Interim Report III/2016

2016

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights[1] January 1–September 30 € in millions	2016	2015	+/- %
Sales	28,198	32,042	-12
Adjusted EBITDA[2]	3,640	4,182	-13
Adjusted EBIT[2]	2,311	2,418	-4
Net loss	-9,299	-5,670	–
Net loss attributable to shareholders of E.ON SE	-3,948	-6,101	–
Adjusted net income[2]	641	699	-8
Investments	1,981	1,956	+1
Cash provided by operating activities of continuing operations	3,041	3,395	-10
Cash provided by operating activities of continuing operations before interest and taxes	3,827	3,428	+12
Free cash flow[3]	1,668	3,857	-57
Economic net debt (September 30 and December 31)	23,623	27,714	-15
Employees (September 30 and December 31)	42,731	43,162	-1
Earnings per share[4, 5] (€)	-2.02	-3.14	–
Adjusted net income per share[4, 5] (€)	0.33	0.36	-8
Shares outstanding (in millions, September 30 and December 31)	1,952	1,952	–

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

Glossary of Selected Financial Terms

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

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

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

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

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

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January 1–September 30, 2016

- Adjusted EBIT in core business higher
- Impairment charges on Uniper stake reported under discontinued operations lead to substantial net loss
- German federal government intends to adopt the recommendations of the Commission for Organizing and Financing the Nuclear Energy Phaseout
- Forecast for full-year 2016 adjusted EBIT and adjusted net income affirmed

Contents

Dear Shareholders,

Since the release of our half-year results, the new E.ON has taken a big step in transforming itself into a leading company in the new energy world. The successful spinoff of Uniper enables us to focus fully on our core businesses—energy networks, innovative customer solutions, and renewables—in our new markets. Uniper's stock price has risen by more than 20 percent since its listing, indicating that the capital market believes Uniper to be superbly positioned in the conventional energy world. If you've held on to the Uniper stock you were issued at no cost, then you've directly benefited from this performance. Of course, issuing you this stock at no cost had an adverse impact on E.ON's equity. In addition, we adjusted Uniper's book value to reflect its market capitalization at the end of the third quarter, resulting in an impairment charge of €6.1 billion and a substantial net loss of €9.3 billion. The net loss is entirely attributable to our discontinued operations. It's important to remember that the actual value of Uniper's businesses depends on their long-term performance, not on Uniper's market capitalization at the end of the third quarter.

The spinoff was a demanding process and could only be accomplished on the basis of our existing organizational setup. As a result, E.ON still has the complex, centralized setup and costs of an energy company with businesses along the entire value chain. But our businesses for the future tend to be decentralized and close to customers. As promised, we now intend to ensure that these realities are swiftly reflected in our organizational setup and costs. Successfully positioning ourselves in the face of increasingly fierce competition will require that we become closer to our customers, leaner, and more agile. These are the objectives of Phoenix, a project we just launched. It will give the managers and employees who are closest to our customers more decision-making authority. It will review corporate functions and adjust them so that they add value to our businesses. At the same time, it will reduce our costs by €400 million. And it will eliminate the inefficiencies necessarily brought about by the Uniper spinoff. Finally, it will enable us to address systematically a number of adverse developments that have emerged since our Capital Market Day in April: the British pound's weakness following the Brexit vote, interventionist remedies proposed by Britain's Competition and Markets Authority, and the foreseeable reduction of network returns in Germany. Our objective is to ensure that E.ON, despite facing further fundamental change, has a lasting future. We're certain that the combined effort of our entire company—particularly our dedicated employees—will enable us to succeed.

Alongside our plans to enhance efficiency, our capital allocation will of course continue to be selective and disciplined. The current low-interest-rate environment and increasingly fierce competition are putting pressure on returns in our core markets. In addition, the market isn't sufficiently pricing in risks, which adversely affects the long-term profitability of investments and the necessary return on capital—at the expense of shareholders. You're justified in expecting your new E.ON to be extremely disciplined, particularly in this kind of environment. We'll therefore again review our investment budget. We have the ability to manage this budget flexibly, and that's what we intend to do.

Our three core businesses delivered solid earnings in the first nine months of the year. Their adjusted EBIT rose by 14 percent year on year to just under €2 billion. The adjusted net income for the E.ON Group as a whole declined by 8 percent to about €640 million. We generated operating cash flow of €3 billion. We again reaffirm our earnings forecast for full-year 2016.

The funding of Germany's phaseout of nuclear energy has long been a contentious issue. Now, however, the country is close to reaching a consensus to resolve it. The German federal government decided to adopt the proposals of the Commission for Organizing and Financing the Nuclear Energy Phaseout. We're prepared to pay a considerable amount—which will be very close to the roughly €10 billion you already know about—to contribute to the success of this consensus. In return, the German state will assume responsibility for the intermediate and final storage of the country's nuclear waste. In your interest, we advocate that the law be underpinned by a contractual agreement in order to ensure lasting legal certainty. E.ON has sufficient financing flexibility to make available the necessary funds. There is therefore no need to take action in the immediate future. We're currently analyzing our options for funding the risk premium as well as other measures to strengthen our balance sheet. Our analysis will factor in the specific provisions of the draft liability legislation. We'll inform you as soon as we complete this analysis.

