Interim Report II/2016

2016

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights[1] January 1–June 30 € in millions	2016	2015	+/- %
Electricity sales[2] (billion kWh)	115.7	134.5	-14
Gas sales[2] (billion kWh)	85.1	102.4	-17
Sales	20,254	22,783	-11
Adjusted EBITDA[3]	2,901	3,293	-12
Adjusted EBIT[3]	2,001	2,122	-6
Net income/Net loss	-2,929	1,315	–
Net income/Net loss attributable to shareholders of E.ON SE	-3,034	1,149	–
Adjusted net income[3]	604	836	-28
Investments	1,323	1,127	+17
Cash provided by operating activities of continuing operations	1,644	1,859	-12
Cash provided by operating activities of continuing operations before interest and taxes	2,282	1,882	+21
Free cash flow[4]	687	3,186	-78
Economic net debt (June 30 and December 31)	25,499	27,714	-8
Employees (June 30 and December 31)	42,271	43,162	-2
Earnings per share[5,6] (€)	-1.55	0.59	–
Adjusted net income per share[5,6] (€)	0.31	0.43	-28
Shares outstanding (in millions, June 30 and December 31)	1,952	1,952	–

[1]Adjusted for discontinued operations.
[2]Additional information under Energy Tables on pages 45 and 46.
[3]Adjusted for extraordinary effects (see Glossary of Selected Financial Terms below).
[4]Equals cash provided by operating activities of continuing operations after disposal proceeds and investment expenditures.
[5]Based on shares outstanding.
[6]Attributable to shareholders of E.ON SE; includes income/loss from discontinued operations, net.

Glossary of Selected Financial Terms

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

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

Adjusted net income An earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating items. Along with effects from the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, and other material non-operating income and expenses (after taxes and non-controlling interests). Adjusted net income also excludes income/loss from discontinued operations, net (after taxes and non-controlling interests) and special tax effects.

Economic net debt Key figure that supplements net financial position with the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management), with pension obligations, and with asset-retirement obligations.

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

Interim Report II/2016

January 1–June 30, 2016

- Adjusted EBIT in core business higher
- Impairment charges and provisions for contingent losses at Uniper lead to significant net loss
- Forecast for full-year 2016 adjusted EBIT and adjusted net income affirmed

Contents

Dear Shareholders,

At our Annual Shareholders Meeting on June 8, an overwhelming majority of you—99.7 percent—voted to spin off a 53.35 percent majority stake in Uniper. I would again like to thank you for this outstanding display of trust.

Your decision paved the way for two companies to embark on their respective journeys. The first is E.ON, which is setting off into the new energy world. Since the beginning of this year E.ON has been focusing on energy networks, innovative customer solutions, and renewables. But your decision also enables Uniper to focus entirely on the future challenges of conventional power generation and energy trading. Two energy worlds with very different challenges, two companies with very different business models—this is the strategy we announced in December 2014. Less than two years later we're right on schedule, and one of the most ambitious transactions in the history of European industry is approaching the finish line. Nothing stands in the way of Uniper's stock-market listing in September. No lawsuits have been filed against the vote at the Annual Shareholders Meeting.

As E.ON shareholders you'll automatically become shareholders of two companies. For each ten shares of E.ON stock you own you'll be given one share of Uniper stock. The opportunities and risks haven't changed. The businesses are the same; they've just been divided into two companies. But now you'll be free to decide whether to keep both stocks and trust in both companies' opportunities in their respective energy worlds or to adjust your portfolio.

E.ON und Uniper will go their separate ways. For E.ON this means designing and delivering smart, green energy solutions that make our customers' lives easier and better in the fundamentally important area of energy supply. This applies to the digitalization of products and services as well. Digitalization is playing an increasingly important role in all of our lives. Customers expect to be able to accomplish a wide range of tasks swiftly and simply using digital, mobile technology. E.ON already ranks among the leading providers of digital solutions in the new energy world. But we want to be even more of a pacesetter. That's why we've established a new business unit that specializes in developing digital products and customer solutions, digitalizing processes, and designing big-data solutions. Our goal is to convince more and more customers to embrace these solutions and to become the leader in this market segment.

Our employees, my Management Board colleagues, and I are personally dedicated to the new E.ON's success. We intend to devote all our energy to ensuring that our vision of a new, resolutely customer-oriented E.ON quickly becomes a reality. The new E.ON benefits from a balanced opportunity-and-risk profile in which the stable earnings of our network business are supplemented by growth opportunities in customer solutions and renewables.

Our first-half results strengthen my conviction that our new strategy is the right response to the massive changes energy markets have undergone in recent years. In the first half of 2016 the new E.ON generated adjusted EBIT of about €2 billion and adjusted net income of about €600 million. Both figures are within our forecast range. Our core businesses delivered a solid performance, posting a slight increase in adjusted EBIT. Uniper's businesses are particularly challenging at the moment. In conjunction with Uniper's reclassification as a discontinued operation in E.ON's Consolidated Financial Statements, in the second quarter the company had to review the valuation of its assets and liabilities. This resulted in impairment charges of about €2.9 billion on generation and gas-storage assets and provisions for contingent losses of about €0.9 billion. These reduce E.ON's equity as well. But of course you can be assured that E.ON's transformation will be founded on a healthy and solid balance sheet. This includes our commitment to provide you, our investors, with transparency and, if necessary, to take clear action. Because we know that we need your trust to develop our business. And we're doing everything we can to continue to earn this trust in the future.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

At the end of the first half of 2016, E.ON stock (including reinvested dividends) was 6 percent above its year-end closing price for 2015, thereby outperforming its peer index, the STOXX Utilities (+/-0 percent), and the broader European stock market as measured by the EURO STOXX 50 index (-10 percent).

Despite an increase in the number of shares traded, E.ON stock's first-half trading volume declined by 23 percent year on year to €13.9 billion.

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

E.ON Stock

	June 30, 2016	Dec. 31, 2015
Shares outstanding (millions)	1,952	1,952
Closing price (€)	9.03	8.93
Market capitalization (€ in billions)[1]	17.6	17.4

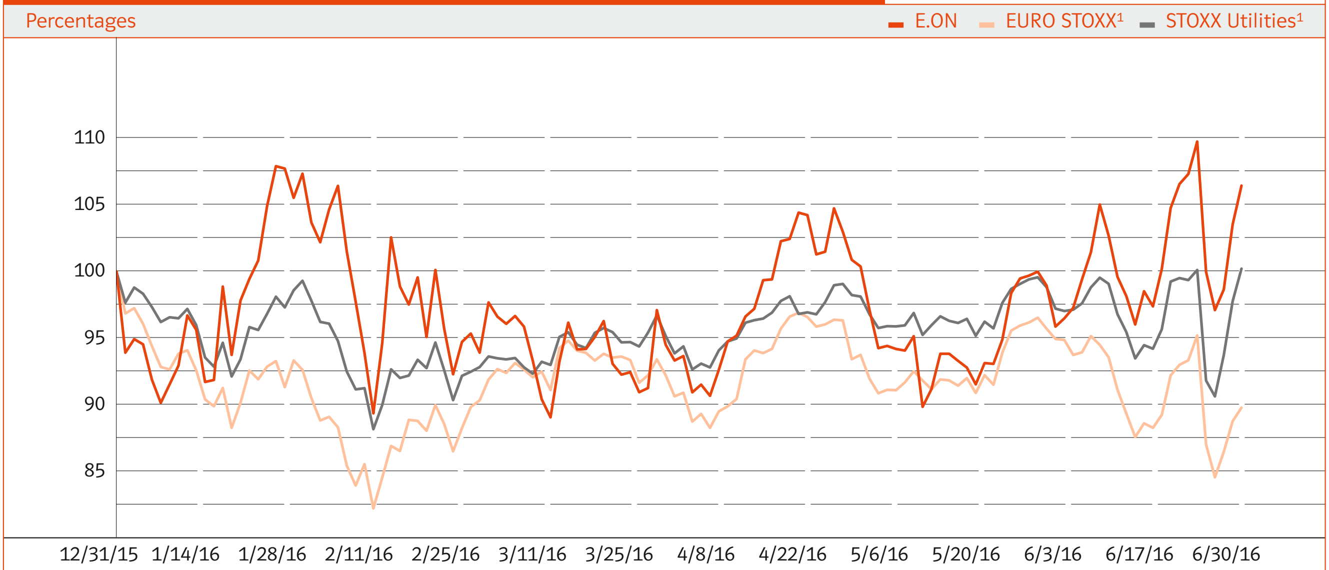
[1]Based on shares outstanding.

Performance and Trading Volume

January 1–June 30	2016	2015
High (€)[1]	9.64	14.74
Low (€)[1]	7.95	11.95
Trading volume[2]		
Millions of shares	*1,601.0*	*1,326.0*
€ in billions	*13.9*	*18.0*

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

E.ON Stock Performance



[1]Based on the performance index.

Corporate Profile

Business Model

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

Group Management

The main task of Group Management is to lead the entire E.ON Group by overseeing and coordinating its operating businesses. This includes charting E.ON's strategic course, defining its financial policy and initiatives, managing business issues that transcend individual markets, managing risk, continually optimizing E.ON's business portfolio, and conducting stakeholder management.

Energy Networks

This segment consists of our power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Slovakia, and Turkey). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out any necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer grid 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. Operations are subdivided into District Heating and Sales and Solutions. Our solutions are tailored to the individual needs of customers across all segments: residential, small and medium-sized enterprises, large commercial and industrial, and public entities. E.ON's main presence in this business is in Germany, the United Kingdom, Sweden, Italy, the Czech Republic, Hungary, and Romania. E.ON Connecting Energies, which provides customers with turn-key distributed energy solutions, is also part of this segment.

Renewables

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

Non-Core Business

This segment consists of our non-strategic operations, in particular the operation of our nuclear power stations in Germany, which is managed by our PreussenElektra unit. Following the spinoff of Uniper, this equity investment will also be reported here.

New Features in Our Reporting

In view of our new strategy and the Annual Shareholders Meeting's vote to spin off Uniper, we applied IFRS 5 and report the Uniper Group as a discontinued operation. We therefore adjusted our 2016 and 2015 numbers, with the exception of our total assets and liabilities in 2015, to exclude Uniper and no longer provide commentary on its business performance. After the spinoff is completed and the deconsolidation has taken effect, Uniper will be recorded in our Consolidated Financial Statements as an associated company in accordance with our stake. We now report in line with E.ON's new segmentation described above. A segment called Other encompasses, for 2015 and proportionally for 2016, former E&P operations in the North Sea and generation operations in Italy and Spain that have since been divested.

In April 2016 the E.ON Management Board decided that adjusted earnings before interest and taxes ("adjusted EBIT") will supersede EBITDA as E.ON's key figure for indicating its businesses' long-term 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 a business's operating earnings independently of non-operating factors, interest and taxes.

Business Report

Industry Environment

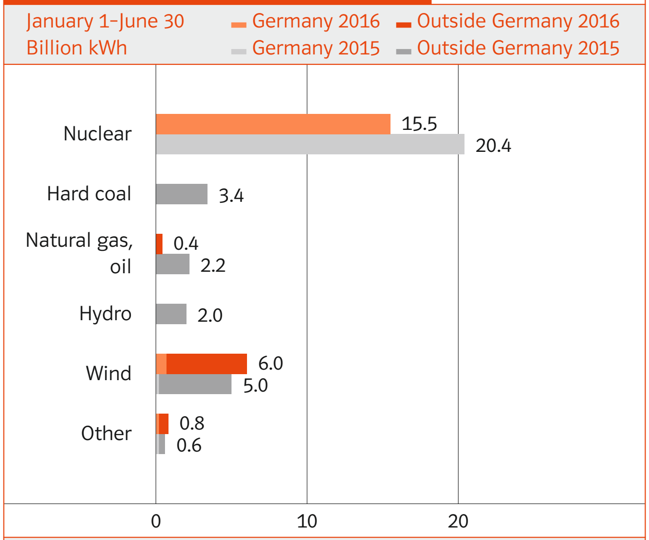
Energy Policy and Regulatory Environment
Alongside supplementary REMIT requirements, a number of more stringent financial market regulations were discussed in 2015. Of particular importance for the energy industry are the implementation measures of the Market in Financial Instruments Directive ("MiFID II"). A not inconsiderable degree of uncertainty remains regarding several of the directive's definitions and technical standards. In view of the many regulatory details still to be resolved, in March 2016 the European Parliament and Commission agreed to postpone until 2018 the date the directive takes effect. Greater clarity is expected sometime in 2016.

