and SME customers were at the prior-year level. Gas sales to I&C customers rose in part owing to an increase in customer numbers in Hungary. Gas sales to the wholesale market increased in particular in Sweden.

Power Sales

	Germany Sales		United Kingdom		Other[1]		Total	
Billion kWh	2019	2018	2019	2018	2019	2018	2019	2018
Second quarter								
Residential and SME	3.8	3.6	3.4	4.0	5.1	4.8	12.3	12.4
I&C	3.0	2.1	2.9	3.4	6.4	6.2	12.3	11.7
Sales partners	–	–	–	–	0.2	0.2	0.2	0.2
Customer groups	**6.8**	**5.7**	**6.3**	**7.4**	**11.7**	**11.2**	**24.8**	**24.3**
Wholesale market	3.1	3.0	0.1	0.2	2.0	1.9	5.2	5.1
Total	**9.9**	**8.7**	**6.4**	**7.6**	**13.7**	**13.1**	**30.0**	**29.4**
First half								
Residential and SME	8.8	8.6	8.2	9.6	11.9	11.5	28.9	29.7
I&C	5.9	4.2	6.0	7.2	13.1	12.9	25.0	24.3
Sales partners	–	–	–	–	0.4	0.4	0.4	0.4
Customer groups	**14.7**	**12.8**	**14.2**	**16.8**	**25.4**	**24.8**	**54.3**	**54.4**
Wholesale market	6.1	6.5	0.3	0.4	4.7	4.4	11.1	11.3
Total	**20.8**	**19.3**	**14.5**	**17.2**	**30.1**	**29.2**	**65.4**	**65.7**

[1]Excludes E.ON Business Solutions.

Gas Sales

	Germany Sales		United Kingdom		Other[1]		Total	
Billion kWh	2019	2018	2019	2018	2019	2018	2019	2018
Second quarter								
Residential and SME	4.0	2.3	4.8	5.1	3.4	2.6	12.2	10.0
I&C	1.5	1.4	1.9	1.8	5.1	4.1	8.5	7.3
Sales partners	–	–	–	–	0.4	0.4	0.4	0.4
Customer groups	**5.5**	**3.7**	**6.7**	**6.9**	**8.9**	**7.1**	**21.1**	**17.7**
Wholesale market	2.7	1.7	–	–	1.1	0.9	3.8	2.6
Total	**8.2**	**5.4**	**6.7**	**6.9**	**10.0**	**8.0**	**24.9**	**20.3**
First half								
Residential and SME	13.6	12.9	18.4	21.2	16.8	16.6	48.8	50.7
I&C	4.6	3.4	4.4	4.2	12.3	11.8	21.3	19.4
Sales partners	–	–	–	–	0.8	0.8	0.8	0.8
Customer groups	**18.2**	**16.3**	**22.8**	**25.4**	**29.9**	**29.2**	**70.9**	**70.9**
Wholesale market	4.9	2.7	–	–	2.4	2.1	7.3	4.8
Total	**23.1**	**19.0**	**22.8**	**25.4**	**32.3**	**31.3**	**78.2**	**75.7**

[1]Excludes E.ON Business Solutions.

Sales and Adjusted EBIT

Customer Solutions' first-half sales increased by €630 million. Adjusted EBIT declined by €237 million.

Sales in Germany rose primarily because of higher power and gas sales volume. Adjusted EBIT was significantly below the prior-year level, principally because of a narrower gross margin in power and gas sales. This decline likely will largely balance itself out as the year goes forward.

Sales in the United Kingdom were at the prior-year level. Adjusted EBIT was significantly lower than in the prior-year period because of the regulatory price cap that took effect in 2019 and a decline in customer numbers.

Other's sales rose by €449 million because of higher sales prices primarily in Italy and the Czech Republic and higher sales volume in Italy, the Czech Republic, and Hungary. Adjusted EBIT declined significantly (by €47 million) to €93 million. The prior-year figure contains a positive one-off item recorded in Sweden. A primarily margin-driven reduction in adjusted EBIT in Hungary was another adverse factor.

Customer Solutions

	Germany Sales		United Kingdom		Other		Total	
€ in millions	2019	2018	2019	2018	2019	2018	2019	2018
Second quarter								
Sales	1,657	1,542	1,665	1,590	1,784	1,602	5,106	4,734
Adjusted EBITDA	30	15	44	75	40	66	114	156
Adjusted EBIT	19	7	12	54	-10	24	21	85
First half								
Sales	3,814	3,555	3,903	3,981	4,392	3,943	12,109	11,479
Adjusted EBITDA	97	150	132	244	188	225	417	619
Adjusted EBIT	76	135	71	202	93	140	240	477

Renewables

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

Power Generation

This segment's first-half owned generation rose by 0.4 billion kWh.

Owned generation increased in particular because of the commissioning of Stella onshore wind farm in the United States and Rampion offshore wind farm in the United Kingdom. Favorable wind conditions in nearly all countries in Europe also served to increase owned generation, whereas unfavorable wind conditions in the United States had an adverse impact.

Power procurement increased, principally because of existing power supply contracts at our offshore business in the United Kingdom. An increase in power procurement due to favorable wind conditions in Denmark was another factor.

