

# Interim Report

January – March **I/2017**

***e-on***

## E.ON Group Financial Highlights<sup>1</sup>

January 1–March 31 € in millions	2017	2016	+/- %
Sales	10,480	11,271	-7
Adjusted EBITDA <sup>2</sup>	1,517	2,012	-25
Adjusted EBIT <sup>2</sup>	1,038	1,571	-34
Net income/Net loss	735	1,266	-42
Net income/Net loss attributable to shareholders of E.ON SE	628	1,170	-46
Adjusted net income <sup>2</sup>	525	658	-20
Investments	588	581	+1
Cash provided by operating activities of continuing operations	857	539	+59
Cash provided by operating activities of continuing operations before interest and taxes	1,027	774	+33
Economic net debt (March 31 and December 31)	24,746	26,320	-6
Employees (March 31 and December 31)	42,681	43,138	-1
Earnings per share <sup>3,4</sup> (€)	0.31	0.60	-48
Adjusted net income per share <sup>3,4</sup> (€)	0.26	0.34	-24
Shares outstanding (in millions, March 31 and December 31)	2,152	1,952	+10

<sup>1</sup>Adjusted for discontinued operations.

<sup>2</sup>Adjusted for non-operating effects (see Glossary).

<sup>3</sup>Based on shares outstanding (weighted average).

<sup>4</sup>Attributable to shareholders of E.ON SE.

## Glossary of Selected Financial Terms

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

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

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

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

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

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## Dear Shareholders,

Our 2016 Annual Report enabled us wipe the slate clean from an accounting perspective and to put the past behind us. We're now fully focused on our core business: Energy Networks, Customer Solutions, and Renewables. In the first quarter of 2017 we recorded sales of €10.5 billion, adjusted EBIT of just over €1 billion, and adjusted net income of just over €0.5 billion. As expected, our first-quarter earnings are therefore below our prior-year earnings but are right in line with our guidance for full-year 2017. In our core business, Energy Networks' earnings performance was very good, while Renewables' performance was stable, as anticipated. The earnings decline was primarily at Customer Solutions' sales business. It resulted from the fact that higher procurement costs for power and gas from upstream suppliers in the United Kingdom, Germany, and Romania as well as higher network fees in Germany can only be passed on to our customers with a delay. In our non-core business, Brokdorf power station was offline longer than originally planned after an overhaul. These extraordinary factors in particular had an adverse impact on our first-quarter earnings but will largely be offset during the course of the year. At the conclusion of the first quarter we therefore affirm our forecast. We expect to post adjusted EBIT of €2.8 to €3.1 billion and adjusted net income of €1.2 to €1.45 billion in the current financial year and to maintain this level for the subsequent three years. This is ambitious, particularly since the competition faced by our Customer Solutions segment remains fierce. In addition, earnings will be lower over the medium term at our network business in Germany (due to regulatory changes that lower the allowable return on investment) and at our nuclear energy business. But we're confident that we'll be able to offset this through operating improvements and growth.

It's very important to our entire Management Board that you, our shareholders, benefit from the progress your company is making in implementing its new strategy. We're therefore going to propose to the Annual Shareholders Meeting that E.ON pay a dividend of 21 cents per share for the 2016 financial year. And next year we intend to increase the dividend by more than 40 percent to 30 cents per share.

We have a clear roadmap for guiding the new E.ON into the future. We're going to reduce E.ON's debt and strengthen its equity. The capital increase in March was already an important step in that direction. The demand for the new stock was strong, and the roughly €1.35 billion in proceeds is a good result. Our other measures are also moving forward briskly. We want to transfer our Nord Stream stake to our pension fund this year. At the same time, we're doing everything we can to unleash new energy for our core business: the Phoenix program is making our organization leaner, further enhancing our competitiveness, increasing our efficiency, and permanently reducing our annual costs by €400 million starting in 2018.

New products and services are strengthening the new E.ON's earning profile. We offer industrial and commercial customers a broad spectrum of energy solutions, in particular for distributed generation, energy efficiency, and energy management. And we're doing it successfully: multinational companies from a variety of sectors—companies like Procter & Gamble, NSG Pilkington, Evonik, and Radisson Blu—recently made E.ON their partner of choice. We're adopting new approaches in our solar business for residential customers as well. The launch of E.ON Aura, our battery storage system for solar panels, has been a real success. And just a few weeks ago we added another innovative product called E.ON SolarCloud, which gives our customers complete freedom in how they use the solar energy they produce. Surplus output is stored in the SolarCloud where it can be drawn on at any time, ensuring that customers can use all the green energy they produce. Soon this will be possible for even more customers. That's because we're partnering with Google to make it easier for homeowners to produce solar energy. The new product is called Sunroof. Its satellite images and weather data enable customers to assess the solar potential of their roof quickly and easily. Initially, Sunroof will be available for about 7 million buildings in Germany, including large population centers like Munich, Berlin, the Rhine-Main area, and the Ruhr region.

E.ON has already made good progress on its journey into the energy future. We intend to continue this journey resolutely. We've defined clear steps to strengthen our core business. And we have an outstanding team that meets challenges head-on, enabling us to create value. For our customers and for you, our shareholders.

Best wishes,



Dr. Johannes Teysen

At the end of the first quarter of 2017, E.ON stock was 11 percent above its year-end closing price for 2016. It thereby outperformed its peer index, the STOXX Utilities (+6 percent), and the broader European stock market as measured by the EURO STOXX 50 index (+7 percent).

The increase in the number of shares outstanding relative to year-end 2016 is attributable to the capital increase conducted in March by means of partial utilization of authorized capital. The capital increase yielded E.ON SE gross issuance proceeds of approximately €1.35 billion. Its purpose was to strengthen E.ON SE's equity and liquidity base in view of the adverse impact of the risk surcharge that E.ON will pay at mid-year into Germany's state-run nuclear energy fund.

Despite a similar number of shares traded, E.ON's first-quarter trading volume declined by 19 percent year on year to €6.1 billion.

Visit [eon.com](http://eon.com) for the latest information about E.ON stock.

### E.ON Stock

	March 31, 2017	Dec. 31, 2016
Shares outstanding (millions)	2,152	1,952
Closing price (€)	7.45	6.70
Market capitalization (€ in billions) <sup>1</sup>	16.0	13.1

<sup>1</sup>Based on shares outstanding.

### Performance and Trading Volume

January 1–March 31	2017	2016
High (€) <sup>1</sup>	7.55	8.49
Low (€) <sup>1</sup>	6.64	7.00
Trading volume <sup>2</sup>		
Millions of shares	861.2	863.1
€ in billions	6.1	7.5

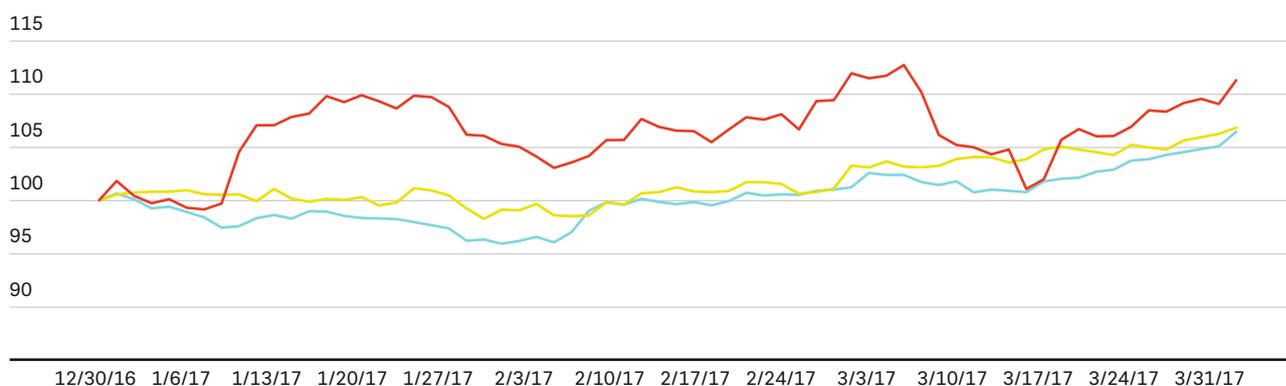
<sup>1</sup>Xetra; adjusted for Uniper.

<sup>2</sup>Source: Bloomberg (all German stock exchanges).

### E.ON Stock Performance

Percentages

— E.ON — EURO STOXX<sup>1</sup> — STOXX Utilities<sup>1</sup>



<sup>1</sup>Based on the performance index.