Business Performance

Power Procurement
The E.ON Group's first-half owned generation declined by 10.9 billion kWh, or 32 percent, from 33.6 billion kWh to 22.7 billion kWh. The principal reasons were the absence of output from generation operations in Italy and Spain that have since been divested, the decommissioning of Grafenrheinfeld nuclear power station in late June 2015, and an extended production outage at Grohnde nuclear power station due to a damaged secondary cooling pump.

We procured 98.7 billion kWh of power, which was 9.2 billion kWh, or 9 percent, lower than the prior-year figure of 107.9 billion kWh. The expiration of delivery contracts to Belgium, the Netherlands, and France led to a reduction in our nuclear power procurement. At Energy Networks' operations in Germany there was a reduction in passthrough in conjunction with the Renewable Energy Law, the power we procure comes predominantly from feed-in under this law. In addition, the prior-year figure includes power procurement of generation operations in Italy and Spain that have since been divested.

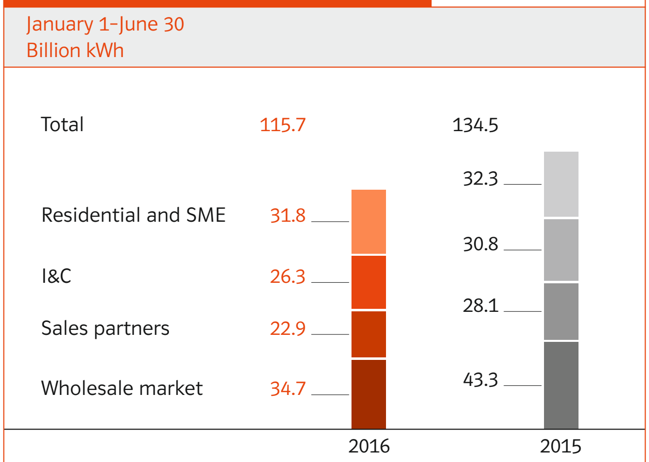
Owned Generation by Energy Source



Additional information under Energy Tables on pages 45 and 46.

Power Sales
The E.ON Group's first-half power sales were 18.8 billion kWh, or 4 percent, below the prior-year level.

Power Sales



Additional information under Energy Tables on pages 45 and 46.

Interim Group Management Report

Power sales to residential and small and medium enterprise ("SME") customers declined by 0.5 billion kWh, or 2 percent. In particular, this reflects lower sales volume at Customer Solutions in the United Kingdom due to adverse weather factors, declining customer numbers, and customers' energy-saving behavior.

Power sales to industrial and commercial ("I&C") customers were 4.5 billion kWh, or 15 percent, lower. The transfer of wholesale customers in Germany and a reduction in the number of customer facilities served along with lower offtake in the United Kingdom were the primary reasons for the decline at Customer Solutions.

Power sales to sales partners decreased by 5.2 billion kWh, or 19 percent, in particular because of the transfer of wholesale customers at Customer Solutions' business in Germany. In addition, Energy Networks experienced a decline in Germany, mainly because of lower sales volume in conjunction with the Renewable Energy Law (primarily due to a switch by generators to direct marketing) and a weather-driven decline in network feed-in; this sales volume consists of power fed into our networks under the Renewable Energy Law, exported to upstream networks, and billed by means of the passthrough mechanism.

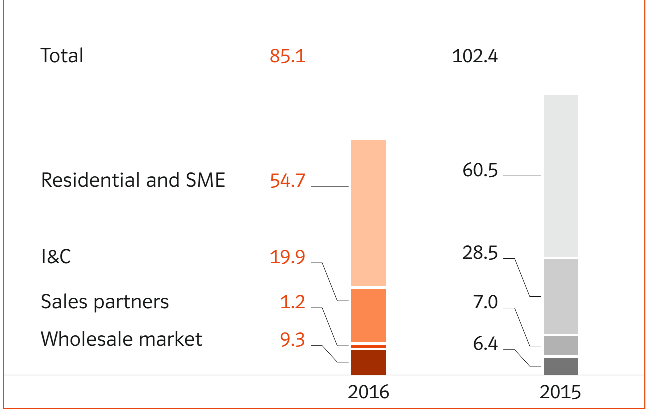
Sales volume to the wholesale market was 8.6 billion kWh, or 20 percent, below the prior-year level. The decline is mainly attributable to divested operations, the decommissioning of Grafenrheinfeld nuclear power station in late June 2015, the expiration of deliveries to Belgium, the Netherlands, and France, and an extended production outage at Grohnde nuclear power station. Customer Solutions' sales volume in Germany was significantly higher due to deliveries to Uniper Energy Sales for its wholesale customers and resales to Uniper Global Commodities.

Gas Sales

The E.ON Group's first-half gas sales decreased by 17.3 billion kWh, or 17 percent.

Gas Sales

January 1–June 30
Billion kWh



Additional information under Energy Tables on pages 45 and 46.

Gas sales to residential and SME customers decreased by 5.8 billion kWh, or 10 percent, mainly because of lower sales volume at Customer Solutions' businesses in Hungary, the United Kingdom, and Romania. A new strategy for the residential-customer business in Hungary and lower overall consumption, customer losses, and comparatively higher temperatures in the United Kingdom were the main factors. Lower overall consumption in Romania was another.

Gas sales to I&C customers were 8.6 billion kWh, or 30 percent, lower. The decline is mainly attributable to Customer Solutions due to the transfer of wholesale customers at the end of 2015 in Germany and a reduction in the number of customer facilities served along with lower offtake in the United Kingdom.

Gas sales to sales partners decreased by 5.8 billion kWh, or 83 percent, owing mainly to the already-mentioned transfer of wholesale customers in Germany.

Gas sales to the wholesale market rose by 2.9 billion kWh, or 45 percent. The increase is primarily attributable to Customer Solutions in Germany and its deliveries to Uniper Energy Sales. By contrast, sale volume in the Czech Republic declined significantly owing to higher credit risk in the marketplace.

Earnings Situation

Business Performance

Our business performance in the first half of 2016 was in line with our expectations. Our sales declined by 11 percent year on year to €20.3 billion. Adjusted EBIT in our core business rose by about €0.2 billion to €1.7 billion. The main positive effects were improved earnings in the United Kingdom, Romania, Sweden, and Hungary at Customer Solutions and the fact that Renewables' Amrumbank West and Humber Gateway wind farms were fully operational for the entire period. These effects were partially offset by lower earnings at Energy Networks. By contrast, adjusted EBIT for the E.ON Group declined by 6 percent to €2 billion owing to lower prices for our nuclear output in Germany and the absence of earnings streams from divested operations. Adjusted net income declined by €232 million to €604 million.

Sales

Our first-half sales of €20.3 billion were about €2.5 billion below the prior-year level. Sales declined by about €1.6 billion at Customer Solutions, by €0.6 billion at Non-Core Business, and by €1.1 billion at Corporate Functions/Other. Corporate Functions/Other encompasses, for 2015 and part of 2016, the sales of former E&P operations in the North Sea and generation operations in Italy and Spain that have since been divested.

Sales

	Second quarter			First half		
€ in millions	2016	2015	+/- %	2016	2015	+/- %
Energy Networks	4,141	3,925	+6	8,322	7,631	+9
Customer Solutions	4,898	5,586	-12	11,997	13,559	-12
Renewables	283	278	+2	680	604	+13
Non-Core Business	298	667	-55	751	1,396	-46
Corporate Functions/Other	279	750	-63	585	1,717	-66
Consolidation	-916	-932	–	-2,081	-2,124	–
E.ON Group	**8,983**	**10,274**	**-13**	**20,254**	**22,783**	**-11**

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €195 million was significantly above the prior-year figure of €119 million. The increase is predominantly attributable to own work capitalized in conjunction with the completion of IT projects.

Other operating income decreased by 26 percent, from €3,828 million to €2,822 million, mainly because income from currency-translation effects declined by €1,150 million, from €2,627 million to €1,477 million. Income from the sale of current securities from special funds was lower as well. By contrast, income from derivative financial instruments rose from €260 million in the prior-year period to €793 million this year. Corresponding amounts resulting from currency-translation effects and from derivative financial instruments are recorded under other operating expenses.

Costs of materials decreased by 11 percent, from €17,540 million to €15,685 million. This corresponds to the significant decline in our sales and primarily reflects lower procurement costs for power and gas.

As anticipated, a reduction in the number of employees caused personnel costs to decline from €1,513 million in the prior-year period to €1,454 million.

Depreciation charges declined by €319 million, from €1,272 million to €953 million. The sale of our U.K. and Norwegian E&P operations significantly reduced the depreciation charges on property, plant, and equipment and intangible assets. In addition, the closure of Grafenrheinfeld nuclear power station in 2015 reduced scheduled depreciation charges in the current year.

Other operating expenses decreased by 34 percent, from €4,596 million to €3,012 million, mainly because of lower expenditures relating to currency-translation effects, which declined by €1,578 million to €1,343 million. By contrast, expenditures relating to derivative financial instruments rose by €159 million to €318 million.

Income from companies accounted for under the equity method of €169 million was €43 million below the prior-year figure of €212 million, mainly because of lower earnings from equity interests at Energy Networks' business in Germany.

Adjusted EBIT

Our key figure for purposes of internal management control and as an indicator of our units' long-term earnings power is earnings before interest and taxes, which we adjust to exclude non-operating effects ("adjusted EBIT"; see the commentary in Note 13 to the Condensed Consolidated Interim Financial Statements).

First-half adjusted EBIT in our core business rose by about €224 million year on year. The main positive effects were:

- improved earnings at Customer Solutions' operations in the United Kingdom, Romania, Sweden, and Hungary
- the fact that Amrumbank West and Humber Gateway wind farms at Renewables were fully operational for the entire period in the current year.

These positive effects were partially offset by lower earnings at Energy Networks' operations in Germany.

By contrast, adjusted EBIT for the E.ON Group declined by 6 percent owing to:

- lower prices for our nuclear energy output in Germany
- the absence of earning streams from divested operations.

Adjusted EBIT

€ in millions	Second quarter 2016	Second quarter 2015	+/- %	First half 2016	First half 2015	+/- %
Energy Networks	302	404	-25	872	945	-8
Customer Solutions	71	43	+65	659	528	+25
Renewables	91	106	-14	254	201	+26
Corporate Functions/Other	-66	-91	–	-109	-204	–
Consolidation	-11	18	–	13	-5	–
Adjusted EBIT from core business	**387**	**480**	**-19**	**1,689**	**1,465**	**+15**
Non-Core Business (PreussenElektra)	35	50	-30	283	414	-32
Other (divested operations)	8	49	-84	29	243	-88
Adjusted EBIT	**430**	**579**	**-26**	**2,001**	**2,122**	**-6**

Business Segments

Energy Networks

This segment's sales rose by €691 million, whereas its adjusted EBIT declined by €73 million.

