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E.ON delivers solid operating earnings in core business

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- **Adjusted EBIT in core business up 15 percent to €1.7 billion**
- **Adjusted Group EBIT of €2 billion 6 percent below prior-year figure**
- **Impairment charges (€2.9 billion) and provisions for contingent losses €0.9 billion) at Uniper lead to significant net loss for E.ON of €-3.0 billion**
- **Full-year 2016 forecast affirmed: adjusted EBIT expected to be between €2.7 and €3.1 billion, adjusted net income between €0.6 and €1 billion**
- **Economic net debt rises to €24.8 billion relative to pro forma year-end 2015 figure for new E.ON of €21.3 billion**

> *â€œThe developments on the energy market demonstrate unambiguously that E.ON chose precisely the right strategy; namely, to seize opportunities in the new energy world. Customers want innovative, renewable, and digital energy solutions. And that's exactly what they'll get from us.â€?*

> *â€œFrom today's perspective, nothing more stands in the way of Uniper's stock-marketing listing and thus the successful completion of the spinoff.â€?*

> *â€œOur networks are the internet of the energy transformation. They are what ensures that customers can optimize their own energy supply.â€?*

Johannes Teyssen, E.ON CEO

> *â€œE.ON delivered solid first-half results in a persistently difficult environment. We intend to further sharpen our clear focus on businesses with strong earnings.â€?*

> *â€œE.ON Focus sets financial priorities that we're implementing in a focused, disciplined, and ambitious way.â€?*

> *â€œThe main elements of E.ON Focus are resolute management of our operating costs, a healthy balance sheet, and an investment strategy with an even sharper focus on businesses with strong earnings.â€?*

Michael Sen, E.ON CFO

Overview

E.ON concluded the first half of the year with solid operating results in its core business.

Adjusted EBIT in the core business (Energy Networks, Customer Solutions, and Renewables) of just under €1.7 billion was €200 million, or 15 percent, above the prior-year figure (€1.5 billion).

Adjusted Group EBIT,which includes the Non-Core Business segment and discontinued operations, declined by 6 percent to €2 billion but was in line with our expectations.

Adjusted net income declined by €232 million, or 28 percent, to €604 million. The primary reasons for this were high tax payments relating to earlier reporting periods and the fact that the prior-year figure includes the earnings of businesses that have since been divested. If these prior-year earnings are factored out, adjusted net income would have declined only by about 8 percent, despite the high tax rate.

Impairment charges on power stations and gas-storage facilities and provisions for contingent losses totaling €3.8 billion at Uniper led to a significant **net loss** of just over €3 billion at E.ON.

E.ON affirms its **forecast** for full-year 2016. The company expects Group adjusted EBIT of €2.7 to €3.1 billion and adjusted net income of €0.6 to €1 billion.

Economic net debt rose to €24.8 billion relative to the pro forma figure of €21.3 billion for year-end 2015 that E.ON released in April. Alongside the dividend payment for 2015 and the capital endowment for Uniper, the primary reason was an increase in provisions for pensions resulting from a further decline in interest rates.

Operating cash flow before interest and taxes increased by 21 percent to €2.3 billion, mainly because of an improved cash-conversion rate, which at 80 percent was in line with the company's E.ON Focus financial framework.

Segment performance

Energy Networks' adjusted EBIT declined by €73 million to €872 million owing to the absence of positive one-off items recorded in the prior year.

Customer Solutions' adjusted EBIT increased by €131 million to €659 million. Adjusted EBIT in Germany decreased by 6 percent to €164 million because of the transfer of the wholesale business. Adjusted EBIT in the United Kingdom increased from €218 million to €291 million owing to lower costs in conjunction with government-mandated energy-efficiency measures and in procurement.

Renewables' adjusted EBIT rose by €53 million to €254 million. Although Onshore Wind/Solar's adjusted EBIT decreased primarily owing to negative price effect and positive one-offs in the prior year. Offshore Wind/Other's adjusted EBIT rose by €150 million, mainly because Amrumbank West and Humber Gateway wind farms were fully operational for the entire period in the current year.

Adjusted EBIT at **Non-Core Business** declined by €131 million to €283 million, mainly because of the decommissioning of Grafenrheinfeld nuclear power station and declining market prices. Lower expenditures for the nuclear-fuel tax in 2016 had a positive impact on adjusted EBIT.

Uniper spinoff right on schedule

At the company's Annual Shareholders Meeting in Essen on June 8, about 99.7 percent of E.ON shareholders voted in favor on spinning off a 53.35-percent majority stake in Uniper. Because no lawsuits have been filed against the Annual Shareholders Meeting's decision, from today's perspective nothing stands in the way of the next steps toward Uniper's stock-market listing in September. The work to prepare the Uniper stock prospectus is on schedule. In addition to JP Morgan and Morgan Stanley as Global Coordinators, E.ON has also mandated Citigroup for flowback management.

The stock-market listing will automatically make E.ON shareholders Uniper shareholders as well. The allocation ratio is 10:1. This means that for each ten shares of E.ON stock, shareholders will receive an additional one share of Uniper stock. Shareholders will then be free to decide whether they want to retain their E.ON and Uniper stock or to adjust their portfolio. With greater flexibility to manage their assets, they can decide whether to put their faith in the future development of E.ON, Uniper, or both companies. The spinoff will give the two companies greater strategic and entrepreneurial room for maneuver as well. E.ON and Uniper will be able to focus entirely on their respective markets, which differ considerably.

The new E.ON's three core businesses (energy networks, customer solutions, and renewables) are geared toward the new energy world, whereas Uniper's businesses (power generation and energy trading) are geared toward the conventional energy world.

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