# Interim Group Management Report

January – March 2017

- **Forecast for full-year adjusted EBIT and adjusted net income affirmed**
- **Economic net debt reduced**
- **Operating cash flow significantly higher**
- **Capital increase in March successful**
- **First-quarter adjusted EBIT and adjusted net income below prior-year level**

## Corporate Profile

### Business Model

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

### Group Management

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

In view of our new strategy and the Annual Shareholders Meeting's vote to spin off Uniper, we applied IFRS 5 and reported the Uniper Group as a discontinued operation in 2016. We therefore adjusted our numbers to exclude Uniper and no longer provide commentary on its business performance. After the Control Termination Agreement took effect, Uniper was deconsolidated effective December 31, 2016, and is recorded in our Consolidated Financial Statements as an associated company in accordance with our stake and accounted for using the equity method. Uniper's earnings are reported under non-operating earnings.

### Energy Networks

This segment consists of our power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East-Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Slovakia, and

Turkey). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out any necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer connections.

### Customer Solutions

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

### Renewables

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

### Non-Core Business

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

## Business Report

### Earnings Situation

#### Business Performance

Following the spinoff and deconsolidation of Uniper, we are now fully focused on our core business: Energy Networks, Customer Solutions, and Renewables. In the first quarter we recorded sales of €10.5 billion, adjusted EBIT of €1,038 million, and adjusted net income of €525 million. First-quarter adjusted EBIT in our core business declined by 22 percent, from €1,302 million in the prior year to €1,011 million. Adjusted EBIT for the E.ON Group of about €1 billion was 34 percent below the prior-year figure of €1.6 billion. Adjusted net income was €133 million, or 20 percent, below the prior-year figure of €658 million.

#### Sales

Our first-quarter sales declined by €0.8 billion to €10.5 billion. Energy Networks' sales were at the prior-year level. Customer Solutions' sales declined by about €0.5 billion, principally because of currency-translation effects and lower sales volume in the United Kingdom. Sales at both of Renewables' units (Onshore Wind/Solar and Offshore Wind/Other) were down slightly. Sales at Non-Core Business and Corporate Functions/Other were €0.2 billion lower, mainly because of lower sales prices and plant outages at PreussenElektra. In addition, the figure for the first quarter of 2016 includes E&P operations in the North Sea that have since been divested; these sales are reported under Corporate Functions/Other.

#### Sales

€ in millions	First quarter		
	2017	2016	+/- %
Energy Networks	4,199	4,181	-
Customer Solutions	6,546	7,099	-8
Renewables	376	397	-5
Non-Core Business	364	453	-20
Corporate Functions/Other	197	306	-36
Consolidation	-1,202	-1,165	-
<b>E.ON Group</b>	<b>10,480</b>	<b>11,271</b>	<b>-7</b>

#### Other Line Items from the Consolidated Statements of Income

Other operating income decreased by 30 percent, from €1,676 million to €1,171 million, primarily because first-quarter income from currency-translation effects declined by €605 million, from €1,171 million to €566 million. By contrast, income from derivative financial instruments rose from €254 million to €282 million. Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses.

Costs of materials decreased by 3 percent, from €8,399 million to €8,123 million, because of lower procurement costs for power and gas at Customer Solutions. These effects were partially offset by higher procurement costs at our nuclear business.

Personnel costs of €731 million were €32 million above the figure from the first quarter of 2016. Lower past-service costs for provisions for pensions were more than offset by expenditures in conjunction with our already-announced staff-reduction program.

Depreciation charges changed only slightly year on year, rising from €447 million to €466 million. This is mainly attributable to higher depreciation charges resulting from Germany's Act Reorganizing Responsibility for Nuclear Waste Management.

Other operating expenses decreased from €1,975 million to €1,775 million. Expenditures relating to currency-translation effects were €353 million lower (prior year: €888 million). This was partially offset by a €236 million increase in expenditures relating to derivative financial instruments.

Income from companies accounted for under the equity method of €423 million was substantially above the prior-year figure of €94 million. The increase results from the inclusion, for the first time, of our stake in Uniper SE as an associated company.

#### Adjusted EBIT

For purposes of internal management control and as an indicator of our businesses' long-term earnings power, we use earnings before interest and taxes that have been adjusted to exclude non-operating effects ("adjusted EBIT"; see Note 13 to the Condensed Consolidated Interim Financial Statements).

First-quarter adjusted EBIT in our core business declined by €291 million year on year. Energy Networks' adjusted EBIT was higher due primarily to the delayed repayment of personnel costs from 2015 due to regulatory reasons and lower costs

following the adjustment of company pension obligations in Germany along with an improved gross power margin due to higher tariffs and lower prices for the use of other operators' networks in Sweden. By contrast, Energy Networks posted lower earnings in East-Central Europe/Turkey. The decline is chiefly attributable to the earnings of our equity stake in Turkey and reflects a book loss on the sale of a hydroelectric station, a weather-driven decline in hydro output, and adverse currency-translation effects. Customer Solutions' adjusted EBIT declined by about €260 million year on year, primarily because of higher power network fees, lower gas sales prices, and higher costs for customer service and customer acquisition in Germany, lower sales volume and higher costs in the United Kingdom, and higher power and gas procurement costs in Romania. Renewables' adjusted EBIT was at the prior-year level.

Adjusted EBIT for the E.ON Group declined by €533 million, owing primarily to the items mentioned above in the commentary on adjusted EBIT in our core businesses and to lower sales prices, plant outages in 2017, and higher depreciation charges on assets at PreussenElektra along with the absence of earning streams from E&P operations in the North Sea divested in 2016.

#### Adjusted EBIT

€ in millions	First quarter		
	2017	2016	+/- %
Energy Networks	630	570	+11
Customer Solutions	330	588	-44
Renewables	160	163	-2
Corporate Functions/Other	-111	-43	-
Consolidation	2	24	-92
<b>Adjusted EBIT from core business</b>	<b>1,011</b>	<b>1,302</b>	<b>-22</b>
Non-Core Business (PreussenElektra)	27	248	-89
Other (divested operations)	-	21	-
<b>Adjusted EBIT</b>	<b>1,038</b>	<b>1,571</b>	<b>-34</b>

**Net Income/Loss**

First-quarter net income attributable to shareholders of E.ON SE of €0.6 billion and corresponding earnings per share of €0.31 were below the respective prior-year figures of €1.2 billion and €0.60.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, for the first quarter of 2016, includes our earnings related to Uniper. Note 3 to the Condensed Consolidated Interim Financial Statements contains more information.

We had a tax expense of €155 million compared with €413 million in the prior-year period. Our tax rate on income from continuing operations declined from 35 to 18 percent. The main factors were higher nontaxable income from equity investments, expenditures in the prior-year period that did not reduce taxes, and the fact that since the third quarter of 2016 tax expenditures from previous periods are recorded in non-operating earnings.

First-quarter net book gains were €56 million above the prior-year figure and resulted from the sale of securities. 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.

Restructuring and cost-management expenditures rose by €45 million and, as in the prior-year period, resulted mainly from cost-cutting programs and the One2Two project. The increase is attributable to our Phoenix cost-cutting program.

We use derivatives to shield our operating business from price fluctuations. Marking to market of derivatives at March 31, 2017, resulted in a negative effect of €308 million (prior year: +€129 million). This effect was recorded mainly at Customer Solutions.

We did not record any noteworthy impairment charges in the first quarter of 2017 or 2016.

The increase in other non-operating earnings is attributable to the equity earnings on our Uniper stake.

**Net Income/Loss**

€ in millions	First quarter	
	2017	2016
Net income/loss	735	1,266
<i>Attributable to shareholders of E.ON SE</i>	628	1,170
<i>Attributable to non-controlling interests</i>	107	96
Income/Loss from discontinued operations, net	–	-509
<b>Income/Loss from continuing operations</b>	<b>735</b>	<b>757</b>
Income taxes	155	413
Financial results	169	444
<b>Income/Loss from continuing operations before financial results and income taxes</b>	<b>1,059</b>	<b>1,614</b>
Income/Loss from equity investments	-11	-24
<b>EBIT</b>	<b>1,048</b>	<b>1,590</b>
<b>Non-operating adjustments</b>	<b>-10</b>	<b>-19</b>
<i>Net book gains (-)/losses (+)</i>	-52	4
<i>Restructuring and cost-management expenses</i>	94	49
<i>Marking to market of derivative financial instruments</i>	308	-129
<i>Impairments (+)/Reversals (-)</i>	-3	5
<i>Other non-operating earnings</i>	-357	52
<b>Adjusted EBIT</b>	<b>1,038</b>	<b>1,571</b>
Impairments (+)/Reversals (-)	17	2
Scheduled depreciation and amortization	462	439
<b>Adjusted EBITDA</b>	<b>1,517</b>	<b>2,012</b>

**Adjusted Net Income**

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

consists of the interest expense/income resulting from non-operating effects. Adjusted net income also does not include income/loss from discontinued operations.

The E.ON Management Board uses this figure in conjunction with its consistent dividend policy. The goal is to pay out to E.ON shareholders 50 to 60 percent of adjusted net income as dividends. E.ON plans to propose a fixed dividend of €0.30 per share for the 2017 financial year.