Sales rose by 11 percent in Germany on higher sales in conjunction with the Renewable Energy Law. The increase reflects effects from earlier reporting periods and higher passthrough payments from upstream network operators in line with their feed-in management. In addition, the feed-in of wind power (which has lower tariffs) declined relative to the prior-year period, whereas the feed-in of solar/biomass power (which has higher tariffs) increased. Adjusted EBIT declined by €101 million, primarily because of the absence of positive one-off effects recorded in 2015. In addition, amortization charges were higher due to an increase in investments.

Sales in Sweden were slightly higher owing to volume and price factors. Adjusted EBIT was significantly higher thanks to an improved gross margin in the power business. In addition, earnings in the prior-year period were adversely affected by costs in conjunction with storm damage.

Sales and adjusted EBIT at East Central Europe/Turkey were down slightly. Sales and adjusted EBIT declined significantly in Romania because of tariff effects and a reduction in gas passthrough. Adjusted EBIT was significantly higher in the Czech Republic due to improved margins and lower costs for internal services in Customer Solutions.

Energy Networks

€ in millions	Germany 2016	Germany 2015	Sweden 2016	Sweden 2015	East Central Europe/Turkey 2016	East Central Europe/Turkey 2015	Total 2016	Total 2015
Second quarter								
Sales	3,544	3,310	233	232	364	383	4,141	3,925
Adjusted EBITDA	301	361	125	119	127	137	553	617
Adjusted EBIT	144	241	84	77	74	86	302	404
First half								
Sales	7,002	6,297	509	501	811	833	8,322	7,631
Adjusted EBITDA	793	856	279	249	286	286	1,358	1,391
Adjusted EBIT	492	593	197	166	183	186	872	945

Customer Solutions

This segment's sales declined by €1.6 billion, whereas its adjusted EBIT increased by €131 million.

Sales in Germany decreased by 6 percent, primarily because of the transfer of wholesale customers. Adjusted EBIT was about 6 percent lower. The earnings decline is also attributable to the above-mentioned transfer of wholesale customers.

Lower sales volume, declining customer numbers, and a reduction in gas prices in January 2016 caused sales in the United Kingdom to decline by €849 million. Adjusted EBIT increased owing to lower costs in conjunction with government-mandated energy-efficiency measures.

Other's sales declined by €448 million. Lower sales volume and prices in the power and gas business had an adverse impact in Hungary and the Czech Republic. A reduction in gas sales volume due to the disposal of an equity interest led to lower sales in Italy. Other's adjusted EBIT rose by €69 million. Romania benefited from wider power and gas margins and improved receivables management, Sweden from higher earnings in the heat business, and Hungary from improved gas margins.

Customer Solutions

€ in millions	Germany 2016	Germany 2015	United Kingdom 2016	United Kingdom 2015	Other 2016	Other 2015	Total 2016	Total 2015
Second quarter								
Sales	1,736	1,826	1,721	2,124	1,441	1,636	4,898	5,586
Adjusted EBITDA	56	67	34	10	51	35	141	112
Adjusted EBIT	44	54	11	-20	16	9	71	43
First half								
Sales	4,150	4,415	4,356	5,205	3,491	3,939	11,997	13,559
Adjusted EBITDA	196	201	338	273	269	187	803	661
Adjusted EBIT	164	175	291	218	204	135	659	528

Renewables

This segment's sales and adjusted EBIT surpassed the prior-year figures by €76 million and €53 million, respectively.

Onshore Wind/Solar's sales and adjusted EBIT decreased primarily owing to declining prices and lower output in Europe. In addition, prior-year adjusted EBIT had benefited from book gains and a one-off effect.

Offshore Wind/Other's sales and adjusted EBIT rose by €134 million and €150 million, respectively, mainly because Amrumbank West and Humber Gateway wind farms were fully operational for the entire period in the current year and because of book gains.

Renewables

	Onshore Wind/Solar		Offshore Wind/Other		Total	
€ in millions	2016	2015	2016	2015	2016	2015
Second quarter						
Sales	151	182	132	96	283	278
Adjusted EBITDA	60	134	131	48	191	182
Adjusted EBIT	-6	77	97	29	91	106
First half						
Sales	347	405	333	199	680	604
Adjusted EBITDA	172	260	274	89	446	349
Adjusted EBIT	53	150	201	51	254	201

Corporate Functions/Other

This segment consists of E.ON SE itself and the share investments managed directly in this segment. The change in sales and adjusted EBIT relative to the previous year resulted primarily from the positive performance of derivative earnings and from currency-translation effects.

Non-Core Business (PreussenElektra)

The significant decline in sales (-€645 million) in this segment mainly reflects lower market prices, the decommissioning of Grafenrheinfeld nuclear power station in June 2015, and the expiration of deliveries to Belgium, the Netherlands, and France. Adjusted EBIT was €131 million lower, mainly because of the decommissioning of Grafenrheinfeld and declining market prices. Lower expenditures for the nuclear-fuel tax had a positive impact on adjusted EBIT in 2016.

Non-Core Business

	PreussenElektra	
€ in millions	2016	2015
Second quarter		
Sales	298	667
Adjusted EBITDA	57	105
Adjusted EBIT	35	50
First half		
Sales	751	1,396
Adjusted EBITDA	327	519
Adjusted EBIT	283	414

Other (Divested Operations)

This segment encompasses the sales and adjusted EBIT of former E&P operations in the North Sea and generation operations in Italy and Spain that have since been divested.

Net Income

First-half net income attributable to shareholders of E.ON SE of -€3 billion and corresponding earnings per share of -€1.55 were substantially below the respective prior-year figures of €1.1 billion and €0.59.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and consists of Uniper's earnings. The significant loss recorded in 2016 is mainly attributable to impairment charges and provisions for contingent losses. Note 4 to the Condensed Consolidated Interim Financial Statements contains more information about these matters. The prior-year figure also includes the earnings of the Spain regional unit.

We had a tax expense of €567 million compared with €281 million in the prior-year period. Our tax rate on income from continuing operations increased from 22 percent to 37 percent. This resulted mainly from expenditures in the current-year period that did not reduce our tax burden and one-off effects relating to tax expenses for prior-years.

First-half net book gains were €327 million below the prior-year figure. In 2016 a book gain on the sale of securities was more than offset by a book loss on the sale of our U.K. E&P business. The prior-year figure includes book gains on the sale of securities, the remaining stake in E.ON Energy from Waste, and network segments in Germany.

Net Income/Loss

€ in millions	Second quarter 2016	Second quarter 2015	First half 2016	First half 2015
Net income/loss	**-4,195**	**143**	**-2,929**	**1,315**
Attributable to shareholders of E.ON SE	*-4,204*	*90*	*-3,034*	*1,149*
Attributable to non-controlling interests	*9*	*53*	*105*	*166*
Income/Loss from discontinued operations, net	4,393	-102	3,884	-329
Income/Loss from continuing operations	**198**	**41**	**955**	**986**
Income taxes	154	-8	567	281
Financial results	382	298	826	757
Income/Loss from continuing operations before financial results and income taxes	**734**	**331**	**2,348**	**2,024**
Income/Loss from equity investments	12	26	-12	14
EBIT	**746**	**357**	**2,336**	**2,038**
Non-operating adjustments	**-316**	**222**	**-335**	**84**
Net book gains (-)/losses (+)	*21*	*-85*	*25*	*-302*
Restructuring and cost-management expenses	*80*	*77*	*129*	*118*
Marking to market of derivative financial instruments	*-423*	*163*	*-552*	*152*
Impairments (+)/Reversals (-)	*39*	*27*	*44*	*118*
Other non-operating earnings	*-33*	*40*	*19*	*-2*
Adjusted EBIT	**430**	**579**	**2,001**	**2,122**
Impairments (+)/Reversals (-)	7	54	9	61
Scheduled depreciation and amortization	452	553	891	1,110
Adjusted EBITDA	**889**	**1,186**	**2,901**	**3,293**

Restructuring and cost-management expenditures rose by €11 million and, as in the prior-year period, resulted mainly from cost-cutting programs and the Uniper spinoff.

We use derivatives to shield our operating business from price fluctuations. Marking to market of derivatives at June 30, 2016, resulted in a positive effect of €552 million (prior year: -€152 million). This effect was recorded mainly at Customer Solutions.

Our impairment charges in the first half of 2016 were recorded in particular on Energy Networks' gas-storage capacity in Germany. In the prior-year period we recorded impairment charges primarily at Renewables and at generation operations in Italy that have since been sold.

Other non-operating earnings in the current and prior-year periods include a number of small positive and negative effects, such as impairment charges on securities.

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.

The E.ON Management Board uses this figure as the basis for its consistent dividend policy. The goal is to pay out to E.ON shareholders 40 to 60 percent of adjusted net income as dividends.

Adjusted Net Income

€ in millions	Second quarter 2016	Second quarter 2015	First half 2016	First half 2015
Income/Loss from continuing operations before financial results and income taxes	**734**	**331**	**2,348**	**2,024**
Income/Loss from equity investments	12	26	-12	14
EBIT	**746**	**357**	**2,336**	**2,038**
Non-operating adjustments	-316	222	-335	84
Adjusted EBIT	**430**	**579**	**2,001**	**2,122**
Interest expense shown in the consolidated statements of income	-394	-324	-814	-771
Interest expense (+)/income (-) not affecting net income	6	-3	4	-3
Operating earnings before interest and taxes	**42**	**252**	**1,191**	**1,348**
Taxes on operating earnings	-72	-78	-456	-361
Operating earnings attributable to non-controlling interests	-24	-62	-131	-151
Adjusted net income	**-54**	**112**	**604**	**836**

Financial Situation

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

Financial Position

Compared with the figure recorded at December 31, 2015 (€27.7 billion), our economic net debt declined by €2.2 billion to €25.5 billion, mainly because of the changes in how we report Uniper's operations. Exchange rates, particularly that of the British pound, also had a positive impact on our net financial position. These effects were partially offset by a significant increase in provisions for pensions resulting principally from a decline in actuarial interest rates.

Economic Net Debt

€ in millions	June 30, 2016	Dec. 31, 2015
Liquid funds	7,178	8,190
Non-current securities	4,662	4,724
Financial liabilities	-14,081	-17,742
FX hedging adjustment[1]	388	218
Net financial position	**-1,853**	**-4,610**
Provisions for pensions	-5,574	-4,210
Asset-retirement obligations	-18,072	-18,894
Economic net debt	**-25,499**	**-27,714**

[1]Excludes transactions relating to our operating business and asset management.

Standard & Poor's ("S&P") and Moody's long-term ratings for E.ON are BBB+ and Baa1, respectively. Moody's downgraded E.ON's long-term rating from A3 to Baa1 in March 2015, S&P from A- to BBB+ in May 2015. In February 2016 both rating agencies placed E.ON's long-term ratings on review for possible downgrades. The actions were based on a number of factors, including a sector-wide review of European utility companies with exposure to commodity and power price developments.

The decisions were also based on the uncertainties surrounding the policy discussions on the possible funding of German nuclear provisions. In May 2016 both S&P and Moody's concluded their reviews and affirmed their long-term ratings of BBB+ and Baa1, respectively. The outlook for both ratings is negative. The short-term ratings are A-2 (S&P) and P-2 (Moody's).

Investments

First-half investments in our core business were €230 million, total investments €196 million, above the prior-year level. We invested €1,252 million in property, plant, and equipment and intangible assets (prior year: €1,102 million). Share investments totaled €71 million versus €25 million in the prior-year period.

Investments

January 1–June 30 € in millions	2016	2015	+/- %
Energy Networks	534	435	+23
Customer Solutions	250	169	+48
Renewables	473	457	+4
Corporate Functions/Other	52	13	+300
Consolidation	-5	–	–
Investments in core business	**1,304**	**1,074**	**+21**
Non-Core Business (PreussenElektra)	11	8	+38
Other (divested operations)	8	45	-82
E.ON Group investments	**1,323**	**1,127**	**+17**

Energy Networks' first-half investments were €99 million, or 23 percent, higher. In particular, investments in Germany of €303 million were significantly higher than the prior-year figure of €232 million; the increase is mainly attributable to the early completion of capital projects and, to a lesser degree, to higher investments in network connections, upgrades, and expansion. Investments in Sweden, Hungary, Romania, and the Czech Republic were slightly higher as well.