The new E.ON is transforming itself. The purpose is to enable you, our shareholders, to benefit from the opportunities of the energy markets of the future. We still have a good bit of work to do until we can consistently generate good returns for you and until we can grow in the new energy world. We're now setting about doing this work systematically. So that we can guide your E.ON to a good future.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

At the end of the first three quarters of 2016, E.ON stock (including reinvested dividends and adjusted for the Uniper spinoff) was 15 percent below its year-end closing price for 2015, thereby underperforming its peer index, the STOXX Utilities (-2 percent), and the broader European stock market as measured by the EURO STOXX 50 index (-6 percent).

Despite an increase in the number of shares traded, E.ON's nine-month trading volume declined by 28 percent year on year to €19.4 billion owing to our stock price.

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

E.ON Stock

	Sep. 30, 2016	Dec. 31, 2015
Shares outstanding (millions)	1,952	1,952
Closing price (€)	6.31	8.93
Market capitalization (€ in billions)[1]	12.3	17.4

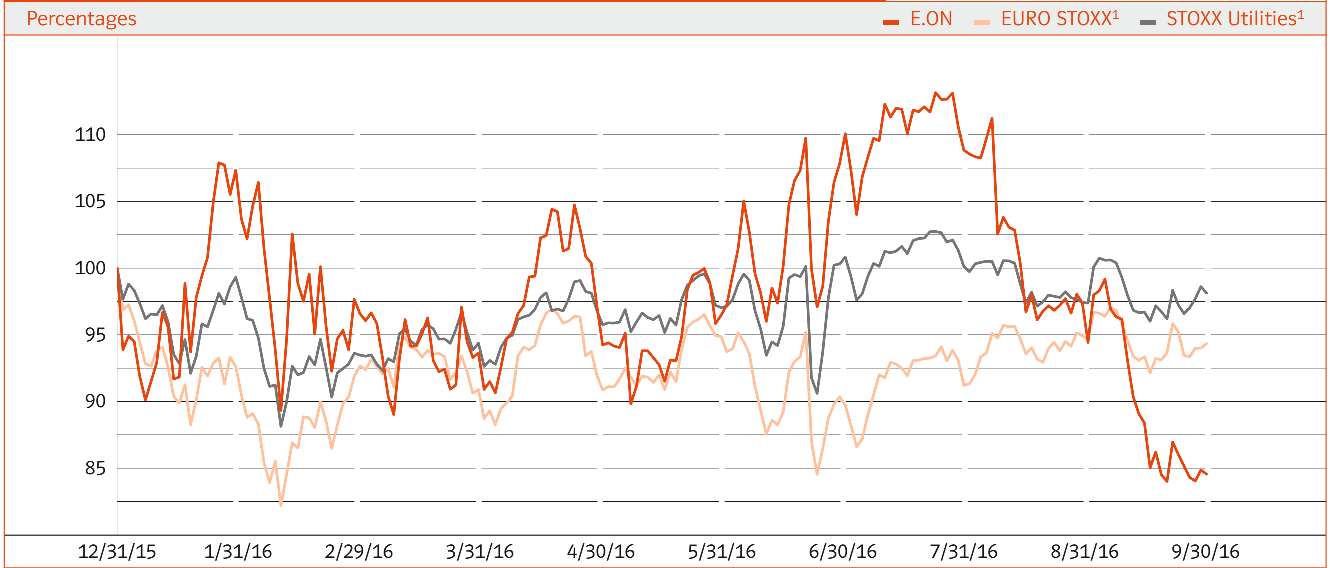
[1]Based on shares outstanding.

Performance and Trading Volume

January 1–September 30	2016	2015
High (€)[1]	9.64	14.74
Low (€)[1]	6.27	7.13
Trading volume[2]		
Millions of shares	*2,301.0*	*2,260.8*
€ in billions	*19.4*	*27.1*

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

E.ON Stock Performance



[1]Based on the performance index.

Interim Group Management Report

Corporate Profile

Business Model

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

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

Energy Networks
This segment consists of our power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East-Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Slovakia, and Turkey). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out any necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer grid connections.

Customer Solutions
This segment serves as the platform for working with our customers to actively shape Europe's energy transition. This includes supplying customers in Europe (excluding Turkey) with power, gas, and heat as well as with products and services that enhance their energy efficiency and autonomy and provide other benefits. 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, in particular the operation of our nuclear power stations in Germany, which is managed by our PreussenElektra unit.

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

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

Business Report

Industry Environment

Energy Policy and Regulatory Environment

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

Earnings Situation

Business Performance

In the first three quarters of 2016 our operating business performed in line with our expectations. Our sales declined by 12 percent year on year to €28.2 billion. Adjusted EBIT in our core business rose by about €0.2 billion to €1.9 billion. In addition to higher earnings recorded under Corporate Functions/Other, the principal positive effects in our operating business were improved earnings at Customer Solutions' operations in the United Kingdom, Romania, Sweden, and Hungary and the fact that Renewables' Amrumbank West and Humber Gateway wind farms were fully operational for the entire period. These effects were partially offset by lower earnings at Energy Networks. Adjusted EBIT for the E.ON Group declined by €107 million to €2.3 billion (if disposals are factored out, adjusted EBIT was €120 million above the prior-year figure). Adjusted net income declined by €58 million to €641 mllion.