Power Generation

	Renewables	
Billion kWh	2019	2018
Second quarter		
Owned generation	3.7	3.6
Purchases	0.7	0.5
Jointly owned power plants	*0.2*	*0.2*
Third parties	*0.5*	*0.3*
Power sales	**4.4**	**4.1**
First half		
Owned generation	8.2	7.8
Purchases	1.7	1.4
Jointly owned power plants	*0.4*	*0.4*
Third parties	*1.3*	*1.0*
Power sales	**9.9**	**9.2**

Sales and Adjusted EBIT

Renewables' first-half sales and adjusted EBIT increased by €66 million and €39 million, respectively.

Renewables

€ in millions	2019	2018
Second quarter		
Sales	329	340
Adjusted EBITDA	160	149
Adjusted EBIT	64	65
First half		
Sales	807	741
Adjusted EBITDA	466	396
Adjusted EBIT	275	236

Sales and adjusted EBIT rose in particular because of an increase in output resulting from the commissioning of Rampion offshore wind farm in April 2018 and Stella onshore wind farm in December 2018. By contrast, lower energy prices in the United Kingdom and the expiration of incentive mechanisms in Italy had an adverse impact. Adjusted EBIT also benefitted from the commissioning of Arkona offshore wind farm in April 2019.

Non-Core Business

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

PreussenElektra's Power Generation

First-half power procured (owned generation and purchases) was 2.3 billion kWh below the prior-year level. This significant year-on-year decline is attributable to the expiration of supply contracts and a reduction in power purchases to meet delivery obligations.

Power Generation

	PreussenElektra	
Billion kWh	2019	2018
Second quarter		
Owned generation	6.1	7.2
Purchases	0.7	2.4
Jointly owned power plants	*0.1*	*0.2*
Third parties	*0.6*	*2.2*
Total	**6.8**	**9.6**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**6.7**	**9.5**
First half		
Owned generation	14.5	14.7
Purchases	1.4	3.5
Jointly owned power plants	*0.5*	*0.6*
Third parties	*0.9*	*2.9*
Total	**15.9**	**18.2**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**15.8**	**18.1**

Sales and Adjusted EBIT

Sales at Non-Core Business of €573 million were €28 million below the prior-year figure. By contrast, adjusted EBIT rose by €21 million to €245 million.

PreussenElektra's sales declined year on year, mainly because of the expiration of supply contracts.

Adjusted EBIT was significantly above the prior-year figure. This is principally attributable to the equity earnings on our stake in Enerjisa Üretim, whose hydroelectric stations considerably increased their output relative to the prior-year period. By contrast, PreussenElektra's earnings declined owing to an increase in depreciation charges and longer asset downtimes relative to the prior year. These factors were not offset by higher sales prices.

Non-Core Business

	PreussenElektra		Generation Turkey		Total	
€ in millions	2019	2018	2019	2018	2019	2018
Second quarter						
Sales	237	323	–	–	237	323
Adjusted EBITDA	99	135	34	-5	133	130
Adjusted EBIT	47	120	34	-5	81	115
First half						
Sales	573	601	–	–	573	601
Adjusted EBITDA	283	294	63	-20	346	274
Adjusted EBIT	182	244	63	-20	245	224

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

		Second quarter		First half	
€ in millions	Note	2019	2018	2019	2018
Sales including electricity and energy taxes		6,929	6,612	16,126	15,434
Electricity and energy taxes		-166	-148	-400	-369
Sales[1]	(12)	**6,763**	**6,464**	**15,726**	**15,065**
Changes in inventories (finished goods and work in progress)		9	7	7	9
Own work capitalized		76	68	143	144
Other operating income[2]		468	2,747	1,236	3,807
Cost of materials[1]		-5,223	-4,846	-12,045	-11,223
Personnel costs		-660	-650	-1,324	-1,273
Depreciation, amortization and impairment charges		-405	-346	-805	-704
Other operating expenses[2]		-883	-1,626	-2,183	-2,713
Income from companies accounted for under the equity method	(7)	97	74	217	146
Income from continuing operations before financial results and income taxes		**242**	**1,892**	**972**	**3,258**
Financial results		-134	-57	-393	-243
Income/Loss from equity investments		*40*	*47*	*42*	*51*
Income from other securities, interest and similar income	*(5)*	*117*	*122*	*218*	*194*
Interest and similar expenses		*-291*	*-226*	*-653*	*-488*
Income taxes		-94	19	-244	-203
Income from continuing operations		**14**	**1,854**	**335**	**2,812**
Income/Loss from discontinued operations, net	(4)	37	21	209	96
Net income		**51**	**1,875**	**544**	**2,908**
Attributable to shareholders of E.ON SE		*-6*	*1,824*	*387*	*2,704*
Attributable to non-controlling interests		*57*	*51*	*157*	*204*
in €					
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[3]	(6)				
from continuing operations		-0.01	0.83	0.09	1.21
from discontinued operations		0.01	0.01	0.09	0.04
from net income		**0.00**	**0.84**	**0.18**	**1.25**
Weighted-average number of shares outstanding (in millions)		2,167	2,167	2,167	2,167

[1]Income and expenses resulting from the Renewable Energy Law's feed-in scheme in Germany have been netted out; we adjusted the prior-year accordingly (amount netted out in the first half of 2018: €1.7 billion).
[2]The change in other operating income or expenses primarily results from exchange rate differences and derivative financial instruments. In addition, the income from the disposal of our Uniper stake is included in the 2018 figures.
[3]Based on weighted-average number of shares outstanding.