Customer Solutions invested €81 million more than in the prior-year period, primarily because of higher investments in Sweden, at E.ON Connecting Energies, and in the Czech Republic. Investments in Sweden served to maintain and expand existing assets and to expand and upgrade the distribution network, including adding new connections. The increase in E.ON Connecting Energies' investments principally reflects the expansion of its business of providing energy-efficiency solutions to industrial and commercial customers in Germany and the initial consolidation of a business in Italy. The completion of combined-heat-and-power units and higher investments in network-services equipment were among the reasons for the increase in the Czech Republic.

Investments at Renewables increased by €16 million. Onshore Wind/Solar's investments rose by €96 million, primarily because of the completion of a wind farm in Texas. Offshore/Other's investments declined by €80 million owing to a reduction in expenditures for new-build projects.

Investments at Non-Core Business (nuclear energy operations in Germany) were €3 million above the prior-year level.

Cash Flow

Cash provided by operating activities of continuing operations of €1.6 billion was €215 million below the prior-year figure. The decline resulted from the sale of companies (particularly our former E&P operations) and higher tax payments. This was partially offset by the positive development of working capital, particularly at Energy Networks' operations in Germany.

Cash Flow[1]

January 1–June 30 € in millions	2016	2015
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	1,644	1,859
- Investment expenditures	-1,323	-1,127
+ Disposal proceeds	366	2.454
Free cash flow	**687**	**3.186**
Operating cash flow before interest and taxes	2,282	1,882
Cash provided by (used for) investing activities	-1,519	945
Cash provided by (used for) financing activities	-2,089	-2,726

[1]From continuing operations.

Cash provided by investing activities of continuing operations amounted to -€1.5 billion compared with €0.9 billion in the prior-year period. Of this roughly -€2.4 billion change, -€2.1 billion resulted from lower cash inflows from disposals, mainly relating to the non-recurrence of proceeds on the sale of operations in Spain, the remaining 49 percent stake in E.ON Energy from Waste, and solar operations in Italy. Investments and net cash outflows to acquire securities, financial liabilities, and fixed deposits increased by a total of €0.4 billion. This was partially offset by a €0.1 billion reduction in the increase in restricted cash.

Cash provided by financing activities of continuing operations amounted to -€2.1 billion (prior year: -€2.7 billion). The change of roughly +€0.6 billion is mainly attributable to a €0.9 billion reduction in the net repayment of financial liabilities and a €0.3 increase in the dividend payout to E.ON SE shareholders.

Asset Situation

Non-current assets at June 30, 2016, were substantially below the level of year-end 2015, primarily because of the reclassification of Uniper operations as assets held for sale, which are reported under current assets. In particular, this reclassification led to a significant reduction in our fixed assets.

Current assets were about €15.6 billion above the year-end figure. The reclassification of Uniper's current assets as assets held for sale led to significant changes in this line item. The increase in current assets resulted primarily from the above-mentioned reclassification of Uniper's non-current assets as assets held for sale. Impairment charges and changes in working capital at Uniper were the main reasons for the significant reduction in total assets.

Our equity ratio at June 30, 2016, was 12 percent, which is below the year-end figure of 17 percent. The decline reflects our net loss, the remeasurement of defined-benefits plans due to lower actuarial interest rates, and the dividend payout.

Non-current liabilities declined by 20 percent from the figure at year-end 2015. As on the asset side, the reduction reflects the reclassification of Uniper's non-current liabilities as current liabilities. This was partially offset by an increase in provisions for pensions and other obligations due to lower actuarial interest rates.

Current liabilities rose by 14 percent relative to year-end 2015. Here, too, the reclassification of Uniper's liabilities led to significant changes in this line item. The increase in current liabilities reflects the reclassification of Uniper's non-current liabilities as current liabilities. This was partially offset by changes in working capital, in particular at Uniper.

The following key figures indicate the E.ON Group's asset and capital structure:

- Non-current assets are covered by equity at 28 percent (December 31, 2015: 26 percent).
- Non-current assets are covered by long-term capital at 140 percent (December 31, 2015: 109 percent).

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2016	%	Dec. 31, 2015	%
Non-current assets	43,681	44	73,612	65
Current assets	55,632	56	40,081	35
Total assets	**99,313**	**100**	**113,693**	**100**
Equity	12,157	12	19,077	17
Non-current liabilities	48,863	49	61,172	54
Current liabilities	38,293	39	33,444	29
Total equity and liabilities	**99,313**	**100**	**113,693**	**100**

Employees

At June 30, 2016, the E.ON Group had 42,271 employees worldwide, a decline of just over 2 percent from year-end 2015. E.ON also had 762 apprentices in Germany and 128 board members and managing directors worldwide. As of the same date, 25,281 employees, or 60 percent of all employees, were working outside Germany, slightly lower than the 61 percent at year-end 2015.

Employees[1]

	June 30, 2016	Dec. 31, 2015	+/- %
Energy Networks	16,659	14,932	+12
Customer Solutions	18,622	20,860	-11
Renewables	984	913	+8
Corporate Functions/Other[2]	3,976	4,237	-6
Core business	**40,241**	**40,942**	**-2**
Non-Core Business (PreussenElektra)	2,030	1,998	+2
Other (divested operations)	–	222	-100
E.ON Group	**42,271**	**43,162**	**-2**

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

The hiring of apprentices in Germany as full-time employees and, in particular, the transfer of service employees in Romania from Customer Solutions were the main reasons for the increase in Energy Networks' headcount. This was partially offset by restructuring in Romania.

The transfer of service employees in Romania to Energy Networks along with restructuring were the main reasons for the decline in Customer Solutions' headcount.

The filling of vacancies and business expansion in the United States led to an increase in the number of employees at Renewables.

Transfers to Uniper as part of the spinoff project led to a significant decline in headcount at Corporate Functions/Other. This does not include divested operations.

Non-Core Business currently consists of our nuclear energy business in Germany. The separation of this business from operations now at Uniper led to a need to add staff in some departments, resulting in a slight increase in the number of employees.

The decline in headcount at Other resulted from the sale of E&P operations.

Forecast Report

Macroeconomic Situation

International organizations, such as the International Monetary Fund, as well as national organizations continue to forecast moderately positive growth for the global economy, albeit with significant variances between regions. The economic picture in Europe deteriorated slightly, with the result that although growth is predicted for Germany and many other EU countries in 2016, uncertainties remain.

Earnings Performance

Our forecast for the E.ON Group's full-year 2016 earnings continues to be significantly influenced by the difficult business environment in the energy industry.

We continue to expect our adjusted EBIT to be between €2.7 and €3.1 billion (2015 for E.ON: €3.6 billion) and our adjusted net income to be between €0.6 and €1 billion (2015 for E.ON: €1.1 billion).

Forecast by segment:

We expect Energy Networks' 2016 adjusted EBIT to be below the prior-year figure of €1.8 billion. The start of the new regulation period in Sweden will have a positive effect on earnings. The absence of a one-off effect recorded in 2015 in conjunction with the release of provisions in Germany will be the principal adverse factor.

We anticipate that Customer Solutions' adjusted EBIT will be at the prior-year level of €0.8 billion. We expect this segment to benefit from improved margins and lower costs in the United Kingdom and Eastern Europe (particularly in Romania) and more seasonally typical weather patterns in Sweden. The absence of a one-off effect recorded in 2015 in conjunction with the release of provisions in Germany will have an adverse impact on earnings.

We expect Renewables' adjusted EBIT to be significantly above the prior-year figure of €0.4 billion, primarily because Amrumbank West and Humber Gateway offshore wind farms will deliver earnings for the entire year.

We expect adjusted EBIT at Non-Core Business to be significantly below the prior-year figure of €0.6 billion. The effects of a further decline in power prices and the decommissioning of Grafenrheinfeld nuclear power station will be partially offset by lower nuclear-fuel tax payments and cost savings.

Risk Report

The Combined Group Management Report contained in our 2015 Annual Report describes in detail our risk management system and the measures we take to limit risks.

Risk Situation

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—market risks, operational risks, external risks, strategic risks, technological risks, and counterparty risks—are described in detail in the 2015 Combined Group Management Report. These risks remained essentially unchanged at the end of the first half of 2016.

However, the situation surrounding the following external risks has changed, or risks have arisen since the end of last year:

In April 2015 the German Federal Ministry for Economic Affairs and Energy commissioned an auditing firm to conduct stress tests; that is, to review the nuclear-energy provisions of the country's nuclear operators. The results were communicated in October 2015. Furthermore, in November 2015 the federal government promulgated a draft Act on Continued Liability for Nuclear Decommissioning and Disposal Costs. In addition, in October 2015 the federal government appointed a Commission for Organizing and Financing the Nuclear Energy Phaseout. The commission communicated its recommendations on April 27, 2016. It recommends that the German state assume responsibility for intermediate and final storage. In return for transferring provisions and a 35-percent risk premium to the state, operators would no longer be liable for the future risks of storage. Operators would remain responsible and liable for decommissioning and dismantling. On June 1, 2016, the federal government issued a statement that it intends to implement the commission's recommendations and subsequently began to prepare draft legislation. This legislation would include amending the draft Act on Continued Liability such that spun-off companies and parts of companies would be subject to continued liability with regard to the public fund that is to be established. At this point it is uncertain in what form the recommendations will be reflected in the legislation and what the resulting potential risks might be. If the commission's recommendations become law, the risk premium would have a corresponding adverse effect on earnings.

If the stock-market listing of Uniper SE results in a market valuation that is below the Uniper Group's proportional net assets, E.ON SE would have to record an impairment charge. This could result in a further significant reduction in E.ON SE's equity, which could lead to a deterioration of the E.ON Group's creditworthiness and debt-bearing capacity.

On June 24, 2016, the Competition and Markets Authority ("CMA") presented the final report of its investigation of the energy market in Great Britain. The investigation was based on a number of theories, including that British electricity and gas markets may suffer from insufficient competition between the six leading energy suppliers and from overregulation. Among the CMA's key findings in the report is that a lack of customer activity and engagement is giving energy suppliers market power leading to excessive prices and profits. This applies in particular to residential customers with prepayment meters whose ability to switch suppliers is limited due to technical reasons. The remedies that E.ON welcomes include a lowering of regulatory marketing barriers and a program to improve communications with customers. The CMA proposes the creation of a customer database that can be accessed by all energy suppliers and the introduction of a temporary price cap for prepayment tariffs (except for customers with smart meters). E.ON is currently examining the CMA's findings and remedies in detail, their impact on our business, and the possibility of a legal review of the findings.

Management's Evaluation of the Risk Situation

At the end of the first half of 2016 the risk situation of the E.ON Group's operating business had not changed significantly compared with year-end 2015, although the policy and regulatory risk situation did deteriorate further. In particular, the possible consequences of the recommendations of the Commission for Organizing and Financing the Nuclear Energy Phaseout as well as the upcoming stock-market listing of Uniper might have an adverse effect on our asset and earnings situation. Policy and regulatory intervention, increasing gas-market competition and its effect on sales volumes and prices, and possible delays and higher costs for power and gas new-build projects could adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks that could threaten the existence of the E.ON Group or individual segments.

Opportunity Report

The 2015 Combined Group Management Report describes the processes by which the E.ON Group identifies opportunities along with our businesses' main opportunities. With the exception of the following matter, these opportunities had not changed significantly as of the end of the first half of 2016.

