

E.ON delivers strong first-half performance and conducts successful crisis management in flood regions

08/11/2021

- Successful large-scale response swiftly restores electricity service in areas of Germany affected by floods
- Strong operating performance characterized by improvements at the sales business and a weather-driven increase in gas sales volume; agreement on residual power output rights leads to significant earnings increase
- Adjusted EBIT up 45 percent to about €3.2 billion, adjusted net income up 86 percent to roughly €1.8 billion
- Forecast for 2021 financial year increased, medium-term targets and dividend policy affirmed

The E.ON Group has almost fully restored electricity service in the areas of Germany affected by catastrophic storms in mid-July. E.ON swiftly assembled around 1,000 employees and specialists from across the country to help its Westenergie subsidiary and provide rapid assistance in the network areas affected. Presenting the company's first-half results, E.ON CEO Leonhard Birnbaum expressed his sympathy for the victims of the disaster and thanked all employees who were pushed to their limits in recent weeks.

In this regard, Birnbaum emphasized the significance of strong, robust infrastructure. "The catastrophic events have served as a painful reminder of the paramount importance of reliable and resilient energy infrastructure. The distribution networks that we operate are particularly crucial for people's everyday lives."

Birnbaum therefore called on German policymakers to accelerate consent processes and to establish a reasonable rate of return on investments in energy networks: "Strong and reliable infrastructure requires solid financing. It also requires an internationally competitive regulatory framework for investors to mobilize the necessary capital for this infrastructure." Even before Germany made its climate targets more ambitious, E.ON and RWTH Aachen University conducted a study whose calculations showed that the country will have to invest more than €110 billion in distribution network infrastructure by 2050. Germany's new climate targets will accelerate the need for these investments.

Birnbaum also emphasized the importance of sustainability targets. E.ON aims to be carbon-neutral by 2040 and also to improve biodiversity. E.ON, an energy-industry pacesetter, supports the United Nations Environment Program's "Decade for the Restoration of Ecosystems." As part of this partnership, E.ON is transforming an area the size of 100,000 soccer fields under its high-voltage power lines in Europe into valuable biotopes. For this purpose, E.ON will invest a double-digit million sum and has committed to adopting ecological corridor management Group-wide by 2026.

CFO Marc Spieker commented on E.ON's results for the first half of 2021. The energy company's operating business performed very well in the first six months of the year. Sales rose by €2.4 billion year on year to €33 billion. First-half adjusted EBIT in E.ON's core businesses of roughly €2.4 billion was 26 percent above the prior-year figure of €1.9 billion. Adjusted EBIT for the E.ON Group rose by 45 percent relative to 2020 reporting period, from €2.2 billion to €3.2 billion. Adjusted net income of €1.8 billion was 86 percent above the prior-year figure of €950 million.

Cost savings in the U.K. sales business had a positive impact on second-quarter earnings. In addition, cooler weather relative to the prior year led to higher gas sales volume. Also, in the first six months of 2021 E.ON largely offset the Covid-19 pandemic's economic repercussions, which had a significant adverse impact on E.ON's operations in the first half of 2020. Repayment of purchases of residual power output rights resulting from the implementation of the public law agreement between the German federal government and the country's nuclear power plant operators was another factor.

Earnings driven by operating improvements at Customer Solutions

Adjusted EBIT at the Customer Solutions segment rose by 75 percent year on year to €838 million. The primary reasons were cooler weather in the first half of 2021 and operating improvements in nearly all E.ON markets. Significant cost savings from the ongoing restructuring program in the United Kingdom were another key factor in the rise in adjusted EBIT.

Energy Networks recorded adjusted EBIT of €1.8 billion, 8 percent more than in the prior-year period. Adjusted EBIT in the regional markets of Germany, Sweden, and East-Central Europe/Turkey improved primarily due to the aforementioned positive weather effects. The network business in East-Central Europe/Turkey posted the highest increase (22 percent), which was mainly attributable to the inclusion of VSEH in Slovakia.

The positive performance of adjusted EBIT in E.ON's core business was accompanied by higher adjusted EBIT at the Non-Core Business segment. The increase is mainly attributable to PreussenElektra and the implementation of the public law agreement between the German federal government and the country's nuclear power plant operators. In this context, previous payments to purchase residual power output rights will be refunded. This resulted in a positive EBIT effect of roughly €0.5 billion in the first half of the year.

Adjusted net income of €1.8 billion surpassed the prior-year figure of €950 million by 86 percent. The increase primarily reflects the strong growth in adjusted EBIT.

Debt target will be achieved one year early

Economic net debt of roughly €40.9 billion at June 30, 2021, was largely unchanged from the previous quarter (March 31, 2021: €40.8 billion). Marc Spieker remained optimistic that E.ON will achieve its target debt factor of 4.8 to 5.2 this year and thus earlier than originally planned.

Outlook adjusted

In view of the repayment of expenditures for residual power output rights, E.ON has increased its outlook for the 2021 financial year. Leonhard Birnbaum said: "We now expect to achieve an adjusted EBIT target of €4.4 to €4.6 billion and adjusted net income of €2.2 to €2.4 billion for full-year 2021." Birnbaum affirmed the company's earnings plan through 2023, including its dividend promise.