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

€ in millions	Second quarter 2019	Second quarter 2018	First half 2019	First half 2018
Net income	**51**	**1,875**	**544**	**2,908**
Remeasurements of defined benefit plans	-579	10	-851	12
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	–	1	-1
Income taxes	50	-4	82	-10
Items that will not be reclassified subsequently to the income statement	**-529**	**6**	**-768**	**1**
Cash flow hedges	-183	4	-355	-5
Unrealized changes—hedging reserve	*-191*	*70*	*-368*	*-26*
Unrealized changes—reserve for hedging costs	*-18*	*-26*	*-17*	*31*
Reclassification adjustments recognized in income	*26*	*-40*	*30*	*-10*
Fair value measurement of financial instruments	6	-36	16	-52
Unrealized changes	*12*	*-1*	*33*	*-13*
Reclassification adjustments recognized in income	*-6*	*-35*	*-17*	*-39*
Currency-translation adjustments	46	-43	-92	-179
Unrealized changes—hedging reserve/other	*40*	*-54*	*-96*	*-188*
Unrealized changes—reserve for hedging costs	*6*	*-2*	*4*	*-4*
Reclassification adjustments recognized in income	–	*13*	–	*13*
Companies accounted for under the equity method	-39	92	-105	78
Unrealized changes	*-39*	*-125*	*-105*	*-251*
Reclassification adjustments recognized in income	–	*217*	–	*329*
Income taxes	5	30	18	7
Items that might be reclassified subsequently to the income statement	**-165**	**47**	**-518**	**-151**
Total income and expenses recognized directly in equity	**-694**	**53**	**-1,286**	**-150**
Total recognized income and expenses (total comprehensive income)	**-643**	**1,928**	**-742**	**2,758**
Attributable to shareholders of E.ON SE	*-636*	*1,893*	*-840*	*2,568*
Continuing operations	*-621*	*1,933*	*-1,020*	*2,517*
Discontinued operations	*-15*	*-40*	*180*	*51*
Attributable to non-controlling interests	*-7*	*35*	*98*	*190*

E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	June 30, 2019	Dec. 31, 2018
Assets			
Goodwill		2,050	2,054
Intangible assets		2,232	2,162
Right-of-use assets[1]		825	–
Property, plant and equipment		17,830	18,057
Companies accounted for under the equity method	(7)	2,485	2,603
Other financial assets	(7)	3,405	2,904
Equity investments		*724*	*664*
Non-current securities		*2,681*	*2,240*
Financial receivables and other financial assets		427	427
Operating receivables and other operating assets		1,763	1,474
Deferred tax assets		1,313	1,195
Income tax assets		1	7
Non-current assets		**32,331**	**30,883**
Inventories		677	684
Financial receivables and other financial assets		290	284
Trade receivables and other operating assets		5,388	5,445
Income tax assets		438	229
Liquid funds		2,569	5,357
Securities and fixed-term deposits		*451*	*774*
Restricted cash and cash equivalents		*876*	*659*
Cash and cash equivalents		*1,242*	*3,924*
Assets held for sale	(4)	11,985	11,442
Current assets		**21,347**	**23,441**
Total assets		**53,678**	**54,324**
Equity and Liabilities			
Capital stock		2,201	2,201
Additional paid-in capital		9,862	9,862
Retained earnings		-3,704	-2,461
Accumulated other comprehensive income[2]		-3,233	-2,718
Treasury shares	(8)	-1,126	-1,126
Equity attributable to shareholders of E.ON SE		**4,000**	**5,758**
Non-controlling interests (before reclassification)		3,084	3,190
Reclassification related to put options		-451	-430
Non-controlling interests		**2,633**	**2,760**
Equity		**6,633**	**8,518**
Financial liabilities		7,342	8,323
Operating liabilities		5,126	4,506
Income tax liabilities		353	304
Provisions for pensions and similar obligations	(10)	3,935	3,247
Miscellaneous provisions		12,732	12,459
Deferred tax liabilities		1,788	1,706
Non-current liabilities		**31,276**	**30,545**
Financial liabilities		2,905	1,563
Trade payables and other operating liabilities		6,694	7,637
Income tax liabilities		149	262
Miscellaneous provisions		2,006	2,117
Liabilities associated with assets held for sale	(4)	4,015	3,682
Current liabilities		**15,769**	**15,261**
Total equity and liabilities		**53,678**	**54,324**

[1]New account due to IFRS16 implementation, no prior-year figures, including finance leases previously recognized in accordance with IAS 17 (see also note 2).
[2]Thereof relating to discontinued operations (June 30, 2019): €-9million, (December 31, 2018): €2 million