Sales

Our nine-month sales of €28.2 billion were about €3.8 billion below the prior-year level. Sales declined by €2.6 billion at Customer Solutions, by €0.8 billion at Non-Core Business, and by €1.4 billion at Corporate Functions/Other. Other encompasses, for 2015 and part of 2016, the sales of former E&P operations in the North Sea and generation operations in Italy and Spain that have since been divested.

Sales

€ in millions	Third quarter 2016	Third quarter 2015	+/- %	Nine months 2016	Nine months 2015	+/- %
Energy Networks	3,885	3,853	+1	12,207	11,484	+6
Customer Solutions	4,082	5,071	-20	16,079	18,630	-14
Renewables	342	429	-20	1,022	1,033	-1
Non-Core Business	317	464	-32	1,068	1,860	-43
Corporate Functions/Other	260	533	-51	845	2,250	-62
Consolidation	-942	-1,091	–	-3,023	-3,215	–
E.ON Group	**7,944**	**9,259**	**-14**	**28,198**	**32,042**	**-12**

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €294 million was above the prior-year figure of €239 million. The increase is predominantly attributable to own work capitalized in conjunction with the completion of IT projects.

Other operating income decreased by 9 percent, from €5,439 million to €4,926 million, primarily because income from currency-translation effects declined by €400 million, from €3,508 million to €3,108 million. Income from the sale of current securities, from the reversal of impairment charges on receivables, and from cost passthroughs was lower as well. By contrast, income from derivative financial instruments rose from €308 million in the prior-year period to €1,012 million this year. Corresponding amounts resulting from currency-translation effects and from derivative financial instruments are recorded under other operating expenses.

Costs of materials decreased by 12 percent, from €25,143 million to €22,078 million. This corresponds to the significant decline in our sales and primarily reflects lower procurement costs for power and gas.

As anticipated, personnel costs of €2,135 million were below the prior-year figure of €2,220 million due to a reduction in the number of employees.

Depreciation charges declined by €3,583 million, from €4,968 million to €1,385 million. The significant decline resulted primarily from the non-recurrence of impairment charges recorded in the prior-year period along with the sale of our U.K. and Norwegian E&P operations. The writedown of our Uniper stake, which was necessary in order to reflect Uniper's lower market capitalization at the end of the third quarter, is recorded under discontinued operations.

Other operating expenses decreased by 19 percent, from €6,507 million to €5,280 million. This is mainly attributable to lower expenditures relating to currency-translation effects (which declined by €864 million to €2,963 million) and lower expenditures relating to impairment charges on receivables. By contrast, expenditures relating to derivative financial instruments rose by €82 million to €301 million.

Income from companies accounted for under the equity method of €245 million was slightly above the prior-year figure of €237 million, mainly because lower earnings from equity interests at Energy Networks were offset by higher earnings from equity interests at Renewables.

Adjusted EBIT

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

Nine-month adjusted EBIT in our core business rose by about €223 million year on year. In addition to higher earnings recorded under Corporate Functions/Other, the principal positive effects in our operating business were:

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

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

In contrast, adjusted EBIT for the E.ON Group declined by €107 million owing to:

- lower prices for power output along with the decommissioning of generating capacity at our nuclear energy business in Germany
- the absence of earning streams from divested operations (if these disposals are factored out, adjusted EBIT for the E.ON Group was €120 million above the prior-year figure).

Adjusted EBIT

	Third quarter			Nine months		
€ in millions	2016	2015	+/- %	2016	2015	+/- %
Energy Networks	324	314	+3	1,196	1,259	-5
Customer Solutions	-111	-41	–	548	487	+13
Renewables	55	23	+139	309	224	+38
Corporate Functions/Other	-28	-50	–	-137	-254	–
Consolidation	8	3	+167	21	-2	–
Adjusted EBIT from core business	**248**	**249**	**–**	**1,937**	**1,714**	**+13**
Non-Core Business (PreussenElektra)	62	34	+82	345	448	-23
Other (divested operations)	–	13	–	29	256	-89
Adjusted EBIT	**310**	**296**	**+5**	**2,311**	**2,418**	**-4**

Corporate Functions/Other

This segment consists of E.ON SE itself and the share investments managed directly in this segment. The change in sales and adjusted EBIT relative to the previous year resulted primarily from the positive performance of derivatives used to hedge foreign-currency risks and from currency-translation effects on financial instruments.

Other (Divested Operations)

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

Business Segments

Energy Networks

In the first three quarters, the amount of electricity fed into this segment's networks in Germany in conjunction with the Renewable Energy Law ("REL") declined from about 30 billion kWh to about 27 billion kWh. There were two main reasons for the decline. First, some generators who formerly sold their power under the REL switched to direct marketing. Second, the weather was less favorable for renewable energy. Power and gas passthrough in Sweden rose year on year to about 27 billion kWh and 3.5 billion kWh, resepectively, primarily because of low temperatures at the start of 2016. Power and gas passthrough in East-Central Europe/Turkey of 26 billion kWh and 27 billion kWh, respectively, was at the prior-year level.