E.ON filed a suit for damages against the states of Lower Saxony and Bavaria and against the Federal Republic of Germany for the nuclear-energy moratorium that was ordered following the reactor accident in Fukushima. The suit, which was filed with the Hanover State Court, sought approximately €380 million in damages which E.ON incurred when, in March 2011, Unterweser and Isar 1 nuclear power stations were required to temporarily suspend operations for several months until the thirteenth amended version of the Atomic Energy Act, which specifies the modalities for Germany's accelerated phaseout of nuclear energy, took effect. On July 4, 2016, the State Court issued a ruling rejecting the suit. We are considering whether to appeal this ruling.

Review Report

To E.ON SE, Düsseldorf

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, 2016, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Düsseldorf, August 9, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	April 1–June 30 2016	April 1–June 30 2015[1]	January 1–June 30 2016	January 1–June 30 2015[1]
Sales including electricity and energy taxes		9,219	10,539	20,834	23,421
Electricity and energy taxes		-236	-265	-580	-638
Sales[2]	(13)	**8,983**	**10,274**	**20,254**	**22,783**
Changes in inventories (finished goods and work in progress)		9	3	12	3
Own work capitalized		105	62	195	119
Other operating income[3]		1,146	930	2,822	3,828
Cost of materials		-7,286	-8,263	-15,685	-17,540
Personnel costs		-755	-774	-1,454	-1,513
Depreciation, amortization and impairment charges		-506	-619	-953	-1,272
Other operating expenses[3]		-1,037	-1,401	-3,012	-4,596
Income/Loss from companies accounted for under the equity method		75	119	169	212
Income/Loss from continuing operations before financial results and income taxes		**734**	**331**	**2,348**	**2,024**
Financial results	(6)	-382	-298	-826	-757
Income/Loss from equity investments		*12*	*26*	*-12*	*14*
Income/Loss from other securities, interest and similar income		*84*	*158*	*162*	*293*
Interest and similar expenses		*-478*	*-482*	*-976*	*-1,064*
Income taxes		-154	8	-567	-281
Income/Loss from continuing operations		**198**	**41**	**955**	**986**
Income/Loss from discontinued operations, net	(4)	-4,393	102	-3,884	329
Net income/loss		**-4,195**	**143**	**-2,929**	**1,315**
Attributable to shareholders of E.ON SE		*-4,204*	*90*	*-3,034*	*1,149*
Attributable to non-controlling interests		*9*	*53*	*105*	*166*
in €					
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted	(7)				
from continuing operations		0.10	-0.01	0.43	0.42
from discontinued operations		-2.25	0.06	-1.98	0.17
from net income/loss		**-2.15**	**0.05**	**-1.55**	**0.59**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]The principal causes of the substantial reduction in sales were the sales of the E&P activities in the North Sea and of the generation activities in Italy and Spain. In addition, lower market prices, the decommissioning of the Grafenrheinfeld nuclear power plant at the end of June 2015 and the expiration of deliveries in Belgium, the Netherlands and France all led to a reduction in sales at the German nuclear activities.
[3]Changes in other operating income and other operating expenses, respectively, are due primarily to the reduction in realized gains and losses on currency derivatives.

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

€ in millions	April 1–June 30		January 1–June 30	
	2016	2015	2016	2015
Net income/loss	**-4,195**	**143**	**-2,929**	**1,315**
Remeasurements of defined benefit plans	-1,289	2,155	-3,106	1,090
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	3	-1	-10
Income taxes	261	-626	248	-337
Items that will not be reclassified subsequently to the income statement	**-1,028**	**1,532**	**-2,859**	**743**
Cash flow hedges	-85	686	-510	171
Unrealized changes	*-263*	*1,069*	*-958*	*938*
Reclassification adjustments recognized in income	*178*	*-383*	*448*	*-767*
Available-for-sale securities	37	-154	20	-61
Unrealized changes	*47*	*78*	*65*	*291*
Reclassification adjustments recognized in income	*-10*	*-232*	*-45*	*-352*
Currency translation adjustments	337	-78	550	794
Unrealized changes	*267*	*-78*	*480*	*794*
Reclassification adjustments recognized in income	*70*	–	*70*	–
Companies accounted for under the equity method	34	-136	16	-67
Unrealized changes	*34*	*-136*	*11*	*-67*
Reclassification adjustments recognized in income	–	–	*5*	–
Income taxes	-20	-197	-35	71
Items that might be reclassified subsequently to the income statement	**303**	**121**	**41**	**908**
Total income and expenses recognized directly in equity	**-725**	**1,653**	**-2,818**	**1,651**
Total recognized income and expenses (total comprehensive income)	**-4,920**	**1,796**	**-5,747**	**2,966**
Attributable to shareholders of E.ON SE	*-4,880*	*1,662*	*-5,703*	*2,658*
Continuing operations	*-400*	*1,166*	*-1,479*	*1,348*
Discontinued operations	*-4,480*	*496*	*-4,224*	*1,310*
Attributable to non-controlling interests	*-40*	*134*	*-44*	*308*

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Balance Sheets			
€ in millions	Note	June 30, 2016	Dec. 31, 2015
Assets			
Goodwill		3,480	6,441
Intangible assets		2,344	4,465
Property, plant and equipment		24,228	38,997
Companies accounted for under the equity method	(8)	3,884	4,536
Other financial assets	(8)	5,461	5,926
Equity investments		*799*	*1,202*
Non-current securities		*4,662*	*4,724*
Financial receivables and other financial assets		570	3,571
Operating receivables and other operating assets		1,658	5,534
Income tax assets		38	46
Deferred tax assets		2,018	4,096
Non-current assets		**43,681**	**73,612**
Inventories		727	2,546
Financial receivables and other financial assets		431	1,493
Trade receivables and other operating assets		5,624	25,331
Income tax assets		1,031	1,330
Liquid funds		7,178	8,190
Securities and fixed-term deposits		*1,926*	*2,078*
Restricted cash and cash equivalents		*1,045*	*923*
Cash and cash equivalents		*4,207*	*5,189*
Assets held for sale	(4)	40,641	1,191
Current assets		**55,632**	**40,081**
Total assets		**99,313**	**113,693**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		12,558	12,558
Retained earnings		2,773	9,419
Accumulated other comprehensive income[1]		-5,831	-5,835
Treasury shares	(9)	-1,714	-1,714
Equity attributable to shareholders of E.ON SE		**9,787**	**16,429**
Non-controlling interests (before reclassification)		2,924	3,209
Reclassification related to put options		-554	-561
Non-controlling interests		**2,370**	**2,648**
Equity		**12,157**	**19,077**
Financial liabilities		12,254	14,954
Operating liabilities		5,615	8,346
Income taxes		1,588	1,562
Provisions for pensions and similar obligations	(11)	5,574	4,210
Miscellaneous provisions		20,911	26,445
Deferred tax liabilities		2,921	5,655
Non-current liabilities		**48,863**	**61,172**
Financial liabilities		1,827	2,788
Trade payables and other operating liabilities		6,040	24,811
Income taxes		473	814
Miscellaneous provisions		1,979	4,280
Liabilities associated with assets held for sale	(4)	27,974	751
Current liabilities		**38,293**	**33,444**
Total equity and liabilities		**99,313**	**113,693**

[1]Thereof relating to discontinued operations (June 30, 2016): € -3,972 million.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

January 1–June 30 € in millions	2016	2015
Net income/loss	-2,929	1,315
Income/Loss from discontinued operations, net	3,884	-329
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	953	1,272
Changes in provisions	563	317
Changes in deferred taxes	150	84
Other non-cash income and expenses	-225	3
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-67	-348
Changes in operating assets and liabilities and in income taxes	-685	-455
Cash provided by (used for) operating activities of continuing operations (operating cash flow)[1]	**1,644**	**1,859**
Cash provided by (used for) operating activities of discontinued operations	2,101	2,469
Cash provided by (used for) operating activities	**3,745**	**4,328**
Proceeds from disposal of	366	2,454
Intangible assets and property, plant and equipment	*103*	*124*
Equity investments	*263*	*2,330*
Purchases of investments in	-1,323	-1,127
Intangible assets and property, plant and equipment	*-1,252*	*-1,102*
Equity investments	*-71*	*-25*
Changes in securities and fixed-term deposits	-474	-216
Changes in restricted cash and cash equivalents	-88	-166
Cash provided by (used for) investing activities of continuing operations	**-1,519**	**945**
Cash provided by (used for) investing activities of discontinued operations	-109	-672
Cash provided by (used for) investing activities	**-1,628**	**273**
Payments received/made from changes in capital[2]	-48	1
Cash dividends paid to shareholders of E.ON SE	-976	-706
Cash dividends paid to non-controlling interests	-110	-117
Changes in financial liabilities	-955	-1,904
Cash provided by (used for) financing activities of continuing operations	**-2,089**	**-2,726**
Cash provided by (used for) financing activities of discontinued operations	-524	-22
Cash provided by (used for) financing activities	**-2,613**	**-2,748**
Net increase/decrease in cash and cash equivalents	**-496**	**1,853**
Effect of foreign exchange rates on cash and cash equivalents	41	74
Cash and cash equivalents at the beginning of the year[3]	5,190	3,216
Cash and cash equivalents at the end of the quarter[4]	**4,735**	**5,143**
Less: Cash and cash equivalents of discontinued operations at the end of the quarter	**528**	**474**
Cash and cash equivalents of continuing operations at the end of the quarter[4]	**4,207**	**4,669**

[1]Additional information on operating cash flow is provided in Note 13.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents at the beginning of 2016 also include an amount of €1 million at E.ON E&P UK, which is presented as a disposal group. At the beginning of 2015, cash and cash equivalents also included a combined total of €6 million at the generation activities in Spain and Italy, which were presented as disposal groups, and a combined total of €19 million at the Spain and Italy regions, which were presented as discontinued operations.
[4]The figure for cash and cash equivalents of continuing operations as of June 30, 2015, also includes €21 million at the Italy region, which was reclassified back to continuing operations in the cash flow statement only, and €46 million from the generation activities in Italy, which were presented as a disposal group. Cash and cash equivalents of €474 million at the Uniper companies as of June 30, 2015, were not reclassified out of continuing operations on the consolidated balance sheet.

Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2015	**2,001**	**13,077**	**16,842**	**-4,917**	**887**	**-803**
Change in scope of consolidation						
Treasury shares repurchased/sold		-520	-7			
Capital increase						
Capital decrease						
Dividends			-966			
Share additions/reductions			-78			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			1,821	745	-38	130
Net income/loss			*1,149*			
Other comprehensive income			*672*	*745*	*-38*	*130*
Remeasurements of defined benefit plans			*672*			
Changes in accumulated other comprehensive income				*745*	*-38*	*130*
Balance as of June 30, 2015	**2,001**	**12,557**	**17,612**	**-4,172**	**849**	**-673**
Balance as of January 1, 2016	**2,001**	**12,558**	**9,419**	**-5,351**	**419**	**-903**
Change in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends			-976			
Share additions/reductions			37			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-5,707	536	-13	-519
Net income/loss			*-3,034*			
Other comprehensive income			*-2,673*	*536*	*-13*	*-519*
Remeasurements of defined benefit plans			*-2,673*			
Changes in accumulated other comprehensive income				*536*	*-13*	*-519*
Balance as of June 30, 2016	**2,001**	**12,558**	**2,773**	**-4,815**	**406**	**-1,422**

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-2,502	**24,585**	**2,723**	**-595**	**2,128**	**26,713**
		-54		-54	-54
787	260				260
		35		35	35
		-3		-3	-3
	-966	-168		-168	-1,134
	-78	63		63	-15
			-2	-2	-2
	2,658	308		308	2,966
	1,149	*166*		*166*	*1,315*
	1,509	*142*		*142*	*1,651*
	672	*71*		*71*	*743*
	837	*71*		*71*	*908*
-1,715	**26,459**	**2,904**	**-597**	**2,307**	**28,766**
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
					0
					0
		92		92	92
		3		3	3
	-976	-148		-148	-1,124
	37	-188		-188	-151
			7	7	7
	-5,703	-44		-44	-5,747
	-3,034	*105*		*105*	*-2,929*
	-2,669	*-149*		*-149*	*-2,818*
	-2,673	*-186*		*-186*	*-2,859*
	4	*37*		*37*	*41*
-1,714	**9,787**	**2,924**	**-554**	**2,370**	**12,157**

(1) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2016, 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").