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

First half € in millions	2019	2018
Net income	**544**	**2,908**
Income/Loss from discontinued operations, net	-209	-96
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	805	704
Changes in provisions	95	-159
Changes in deferred taxes	62	93
Other non-cash income and expenses	49	316
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-39	-907
Changes in operating assets and liabilities and in income taxes	-1,158	-1,774
Cash provided by (used for) operating activities of continuing operations	**149**	**1,085**
Cash provided by (used for) operating activities of discontinued operations	347	335
Cash provided by (used for) operating activities (operating cash flow)	**496**	**1,420**
Proceeds from disposal of	64	4,204
Intangible assets and property, plant and equipment	*17*	*63*
Equity investments	*47*	*4,141*
Purchases of investments in	-1,028	-966
Intangible assets and property, plant and equipment	*-969*	*-806*
Equity investments	*-59*	*-160*
Changes in securities, financial receivables and fixed-term deposits	-248	-157
Changes in restricted cash and cash equivalents	-252	1,030
Cash provided by (used for) investing activities of continuing operations	**-1,464**	**4,111**
Cash provided by (used for) investing activities of discontinued operations	-244	-455
Cash provided by (used for) investing activities	**-1,708**	**3,656**
Payments received/made from changes in capital[1]	36	6
Cash dividends paid to shareholders of E.ON SE	-932	-650
Cash dividends paid to non-controlling interests	-167	-156
Changes in financial liabilities	-288	-1,874
Cash provided by (used for) financing activities of continuing operations	**-1,351**	**-2,674**
Cash provided by (used for) financing activities of discontinued operations	-52	15
Cash provided by (used for) financing activities	**-1,403**	**-2,659**
Net increase/decrease in cash and cash equivalents	**-2,615**	**2,417**
Effect of foreign exchange rates on cash and cash equivalents	-4	-6
Cash and cash equivalents at the beginning of the year[2]	3,924	2,672
Cash and cash equivalents of discontinued operations at the beginning of the period	66	90
Cash and cash equivalents at the end of the period	**1,371**	**5,173**
Less: Cash and cash equivalents of discontinued operations at the end of the period	**-129**	**-102**
Cash and cash equivalents of continuing operations at the end of the period	**1,242**	**5,071**

[1]No material netting has taken place in either of the years presented here.
[2]Cash and cash equivalents of continuing operations at the beginning of the prior year 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

				Changes in accumulated other comprehensive income				
				Currency-translation adjustments		Fair value measure-ment of financial instruments	Cashflow hedges	
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Hedging reserve/ other	Reserve for hedging costs		Hedging reserve	Reserve for hedging costs
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								
Capital increase								
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**
Balance as of December 31, 2018	**2,201**	**9,862**	**-2,461**	**-1,775**	**10**	**39**	**-978**	**-14**
IFRS 16 adjustment	–	–	1	–	–	–	–	–
Balance as of January 1, 2019	**2,201**	**9,862**	**-2,460**	**-1,775**	**10**	**39**	**-978**	**-14**
Change in scope of consolidation				1				
Capital increase								
Dividends			-932					
Share additions/reductions			12					
Net additions/disposals from reclassification related to put options								
Total comprehensive income			-324	-151	4	22	-374	-17
Net income/loss			*387*					
Other comprehensive income			*-711*	*-151*	*4*	*22*	*-374*	*-17*
Remeasurements of defined benefit plans			*-711*					
Changes in accumulated other comprehensive income				*-151*	*4*	*22*	*-374*	*-17*
Balance as of June 30, 2019	**2,201**	**9,862**	**-3,704**	**-1,925**	**14**	**61**	**-1,352**	**-31**

	Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before re-classification)	Reclassification related to put options	Non-controlling interests	Total
	-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
			58		58	58
		-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**
	-1,126	**5,758**	**3,190**	**-430**	**2,760**	**8,518**
	–	1	1	–	1	2
	-1,126	**5,759**	**3,191**	**-430**	**2,761**	**8,520**
		1				1
			15		15	15
		-932	-208		-208	-1,140
		12	-12		-12	0
				-21	-21	-21
		-840	98		98	-742
		387	*157*		*157*	*544*
		-1,227	*-59*		*-59*	*-1,286*
		-711	*-57*		*-57*	*-768*
		-516	*-2*		*-2*	*-518*
	-1,126	**4,000**	**3,084**	**-451**	**2,633**	**6,633**

(1) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2019, 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 2018 financial 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, 2018, which provide the basis for this Interim Report.

(2) New Standards and Interpretations

Significant Standards and Interpretations Applicable in 2019

IFRS 16, "*Leases*"

We are applying IFRS 16 "*Leases*" for the first time in 2019. IFRS 16 replaces the previous IAS 17 "*Leases*" and IFRIC 4 "*Determining whether an arrangement contains a lease*". E.ON applied the modified retrospective approach to its transition to IFRS 16; prior-year figures were not restated and no comparative information will be presented. As at the date of initial transition the outstanding payment obligations with regard to existing operating leases are discounted using the relevant incremental borrowing rate and recognized as a lease liability. Correspondingly, right-of-use assets were capitalized with an amount equaling the present value of the lease payments, adjusted by the amount of the prepaid or accrued lease payments. Existing finance leases previously recognized in accordance with IAS 17 were carried forward as right-of-use assets with their carrying amounts as at December 31, 2018. The option to facilitate application is used for low-value assets and short-term leases (with a maturity of less than twelve months); no right-of-use assets and liabilities are recognized. In addition, E.ON will not separate lease components from non-lease components for any asset classes other than buildings.

The Group has also decided to apply various practical expedients for the transition:

- Agreements entered into before January 1, 2019, and still valid at the date of transition were not reviewed to determine whether they qualify as leases under IFRS 16.
- Agreements entered into before January 1, 2019, with a term of less than 12 months at the date of transition were accounted for as short-term leases; no right-of-use assets and liabilities are recognized.
- No impairment test was carried out for right-of-use assets recognized for the first time; instead right-of-use assets were adjusted by the amount of provisions for onerous contracts.
- In determining the lease term, E.ON considered hindsight when expectations with regard to the exercise of options changed.