Energy Networks: Sales and Adjusted EBIT

This segment's nine-month sales rose by €723 million, whereas its adjusted EBIT declined by €63 million.

Sales rose by €0.8 billion in Germany on higher sales in conjunction with the REL. This year not all of the power that could have been produced under the REL could be fed into the network. This led to an increase in sales despite a slight decrease in the passthrough of REL power. As a rule, distribution network operators do not record in income the fluctuations in REL-related sales. Adjusted EBIT declined by €120 million, primarily because of the absence of positive one-off effects recorded in 2015.

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

Sales in East-Central Europe/Turkey were slightly lower. Sales in Romania and the Czech Republic declined owing to tariff effects. Although sales in Hungary were lower due in part to currency-translation effects, adjusted EBIT was €21 million higher. Adjusted EBIT was higher in the Czech Republic mainly due to improved margins. Our equity stakes in Turkey and the Slovak Republic contributed to the earnings increase as well. Adjusted EBIT in Romania declined significantly because of tariff effects in the power and gas businesses along with a reduction in gas passthrough, primarily to residential customers.

Energy Networks	Germany		Sweden		East-Central Europe/Turkey		Total	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Third quarter								
Sales	3,286	3,239	227	224	372	390	3,885	3,853
Adjusted EBITDA	291	303	132	128	142	123	565	554
Adjusted EBIT	146	165	91	86	87	63	324	314
Nine months								
Sales	10,288	9,536	736	725	1,183	1,223	12,207	11,484
Adjusted EBITDA	1,084	1,159	411	377	428	409	1,923	1,945
Adjusted EBIT	638	758	288	252	270	249	1,196	1,259

Customer Solutions: Power and Gas Sales Volume

This segment's nine-month power and gas sales declined by 2.3 billion kWh and 21.8 billion kWh, respectively.

Its power sales in Germany were 6 percent higher due to deliveries to Uniper Energy Sales for its wholesale customers and resales to Uniper Global Commodities. Power sales to industrial and commercial ("I&C") customers and to sales partners declined, primarily because of the transfer of E.ON Energie Deutschland's wholesale customers to Uniper Energy Sales at the end of 2015. Gas sales volume was significantly below the prior-year level, mainly because sales to I&C customers and sales partners were lower due to the above-mentioned transfer of wholesale customers. By contrast, gas sales to residential customers were slightly higher due to weather factors, and wholesale gas sales were significantly higher thanks to deliveries to Uniper Energy Sales for its wholesale customers.

Power sales in the United Kingdom declined by 3.8 billion kWh. Adverse weather factors, declining customer numbers, and customers' energy-saving behavior led to lower power sales to residential and small and medium enterprise ("SME") customers. A reduction in the number of customer facilities served along with lower offtake were the reasons for the decline in power sales to I&C customers. Gas sales decreased by 4.1 billion kWh. Lower customer numbers and a partially 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) were on par with the prior-year figure. By contrast, its gas sales declined by 10 billion kWh, mainly because of a new strategy for the residential-customer business in Hungary, lower sales volume to wholesale customers in the Czech Republic, and lower consumption by residential and SME customers along with the loss of I&C customers in Romania.

Customer Solutions' Power Sales

	Germany		United Kingdom		Other		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015
Third quarter								
Residential and SME	3.4	3.4	4.2	4.7	4.4	4.5	12.0	12.6
I&C	2.3	3.6	3.7	4.4	7.2	7.1	13.2	15.1
Sales partners	0.4	2.0	–	–	0.4	0.5	0.8	2.5
Customer groups	**6.1**	**9.0**	**7.9**	**9.1**	**12.0**	**12.1**	**26.0**	**30.2**
Wholesale market	4.4	1.8	0.3	–	2.0	1.8	6.7	3.6
Total	**10.5**	**10.8**	**8.2**	**9.1**	**14.0**	**13.9**	**32.7**	**33.8**
Nine months								
Residential and SME	12.9	13.0	15.5	16.7	15.1	14.8	43.5	44.5
I&C	7.0	10.6	11.3	13.8	21.4	21.3	39.7	45.7
Sales partners	0.8	6.1	–	–	1.8	2.1	2.6	8.2
Customer groups	**20.7**	**29.7**	**26.8**	**30.5**	**38.3**	**38.2**	**85.8**	**98.4**
Wholesale market	13.3	2.5	0.7	0.8	5.4	5.8	19.4	9.1
Total	**34.0**	**32.2**	**27.5**	**31.3**	**43.7**	**44.0**	**105.2**	**107.5**