**Adjusted Net Income**

€ in millions	First quarter	
	2017	2016
<b>Income/Loss from continuing operations before financial results and income taxes</b>	<b>1,059</b>	<b>1,614</b>
Income/Loss from equity investments	-11	-24
<b>EBIT</b>	<b>1,048</b>	<b>1,590</b>
Non-operating adjustments	-10	-19
<b>Adjusted EBIT</b>	<b>1,038</b>	<b>1,571</b>
Interest expense shown in the consolidated statements of income	-158	-420
Interest expense (+)/income (-) not affecting net income	-37	-2
<b>Operating earnings before interest and taxes</b>	<b>843</b>	<b>1,149</b>
Taxes on operating earnings	-210	-384
Operating earnings attributable to non-controlling interests	-108	-107
<b>Adjusted net income</b>	<b>525</b>	<b>658</b>

## Financial Situation

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

### Financial Position

Compared with the figure recorded at December 31, 2016 (€26.3 billion), our economic net debt declined by €1.6 billion to €24.7 billion, mainly because of the €1.35 billion capital increase we conducted in March 2017. Our operating cash flow also contributed to the improvement.

### Economic Net Debt

€ in millions	March 31, 2017	Dec. 31, 2016
Liquid funds	10,227	8,573
Non-current securities	4,265	4,327
Financial liabilities	-14,208	-14,227
FX hedging adjustment	479	390
<b>Net financial position</b>	<b>763</b>	<b>-937</b>
Provisions for pensions	-3,963	-4,009
Asset-retirement obligations <sup>1</sup>	-21,546	-21,374
<b>Economic net debt</b>	<b>-24,746</b>	<b>-26,320</b>

<sup>1</sup>This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet (€22,583 million at March 31, 2017; €22,515 million at December 31, 2016). This is because we calculate our economic net debt in part based on the actual amount of our obligations.

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

### Investments

First-quarter investments in our core business and our total investments were at the prior-year level. We invested €559 million in property, plant, and equipment and intangible assets (prior year: €573 million). Share investments totaled €29 million versus €8 million in the prior-year period.

### Investments

January 1–March 31 € in millions	2017	2016	+/- %
Energy Networks	260	195	+33
Customer Solutions	64	107	-40
Renewables	251	241	+4
Corporate Functions/Other	8	33	-76
Consolidation	–	1	–
<b>Investments in core business</b>	<b>583</b>	<b>577</b>	<b>+1</b>
Non-Core Business (PreussenElektra)	5	4	+25
Other (divested operations)	–	–	–
<b>E.ON Group investments</b>	<b>588</b>	<b>581</b>	<b>+1</b>

Energy Networks' first-quarter investments were €65 million higher. Investments of €60 million to upgrade and maintain networks in Sweden were €17 million above the prior-year figure. The completion of some projects caused investments in Hungary to be €10 million higher. The €59 million increase in the Czech Republic is attributable to the transfer of investment projects (such as grid maintenance, repair, and connections) between Energy Networks and Customer Solutions. By contrast, Energy Networks invested €98 million, or 17 percent, less in Germany, primarily because of lower replacement investments. In addition, investments in customer connections were down slightly. By contrast, connections of new generating assets subsidized under Germany's Renewable Energy Law were again higher in our network territories.

Customer Solutions invested €43 million less than in the prior-year period, principally because of the already-mentioned reassignment of investment projects between Energy Networks and Customer Solutions in the Czech Republic. In addition, investments in Germany were lower. The decline resulted in particular from lower capitalized IT expenditures and delays in the completion of distributed-generation projects.

Investments at Renewables were €10 million higher. Onshore Wind/Solar's investments declined by €98 million. The prior-year period includes expenditures for Colbeck's Corner, which is now completed. Offshore Wind/Other's investments increased by €108 million owing to expenditures for the Rampion new-build project and for expenditures in line with our stake in the Arkona project.

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

#### Cash Flow

Cash provided by operating activities of continuing operations of just under €0.9 billion was €0.3 billion above the prior-year figure. Positive effects in working capital constituted the main reason for the increase. These effects were only partially offset by the decline in cash-effective earning. In addition, our interest and tax payments were slightly lower.

#### Cash Flow<sup>1</sup>

January 1–March 31 € in millions	2017	2016
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	857	539
Operating cash flow before interest and taxes	1,027	774
Cash provided by (used for) investing activities	-317	-628
Cash provided by (used for) financing activities	1,385	-1,000

<sup>1</sup>From continuing operations.

Cash provided by investing activities of continuing operations amounted to about -€0.3 billion compared with -€0.6 billion in the prior-year period. This approximately +€0.3 billion change is primarily attributable to higher cash inflow from the sale of securities, financial receivables, and fixed investments and to a change in restricted funds. These effects were partially offset by lower cash inflow from the sale of assets.

Cash provided by financing activities of continuing operations amounted to +€1.4 billion compared with -€1 billion in the prior-year period. The change of roughly +€2.4 billion is mainly attributable to the capital increase E.ON SE conducted in March 2017 and to a reduction in the net repayment of financial liabilities.

#### Asset Situation

Our total assets and liabilities of €66.3 billion were about €2.7 billion, or 4 percent, above the figure from year-end 2016. The increase in our non-current assets reflects the rollover of the carrying amount of our stake in Uniper SE, an associated company accounted for using the equity method. Current assets were €2.1 billion above the year-end figure, in particular because of an increase in liquid funds in the first quarter resulting from the €1.35 billion capital increase conducted by E.ON SE and our positive operating cash flow.

Our equity ratio (including non-controlling interests) at March 31, 2017, was 5.5 percent, which is about 3.5 percentage points higher than at year-end 2016. This change reflects the already-mentioned capital increase as well as our positive net income in the first quarter of the current year. Equity attributable to shareholders of E.ON SE was about €1.1 billion at March 31, 2017.

Equity attributable to non-controlling interests was €2.5 billion. Non-current liabilities decreased by €0.6 billion, or 1 percent. This slight decline was due mainly to a corresponding development

in liabilities from derivative financial instruments. The roughly €0.9 billion increase in current liabilities reflects higher current operating liabilities and higher current provisions.

### Consolidated Assets, Liabilities, and Equity

€ in millions	March 31, 2017	%	Dec. 31, 2016	%
Non-current assets	46,842	71	46,296	73
Current assets	19,507	29	17,403	27
<b>Total assets</b>	<b>66,349</b>	<b>100</b>	<b>63,699</b>	<b>100</b>
Equity	3,623	5	1,287	2
Non-current liabilities	38,701	59	39,287	62
Current liabilities	24,025	36	23,125	36
<b>Total equity and liabilities</b>	<b>66,349</b>	<b>100</b>	<b>63,699</b>	<b>100</b>

### Employees

At March 31, 2017, the E.ON Group had 42,681 employees worldwide, a decline of 1 percent from year-end 2016. E.ON also had 813 apprentices in Germany and 123 board members and managing directors worldwide. As of the same date, 26,146 employees, or 61 percent of all employees, were working outside Germany, slightly higher than the 60 percent at year-end 2016.

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

Transfers of employees to Energy Networks in the Czech Republic, Uniper, and non-consolidated companies were the main reasons for the decline in Customer Solutions' headcount. These effects were partially counteracted by hiring for our service business in the United Kingdom.

### Employees<sup>1</sup>

Headcount	March 31, 2017	Dec. 31, 2016	+/- %
Energy Networks	17,173	16,814	+2
Customer Solutions	19,004	19,106	-1
Renewables	1,083	1,082	-
Corporate Functions/Other <sup>2</sup>	3,452	4,102	-16
<b>Core business</b>	<b>40,712</b>	<b>41,104</b>	<b>-1</b>
Non-Core Business (PreussenElektra)	1,969	2,034	-3
<b>E.ON Group</b>	<b>42,681</b>	<b>43,138</b>	<b>-1</b>

<sup>1</sup>Does not include board members, managing directors, or apprentices.

<sup>2</sup>Includes E.ON Business Services.

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

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

## Forecast Report

### Business Environment

#### Macroeconomic Situation

The OECD forecasts a gradual acceleration of global economic growth in 2017 and 2018. It expects the global economy to grow by 3.3 percent in 2017 and by 3.6 percent in 2018. The corresponding figures for the United States are 2.3 percent and 3 percent, while weaker growth (1.6 percent and 1.7 percent) is forecast for the euro zone. The OECD sees substantial political uncertainty and financial risks. It believes that fiscal initiatives and structural reforms should lead to stronger growth.

### Anticipated Earnings Situation

#### Forecast Earnings Performance

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

For our 2017 earnings forecast, we adjusted our internal financial key figures with respect to the treatment of nuclear asset-retirement obligations. Effects resulting from the valuation of these provisions at the balance-sheet date are now reported under non-operating earnings. This change, which improves the depiction

of E.ON's underlying earnings strength, took effect on January 1, 2017. In view of the fundamental change in our business and its structure in 2016, it did not make sense to adjust the prior-year figures.