The incremental borrowing rate is used to discount future lease payments when the lease's implicit refinancing rate cannot be reliably determined. The incremental borrowing rate is derived on the basis of an essentially risk-free yield curve for a period of up to 30 years, adjusted for the credit and country risk specific to E.ON.

E.ON operates as a lessee in the areas of land and buildings, networks and vehicle fleets, in particular. Lease payments are broken down into principal and interest using the effective interest method. The right-of-use asset is generally depreciated on a straight-line basis over the shorter of the term of the lease or the useful life of the leased asset. The provisions of IAS 36 concerning impairment testing also apply to capitalized right-of-use assets. The liability should be remeasured as a reassessment event whenever the expected lease payments or the lease term change, for example, because of a change in the estimate regarding the exercise of a contractual option. The carrying amount of the right-of-use asset will be adjusted correspondingly as subsequent acquisition costs. Modification of a contractual arrangement may also affect the measurement of the lease liability and the right-of-use asset.

E.ON also operates as a lessor for networks and generation plants. However, the transition to IFRS 16 resulted in only minor changes in the accounting treatment for lessors. If E.ON transfers substantially all the risks and rewards incidental to ownership of the leased asset to the counterparty, the lease is classified as a finance lease. The present value of the outstanding minimum lease payments is recognized as a receivable and the payments made are treated as payments received or interest income. The income from such arrangements is recognized over the term of the lease using the effective interest method. If E.ON retains substantially all the risks and rewards incidental to ownership of the leased asset and they are not transferred to the counterparty, the lease is classified as an operating lease. Consequently, E.ON continues to recognize the leased asset on its balance sheet and the lease payments collected are recognized as income on a straight-line basis over the term of the lease.

The transition effects from the first-time application of IFRS 16 were recognized directly in equity. The effects of the transition on the balance sheet are shown in the following table:

Reconciliation of the Consolidated Balance Sheet Due to the Effects of IFRS 16

€ in millions	Dec. 31, 2018	Effects from IFRS 16	Jan. 1, 2019
Non-current assets	**30,883**	**538**	**31,421**
of which right-of-use assets	*–*	*870*	*870*
of which property, plant and equipment	*18,057*	*-311*	*17,746*
of which operating receivables and other operating assets	*1,474*	*-21*	*1,453*
of which deferred tax assets	*1,195*	*–*	*1,195*
Current assets	**23,441**	**288**	**23,729**
of which trade receivables and other operating assets	*5,445*	*-1*	*5,444*
of which assets held for sale	*11,442*	*289*	*11,731*
Total assets	**54,324**	**826**	**55,150**
Equity	**8,518**	**2**	**8,520**
of which retained earnings	*-2,461*	*2*	*-2,459*
Non-current liabilities	**30,545**	**415**	**30,960**
of which financial liabilities	*8,323*	*417*	*8,740*
of which miscellaneous provisions	*12,459*	*-2*	*12,457*
of which deferred tax liabilities	*1,706*	*–*	*1,706*
Current liabilities	**15,261**	**409**	**15,670**
of which financial liabilities	*1,563*	*119*	*1,682*
of which trade payables and other operating liabilities	*7,637*	*1*	*7,638*
of which liabilities associated with assets held for sale	*3,682*	*289*	*3,971*
Total equity and liabilities	**54,324**	**826**	**55,150**

The effects of the introduction of IFRS 16 on the individual components of the consolidated financial statements and the presentation of the financial position and performance of the Group can be described as follows:

- The first-time application of the standard resulted in an increase in non-current assets (recognition of right-of-use assets) and financial liabilities (recognition of the corresponding lease liabilities) in the balance sheet. Financial obligations from operating leases were previously reported off-balance sheet. Taking into account existing accruals and deferrals but excluding finance leases, the impact of the transition at the time of initial application totaled around €0.8 billion for lease liabilities and around €0.8 billion for right-of-use assets. These effects totaled €0.3 billion for right-of-use assets and lease liabilities for discontinued operations. This increased retained earnings by €2 million as of January 1, 2019, taking deferred taxes into account. As a result of the change in the balance sheet, the equity ratio of the Group declined slightly and net financial debt increased slightly.

- Since January 1, 2019, depreciation expenses for right-of-use assets and interest expenses from the accretion of lease liabilities have been recognized in the income statement instead of other operating expenses (unless they relate to expenses from short-term and low-value leases). In the first half of 2019, this led to an increase in interest expenses of €6 million, an increase in depreciation of €51 million and a decrease in other operating expenses of €56 million.

- The revised presentation of lease payments arising from operating leases results in improved cash flows from operating activities and a corresponding deterioration in cash flows from financing activities. E.ON presents interest payments in cash flow from operating activities.

In connection with initial application, deferred taxes were recognized at the respective national tax rates on the revised amounts for lease liabilities and the right-of-use assets reported in the balance sheet, provided they relate to temporary differences. Gross deferred tax assets and liabilities for operating leases each totaled €148 million; there were no net effects.