Customer Solutions' Gas Sales								
	Germany		United Kingdom		Other		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015
Third quarter								
Residential and SME	1.4	1.6	2.8	3.7	1.7	2.0	5.9	7.3
I&C	0.8	4.1	1.5	2.1	4.1	3.9	6.4	10.1
Sales partners	–	0.8	–	–	0.2	0.2	0.2	1.0
Customer groups	**2.2**	**6.5**	**4.3**	**5.8**	**6.0**	**6.1**	**12.5**	**18.4**
Wholesale market	1.5	0.2	–	–	0.7	2.1	2.2	2.3
Total	**3.7**	**6.7**	**4.3**	**5.8**	**6.7**	**8.2**	**14.7**	**20.7**
Nine months								
Residential and SME	15.7	15.5	27.0	29.3	16.5	21.6	59.2	66.4
I&C	3.6	12.7	6.2	8.0	14.7	15.9	24.5	36.6
Sales partners	–	6.5	–	–	1.2	1.0	1.2	7.5
Customer groups	**19.3**	**34.7**	**33.2**	**37.3**	**32.4**	**38.5**	**84.9**	**110.5**
Wholesale market	8.5	0.8	–	–	3.2	7.1	11.7	7.9
Total	**27.8**	**35.5**	**33.2**	**37.3**	**35.6**	**45.6**	**96.6**	**118.4**

Customer Solutions: Sales and Adjusted EBIT

This segment's nine-month sales decreased by €2.6 billion, whereas its adjusted EBIT increased by €61 million. Third-quarter adjusted EBIT declined by €70 million relative to the prior-year quarter. Due to seasonal factors, power and gas consumption in the third quarter is lower on average (particularly among residential customers) in all of the regions where we operate. This generally results in lower earnings. In addition, third-quarter earnings in the current year were adversely affected by non-recurring items.

Nine-month sales in Germany decreased, primarily because of the transfer of E.ON Energie Deutschland's wholesale customers to Uniper Energy Sales at the end of 2015. Adjusted EBIT was 31 percent lower. The decline is primarily attributable to an increase in passthroughs under Germany's Renewable Energy Law and to higher network fees, which had an adverse impact on the sales business's adjusted EBIT. The non-recurrence of positive one-off effects recorded in prior-year period was another principal reason for the decline in earnings.

Lower sales volume, declining customer numbers, and a reduction in gas prices in January caused sales in the United Kingdom to decline by €1.4 billion. Adjusted EBIT increased owing to lower costs in conjunction with government-mandated energy-efficiency measures.

Other's sales declined by €0.6 billion, primarily because of lower sales volume and prices in the power and gas business in Hungary, the Czech Republic, and Romania. Other's adjusted EBIT rose by €56 million. Romania benefited from wider power and gas margins and improved receivables management, Hungary from improved power and gas margins, and Sweden from improved margins in the heat and sales businesses along with lower temperatures.

Customer Solutions								
	Germany		United Kingdom		Other		Total	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Third quarter								
Sales	1,376	1,678	1,320	1,902	1,386	1,491	4,082	5,071
Adjusted EBITDA	-4	50	-41	-29	5	27	-40	48
Adjusted EBIT	-20	35	-64	-62	-27	-14	-111	-41
Nine months								
Sales	5,526	6,093	5,676	7,107	4,877	5,430	16,079	18,630
Adjusted EBITDA	192	251	297	244	274	214	763	709
Adjusted EBIT	144	210	227	156	177	121	548	487

Renewables: Power Generation

This segment's nine-month owned generation rose by 1.4 billion kWh.

Onshore Wind/Solar's generation was 0.4 billion kWh higher. Unfavorable wind conditions led to lower output in the United Kingdom, Sweden, and Poland. This was more than offset by higher output in Italy and positive effects from the commissioning of Colbeck's Corner wind farm in the United States.

Offshore Wind/Other's generation was 1 billion kWh higher, mainly because Amrumbank West wind farm in the German North Sea and Humber Gateway wind farm in the U.K. North Sea were in operation during the entire period in the current year. Amrumbank West did not enter service until October 2015, and Humber Gateway was only in operation for two months of the prior-year period.

Renewables' Power Generation

Billion kWh	Onshore Wind/Solar 2016	Onshore Wind/Solar 2015	Offshore Wind/Other 2016	Offshore Wind/Other 2015	Total 2016	Total 2015
Third quarter						
Owned generation	1.7	1.5	0.7	0.6	2.4	2.1
Purchases	0.3	0.3	0.1	0.2	0.4	0.5
Jointly owned power plants/	*–*	*–*	*0.1*	*0.2*	*0.1*	*0.2*
third parties	*0.3*	*0.3*	*–*	*–*	*0.3*	*0.3*
Power sales	**2.0**	**1.8**	**0.8**	**0.8**	**2.8**	**2.6**
Nine months						
Owned generation	5.9	5.5	2.5	1.5	8.4	7.0
Purchases	1.0	1.1	0.5	0.6	1.5	1.7
Jointly owned power plants/	*–*	*–*	*0.5*	*0.6*	*0.5*	*0.6*
third parties	*1.0*	*1.1*	*–*	*–*	*1.0*	*1.1*
Power sales	**6.9**	**6.6**	**3.0**	**2.1**	**9.9**	**8.7**

Renewables: Sales and Adjusted EBIT

This segment's sales declined slightly, whereas its adjusted EBIT surpassed the prior-year figure by €85 million.

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

Offshore Wind/Other's sales and adjusted EBIT rose by €160 million and €161 million, respectively, mainly because Amrumbank West and Humber Gateway wind farms were fully operational for the entire period in the current year and because of book gains.