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

Our forecast by segment:

We expect Energy Networks' 2017 adjusted EBIT to be significantly above the prior-year figure. The principal positive factors in Germany are special regulatory effects relating to the delayed repayment of personnel costs from 2015 along with non-recurring items stemming from the conversion to the amended incentive-regulation scheme. German lawmakers are currently debating the Grid Fee Modernization Act, which, if it becomes law, could lead to an earnings improvement in 2017, which, however, would be offset again in the years 2019 to 2021. In addition, improved power tariffs in Sweden and the Czech Republic will increase earnings. In Hungary we will benefit from the new regulation period in 2017.

We anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. Earnings in Germany will be lower due primarily to competition-related factors. In addition, startup costs in the customer-solutions business will have an adverse impact on earnings and will not generate positive earnings streams until subsequent years. The intervention of the Competition and Markets Authority and rising costs for customer acquisition as part of our new marketing strategy will impact our earnings in the United Kingdom. Earnings there will also be adversely affected by the planned Brexit and the forecast development of the British pound. Earnings will be lower in Romania primarily because of narrower margins in response to keener competition in the wake of market liberalization.

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

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

At Non-Core Business we expect PreussenElektra's adjusted EBIT to be significantly below the prior-year level due in part to the extended overhaul of Brokdorf nuclear power station.

## **Risk and Chances Report**

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

### **Risks and Chances**

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

### **Management's Evaluation of the Risk Situation**

At the end of the first quarter of 2017 the risk situation of the E.ON Group's operating business had not changed significantly compared with year-end 2016. From today's perspective, we do not perceive any risks that could threaten the existence of the E.ON Group or individual segments.

## Business Segments

### Energy Networks

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

#### Power and Gas Passthrough

First-quarter power passthrough was at the prior-year level.

Gas passthrough rose by 6.7 billion kWh, or 12 percent.

Power passthrough in Germany of 17.7 billion kWh was at the prior-year level. Gas passthrough rose by 15 percent, or 5.3 billion kWh, primarily because of lower temperatures at the start

of the year, which led to a weather-driven increase in sales volume to residential customers and downstream pipeline operators. In addition, economic growth had a positive impact on gas sales to large customers.

Power and gas passthrough in Sweden was lower than in the prior-year period, primarily because of comparably lower temperatures at the beginning of 2016.

Power passthrough at East-Central Europe/Turkey was 0.4 billion kWh above the prior-year level due principally to positive economic development and comparatively lower temperatures in the Czech Republic. Weather factors were responsible for the 2.2 billion kWh increase in gas passthrough.

### Energy Passthrough

Billion kWh	Germany		Sweden		East-Central Europe/ Turkey		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>First quarter</b>								
Power	17.7	17.5	10.6	11.4	9.8	9.4	38.1	38.3
Line loss, station use, etc.	0.7	0.7	0.4	0.3	0.9	1.0	2.0	2.0
Gas	41.6	36.3	1.4	2.2	19.3	17.1	62.3	55.6

### Sales and Adjusted EBIT

This segment's first-quarter sales rose by €18 million, its adjusted EBIT by €60 million.

Sales in Germany were at the prior-year level. The amount of electricity delivered onto our network in conjunction with the Renewable Energy Law ("REL") was lower than in prior-year quarter due to weather factors. By contrast, higher REL costs incurred by upstream network operators led to higher sales in our power business. However, REL compensation is passed through and is therefore not recorded in income. Sales in the gas business were also higher, primarily because of higher gas passthrough due to weather factors. Energy Networks' adjusted EBIT rose by €70 million to €418 million, primarily because of the delayed repayment of personnel costs from 2015 due to regulatory reasons.

Sales in Sweden were slightly higher due to price factors.

Adjusted EBIT was higher thanks to an improved gross margin in the power business, which resulted from tariff increases and lower prices for the use of third-party networks.

Sales in East-Central Europe/Turkey were €28 million above the prior-year level due to volume and price effects in Hungary and the Czech Republic. By contrast, adjusted EBIT decreased by €29 million. The decline is chiefly attributable to our equity stake in Turkey and reflects a book loss on the sale of a hydroelectric station, a weather-driven decline in hydro output, and adverse currency-translation effects.

### Energy Networks

€ in millions	Germany		Sweden		East-Central Europe/ Turkey		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>First quarter</b>								
Sales	3,426	3,458	298	276	475	447	4,199	4,181
Adjusted EBITDA	562	492	173	154	134	159	869	805
Adjusted EBIT	418	348	132	113	80	109	630	570

## Customer Solutions

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

### Power and Gas Sales Volume

This segment's first-quarter power and gas sales declined by 1.3 billion kWh and 2.2 billion kWh, respectively.

Power sales in Germany of 11.5 billion kWh were 8 percent below the prior-year level. Power sales to residential and small and medium enterprise ("SME") customers were lower due to keener competition. The decline in power sales to industrial and commercial ("I&C") customers resulted mainly from the transfer of the remaining wholesale customers to Uniper. Power sales to the wholesale market were below the prior-year level due to lower sales volume for already booked deliveries to Uniper wholesale customers. By contrast, resales to Uniper increased, mainly because of the direct marketing of power in conjunction with the REL. Gas sales volume of 16.4 billion kWh declined slightly (by 2 percent) owing to the above-mentioned reason for the power business. By contrast, gas sales to the wholesale market were higher due to a change in how we classify resales to Uniper, which in 2016 were included on the procurement side.

First-quarter power sales in the United Kingdom decreased by 0.9 billion kWh. Declining customer numbers led to lower power sales to residential and SME customers. A reduction in the number of customer facilities served was the reasons for the decline in power sales to I&C customers. Gas sales decreased by 2.8 billion kWh. Lower customer numbers and, in part, a weather-driven decline in demand were responsible for the reduction in gas sales to residential and SME customers. The reason for the decline in gas sales to I&C customers is the same as for power.

Other's power sales (Sweden, Hungary, the Czech Republic, Romania, Italy, and E.ON Connecting Energies) rose by 0.6 billion kWh, mainly because of a production outage at a customer in Hungary in the prior-year period and the acquisition of new customers in Romania. Gas sales were 0.9 billion kWh higher. This is chiefly attributable to a weather-driven increase in sales volume to residential and SME customers in Romania.

### Power Sales

Billion kWh	Germany		United Kingdom		Other <sup>1</sup>		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>First quarter</b>								
Residential and SME	5.3	5.5	5.8	6.6	6.4	6.2	17.5	18.3
I&C	2.1	2.4	3.8	3.9	6.8	7.1	12.7	13.4
Sales partners	0.1	0.1	–	–	0.8	0.8	0.9	0.9
<b>Customer groups</b>	<b>7.5</b>	<b>8.0</b>	<b>9.6</b>	<b>10.5</b>	<b>14.1</b>	<b>14.1</b>	<b>31.2</b>	<b>32.6</b>
Wholesale market	4.0	4.5	0.3	0.3	2.3	1.6	6.6	6.4
<b>Total</b>	<b>11.5</b>	<b>12.5</b>	<b>9.9</b>	<b>10.8</b>	<b>16.3</b>	<b>15.7</b>	<b>37.7</b>	<b>39.0</b>

<sup>1</sup>Excludes E.ON Connecting Energies.

### Gas Sales

Billion kWh	Germany		United Kingdom		Other <sup>1</sup>		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>First quarter</b>								
Residential and SME	10.0	10.6	14.9	17.3	13.8	12.6	38.7	40.5
I&C	1.6	1.8	2.4	2.8	7.0	6.2	11.0	10.8
Sales partners	–	–	–	–	0.5	0.4	0.5	0.4
<b>Customer groups</b>	<b>11.6</b>	<b>12.4</b>	<b>17.3</b>	<b>20.1</b>	<b>21.3</b>	<b>19.2</b>	<b>50.2</b>	<b>51.7</b>
Wholesale market	4.8	4.3	–	–	0.8	2.0	5.6	6.3
<b>Total</b>	<b>16.4</b>	<b>16.7</b>	<b>17.3</b>	<b>20.1</b>	<b>22.1</b>	<b>21.2</b>	<b>55.8</b>	<b>58.0</b>

<sup>1</sup>Excludes E.ON Connecting Energies.

**Sales and Adjusted EBIT**

Customer Solutions' first-quarter sales and adjusted EBIT decreased by €553 million and €258 million, respectively.

Sales in Germany declined, primarily because of the expiration of procurement contracts of E.ON Energie Deutschland's wholesale customers who were transferred to Uniper at the end of 2015. Lower sales volume to residential and SME customers also had an adverse impact on sales. Adjusted EBIT was down significantly. The decline is primarily attributable to higher power grid fees and lower gas sales prices. In addition, increased sales activities led to higher costs for customer service and customer acquisition.