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 2015 fiscal year.

This Interim Report prepared in accordance with IAS 34 is condensed compared with the scope applied to the Consolidated Financial Statements for the full year. For further information, including information about E.ON's risk management system, please refer to E.ON's Consolidated Financial Statements for the year ended December 31, 2015, which provide the basis for this Interim Report.

(2) Newly Adopted Standards and Interpretations

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions

In November 2013, the IASB published amendments to IAS 19. This pronouncement amends IAS 19 in respect of the accounting for defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) to a defined benefit plan are independent of the number of years of service, their nominal amount can still be deducted from the service cost. But if employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after February 1, 2015. The amendments have no material impact on E.ON's Consolidated Financial Statements.

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

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

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

In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," to have the exemption extended to business combinations. Accordingly, the amendment now also includes past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. They have no material impact on E.ON's Consolidated Financial Statements.

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

In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment, and to amortize intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 16 and IAS 41—Agriculture: Bearer Plants

In June 2014, the IASB published amendments to IAS 16 and IAS 41. They provide that bearer plants shall be accounted for in the same way as property, plant and equipment, in accordance with IAS 16. IAS 41 shall continue to apply for the produce they bear. As a result of the amendments, bearer plants will in future no longer be measured at fair value less estimated costs to sell, but rather in accordance with IAS 16, using either a cost model or a revaluation model. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 27—Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27, "Separate Financial Statements." The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The EU has adopted these amendments into European law. The amendments shall be applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

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

In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. They have no material impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 1, "Presentation of Financial Statements"

In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items on the balance sheet and in the statement of comprehensive income. The amendments further provide that an entity's share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. They have no impact on E.ON's Consolidated Financial Statements.

(3) Scope of Consolidation

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

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2015	**107**	**190**	**297**
Additions	–	1	1
Disposals/Mergers	4	5	9
Consolidated companies as of June 30, 2016[1]	**103**	**186**	**289**

[1]This also includes the Uniper entities reported as discontinued operations.

As of June 30, 2016, 43 companies were accounted for under the equity method (December 31, 2015: 42) and 1 company was presented pro rata as a joint operation (December 31, 2015: 1).

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2016

Uniper

In the course of a strategic realignment, E.ON had announced in December 2014 that it would spin off its conventional power generation, global energy trading and exploration and production business areas into a separate entity now called the Uniper Group. As part of the spinoff, a 53.35-percent stake in Uniper is to be issued to E.ON shareholders in preparation for Uniper's subsequent stock-market listing.

At the E.ON Annual Shareholders Meeting held on June 8, 2016, the Company's shareholders approved the spinoff with the support of 99.68 percent of the share capital represented at the meeting. The Uniper spinoff will take effect when it is entered in the commercial register, likely in the second half of 2016. E.ON shareholders will then receive one Uniper share for every ten E.ON shares they hold, as specified in the spinoff agreement. All Uniper shares shall be admitted for trading on the regulated market of the Frankfurt Stock Exchange on the day the spinoff becomes effective through entry in E.ON's commercial register file. It is expected that trading on the Frankfurt Stock Exchange will commence on the following exchange trading day. Once the spinoff takes effect, E.ON must report non-controlling interests equivalent to 53.35 percent of the net assets of the Uniper activities within the Group's equity at their carrying amounts.

After the spinoff has taken effect, E.ON and Uniper intend to enter into an agreement bringing about the deconsolidation of the Uniper Group by no later than the first half of 2017. The deconsolidation agreement will contain provisions regarding E.ON's abstention from exercising voting rights relating to the election of supervisory board members at Uniper shareholders' meetings. The agreement intends to ensure that, even though E.ON will initially continue to hold a minority interest in Uniper of 46.65 percent—which is likely to constitute a majority of share capital represented at any Uniper shareholders' meeting—the obligation to fully consolidate the Uniper Group in E.ON's consolidated financial statements will lapse. Once the spinoff and the deconsolidation agreement both take effect, E.ON will lose control of the Uniper Group's business activities.

The remaining 46.65-percent interest in Uniper is reclassified as an associated company once control is lost, and will subsequently be accounted for in the consolidated financial statements using the equity method.

For further information, please refer to the Joint Spin-off Report of the E.ON and Uniper boards of management.

From the time at which the Annual Shareholders Meeting grants its consent to the spinoff and until deconsolidation, Uniper meets the requirements for being reported as a discontinued operation. The income and losses from Uniper's ordinary operating activities are reported separately on the face of the Group's income statement under income/loss from discontinued operations, net. Prior-year income statement figures are adjusted accordingly. The relevant assets and liabilities are reported in a separate line on the balance sheet; prior-year figures are not adjusted. Uniper's cash flows are reported separately in the cash flow statement, with prior-year figures adjusted accordingly.

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

Pursuant to IFRS 5.18, the carrying amounts of all of Uniper's assets and liabilities must be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, based on the application of IAS 36, an impairment charge of €2.9 billion was recognized on non-current assets. Approximately €1.8 billion of this charge was attributable to European Generation, and approximately €1.1 billion to Global Commodities. The greatest individual impairment amounts were €0.8 billion and €0.7 billion charged, respectively, to two conventional power plants outside Germany, and €0.5 billion charged to storage infrastructure outside Germany. Reasons for the impairments included, in particular, the changed assessment of the regulatory framework and a deterioration in projected earnings for these plant assets. Testing for impairment involves determining recoverable amounts, which are the higher of their fair values less costs to sell and their values in use, for Uniper's cash-generating units. Determinations are made using discounted cash flow methods, and are based on the medium-term planning authorized by the Management Board. The principal assumptions underlying the determination by management of recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, business-related investment activity, changes in the regulatory framework, and the cost of capital. These assumptions are based on publicly available market data and on internal estimates. E.ON continues to make the general assumption that the market will not return to an equilibrium free from regulatory elements. Appropriate compensation elements were taken into account. The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit and, as of the measurement date, ranged between 5.4 and 6.1 percent after taxes. Furthermore, provisions as defined in IAS 37 were established for anticipated losses in the amount of €0.9 billion. The directly subsequent measurement of the Uniper Group as a discontinued operation takes place at the lower of its carrying amount and its fair value less costs to sell.

In the first half of 2016, E.ON generated revenues of €1,533 million (2015: €3,008 million), interest income of €180 million (2015: €71 million) and interest expenses of €8 million (2015: €20 million), as well as other income of €781 million (2015: €3,155 million) and other expenses of €5,792 million (2015: €6,500 million), with companies of the Uniper Group.

The following table shows selected financial information for the Uniper Group, which is reported as discontinued operations (after reallocation of elimination entries):

Selected Financial Information—Uniper (Summary)

January 1–June 30 € in millions	2016	2015
Sales	27,550	32,727
Other income	3,579	4,061
Other expense	-35,013	-36,318
Income/Loss from discontinued operations before income taxes	**-3,884**	**470**
Income taxes	-19	-141
Income/Loss from discontinued operations, net	**-3,903**	**329**

The table below summarizes the major classes of assets and liabilities of the Uniper Group, which is reported as a disposal group:

Major Balance Sheet Line Items—Uniper (Summary)

€ in millions	June 30, 2016
Intangible assets and goodwill	4,878
Property, plant and equipment	11,334
Miscellaneous assets	24,224
Assets held for sale	**40,436**
Liabilities	18,649
Provisions	9,323
Liabilities associated with assets held for sale	**27,972**

The preceding figures do not include receivables from or liabilities to the E.ON Group. Virtually all of the financial assets of €12.7 billion, and of the financial liabilities of €10.7 billion, reported within the disposal group were determined based on market prices or otherwise derived from market values.

E.ON or financial institutions instructed by E.ON have pledged collateral to guarantee the performance of contractual obligations by Uniper Group companies. These collateral pledges are intended to be replaced or assumed by the companies of the Uniper Group when the spinoff takes effect, at the latest.

Exploration and Production Business in the North Sea

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

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

E.ON had already signed an agreement to sell all of its shares in E.ON Exploration & Production Norge AS ("E.ON E&P Norge"), Stavanger, Norway, to DEA Deutsche Erdoel AG ("DEA"), Hamburg, Germany, in October 2015. The transaction value was $1.6 billion, including $0.1 billion in cash and cash equivalents on the balance sheet as of the January 1, 2015, effective date. The transaction resulted in a minimal gain on disposal when it closed in December 2015. The major asset and liability items of these activities, which were held in the Exploration & Production global unit, were goodwill (€0.1 billion), other non-current assets (€0.9 billion) and current assets (€0.2 billion), as well as liabilities (€1.0 billion).

As the disposal process for the North Sea E&P business took greater shape, it already became necessary to perform impairment tests on assets in the third quarter of 2015. These tests resulted in impairments totaling approximately €1 billion, which were partially offset by amortizing deferred tax liabilities to income in the amount of roughly €0.6 billion. In addition, the goodwill of approximately €0.8 billion attributable to these activities was written down by roughly €0.6 billion as of September 30, 2015.

Enovos International S.A.

In December 2015, E.ON signed an agreement to sell its 10-percent shareholding in Enovos International S.A., Esch-sur-Alzette, Luxembourg—joining with RWE AG ("RWE"), Essen, Germany, which is also selling its own 18.4-percent stake—to a bidder consortium led by the Grand Duchy of Luxembourg and the independent private investment company Ardian, Paris, France. The carrying amount of the 10-percent shareholding, which was reported within the Global Commodities unit, amounted to approximately €0.1 billion as of December 31, 2015. The transaction closed in the first quarter of 2016. The parties agreed to not disclose the purchase price.

AS Latvijas Gāze

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

Grid Connection Infrastructure for the Humber Gateway Wind Farm

Following the construction and entry into service of the Humber Gateway wind farm in the U.K. North Sea, E.ON is required by regulation to sell to an independent third party the associated grid connection infrastructure currently held by E.ON Climate & Renewables UK Humber Wind Ltd., Coventry, United Kingdom ("Humber Wind"). Because the disposal process has been initiated and the transaction is expected to close in the 2016 fiscal year, this grid connection infrastructure is reported as assets held for sale. The carrying amount as of June 30, 2016, was approximately €0.2 billion.

Arkona Offshore Wind Farm Partnership

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

Disposal Groups and Assets Held for Sale in 2015

E.ON in Spain

In late November 2014, E.ON entered into contracts with a subsidiary of Macquarie European Infrastructure Fund IV LP (the "Macquarie Fund"), London, United Kingdom, on the sale of its Spanish and Portuguese activities.

The activities sold include all of E.ON's Spanish and Portuguese businesses, including 650,000 electricity and gas customers and electricity distribution networks extending over a total distance of 32,000 kilometers. In addition, the activities include a total generation capacity of 4 GW from coal, gas, and renewable sources in Spain and Portugal. While the Spain regional unit was reported as a discontinued operation, the Spanish generation businesses held in the Generation and Renewables segments have been classified as disposal groups as of November 30, 2014.

The agreed transaction volume for the equity and for the assumption of liabilities and working capital positions was €2.4 billion. The respective classification as discontinued operations and disposal groups required that the Spanish and Portuguese businesses be measured at the agreed purchase price. This remeasurement produced a goodwill impairment of approximately €0.3 billion in 2014.