Calculated on the basis of the operating lease obligations as of December 31, 2018, the following table shows the reconciliation to the opening balance of the lease liability as of January 1, 2019:

Reconciliation

€ in millions	
Operating lease obligations as of December 31, 2018	585
Minimum lease payments (notional amount) on finance lease liabilities as of December 31, 2018	467
Relief option for short-term leases	-3
Adjustments of the obligation due to a revised lease term	4
Other	17
Gross lease liabilities as of January 1, 2019	**1,070**
Discounting	207
Lease liabilities as of January 1, 2019	**863**
Present value of finance lease liabilities as of December 31, 2018	327
Additional lease liabilites as a result of the initial application of IFRS 16 as of January 1, 2019	**536**

The weighted-average incremental borrowing rate for the lease liabilities recognized for the first time as of January 1, 2019, was 3.7 percent.

Failed Own Use

In November 2018, the IFRS Interpretations Committee (IFRS IC) addressed the issue of the accounting treatment of physically settled commodity futures transactions that are recognized as derivatives in accordance with IFRS 9 and for which no hedge accounting or own-use exemption is applied ("failed own use"). In March 2019, IFRS IC opted for a staff solution. E.ON is currently assessing the accounting effects and how this will be technically implemented within the Group's processes and will implement any necessary adjustments within the framework of the existing guidelines by December 31, 2019.

Additional Standards and Interpretations Applicable in 2019

In addition to the new standard 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, 2019:

- First-time application of IFRIC 23, "Uncertainty over Income Tax Treatment"
- Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"
- Amendments to IAS 28, "Long-Term Investments in Associates and Joint Ventures"
- Amendments to IFRS 9, "Prepayment Features with Negative Compensation"
- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2015-2017 Cycle)

(3) Scope of Consolidation

The number of consolidated companies is as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2018	**84**	**148**	**232**
Additions	2	8	10
Disposals/Mergers	3	3	6
Consolidated companies as of June 30, 2019	**83**	**153**	**236**

As of June 30, 2019, 31 companies were accounted for under the equity method (December 31, 2018: 31) and one company was presented pro rata as a joint operation (December 31, 2018: 1).

(4) Acquisitions, Disposals and Discontinued Operations

Exchange of Business Activities with RWE

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. We described the planned transaction in more detail in the 2018 Annual Report (see Note 4 to the Consolidated Financial Statements). The transaction, which was notified to the EU Commission in January 2019, 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 effects on the balance sheet of the application of IFRS 5 were described in detail in Note 4 to the 2018 Annual Report. No impairment loss was recognized from the comparison of the carrying amount of the discontinued operation with its fair value less costs to sell as of June 30, 2019.

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.

In the first six months of 2019, E.ON generated revenues of €45 million (2018: €40 million), interest income of €49 million (2018: €37 million), no material interest expenses, and other income of €11 million (2018: €25 million) and other expenses of €428 million (2018: €448 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	2019	2018
Sales	363	291
Other income	78	70
Other expense	-171	-239
Income/Loss from discontinued operations before income taxes	**270**	**122**
Income taxes	-61	-26
Income/Loss from discontinued operations, net	**209**	**96**

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, 2019	Dec. 31, 2018
Intangible assets and goodwill	1,552	1,549
Property, plant and equipment	7,682	7,321
Miscellaneous assets	2,579	2,408
Assets held for sale	**11,813**	**11,278**
Liabilities	-2,311	-2,057
Provisions	-733	-675
Liabilities associated with assets held for sale	**-3,044**	**-2,732**

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 €52 million recognized at fair value as well as financial liabilities at fair value in the amount of €22 million.

The fair values of financial assets and liabilities, each in the amount of €9 million, are derived from market values. 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 have been classified as a disposal group since June 30, 2018. In total, assets in the amount of €0.2 billion, provisions in the amount of €0.8 billion and liabilities in the amount of €0.2 billion were reclassified to the disposal group.

Additional Discontinued Operations and Assets Held for Sale in 2019

There were no significant transactions or changes in presentation in the first half of 2019.

Additional Discontinued Operations and Assets Held for Sale in 2018

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. The guarantees granted by E.ON and related obligations arising from Swedish nuclear power activities were also transferred to Uniper in the first quarter of 2019.

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.

Enerjisa Enerji IPO

On February 8, 2018, a 20-percent stake (10-percent E.ON stake) in Enerjisa Enerji A.Ş. was floated on the stock exchange. The issue price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. remains a joint venture of E.ON and Sabanci, each with a stake of 40 percent. The gain on disposal from this transaction was more than offset by the realization of cumulative negative exchange rate effects.

(5) Financial Results

The following table provides details of financial results:

Financial Results

	Second quarter		First half	
€ in millions	2019	2018	2019	2018
Income/Loss from companies in which equity investments are held	40	45	45	51
Impairment charges/reversals on other financial assets	–	2	-3	–
Income/Loss from equity investments	**40**	**47**	**42**	**51**
Income/Loss from securities, interest and similar income	117	122	218	194
Interest and similar expenses	-291	-226	-653	-488
Net interest income/loss	**-174**	**-104**	**-435**	**-294**
Financial results	**-134**	**-57**	**-393**	**-243**

The decrease in the financial result by around €0.2 billion is mainly due to valuation effects relating to non-current provisions.