Currency-translation effects, lower sales volume due to declining customer numbers, and reduced demand caused sales in the United Kingdom to decline by €0.5 billion. Adjusted EBIT

decreased owing to lower sales volume and higher costs in conjunction with mandatory energy-efficiency obligations, higher network fees, and an increase in the price and quantity of renewable certificates acquired.

Other's sales rose by €54 million, primarily because of a weather-driven increase in sales volume in Romania and Italy. E.ON Connecting Energies recorded higher sales owing principally to new distributed-generation projects and growth in its business of providing energy-efficiency solutions. Other's adjusted EBIT declined by €71 million, primarily because of higher power and gas procurement costs, particularly in Romania. These effects will be offset in the remainder of the year.

**Customer Solutions**

€ in millions	Germany		United Kingdom		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>First quarter</b>								
Sales	2,291	2,414	2,151	2,635	2,104	2,050	6,546	7,099
Adjusted EBITDA	71	140	185	304	154	218	410	662
Adjusted EBIT	52	120	161	280	117	188	330	588

## Renewables

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

### Power Generation

This segment's first-quarter owned generation rose by 0.2 billion kWh.

Onshore Wind/Solar's generation was 0.2 billion kWh higher. Unfavorable wind conditions led to lower output in nearly all

countries in Europe. This was more than offset by higher output and positive effects from the commissioning of Colbeck's Corner wind farm in the United States.

Offshore Wind/Other's owned generation was at the prior-year level. Owned generation in Germany was slightly higher due to better wind conditions at Amrumbank West wind farm, whereas output in the United Kingdom declined owing to unfavorable wind conditions. This was partially offset by higher availability in the United Kingdom and favorable wind conditions in Sweden.

### Power Generation

Billion kWh	Onshore Wind/Solar		Offshore Wind/Other		Total	
	2017	2016	2017	2016	2017	2016
<b>First quarter</b>						
Owned generation <sup>1</sup>	2.6	2.4	1.0	1.0	3.6	3.4
Purchases	0.4	0.4	0.2	0.2	0.6	0.6
<i>Jointly owned power plants</i>	–	–	0.2	0.2	0.2	0.2
<i>Third parties</i>	0.4	0.4	–	–	0.4	0.4
<b>Power sales</b>	<b>3.0</b>	<b>2.8</b>	<b>1.2</b>	<b>1.2</b>	<b>4.2</b>	<b>4.0</b>

<sup>1</sup>Owned generation refers to the generation of fully consolidated E.ON companies.

### Sales and Adjusted EBIT

Renewables' first-quarter sales were at the prior-year figure.

Onshore Wind/Solar's sales declined owing primarily to poor wind conditions in Europe, particularly in Italy and the United Kingdom. Its adjusted EBIT rose slightly, mainly because of the contribution from Colbeck's Corner.

Offshore Wind/Other's sales and adjusted EBIT decreased by €13 million and €5 million, respectively, mainly because of the adverse effect of unfavorable wind conditions and negative FX effects from the British pound.

## Renewables

€ in millions	Onshore Wind/Solar		Offshore Wind/Other		Total	
	2017	2016	2017	2016	2017	2016
<b>First quarter</b>						
Sales	188	196	188	201	376	397
Adjusted EBITDA	113	112	136	143	249	255
Adjusted EBIT	61	59	99	104	160	163

## Non-Core Business

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

### PreussenElektra's Power Generation

This segment's power procured (owned generation and purchases) declined by 2 billion kWh year on year. The reduction in owned generation is principally attributable to planned production outages and an extended overhaul at Brokdorf nuclear power station due to an increased oxide layer on some fuel elements. The increase in power procured reflects the purchase of power to meet delivery obligations.

### Power Generation

Billion kWh	PreussenElektra	
	2017	2016
<b>First quarter</b>		
Owned generation	5.8	9.3
Purchases	3.2	1.7
<i>Jointly owned power plants</i>	0.3	0.4
<i>Third parties</i>	2.9	1.3
<b>Total</b>	<b>9.0</b>	<b>11.0</b>
Station use, line loss, etc.	-0.1	-
<b>Power sales</b>	<b>8.9</b>	<b>11.0</b>

### PreussenElektra's Sales and Adjusted EBIT

The decline in this segment's sales (-€89 million) mainly reflects lower sales prices and plant outages.

Adjusted EBIT was €221 million lower, principally because of lower sales prices as well as planned and unplanned production outages in the first quarter of 2017. An increase in amortization charges on assets resulting from Germany's Act Reorganizing Responsibility for Nuclear Waste Management also had an adverse effect on earnings.

### Non-Core Business

€ in millions	PreussenElektra	
	2017	2016
<b>First quarter</b>		
Sales	364	453
Adjusted EBITDA	74	270
Adjusted EBIT	27	248

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 March 31, 2017, which are part of the quarterly 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, May 8, 2017

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Markus Dittmann  
Wirtschaftsprüfer  
(German Public Auditor)

Aissata Touré  
Wirtschaftsprüferin  
(German Public Auditor)



# **Condensed Consolidated Interim Financial Statements**

## E.ON SE and Subsidiaries Consolidated Statements of Income

January 1–March 31 € in millions	Note	2017	2016 <sup>1</sup>
Sales including electricity and energy taxes		10,799	11,615
Electricity and energy taxes		-319	-344
<b>Sales</b>	(13)	<b>10,480</b>	<b>11,271</b>
Changes in inventories (finished goods and work in progress)		1	3
Own work capitalized		79	90
Other operating income <sup>2</sup>		1,171	1,676
Cost of materials <sup>3</sup>		-8,123	-8,399
Personnel costs		-731	-699
Depreciation, amortization and impairment charges		-466	-447
Other operating expenses <sup>3</sup>		-1,775	-1,975
Income/Loss from companies accounted for under the equity method		423	94
<b>Income/Loss from continuing operations before financial results and income taxes</b>		<b>1,059</b>	<b>1,614</b>
Financial results	(5)	-169	-444
Income/Loss from equity investments		-11	-24
Income/Loss from other securities, interest and similar income		181	78
Interest and similar expenses		-339	-498
Income taxes		-155	-413
<b>Income/Loss from continuing operations</b>		<b>735</b>	<b>757</b>
Income/Loss from discontinued operations, net	(3)	-	509
<b>Net income/loss</b>		<b>735</b>	<b>1,266</b>
Attributable to shareholders of E.ON SE		628	1,170
Attributable to non-controlling interests		107	96
<b>in €</b>			
<b>Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted<sup>4</sup></b>	(6)		
from continuing operations		0.31	0.34
from discontinued operations		0.00	0.26
<b>from net income/loss</b>		<b>0.31</b>	<b>0.60</b>

<sup>1</sup>The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 3).

<sup>2</sup>The change in other operating income primarily results from exchange rate differences.

<sup>3</sup>In the previous year, expenses for concession payments amounting to €0.1 billion were recognized in other operating expenses. In the current year, these expenses are contained in cost of materials in the amount of €0.1 billion.

<sup>4</sup>Based on weighted-average number of shares outstanding.

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

January 1–March 31

€ in millions

	2017	2016
<b>Net income/loss</b>	<b>735</b>	<b>1,266</b>
Remeasurements of defined benefit plans	-29	-1,817
Remeasurements of defined benefit plans of companies accounted for under the equity method	1	-1
Income taxes	1	-13
<b>Items that will not be reclassified subsequently to the income statement</b>	<b>-27</b>	<b>-1,831</b>
Cash flow hedges	130	-425
<i>Unrealized changes</i>	109	-695
<i>Reclassification adjustments recognized in income</i>	21	270
Available-for-sale securities	15	-17
<i>Unrealized changes</i>	51	18
<i>Reclassification adjustments recognized in income</i>	-36	-35
Currency translation adjustments	25	213
<i>Unrealized changes</i>	26	213
<i>Reclassification adjustments recognized in income</i>	-1	-
Companies accounted for under the equity method	66	-18
<i>Unrealized changes</i>	66	-23
<i>Reclassification adjustments recognized in income</i>	-	5
Income taxes	-33	-15
<b>Items that might be reclassified subsequently to the income statement</b>	<b>203</b>	<b>-262</b>
<b>Total income and expenses recognized directly in equity</b>	<b>176</b>	<b>-2,093</b>
<b>Total recognized income and expenses (total comprehensive income)</b>	<b>911</b>	<b>-827</b>
<i>Attributable to shareholders of E.ON SE</i>	796	-823
<i>Continuing operations</i>	796	-1,079
<i>Discontinued operations</i>	0	256
<i>Attributable to non-controlling interests</i>	115	-4