The following table shows selected financial information from the Spain regional unit now being reported as discontinued operations:

Selected Financial Information—E.ON Spain (Summary)[1]

January 1–June 30 € in millions	2016	2015
Sales	–	324
Other income/expenses, net	–	-284
Income/Loss from discontinued operations before income taxes	**0**	**40**
Income taxes	–	–
Income/Loss from discontinued operations, net	**0**	**40**

[1]This does not include the deconsolidation gain/loss.

The transaction closed on March 25, 2015, with a minimal loss on disposal. The disposed asset and liability items of the regional unit now being reported as discontinued operations were property, plant and equipment (€1.0 billion) and current assets (€0.5 billion), as well as provisions (€0.2 billion) and liabilities (€0.7 billion). The major asset items of the generation activities held as a disposal group were property, plant and equipment (€1.1 billion), intangible assets and goodwill (€0.4 billion), financial assets (€0.1 billion) and current assets (€0.4 billion). The liability items consisted primarily of provisions (€0.2 billion) and liabilities (€0.4 billion).

Notes to the Condensed Consolidated Interim Financial Statements

E.ON in Italy

As of December 31, 2014, against the backdrop of specifying its divestment intentions, E.ON reported the Italy regional unit under discontinued operations, and the Italian businesses held in its Generation and Renewables segments—except for the wind-power activities—as disposal groups.

The non-controlling interest in Gestione Energetica Impianti S.p.A. ("GEI"), Crema, Italy, was already sold in December 2014. Also agreed in December 2014 was the disposal of the Italian coal and gas generation assets to the Czech energy company Energetický a Průmyslový Holding ("EPH"), Prague, Czech Republic.

As the disposal process took greater shape, it also became necessary to reexamine the measurement of the Italian businesses on the basis of the expected proceeds on disposal. This remeasurement resulted in an impairment of approximately €1.3 billion as of December 31, 2014, of which roughly €0.1 billion was charged to goodwill and roughly €1.2 billion to other non-current assets.

A contract with F2i SGR S.p.A., Milan, Italy, for the sale of the solar activities held in the Renewables segment was signed and finalized in February 2015. Its major balance sheet items related to property, plant and equipment (€0.1 billion). There were no significant items on the liabilities side. The transaction closed with a minimal gain on disposal.

The disposal of the Italian coal and gas generation assets, which were reported as a disposal group, was finalized in July 2015. The result was a minimal deconsolidation gain. The disposed asset and liability items related to property, plant and equipment (€0.3 billion) and current assets (€0.2 billion) and to liabilities (€0.5 billion).

E.ON additionally signed an agreement in August 2015 to sell its Italian hydroelectric activities to ERG Power Generation S.p.A. ("ERG"), Genoa, Italy, at a purchase price of roughly €1.0 billion. This agreement, which resulted in a minimal gain on disposal, was finalized in December 2015. The major asset and liability items of the activities, which were held as a disposal group in the Renewables global unit, were property, plant and equipment (€0.5 billion), intangible assets (€0.5 billion) and current assets (€0.1 billion), as well as liabilities (€0.2 billion).

E.ON also decided in early August 2015 that it would retain and further develop the electricity and gas distribution business held by the Italy regional unit. Accordingly, because the planned sale was abandoned in the third quarter of 2015, the assets and liabilities and the results reported separately for the discontinued operations had to be reported once again in the individual line items of the balance sheet and the income statement, and the corresponding adjustments had to be made to the cash flow statement. This reverse reclassification resulted in no material impact on consolidated net income.

Esperanto Infrastructure

In late March 2015, E.ON signed an agreement with the Swedish private equity group EQT on the sale of the remaining 49-percent stake in Esperanto Infrastructure. The carrying amount of this Energy from Waste activity held in the Germany regional unit was €0.2 billion. The agreed transaction closed in late April 2015. It produced a gain of approximately €0.1 billion on disposal.

(5) Research and Development Costs

The E.ON Group's research and development costs under IFRS totaled €6.6 million in the first half of 2016 (first half of 2015: €7.9 million).

(6) Financial Results

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

Financial Results

€ in millions	April 1–June 30 2016	April 1–June 30 2015	January 1–June 30 2016	January 1–June 30 2015
Income/Loss from companies in which equity investments are held	42	33	45	38
Impairment charges/reversals on other financial assets	-30	-7	-57	-24
Income/Loss from equity investments	**12**	**26**	**-12**	**14**
Income/Loss from securities, interest and similar income	84	158	162	293
Interest and similar expenses	-478	-482	-976	-1,064
Net interest income/loss	**-394**	**-324**	**-814**	**-771**
Financial results	**-382**	**-298**	**-826**	**-757**

(7) Earnings per Share

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

Earnings per Share

€ in millions	April 1–June 30 2016	April 1–June 30 2015	January 1–June 30 2016	January 1–June 30 2015
Income/Loss from continuing operations	198	41	955	986
Less: Non-controlling interests	-12	-64	-115	-165
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**186**	**-23**	**840**	**821**
Income/Loss from discontinued operations, net	-4,393	102	-3,884	329
Less: Non-controlling interests	3	11	10	-1
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**-4,390**	**113**	**-3,874**	**328**
Net income/loss attributable to shareholders of E.ON SE	**-4,204**	**90**	**-3,034**	**1,149**
in €				
Earnings per share (attributable to shareholders of E.ON SE)				
from continuing operations	0.10	-0.01	0.43	0.42
from discontinued operations	-2.25	0.06	-1.98	0.17
from net income/loss	**-2.15**	**0.05**	**-1.55**	**0.59**
Weighted-average number of shares outstanding (in millions)	1,952	1,939	1,952	1,936

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

The increase in the weighted-average number of shares outstanding resulted primarily from the issue in the 2015 fiscal year of 19,615,021 treasury shares as part of the scrip dividend for distribution to E.ON shareholders who partially converted their cash dividend entitlements into shares of E.ON stock.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets

	June 30, 2016			December 31, 2015		
€ in millions	E.ON Group	Associates[1]	Joint ventures[1]	E.ON Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	3,884	1,480	2,404	4,536	2,092	2,444
Equity investments	799	250	1	1,202	278	10
Non-current securities	4,662	–	–	4,724	–	–
Total	**9,345**	**1,730**	**2,405**	**10,462**	**2,370**	**2,454**

[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 €169 million from companies accounted for under the equity method (first six months of 2015: €212 million) includes no impairments.

(9) Treasury Shares

Pursuant to a resolution by the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of June 30, 2016, was 1,952,396,600 (December 31, 2015: 1,952,396,600).

As of June 30, 2016, E.ON SE held a total of 48,603,400 treasury shares (December 31, 2015: 48,603,400) having a consolidated book value of €1,714 million (equivalent to 2.43 percent or €48,603,400 of the capital stock).

(10) Dividends

At the Annual Shareholders Meeting on June 8, 2016, shareholders voted to distribute a dividend for 2015 of €0.50 (2015: €0.50) for each dividend-paying ordinary share, which corresponds to a total dividend amount of €976 million (2015: €966 million).

(11) Provisions for Pensions and Similar Obligations

The increase in provisions for pensions and similar obligations relative to year-end 2015 was caused primarily by net actuarial losses, which mostly resulted from the decrease in the discount rates determined for the E.ON Group, and by additions attributable to the net periodic pension cost. These effects were partly offset by employer contributions to plan assets, by net pension payments in the first six months of 2016 and by currency translation effects.

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, 2016	Dec. 31, 2015
Germany	1.40	2.70
United Kingdom	2.90	3.80

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, 2016	Dec. 31, 2015
Present value of all defined benefit obligations	17,511	17,920
Fair value of plan assets	11,939	13,712
Net defined benefit liability	**5,572**	**4,208**
Presented as operating receivables	*-2*	*-2*
Presented as provisions for pensions and similar obligations	*5,574*	*4,210*

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

Net Periodic Pension Cost for Defined Benefit Plans

	April 1–June 30		January 1–June 30	
€ in millions	2016	2015	2016	2015
Employer service cost	51	74	98	138
Net interest on the net defined benefit liability	21	20	43	40
Past service cost	8	9	14	10
Total	**80**	**103**	**155**	**188**

(12) 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, 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, 2016

€ in millions	Total carrying amounts within the scope of IFRS 7	Determined using market prices	Derived from active market prices
Assets			
Equity investments	799	60	196
Derivatives	1,906	1,906	–
Securities and fixed-term deposits	6,588	5,971	617
Cash and cash equivalents	4,207	4,207	–
Restricted cash	1,045	1,045	–
Liabilities			
Derivatives	2,834	38	2,772

Carrying Amounts of Financial Instruments as of December 31, 2015

€ in millions	Total carrying amounts within the scope of IFRS 7	Determined using market prices	Derived from active market prices
Assets			
Equity investments	1,202	145	408
Derivatives	16,210	6,521	9,296
Securities and fixed-term deposits	6,802	6,268	463
Cash and cash equivalents	5,189	5,153	36
Restricted cash	923	923	–
Liabilities			
Derivatives	15,565	5,985	9,548

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. The fair value of the bonds as of June 30, 2016, was €15,433 million (December 31, 2015: €16,655 million). The carrying amount of the bonds as of June 30, 2016, was €11,967 million (December 31, 2015: €13,750 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, 2015. There were no reclassifications between these two fair-value-hierarchy levels in the first six months of 2016. However, equity investments were reclassified into Level 3 of the fair value hierarchy in the amount of €60 million, and out of Level 3 in the amount of €19 million, during this period. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

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

€ in millions	Jan. 1, 2016	Purchases (including additions)	Sales (including disposals)	Settle-ments	Gains/Losses in income state-ment	Transfers into Level 3	Transfers out of Level 3	Gains/Losses in OCI	June 30, 2016
Equity investments	649	12	-154	–	1	60	-19	-6	543
Derivative financial instruments	361	1	-359	-14	-11	–	-4	2	-24
Total	**1,010**	**13**	**-513**	**-14**	**-10**	**60**	**-23**	**-4**	**519**

The sales (including disposals) resulted in €509 million attributable to the presentation of the Uniper Group as a disposal group.

At the beginning of 2016, a net loss of €47 million from the initial measurement of derivatives was deferred. After realization of €17 million in deferred gains, the remainder at the end of the quarter was a deferred loss of €30 million, which will be recognized in income during subsequent periods as the contracts are settled.

Certain long-term energy contracts are measured using valuation models based on internal fundamental data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €8 million or an increase of €8 million, respectively.

Credit Risk

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Risk-management collateral was accepted in the amount of €5,101 million. Of this amount, €4,655 million is attributable to the Uniper Group. Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements and exchange clearing. As of June 30, 2016, 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.

Notes to the Condensed Consolidated Interim Financial Statements

(13) Segment Information

In line with its business realignment, the E.ON Group led by its Group Management in Essen, Germany, now comprises the seven new reporting segments described below, as well as a segment for its Non-Core business and the Corporate Functions/Other segment, all of which are reported here in accordance with IFRS 8, "Operating Segments" ("IFRS 8"). Information regarding Uniper SE, which is reported as a discontinued operation, is provided in Note 4.

Energy Networks

The following units are reported separately in accordance with IFRS 8.

Germany

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

Sweden

The E.ON Group also operates electricity and gas networks in Sweden.

Central Europe East/Turkey

This segment combines the corresponding business activities in the Czech Republic, Hungary, Romania, Slovakia and Turkey.

Customer Solutions

The following units are reported separately in accordance with IFRS 8.