Renewables

€ in millions	Onshore Wind/Solar 2016	Onshore Wind/Solar 2015	Offshore Wind/Other 2016	Offshore Wind/Other 2015	Total 2016	Total 2015
Third quarter						
Sales	220	333	122	96	342	429
Adjusted EBITDA	57	61	81	63	138	124
Adjusted EBIT	13	-8	42	31	55	23
Nine months						
Sales	567	738	455	295	1,022	1,033
Adjusted EBITDA	229	321	355	152	584	473
Adjusted EBIT	66	142	243	82	309	224

Non-Core Business (PreussenElektra): Power Generation

This segment's owned generation declined principally because of the decommissioning of Grafenrheinfeld nuclear power station at the end of June 2015 and unplanned production outages at Grohnde nuclear power station due to a damaged secondary cooling pump and repairs to a sensor line. The expiration of delivery contracts to Belgium, the Netherlands, and France led to a reduction in power procurement.

Non-Core Business's Power Generation

	PreussenElektra	
Billion kWh	2016	2015
Third quarter		
Owned generation	7.6	8.3
Purchases	0.8	2.2
Jointly owned power plants/	*0.4*	*0.4*
third parties	*0.4*	*1.8*
Total power procurement	**8.4**	**10.5**
Station use, line loss, etc.	–	–
Power sales	**8.4**	**10.5**
Nine months		
Owned generation	23.1	28.7
Purchases	3.6	7.7
Jointly owned power plants/	*1.0*	*0.9*
third parties	*2.6*	*6.8*
Total power procurement	**26.7**	**36.4**
Station use, line loss, etc.	-0.2	-0.1
Power sales	**26.5**	**36.3**

Non-Core Business (PreussenElektra): Sales and Adjusted EBIT

The significant decline in this segment's nine-month sales (-€792 million) mainly reflects lower market prices, the decommissioning of Grafenrheinfeld nuclear power station at the end of June 2015, and the expiration of deliveries to Belgium, the Netherlands, and France. Adjusted EBIT was €103 million lower, mainly because of the decommissioning of Grafenrheinfeld and declining market prices. Lower expenditures for the nuclear-fuel tax had a positive impact on adjusted EBIT in 2016.

Non-Core Business

	PreussenElektra	
€ in millions	2016	2015
Third quarter		
Sales	317	464
Adjusted EBITDA	83	48
Adjusted EBIT	62	34
Nine months		
Sales	1,068	1,860
Adjusted EBITDA	410	567
Adjusted EBIT	345	448

Net Loss

The nine-month net loss attributable to shareholders of E.ON SE of -€3.9 billion and corresponding earnings per share of -€2.02 were above the respective prior-year figures of -€6.1 billion and -€3.14. The current-year figure is after the completion of the Uniper spinoff.

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

We had a tax expense of €624 million and a tax rate of 39 percent. Our negative earnings in the prior-year period led to tax income of €217 million and a tax rate of 11 percent. The main reason for the change in our tax rate is that higher expenditures in the prior year did not reduce our tax burden. Furthermore, beginning in the current reporting period, tax expenditures from previous periods are no longer recorded in operating earnings.

Nine-month net book gains were €348 million below the prior-year figure. In 2016 a book gain on the sale of securities was more than offset by a book loss on the sale of our U.K. E&P business. The prior-year figure includes book gains on the sale of securities, the remaining stake in Energy from Waste, operations in Italy, and network segments in Germany.

Restructuring and cost-management expenditures declined by €29 million and, as in the prior-year period, resulted mainly from cost-cutting programs and the One2Two project.

Net Loss

	Third quarter		Nine months	
€ in millions	2016	2015	2016	2015
Net loss	**-6,370**	**-6,985**	**-9,299**	**-5,670**
Attributable to shareholders of E.ON SE	*-514*	*-7,250*	*-3,948*	*-6,101*
Attributable to non-controlling interests	*-5,456*	*265*	*-5,351*	*431*
Income/Loss from discontinued operations, net	6,409	4,270	10,293	3,941
Income/Loss from continuing operations	**39**	**-2,715**	**994**	**-1,729**
Income taxes	57	-498	624	-217
Financial results	365	313	1,191	1,070
Income/Loss from continuing operations before financial results and income taxes	**461**	**-2,900**	**2,809**	**-876**
Income/Loss from equity investments	3	-13	-9	1
EBIT	**464**	**-2,913**	**2,800**	**-875**
Non-operating adjustments	**-154**	**3,209**	**-489**	**3,293**
Net book gains (-)/losses (+)	*-26*	*-47*	*-1*	*-349*
Restructuring and cost-management expenses	*92*	*132*	*221*	*250*
Marking to market of derivative financial instruments	*-216*	*49*	*-768*	*201*
Impairments (+)/Reversals (-)	*–*	*3,058*	*44*	*3,176*
Other non-operating earnings	*-4*	*17*	*15*	*15*
Adjusted EBIT	**310**	**296**	**2,311**	**2,418**
Impairments (+)/Reversals (-)	-5	52	4	113
Scheduled depreciation and amortization	434	541	1,325	1,651
Adjusted EBITDA	**739**	**889**	**3,640**	**4,182**

We use derivatives to shield our operating business from price fluctuations. Marking to market of derivatives at September 30, 2016, resulted in a positive effect of €768 million (prior year: -€201 million). This effect was recorded mainly at Customer Solutions.