(6) Earnings per Share

The computation of earnings per share is shown below:

Earnings per Share

	Second quarter		First half	
€ in millions	2019	2018	2019	2018
Income/Loss from continuing operations	14	1,854	335	2,812
Less: Non-controlling interests	-47	-48	-131	-192
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**-33**	**1,806**	**204**	**2,620**
Income/Loss from discontinued operations, net	37	21	209	96
Less: Non-controlling interests	-10	-3	-26	-12
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**27**	**18**	**183**	**84**
Net income/loss attributable to shareholders of E.ON SE	**-6**	**1,824**	**387**	**2,704**
in €				
Earnings per share (attributable to shareholders of E.ON SE)				
from continuing operations	-0.01	0.83	0.09	1.21
from discontinued operations	0.01	0.01	0.09	0.04
from net income/loss	**0.00**	**0.84**	**0.18**	**1.25**
Weighted-average number of shares outstanding (in millions)	2,167	2,167	2,167	2,167

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.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets

€ in millions	June 30, 2019 E.ON Group	June 30, 2019 Associates[1]	June 30, 2019 Joint ventures[1]	December 31, 2018 E.ON Group	December 31, 2018 Associates[1]	December 31, 2018 Joint ventures[1]
Companies accounted for under the equity method	2,485	1,374	1,111	2,603	1,421	1,182
Equity investments	724	252	25	664	250	20
Non-current securities	2,681	–	–	2,240	–	–
Total	**5,890**	**1,626**	**1,136**	**5,507**	**1,671**	**1,202**

[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 €217 million from companies accounted for under the equity method (first six months of 2018: €146 million) includes no impairments. The increase is primarily due to the higher earnings contribution from the investment in Enerjisa Üretim.

(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, 2019, was 2,167,149,433 (December 31, 2018: 2,167,149,433).

As of June 30, 2019, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2018: 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 14, 2019, the shareholders voted to distribute a dividend of €0.43 (2018: €0.30) for each dividend-paying ordinary share in the second quarter of 2019, which corresponds to a total dividend amount of €932 million (2018: €650 million).

(10) Provisions for Pensions and Similar Obligations

The increase in provisions for pensions and similar obligations by €688 million relative to year-end 2018 was primarily due to actuarial losses resulting from the decrease in the discount rates used by the E.ON Group and to additions of the net periodic pension cost. The actual return on plan assets and employer contributions to plan assets 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, 2019	Dec. 31, 2018
Germany	1.30	2.00
United Kingdom	2.30	2.90

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

Net Defined Benefit Liability

€ in millions	June 30, 2019	Dec. 31, 2018
Present value of all defined benefit obligations	16,955	15,301
Fair value of plan assets	13,020	12,054
Net defined benefit liability	**3,935**	**3,247**
Presented as provisions for pensions and similar obligations	*3,935*	*3,247*

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	2019	2018	2019	2018
Employer service cost	32	38	62	72
Net interest on the net defined benefit liability	15	15	30	31
Past service cost	5	1	14	3
Total	**52**	**54**	**106**	**106**

(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, 2019

€ 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	113	1	–	112
Derivatives	1,749	54	1,695	–
Securities and fixed-term deposits	2,388	2,046	341	–
Cash and cash equivalents	–	–	–	–
Liabilities				
Derivatives	3,074	60	3,014	–

Carrying Amounts of Financial Instruments as of December 31, 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	110	–	–	110
Derivatives	1,537	37	1,461	39
Securities and fixed-term deposits	2,767	2,415	352	–
Cash and cash equivalents	698	698	–	–
Liabilities				
Derivatives	2,413	38	2,375	–

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, 2019, financial liabilities include bonds with a fair value of €11,462 million (December 31, 2018: €11,116 million). The carrying amount of the bonds as of June 30, 2019, is €8,887 million (December 31, 2018: €8,958 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, 2018. There were no reclassifications between these two fair-value-hierarchy levels in the first six months of 2019. 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, 2018	Purchases (including additions)	Sales (including disposals)	Settle-ments	Gains/ Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	June 30, 2019
Equity investments	110	2	–	–	–	–	–	–	112
Derivative financial instruments	39	–	–	–	–	–	-39	–	0
Total	**149**	**2**	**0**	**0**	**0**	**0**	**-39**	**0**	**112**

In the first half of 2019, derivative financial instruments with a fair value of €39 million were reclassified from hierarchy level 3 to hierarchy level 2 because fair values are no longer determined using valuation techniques but can be derived from active market prices.

The inputs of hierarchy level 3 for equity investments are determined taking into account economic developments and available industry and company data. A hypothetical 10-percent increase or decrease in the significant internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in fair value of €13 million or an increase of €14 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 €1,373 million as of June 30, 2019 (December 31, 2018: €1,301 million). Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements. As of June 30, 2019, 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.

Energy Networks

Germany

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

Sweden

This segment comprises the electricity 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 Business Solutions 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 page 42.

Non-Core Business

Held in the Non-Core Business segment are the non-strategic activities of the E.ON Group. This includes 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. Additional information regarding the Uniper Group is provided in Note 4.