## E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	March 31, 2017	Dec. 31, 2016
<b>Assets</b>			
Goodwill		3,457	3,463
Intangible assets		2,362	2,329
Property, plant and equipment		25,443	25,242
Companies accounted for under the equity method	(7)	6,796	6,352
Other financial assets	(7)	5,080	5,148
<i>Equity investments</i>		815	821
<i>Non-current securities</i>		4,265	4,327
Financial receivables and other financial assets		547	553
Operating receivables and other operating assets		1,845	1,761
Income tax assets		7	7
Deferred tax assets		1,305	1,441
<b>Non-current assets</b>		<b>46,842</b>	<b>46,296</b>
Inventories		678	785
Financial receivables and other financial assets		483	463
Trade receivables and other operating assets		7,189	6,719
Income tax assets		924	851
Liquid funds		10,227	8,573
<i>Securities and fixed-term deposits</i>		1,990	2,147
<i>Restricted cash and cash equivalents</i>		730	852
<i>Cash and cash equivalents</i>		7,507	5,574
Assets held for sale	(3)	6	12
<b>Current assets</b>		<b>19,507</b>	<b>17,403</b>
<b>Total assets</b>		<b>66,349</b>	<b>63,699</b>
<b>Equity and Liabilities</b>			
Capital stock		2,201	2,001
Additional paid-in capital		10,340	9,201
Retained earnings		-7,895	-8,495
Accumulated other comprehensive income		-1,851	-2,048
Treasury shares	(8)	-1,714	-1,714
<b>Equity attributable to shareholders of E.ON SE</b>		<b>1,081</b>	<b>-1,055</b>
Non-controlling interests (before reclassification)		3,092	2,896
Reclassification related to put options		-550	-554
<b>Non-controlling interests</b>		<b>2,542</b>	<b>2,342</b>
<b>Equity</b>		<b>3,623</b>	<b>1,287</b>
Financial liabilities		10,394	10,435
Operating liabilities		4,992	5,247
Income taxes		1,493	1,433
Provisions for pensions and similar obligations	(10)	3,963	4,009
Miscellaneous provisions		15,404	15,609
Deferred tax liabilities		2,455	2,554
<b>Non-current liabilities</b>		<b>38,701</b>	<b>39,287</b>
Financial liabilities		3,814	3,792
Trade payables and other operating liabilities		7,387	6,888
Income taxes		435	434
Miscellaneous provisions		12,387	12,008
Liabilities associated with assets held for sale	(3)	2	3
<b>Current liabilities</b>		<b>24,025</b>	<b>23,125</b>
<b>Total equity and liabilities</b>		<b>66,349</b>	<b>63,699</b>

**E.ON SE and Subsidiaries Consolidated Statements of Cash Flows**

January 1–March 31

€ in millions

	2017	2016 <sup>1</sup>
<b>Net income/loss</b>	<b>735</b>	<b>1,266</b>
Income/Loss from discontinued operations, net	–	-509
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	466	447
Changes in provisions	173	207
Changes in deferred taxes	29	168
Other non-cash income and expenses	-312	-158
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-86	-29
Changes in operating assets and liabilities and in income taxes	-148	-853
<b>Cash provided by (used for) operating activities of continuing operations (operating cash flow)<sup>2</sup></b>	<b>857</b>	<b>539</b>
Cash provided by (used for) operating activities of discontinued operations	–	2,299
<b>Cash provided by (used for) operating activities</b>	<b>857</b>	<b>2,838</b>
Proceeds from disposal of	91	186
<i>Intangible assets and property, plant and equipment</i>	79	83
<i>Equity investments</i>	12	103
Purchases of investments in	-588	-581
<i>Intangible assets and property, plant and equipment</i>	-559	-573
<i>Equity investments</i>	-29	-8
Changes in securities and fixed-term deposits	47	-148
Changes in restricted cash and cash equivalents	133	-85
<b>Cash provided by (used for) investing activities of continuing operations</b>	<b>-317</b>	<b>-628</b>
Cash provided by (used for) investing activities of discontinued operations	–	-337
<b>Cash provided by (used for) investing activities</b>	<b>-317</b>	<b>-965</b>
Payments received/made from changes in capital <sup>3</sup>	1,424	40
Cash dividends paid to non-controlling interests	–	-2
Changes in financial liabilities	-39	-1,038
<b>Cash provided by (used for) financing activities of continuing operations</b>	<b>1,385</b>	<b>-1,000</b>
Cash provided by (used for) financing activities of discontinued operations	–	-143
<b>Cash provided by (used for) financing activities</b>	<b>1,385</b>	<b>-1,143</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>1,925</b>	<b>730</b>
Effect of foreign exchange rates on cash and cash equivalents	8	29
Cash and cash equivalents at the beginning of the year <sup>4</sup>	5,574	5,190
Cash and cash equivalents from the deconsolidation of discontinued operations	–	–
<b>Cash and cash equivalents at the end of the quarter</b>	<b>7,507</b>	<b>5,949</b>
<b>Less: Cash and cash equivalents of discontinued operations at the end of the quarter</b>	<b>0</b>	<b>480</b>
<b>Cash and cash equivalents of continuing operations at the end of the quarter</b>	<b>7,507</b>	<b>5,469</b>

<sup>1</sup>The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 3).

<sup>2</sup>Additional information on operating cash flow is provided in Note 13.

<sup>3</sup>No material netting has taken place in either of the years presented here.

<sup>4</sup>Cash and cash equivalents at the beginning of the year 2016 also includes the holdings of €1 million in E.ON E&P UK, which is reported as a disposal group.

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
<b>Balance as of January 1, 2016</b>	<b>2,001</b>	<b>12,558</b>	<b>9,419</b>	<b>-5,351</b>	<b>419</b>	<b>-903</b>
Capital increase						
Dividends						
Share additions/reductions						
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-541	183	-33	-432
<i>Net income/loss</i>			1,170			
<i>Other comprehensive income</i>			-1,711	183	-33	-432
<i>Remeasurements of defined benefit plans</i>			-1,711			
<i>Changes in accumulated other comprehensive income</i>				183	-33	-432
<b>Balance as of March 31, 2016</b>	<b>2,001</b>	<b>12,558</b>	<b>8,878</b>	<b>-5,168</b>	<b>386</b>	<b>-1,335</b>
<b>Balance as of January 1, 2017</b>	<b>2,001</b>	<b>9,201</b>	<b>-8,495</b>	<b>-1,150</b>	<b>353</b>	<b>-1,251</b>
Capital increase	200	1,139				
Dividends						
Share additions/reductions			1			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			599	73	9	115
<i>Net income/loss</i>			628			
<i>Other comprehensive income</i>			-29	73	9	115
<i>Remeasurements of defined benefit plans</i>			-29			
<i>Changes in accumulated other comprehensive income</i>				73	9	115
<b>Balance as of March 31, 2017</b>	<b>2,201</b>	<b>10,340</b>	<b>-7,895</b>	<b>-1,077</b>	<b>362</b>	<b>-1,136</b>

	Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
	<b>-1,714</b>	<b>16,429</b>	<b>3,209</b>	<b>-561</b>	<b>2,648</b>	<b>19,077</b>
			38		38	38
			-5		-5	-5
			5		5	5
				7	7	7
		-823	-4		-4	-827
		1,170	96		96	1,266
		-1,993	-100		-100	-2,093
		-1,711	-120		-120	-1,831
		-282	20		20	-262
	<b>-1,714</b>	<b>15,606</b>	<b>3,243</b>	<b>-554</b>	<b>2,689</b>	<b>18,295</b>
	<b>-1,714</b>	<b>-1,055</b>	<b>2,896</b>	<b>-554</b>	<b>2,342</b>	<b>1,287</b>
		1,339	86		86	1,425
			-4		-4	-4
		1	-1		-1	0
				4	4	4
		796	115		115	911
		628	107		107	735
		168	8		8	176
		-29	2		2	-27
		197	6		6	203
	<b>-1,714</b>	<b>1,081</b>	<b>3,092</b>	<b>-550</b>	<b>2,542</b>	<b>3,623</b>

## (1) Summary of Significant Accounting Policies

The Interim Report for the three months ended March 31, 2017, has been prepared in accordance with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRS IC") effective and adopted for use in the European Union ("EU").

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

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

## (2) Scope of Consolidation

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

### Scope of Consolidation

	Domestic	Foreign	Total
<b>Consolidated companies as of December 31, 2016</b>	<b>77</b>	<b>149</b>	<b>226</b>
Additions	-	-	0
Disposals/Mergers	-	5	5
<b>Consolidated companies as of March 31, 2017</b>	<b>77</b>	<b>144</b>	<b>221</b>

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

## (3) Acquisitions, Disposals and Discontinued Operations

### Discontinued Operations and Assets Held for Sale in 2017

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

### Discontinued Operations and Assets Held for Sale in 2016

#### Uniper

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

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

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

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

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

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

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

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

In the first three months of 2016, E.ON generated revenues of €894 million, interest income of €11 million and interest expenses of €4 million, as well as other income of €220 million and other expenses of €2,774 million, with companies of the Uniper Group.