Our impairment charges in the first three quarters of 2016 were recorded in particular on Energy Networks' gas-storage capacity in Germany. In the prior-year period we recorded impairment charges primarily at our nuclear energy business in Germany, at Renewables, and at E&P operations in the North Sea and generation operations in Italy that have since been sold.

Other non-operating earnings in the current and prior-year periods include a number of small positive and negative effects, such as impairment charges on securities, M&A costs, and tax-related interest income that, beginning in the current reporting period, are no longer recorded in operating earnings.

Adjusted Net Income

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

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

Adjusted Net Income

	Third quarter		Nine months	
€ in millions	2016	2015	2016	2015
Income/Loss from continuing operations before financial results and income taxes	**461**	**-2,900**	**2,809**	**-876**
Income/Loss from equity investments	3	-13	-9	1
EBIT	**464**	**-2,913**	**2,800**	**-875**
Non-operating adjustments	-154	3,209	-489	3,293
Adjusted EBIT	**310**	**296**	**2,311**	**2,418**
Interest expense shown in the consolidated statements of income	-368	-300	-1,182	-1,071
Interest expense (+)/income (-) not affecting net income	60	-25	64	-28
Operating earnings before interest and taxes	**2**	**-29**	**1,193**	**1,319**
Taxes on operating earnings	69	-83	-387	-444
Operating earnings attributable to non-controlling interests	-34	-25	-165	-176
Adjusted net income	**37**	**-137**	**641**	**699**

Financial Situation

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

Financial Position

Compared with the figure recorded at December 31, 2015 (€27.7 billion), our economic net debt declined by €4.1 billion to €23.6 billion, mainly because of the changes in how we report Uniper's operations. Exchange rates, particularly that of the British pound, also had a positive impact on our net financial position. These effects were partially offset by a significant increase in provisions for pensions resulting principally from a decline in actuarial interest rates.

Economic Net Debt

€ in millions	Sep. 30, 2016	Dec. 31, 2015
Liquid funds	9,308	8,190
Non-current securities	4,540	4,724
Financial liabilities	-13,878	-17,742
FX hedging adjustment[1]	452	218
Net financial position	**422**	**-4,610**
Provisions for pensions	-5,921	-4,210
Asset-retirement obligations	-18,124	-18,894
Economic net debt	**-23,623**	**-27,714**

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

Standard & Poor's ("S&P") and Moody's long-term ratings for E.ON are BBB+ and Baa1, respectively. Moody's downgraded E.ON's long-term rating from A3 to Baa1 in March 2015, S&P from A- to BBB+ in May 2015. In February 2016 both rating agencies placed E.ON's long-term ratings on review for possible downgrades. The actions were based on a number of factors, including a sector-wide review of European utility companies with exposure to commodity and power price developments. The decisions were also based on the uncertainties surrounding the policy discussions on the possible funding of German nuclear provisions. In May 2016 both S&P and Moody's concluded their reviews and affirmed their long-term ratings of BBB+ and Baa1, respectively. The outlook for both ratings is negative. The short-term ratings are A-2 (S&P) and P-2 (Moody's).

Investments

Nine-month investments in our core business were €116 million, total investments €25 million, above the prior-year level. We invested €1,891 million in property, plant, and equipment and intangible assets (prior year: €1,920 million). Share investments totaled €90 million versus €36 million in the prior-year period.

Investments

January 1–September 30 € in millions	2016	2015	+/- %
Energy Networks	866	763	+13
Customer Solutions	392	286	+37
Renewables	637	769	-17
Corporate Functions/Other	70	27	+159
Consolidation	-4	–	–
Investments in core business	**1,961**	**1,845**	**+6**
Non-Core Business (PreussenElektra)	12	10	+20
Other (divested operations)	8	101	-92
E.ON Group investments	**1,981**	**1,956**	**+1**

Energy Networks' nine-month investments were €103 million, or 13 percent, higher. In particular, investments in Germany of €517 million were significantly higher than the prior-year figure of €422 million. Favorable weather made it possible to complete projects earlier than in the prior-year period. In particular, the issuance of a large number of construction permits led to an increase in customer connections and greater penetration in new developments. In addition, a significant portion of investments went toward the connection of new generating assets subsidized under Germany's Renewable Energy Law and toward the resulting expansion to enable the network to handle the distributed generation of renewable power. Investments in Sweden and Romania were up slightly.

Customer Solutions invested €106 million more than in the prior-year period, principally because of higher investments in the United Kingdom, in Sweden, at E.ON Connecting Energies, and in the Czech Republic. Investments in the United Kingdom went toward metering and efficiency projects. Investments in Sweden served to maintain, upgrade, and expand existing assets as well as the heat distribution network. The increase in E.ON Connecting Energies' investments principally reflects the expansion of its business of providing energy-efficiency solutions to industrial and commercial customers in Germany and the initial consolidation of a business in Italy. The completion of combined-heat-and-power units and higher investments in network-services equipment were among the reasons for the increase in the Czech Republic.