Financial Information by Business Segment

First half € in millions	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany Sales		United Kingdom		Other	
	2019	2018[1]	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External sales	2,424	2,372	509	502	331	290	3,740	3,502	3,873	3,952	4,212	3,769
Intersegment sales	737	707	3	9	484	486	74	53	30	29	180	174
Sales	**3,161**	**3,079**	**512**	**511**	**815**	**776**	**3,814**	**3,555**	**3,903**	**3,981**	**4,392**	**3,943**
Depreciation and amortization[2]	**-306**	**-283**	**-78**	**-77**	**-116**	**-117**	**-21**	**-15**	**-61**	**-42**	**-95**	**-85**
Adjusted EBIT	**543**	**565**	**262**	**254**	**234**	**251**	**76**	**135**	**71**	**202**	**93**	**140**
Equity-method earnings[3]	*32*	*33*	–	–	*53*	*68*	–	–	–	–	*6*	*4*
Operating cash flow before interest and taxes	**280**	**580**	**323**	**421**	**403**	**404**	**-171**	**-112**	**56**	**20**	**191**	**231**
Investments	**346**	**231**	**136**	**163**	**161**	**186**	**24**	**10**	**94**	**92**	**225**	**107**

[1]Income and expenses resulting from the Renewable Energy Law's feed-in scheme in Germany have been netted out; we adjusted the prior-year figure accordingly (amount netted out in the first half of 2018: €1.7 billion).
[2]Adjusted for non-operating effects.
[3]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.
[4]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)	
	2019	2018	2019	2018	2019	2018
Sales	**16,089**	**15,356**	**-363**	**-291**	**15,726**	**15,065**

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	2019	2018
Operating cash flow before interest and taxes	**1,467**	**2,068**
Interest payments	-388	-419
Tax payments	-583	-229
Operating cash flow	**496**	**1,420**
Reclassified businesses at Renewables	-347	-335
Operating cash flow from continuing operations	**149**	**1,085**

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	2019	2018
Investments	**1,319**	**1,414**
Reclassified businesses at Renewables	-291	-448
Investments from continuing operations	**1,028**	**966**

		Non-Core Business									
Renewables[4]		PreussenElektra		Generation Turkey		Corporate Functions/ Other		Consolidation		E.ON Group[4]	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
417	339	573	601	–	–	10	29	–	–	16,089	15,356
390	402	–	–	–	–	268	289	-2,166	-2,149	0	0
807	**741**	**573**	**601**	**–**	**–**	**278**	**318**	**-2,166**	**-2,149**	**16,089**	**15,356**
-191	**-160**	**-101**	**-50**	**–**	**–**	**-26**	**-29**	**2**	**1**	**-993**	**-857**
275	**236**	**182**	**244**	**63**	**-20**	**-89**	**-66**	**7**	**1**	**1,717**	**1,942**
58	*17*	*28*	*29*	*63*	*-20*	*35*	*31*	*–*	*1*	*275*	*163*
407	**387**	**158**	**129**	**–**	**–**	**-177**	**19**	**-3**	**-11**	**1,467**	**2,068**
293	**449**	**4**	**9**	**–**	**154**	**37**	**16**	**-1**	**-3**	**1,319**	**1,414**

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 businesses' 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 businesses' 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. 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, 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 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

	Second quarter		First half	
€ in millions	2019	2018	2019	2018
Income/Loss from continuing operations before financial results and income taxes	**242**	**1,892**	**972**	**3,258**
Income/Loss from equity investments	40	47	42	51
EBIT	**282**	**1,939**	**1,014**	**3,309**
Non-operating adjustments	**198**	**-1,343**	**437**	**-1,594**
Net book gains/losses	*-7*	*-751*	*-19*	*-855*
Restructuring expenses	*52*	–	*90*	*26*
Market valuation of derivatives	*133*	*-627*	*336*	*-840*
Impairments (+)/Reversals (-)	–	–	–	–
Other non-operating earnings	*20*	*35*	*30*	*75*
Reclassified businesses of Renewables (adjusted EBIT)	62	62	266	227
Adjusted EBIT	**542**	**658**	**1,717**	**1,942**
Impairments (+)/Reversals (-)	1	–	5	–
Scheduled depreciation and amortization	403	344	802	700
Reclassified businesses of Renewables (scheduled depreciation and amortization, impairments and reversals)	93	82	186	157
Adjusted EBITDA	**1,039**	**1,084**	**2,710**	**2,799**

Page 12 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

Acquisition of Coromatic

On July 11, 2019, the E.ON Group completed the acquisition of 100 percent of Swedish service provider Coromatic, a leading provider of critical infrastructure in the Nordic market. The seller was EQT. The company is based in Stockholm and has approximately 500 employees. Coromatic has more than 5,000 customers in Scandinavia, operating in a large number of industries such as data centers, healthcare, public sector, transport, industry, telecoms, finance and retail. The parties have agreed not to disclose the purchase price. Overall, the transaction volume is of minor significance from a Group perspective.

Transfer of residual quantities of electricity

In July 2019, 10 TWh of residual quantities of electricity were acquired and transferred from the Krümmel nuclear power plant to the Grohnde nuclear power plant managed by PreussenElektra GmbH. This will allow the plant to continue operating until the fall of 2020.

Responsibility Statement

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 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 6, 2019

The Board of Management

Teyssen

Birnbaum

König

Spieker

Wildberger

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, 2019, 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 6, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Financial Calendar

November 13, 2019	Quarterly Statement: January – September 2019
March 25, 2020	Release of the 2019 Annual Report
May 12, 2020	Quarterly Statement: January – March 2020
May 13, 2020	2020 Annual Shareholders Meeting
August 12, 2020	Half-Year Financial Report: January – June 2020
November 11, 2020	Quarterly Statement: January – September 2020

Further information

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

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