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

#### Selected Financial Information— Uniper (Summary)

January 1–March 31 € in millions	2016
Sales	16,055
Other income	3,278
Other expense	-18,778
<b>Income/Loss from continuing operations before income taxes</b>	<b>555</b>
Income taxes	-46
<b>Income/Loss from discontinued operations, net</b>	<b>509</b>

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

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

#### E.ON Distribuție România S.A.

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

#### E.ON in Spain

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

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

#### Exploration and Production Business in the North Sea

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

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

In January 2016, E.ON signed an agreement to sell its British E&P subsidiary E.ON E&P UK Limited, London, United Kingdom, to Premier Oil plc, London, United Kingdom. The base 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 former Exploration & Production global unit, the major asset and liability items of the British E&P business as of March 31, 2016, were goodwill (€0.1 billion) and other assets (€0.7 billion), as well as liabilities (€0.6 billion). The closing of the transaction at the end of April 2016 resulted in a loss on disposal of about €0.1 billion, which consisted mostly of realized foreign exchange translation differences reclassified from other comprehensive income to the income statement.

#### **Enovos International S.A.**

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

#### **AS Latvijas Gāze**

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

#### **Grid Connection Infrastructure for the Humber Wind Farm**

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

#### **Arkona Offshore Wind Farm Partnership**

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

## **(4) Research and Development Costs**

The E.ON Group's research and development costs under IFRS totaled €1.8 million in the first three months of 2017 (first three months of 2016: €1.1 million).

## (5) Financial Results

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

### Financial Results

January 1–March 31 € in millions	2017	2016
Income/Loss from companies in which equity investments are held	5	3
Impairment charges/reversals on other financial assets	-16	-27
<b>Income/Loss from equity investments</b>	<b>-11</b>	<b>-24</b>
Income/Loss from securities, interest and similar income	181	78
Interest and similar expenses	-339	-498
<b>Net interest income/loss</b>	<b>-158</b>	<b>-420</b>
<b>Financial results</b>	<b>-169</b>	<b>-444</b>

## (6) Earnings per Share

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

### Earnings per Share

January 1–March 31 € in millions	2017	2016
Income/Loss from continuing operations	735	757
Less: Non-controlling interests	-107	-103
<b>Income/Loss from continuing operations (attributable to shareholders of E.ON SE)</b>	<b>628</b>	<b>654</b>
Income/Loss from discontinued operations, net	-	509
Less: Non-controlling interests	-	7
<b>Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)</b>	<b>0</b>	<b>516</b>
<b>Net income/loss attributable to shareholders of E.ON SE</b>	<b>628</b>	<b>1,170</b>
<b>in €</b>		
<b>Earnings per share (attributable to shareholders of E.ON SE)</b>		
from continuing operations	0.31	0.34
from discontinued operations	0.00	0.26
<b>from net income/loss</b>	<b>0.31</b>	<b>0.60</b>
Weighted-average number of shares outstanding (in millions)	2,019	1,952

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

The increase in the weighted-average number of shares outstanding resulted primarily from the capital increase carried out in March 2017. As a result, E.ON increased the share capital of

€2,001,000,000 through the partial utilization of its authorized capital via the issue of 200,099,000 new, registered ordinary shares with no par value by €200,099,000 to €2,201,099,000. The new shares have dividend rights effective from January 1, 2016. As a result of the capital increase, E.ON received gross proceeds from the issue in the amount of approximately €1.35 billion.

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

The following table shows the structure of financial assets:

### Companies Accounted for under the Equity Method and Other Financial Assets

€ in millions	March 31, 2017			December 31, 2016		
	E.ON Group	Associates <sup>1</sup>	Joint ventures <sup>1</sup>	E.ON Group	Associates <sup>1</sup>	Joint ventures <sup>1</sup>
Companies accounted for under the equity method	6,796	4,669	2,127	6,352	4,096	2,256
Equity investments	815	262	3	821	254	3
Non-current securities	4,265	-	-	4,327	-	-
<b>Total</b>	<b>11,876</b>	<b>4,931</b>	<b>2,130</b>	<b>11,500</b>	<b>4,350</b>	<b>2,259</b>

<sup>1</sup>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 €423 million from companies accounted for under the equity method (first three months of 2016: €94 million) includes no impairments.

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

## (8) 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 March 31, 2017, was 2,152,495,600 (December 31, 2016: 1,952,396,600).

As of March 31, 2017, E.ON SE held a total of 48,603,400 treasury shares (December 31, 2016: 48,603,400) having a consolidated book value of €1,714 million (equivalent to 2.21 percent or €48,603,400 of the capital stock).

## (9) Dividends

A proposal to distribute a cash dividend for 2016 of €0.21 for each dividend-paying ordinary share (distribution for 2015: €0.50) will be submitted to the Annual Shareholders Meeting. The dividend proposal takes into account the dividend-paying shares issued as part of the capital increase carried out in March. This increases the proposed total dividend amount of €410 million (as of December 31, 2016) to €452 million (distribution for 2015: €976 million).

The shareholders are also given the option of exchanging a portion of their cash dividend for shares of E.ON SE stock.

## (10) Provisions for Pensions and Similar Obligations

The decrease in provisions for pensions and similar obligations by €46 million relative to year-end 2016 was caused by employer contributions to plan assets and the disposal of pension provisions as a result of the transfers of employees to Uniper. These effects were partly offset by the addition of the net periodic pension cost and net actuarial losses resulting from the reduction in the discount rate in the United Kingdom.

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	Mar. 31, 2017	Dec. 31, 2016
Germany	2.10	2.10
United Kingdom	2.80	2.90

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

#### Net Defined Benefit Liability

€ in millions	Mar. 31, 2017	Dec. 31, 2016
Present value of all defined benefit obligations	16,439	16,392
Fair value of plan assets	12,476	12,383
<b>Net defined benefit liability</b> <i>Presented as provisions for pensions and similar obligations</i>	<b>3,963</b> 3,963	<b>4,009</b> 4,009

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

#### Net Periodic Pension Cost for Defined Benefit Plans

January 1–March 31 € in millions	2017	2016
Employer service cost	37	47
Net interest on the net defined benefit liability	20	22
Past service cost	5	6
<b>Total</b>	<b>62</b>	<b>75</b>

### (11) Additional Disclosures on Financial Instruments

#### Measurement of Financial Instruments

The value of financial instruments is determined on the basis of fair value measurement. The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. The fair value to be determined for each derivative financial

instrument is the price at which one party can sell to a third party the rights and/or obligations embodied in that derivative. Fair values of derivatives are determined using customary market valuation methods, taking into account the market data available on the measurement date and including a credit risk premium. The counterparty credit risk is recognized in the form of a credit value adjustment.

Derivative financial instruments are covered by market netting agreements. Master netting agreements based on those developed by the International Swaps and Derivatives Association (ISDA), and supplemented by appropriate schedules, are in place with banks. Commodity transactions are generally governed by master agreements developed by the European Federation of Energy Traders (EFET). The aforementioned netting agreements are taken into account when determining the fair values of the financial instruments. Portfolio-based credit risks are also used in the calculations.

The fair values of individual assets are determined using published exchange or market prices at the time of acquisition in the case of marketable securities, fixed-term deposits and equity investments, and are adjusted to current market prices as of the reporting dates. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable

information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, E.ON determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated until the end of an asset's useful life using a growth rate based on industry and internal projections. The discount rate reflects the specific risks inherent in the activities.

## Presentation of Financial Instruments

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

### Carrying Amounts of Financial Instruments as of March 31, 2017

€ in millions	Carrying amounts within the scope of IFRS 7	Determined using market prices (Level 1)	Derived from active market prices (Level 2)	Derived from active market prices (Level 3)
<b>Assets</b>				
Equity investments	815	52	216	547
Derivatives	2,082	57	1,836	189
Securities and fixed-term deposits	6,255	5,757	498	–
<b>Liabilities</b>				
Derivatives	2,453	66	2,306	81

### Carrying Amounts of Financial Instruments as of December 31, 2016

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

The carrying amounts of cash and cash equivalents and of trade receivables are considered generally reasonable estimates of fair value because of their short maturity. Similarly, the carrying amounts of commercial paper, borrowings under revolving short-term credit facilities and trade payables are used as the fair value due to the short maturities of these items. As of March 31, 2017, financial liabilities includes bonds with a fair value of €14,863 million (December 31, 2016: €16,930 million) and promissory notes with a fair value of €402 million (December 31, 2016: €408 million). The carrying amount of the bonds as of March 31, 2017, is €11,861 million (December 31, 2016: €11,905 million). The carrying amount of the promissory notes

is €370 million (December 31, 2016: €370 million). The fair value of the remaining financial instruments largely corresponds to the carrying amount. At the end of each reporting period, E.ON assesses whether there might be grounds for reclassification between hierarchy levels. The proportion of fair values measured at Level 1 to those measured at Level 2 has not changed materially compared with December 31, 2016. There were no reclassifications between these two fair-value-hierarchy levels in the first three months of 2017. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

### Fair-Value-Hierarchy Level 3 Reconciliation

€ in millions	Jan. 1, 2017	Purchases (including additions)	Sales (including disposals)	Settle- ments	Gains/ Losses in income statement	Transfers		Gains/ Losses in OCI	Mar. 31, 2017
						into Level 3	out of Level 3		
Equity investments	549	8	-5	-	-13	-	-	8	547
Derivative financial instruments	105	1	-	-3	-5	-	-	9	107
<b>Total</b>	<b>654</b>	<b>9</b>	<b>-5</b>	<b>-3</b>	<b>-18</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>654</b>

At the beginning of 2017, a net loss of €58 million from the initial measurement of derivatives was deferred. The deferred expense from the recognition of derivatives in the first three months of 2017 rose by €1 million to €59 million, which will be recognized during subsequent periods as the contracts are settled. Certain long-term energy contracts are measured using valuation models

based on internal fundamental data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €35 million or an increase of €35 million, respectively.