Germany

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

Financial Information by Business Segment

	Energy Networks						Customer Solutions					
January 1–June 30	Germany		Sweden		CEE/Turkey		Germany		UK		Other	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales	6,161	5,476	502	495	335	324	4,110	4,330	4,315	5,156	3,363	3,794
Intersegment sales	841	821	7	6	476	509	40	85	41	49	128	145
Sales	**7,002**	**6,297**	**509**	**501**	**811**	**833**	**4,150**	**4,415**	**4,356**	**5,205**	**3,491**	**3,939**
Depreciation and amortization[1]	**-301**	**-263**	**-82**	**-83**	**-103**	**-100**	**-32**	**-26**	**-47**	**-55**	**-65**	**-52**
Adjusted EBIT	**492**	**593**	**197**	**166**	**183**	**186**	**164**	**175**	**291**	**218**	**204**	**135**
Equity-method earnings[2]	*32*	*72*	–	–	*46*	*38*	–	*10*	–	–	*5*	*6*
Operating cash flow before interest and taxes[3]	**929**	**210**	**278**	**246**	**302**	**238**	**-68**	**-95**	**136**	**106**	**481**	**182**
Investments	**303**	**232**	**114**	**98**	**117**	**105**	**27**	**23**	**108**	**75**	**115**	**71**

[1]Adjusted for non-operating effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of adjusted EBIT.
[3]Operating cash flow from continuing operations.

United Kingdom

The E.ON Group also conducts these activities in the United Kingdom.

Other

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

Renewables

The Renewables segment combines the Group's onshore wind, offshore wind and solar businesses. The segment's activities include all onshore and offshore wind farms, as well as all solar farms.

Non-Core Business

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

Corporate Functions/Other

The Corporate Functions/Other segment contains E.ON SE itself, the equity investments held directly within this segment and, for the previous year and part of 2016, some remaining contributions from the E&P activities in the North Sea and the generation activities in Italy and Spain, all of which have since been sold.

	Renewables		Non-Core Business		Corporate Functions/Other		Consolidation		E.ON Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	467	317	751	1,396	247	1,495	3	–	20,254	22,783
	213	287	–	–	338	222	-2,084	-2,124	0	0
	680	**604**	**751**	**1,396**	**585**	**1,717**	**-2,081**	**-2,124**	**20,254**	**22,783**
	-192	**-148**	**-44**	**-105**	**-35**	**-336**	**1**	**-3**	**-900**	**-1,171**
	254	**201**	**283**	**414**	**-80**	**39**	**13**	**-5**	**2,001**	**2,122**
	11	*13*	*41*	*40*	*34*	*25*	–	–	*169*	*204*
	407	**251**	**361**	**470**	**-415**	**62**	**-129**	**212**	**2,282**	**1,882**
	473	**457**	**11**	**8**	**60**	**58**	**-5**	**–**	**1,323**	**1,127**

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

Operating Cash Flow[1]

January 1–June 30 € in millions	2016	2015	Differ- ence
Operating cash flow before interest and taxes	**2,282**	**1,882**	**400**
Interest payments	-331	-402	71
Tax payments	-307	379	-686
Operating cash flow	**1,644**	**1,859**	**-215**

[1]Operating cash flow from continuing operations.

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

Adjusted EBIT

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

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

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

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

The non-operating earnings effects for which EBIT is adjusted include, in particular, 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, cost-management and restructuring expenses, impairment charges and reversals recognized in the context of impairment tests on non-current assets, on equity investments in affiliated or associated companies and on goodwill, and other contributions to non-operating earnings.

Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Effects from the fair value measurement of derivatives are also included in other operating expenses and income. Non-operating interest expense/income is the net interest result attributable to non-operating effects. Cost-management and restructuring expenses represent additional expenses that are not directly connected to operations. Other non-operating earnings encompass other non-operating income and expenses from individual issues that are rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement.

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

Reconciliation of Income before Financial Results and Income Taxes

€ in millions	April 1–June 30		January 1–June 30	
	2016	2015	2016	2015
Income/Loss from continuing operations before financial results and income taxes	**734**	**331**	**2,348**	**2,024**
Income/Loss from equity investments	12	26	-12	14
EBIT	**746**	**357**	**2,336**	**2,038**
Non-operating adjustments	**-316**	**222**	**-335**	**84**
Net book gains/losses	*21*	*-85*	*25*	*-302*
Restructuring/cost-management expenses	*80*	*77*	*129*	*118*
Market valuation derivatives	*-423*	*163*	*-552*	*152*
Impairments (+)/Reversals (-)	*39*	*27*	*44*	*118*
Other non-operating earnings	*-33*	*40*	*19*	*-2*
Adjusted EBIT	**430**	**579**	**2,001**	**2,122**

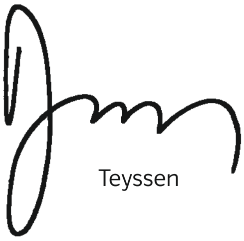
Page 14 of the Interim Group Management Report provides a more detailed explanation of the reconciliation of adjusted EBIT to the net income/loss reported in the Consolidated Financial Statements.

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 that the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, Germany, August 8, 2016

The Board of Management



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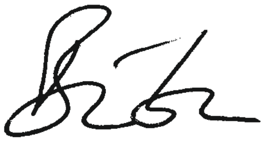

Birnbaum

Sen

Wildberger

Energy Tables

Power Procurement[1, 2]

January 1–June 30 Billion kWh	Energy Networks 2016	Energy Networks 2015	Customer Solutions 2016	Customer Solutions 2015	Renewables 2016	Renewables 2015	Non-Core Business 2016	Non-Core Business 2015	Corporate Functions/Other 2016	Corporate Functions/Other 2015	Consolidation 2016	Consolidation 2015	E.ON Group 2016	E.ON Group 2015
Owned generation	–	–	1.2	0.9	6.0	5.0	15.5	20.4	–	7.3	–	–	22.7	33.6
Purchases	23.7	25.8	73.2	74.3	1.1	1.2	2.7	5.5	–	1.1	-2.0	–	98.7	107.9
Jointly owned power plants/	–	–	*0.1*	*0.1*	*0.4*	*0.4*	*0.6*	*0.6*	–	–	–	–	*1.1*	*1.1*
third parties	*23.7*	*25.8*	*73.1*	*74.2*	*0.7*	*0.8*	*2.1*	*4.9*	–	*1.1*	*-2.0*	–	*97.6*	*106.8*
Total power procurement	**23.7**	**25.8**	**74.4**	**75.2**	**7.1**	**6.2**	**18.2**	**25.9**	**–**	**8.4**	**-2.0**	**–**	**121.4**	**141.5**
Station use, line loss, etc.	-3.9	-4.1	-1.7	-1.9	–	–	-0.1	-0.1	–	-0.9	–	–	-5.7	-7.0
Power sales	**19.8**	**21.7**	**72.7**	**73.3**	**7.1**	**6.2**	**18.1**	**25.8**	**–**	**7.5**	**-2.0**	**–**	**115.7**	**134.5**

[1]Adjusted for discontinued operations.
[2]2015 figures are pro forma and reflect our new segmentation.

Power Sales[1, 2]

January 1–June 30 Billion kWh	Energy Networks 2016	Energy Networks 2015	Customer Solutions 2016	Customer Solutions 2015	Renewables 2016	Renewables 2015	Non-Core Business 2016	Non-Core Business 2015	Corporate Functions/Other 2016	Corporate Functions/Other 2015	Consolidation 2016	Consolidation 2015	E.ON Group 2016	E.ON Group 2015
Residential and SME	0.3	0.3	31.6	32.0	–	–	–	–	–	–	-0.1	–	31.8	32.3
I&C	–	0.1	26.7	30.7	–	–	–	–	–	–	-0.4	–	26.3	30.8
Sales partners	18.6	20.1	1.7	5.6	1.0	0.6	1.6	1.8	–	–	–	–	22.9	28.1
Customer groups	**18.9**	**20.5**	**60.0**	**68.3**	**1.0**	**0.6**	**1.6**	**1.8**	**–**	**–**	**-0.5**	**–**	**81.0**	**91.2**
Wholesale market	0.9	1.2	12.7	5.0	6.1	5.6	16.5	24.0	–	7.5	-1.5	–	34.7	43.3
Total	**19.8**	**21.7**	**72.7**	**73.3**	**7.1**	**6.2**	**18.1**	**25.8**	**–**	**7.5**	**-2.0**	**–**	**115.7**	**134.5**

[1]Adjusted for discontinued operations.
[2]2015 figures are pro forma and reflect our new segmentation.

Gas Sales[1, 2]

January 1–June 30 Billion kWh	Energy Networks 2016	Energy Networks 2015	Customer Solutions 2016	Customer Solutions 2015	Corporate Functions/Other 2016	Corporate Functions/Other 2015	Consolidation 2016	Consolidation 2015	E.ON Group 2016	E.ON Group 2015
Residential and SME	1.0	1.0	53.7	59.5	–	–	–	–	54.7	60.5
I&C	0.8	0.9	19.2	27.6	–	–	-0.1	–	19.9	28.5
Sales partners	0.3	0.4	0.9	6.6	–	–	–	–	1.2	7.0
Customer groups	**2.1**	**2.3**	**73.8**	**93.7**	**–**	**–**	**-0.1**	**–**	**75.8**	**96.0**
Wholesale market	–	0.2	9.7	6.2	–	–	-0.4	–	9.3	6.4
Total	**2.1**	**2.5**	**83.5**	**99.9**	**–**	**–**	**-0.5**	**–**	**85.1**	**102.4**

[1]Adjusted for discontinued operations.
[2]2015 figures are pro forma and reflect our new segmentation.

Energy Tables

Owned Generation by Energy Source January 1–June 30 Billion kWh	Energy Networks 2016	Energy Networks 2015	Renewables 2016	Renewables 2015	Non-Core Business 2016	Non-Core Business 2015	Corporate Functions/ Other 2016	Corporate Functions/ Other 2015	E.ON Group 2016	E.ON Group 2015
Nuclear	–	–	–	–	15.5	20.4	–	–	15.5	20.4
Wind	–	–	0.7	0.2	–	–	–	–	0.7	0.2
Other	0.2	0.2	–	–	–	–	–	–	0.2	0.2
Germany	**0.2**	**0.2**	**0.7**	**0.2**	**15.5**	**20.4**	**–**	**–**	**16.4**	**20.8**
Hard coal	–	–	–	–	–	–	–	3.4	–	3.4
Natural gas, oil	0.4	0.3	–	–	–	–	–	1.9	0.4	2.2
Hydro	–	–	–	–	–	–	–	2.0	–	2.0
Wind	–	–	5.3	4.8	–	–	–	–	5.3	4.8
Other	0.6	0.4	–	–	–	–	–	–	0.6	0.4
Outside Germany	**1.0**	**0.7**	**5.3**	**4.8**	**–**	**–**	**–**	**7.3**	**6.3**	**12.8**
Total	**1.2**	**0.9**	**6.0**	**5.0**	**15.5**	**20.4**	**–**	**7.3**	**22.7**	**33.6**
Percentages										
Nuclear	–	–	–	–	100	100	–	–	68	60
Wind	–	–	12	4	–	–	–	–	3	1
Other	17	22	–	–	–	–	–	–	1	1
Germany	**17**	**22**	**12**	**4**	**100**	**100**	**–**	**–**	**72**	**62**
Hard coal	–	–	–	–	–	–	–	47	–	10
Natural gas, oil	33	33	–	–	–	–	–	26	2	7
Hydro	–	–	–	–	–	–	–	27	–	6
Wind	–	–	88	96	–	–	–	–	23	14
Other	50	44	–	–	–	–	–	–	3	1
Outside Germany	**83**	**78**	**88**	**96**	**–**	**–**	**–**	**100**	**28**	**38**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**–**	**100**	**100**	**100**

Financial Calendar

November 9, 2016	Interim Report: January – September 2016
March 15, 2017	Release of the 2016 Annual Report
May 10, 2017	Interim Report: January – March 2017
May 10, 2017	2017 Annual Shareholders Meeting
August 9, 2017	Interim Report: January – June 2017
November 8, 2017	Interim Report: January – September 2017

Further information

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