## Credit Risk

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. As of March 31, 2017, risk-management collateral was accepted in the amount of €487 million (December 31, 2016: €481 million). Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements and exchange clearing. As of March 31, 2017, exchange-traded forward and option contracts, as well as exchange-traded emissions-related derivatives, bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

## (12) Related-Party Transactions

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

As of March 31, 2017, receivables totaling €747 million (December 31, 2016: €1,136 million), provisions in the amount of €79 million (December 31, 2016: €55 million) and liabilities of €774 million (December 31, 2016: €908 million) to companies of the Uniper Group consist primarily of electricity and gas transactions and the measurement of commodity derivatives. In the first three months of 2017, income from transactions with Uniper companies amounted to €771 million and expenses of €2,411 million. In the previous year, income and expenses from relationships with fully consolidated Uniper companies were still consolidated.

## (13) Segment Reporting

In line with its business realignment, the E.ON Group, led by its Group Management in Essen, Germany, now comprises the seven new reporting segments described below, as well as a segment for its Non-Core Business and Corporate Functions/ Other, all of which are reported here in accordance with IFRS 8. The combined segments, which are not separately reportable, in the Energy Networks East-Central Europe/Turkey unit and the Customer Solutions Other unit are of subordinate importance

and have similar economic characteristics with respect to customer structure, products and distribution channels. Information regarding Uniper SE, which was reported as a discontinued operation until its deconsolidation as of December 31, 2016, is provided in Note 3.

## Energy Networks

### Germany

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

### Sweden

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

### East Central Europe/Turkey

This segment combines the distribution network activities in the Czech Republic, Hungary, Romania, Slovakia and Turkey.

## Customer Solutions

### Germany

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

### United Kingdom

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

### Other

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

## Renewables

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

## Non-Core Business

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

## Corporate Functions/Other

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

## Financial Information by Business Segment

Jan. 1–March 31 € in millions	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany		United Kingdom		Other	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External sales	2,909	2,960	292	272	188	171	2,269	2,395	2,133	2,605	2,024	1,975
Intersegment sales	517	498	6	4	287	276	22	19	18	30	80	75
<b>Sales</b>	<b>3,426</b>	<b>3,458</b>	<b>298</b>	<b>276</b>	<b>475</b>	<b>447</b>	<b>2,291</b>	<b>2,414</b>	<b>2,151</b>	<b>2,635</b>	<b>2,104</b>	<b>2,050</b>
<b>Depreciation and amortization<sup>1</sup></b>	<b>-144</b>	<b>-144</b>	<b>-41</b>	<b>-41</b>	<b>-54</b>	<b>-50</b>	<b>-19</b>	<b>-20</b>	<b>-24</b>	<b>-24</b>	<b>-37</b>	<b>-30</b>
<b>Adjusted EBIT</b>	<b>418</b>	<b>348</b>	<b>132</b>	<b>113</b>	<b>80</b>	<b>109</b>	<b>52</b>	<b>120</b>	<b>161</b>	<b>280</b>	<b>117</b>	<b>188</b>
<i>Equity-method earnings<sup>2</sup></i>	16	10	0	0	-29	30	0	2	0	0	3	1
<b>Operating cash flow before interest and taxes<sup>3</sup></b>	<b>722</b>	<b>308</b>	<b>142</b>	<b>122</b>	<b>152</b>	<b>137</b>	<b>-186</b>	<b>-79</b>	<b>10</b>	<b>-13</b>	<b>21</b>	<b>211</b>
<b>Investments</b>	<b>98</b>	<b>118</b>	<b>60</b>	<b>43</b>	<b>102</b>	<b>34</b>	<b>8</b>	<b>14</b>	<b>46</b>	<b>45</b>	<b>10</b>	<b>48</b>

<sup>1</sup>Adjusted for non-operating effects.

<sup>2</sup>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.

<sup>3</sup>Operating cash flow from continuing operations.

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

### Operating Cash Flow<sup>1</sup>

January 1–March 31 € in millions	2017	2016	Difference
<b>Operating cash flow before interest and taxes</b>	<b>1,027</b>	<b>774</b>	<b>253</b>
Interest payments	-54	-102	48
Tax payments	-116	-133	17
<b>Operating cash flow</b>	<b>857</b>	<b>539</b>	<b>318</b>

<sup>1</sup>Operating cash flow from continuing operations.

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

### Adjusted EBIT

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

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

Unadjusted EBIT represents the Group's income/loss reported in accordance with IFRS before financial results and income taxes, taking into account the net income/expense from equity

	Renewables		Non-Core Business		Corporate Functions/Other		Consolidation		E.ON Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	253	273	364	453	49	149	-1	18	10,480	11,271
	123	124	0	0	148	157	-1,201	-1,183	0	0
	<b>376</b>	<b>397</b>	<b>364</b>	<b>453</b>	<b>197</b>	<b>306</b>	<b>-1,202</b>	<b>-1,165</b>	<b>10,480</b>	<b>11,271</b>
	-89	-92	-47	-22	-26	-15	2	-3	-479	-441
	<b>160</b>	<b>163</b>	<b>27</b>	<b>248</b>	<b>-111</b>	<b>-22</b>	<b>2</b>	<b>24</b>	<b>1,038</b>	<b>1,571</b>
	11	11	26	21	16	19	0	0	43	94
	<b>187</b>	<b>207</b>	<b>207</b>	<b>223</b>	<b>-231</b>	<b>-349</b>	<b>3</b>	<b>7</b>	<b>1,027</b>	<b>774</b>
	<b>251</b>	<b>241</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>33</b>	<b>0</b>	<b>1</b>	<b>588</b>	<b>581</b>

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 subsidiaries 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.

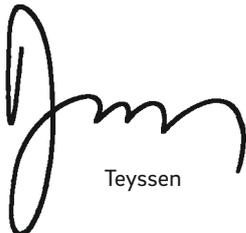
In addition, starting from the 2017 fiscal year, effects from the valuation of certain provisions on the balance sheet date are disclosed in non-operating earnings. The change in recognition results in improved presentation of sustainable earnings power. Due to the fundamental change in operations in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

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

**Reconciliation of Income before Financial Results and Income Taxes**

January 1–March 31 € in millions	2017	2016
<b>Income/Loss from continuing operations before financial results and income taxes</b>	<b>1,059</b>	<b>1,614</b>
Income/Loss from equity investments	-11	-24
<b>EBIT</b>	<b>1,048</b>	<b>1,590</b>
<b>Non-operating adjustments</b>	<b>-10</b>	<b>-19</b>
<i>Net book gains/losses</i>	-52	4
<i>Restructuring/cost-management expenses</i>	94	49
<i>Market valuation derivatives</i>	308	-129
<i>Impairments (+)/Reversals (-)</i>	-3	5
<i>Other non-operating earnings</i>	-357	52
<b>Adjusted EBIT</b>	<b>1,038</b>	<b>1,571</b>

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



Teyssen



Birnbaum



Spieker



Wildberger

<b>May 10, 2017</b>	<b>2017 Annual Shareholders Meeting</b>
<b>August 9, 2017</b>	<b>Interim Report: January – June 2017</b>
<b>November 8, 2017</b>	<b>Interim Report: January – September 2017</b>
<b>March 14, 2018</b>	<b>Release of the 2017 Annual Report</b>
<b>May 8, 2018</b>	<b>Interim Report: January – March 2018</b>
<b>May 9, 2018</b>	<b>2018 Annual Shareholders Meeting</b>
<b>August 8, 2018</b>	<b>Interim Report: January – June 2018</b>
<b>November 14, 2018</b>	<b>Interim Report: January – September 2018</b>

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

This Interim Report may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group Management and other information currently available to E.ON. Various known and unknown risks, uncertainties, and other factors could lead to material differences between the actual future results, financial situation, development, or performance of the company and the estimates given here. E.ON SE does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.

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