Investments at Renewables declined by €132 million. Onshore Wind/Solar's investments rose by €112 million, primarily because of the completion of a wind farm in the United States. Offshore/Other's investments declined by €244 million owing to a reduction in expenditures for new-build projects.

Investments at Non-Core Business (nuclear energy operations in Germany) were €2 million above the prior-year level.

Cash Flow

Cash provided by operating activities of continuing operations of €3 billion was €354 million below the prior-year figure. The decline resulted primarily from higher net tax payments and from the sale of E&P companies. It was partially offset by changes in working capital, particularly at Energy Networks.

Cash Flow[1]

January 1–September 30 € in millions	2016	2015
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	3,041	3,395
- Investment expenditures	-1,981	-1,956
+ Disposal proceeds	608	2,418
Free cash flow	**1,668**	**3,857**
Operating cash flow before interest and taxes	3,827	3,428
Cash provided by (used for) investing activities	-2,217	211
Cash provided by (used for) financing activities	-1,810	-3,637

[1]From continuing operations.

Cash provided by investing activities of continuing operations amounted to -€2.2 billion compared with €0.2 billion in the prior-year period. Of this -€2.4 billion change, -€1.8 billion resulted from lower cash inflows from disposals, mainly relating to the non-recurrence of proceeds on the sale of operations in Spain, the remaining 49 percent stake in the former E.ON Energy from Waste, and solar operations in Italy. Investments were almost unchanged. Restricted cash increased by €0.5 billion relative to the prior-year period.

Cash provided by financing activities of continuing operations amounted to -€1.8 billion (prior year: -€3.6 billion). The change of roughly €1.8 billion is mainly attributable to a €2 billion reduction in the net repayment of financial liabilities and a €0.3 billion increase in the dividend payout to E.ON SE shareholders.

Asset Situation

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

Current assets were about €12.9 billion above the year-end figure. The reclassification of Uniper's non-current assets as current assets led to an increase in current assets as well as to significant changes to individual items within this line item. Impairment charges on Uniper operations in the second quarter and the writedown of the book value of the Uniper disposal group necessary to reflect its lower market value in the third quarter were the main reasons for the significant reduction in our total assets.

Our equity ratio (including non-controlling interests) at September 30, 2016, was 6 percent, which is well below the year-end figure of 17 percent. The decline reflects our net loss, the remeasurement of defined-benefits plans due to lower actuarial interest rates, and the dividend payout. The €6.1 billion writedown of our Uniper stake to reflect its lower market value was a principal factor in the net loss. Equity attributable to shareholders of E.ON SE was €0.4 billion.

Non-current liabilities declined by 19 percent from the figure at year-end 2015. As on the asset side, the reduction reflects the reclassification of Uniper's non-current liabilities as current liabilities. This was partially offset by an increase in provisions for pensions and other obligations due to lower actuarial interest rates.

Current liabilities rose by 24 percent relative to year-end 2015. The reclassification of Uniper's liabilities led to significant changes in this line item as well. The increase in current liabilities reflects the reclassification of Uniper's non-current liabilities as current liabilities.

The following key figures indicate the E.ON Group's asset and capital structure:
- Non-current assets are covered by equity (including non-controlling interests) at 13 percent (December 31, 2015: 26 percent).
- Non-current assets are covered by long-term capital at 126 percent (December 31, 2015: 109 percent).

Consolidated Assets, Liabilities, and Equity

€ in millions	Sep. 30, 2016	%	Dec. 31, 2015	%
Non-current assets	43,315	45	73,612	65
Current assets	52,956	55	40,081	35
Total assets	**96,271**	**100**	**113,693**	**100**
Equity	5,438	6	19,077	17
Non-current liabilities	49,308	51	61,172	54
Current liabilities	41,525	43	33,444	29
Total equity and liabilities	**96,271**	**100**	**113,693**	**100**

Employees

At September 30, 2016, the E.ON Group had 42,731 employees worldwide, a decline of 1 percent from year-end 2015. E.ON also had 978 apprentices in Germany and 124 board members and managing directors worldwide. As of the same date, 25,590 employees, or 60 percent of all employees, were working outside Germany, slightly lower than the 61 percent at year-end 2015.

Employees[1]

	Sep. 30, 2016	Dec. 31, 2015	+/- %
Energy Networks	16,676	14,932	+12
Customer Solutions	18,916	20,860	-9
Renewables	1,045	913	+15
Corporate Functions/Other[2]	4,046	4,237	-5
Core business	**40,683**	**40,942**	**-1**
Non-Core Business (PreussenElektra)	2,048	1,998	+3
Other (divested operations)	–	222	–
E.ON Group	**42,731**	**43,162**	**-1**

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

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

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

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

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

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

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

Subsequent Events Report

In November 2014 E.ON concluded contractual agreements to sell its operations in Spain and Portugal. In June 2016 a new regulation for the distribution business took effect in Spain. This triggered a mechanism included in the contractual agreements for adjusting the sales price. An agreement was reached in October 2016. Notes 4 and 14 to the Condensed Consolidated Interim Financial Statements contain more information about this matter.

The German federal cabinet recently passed a draft Act on Continued Liability for Nuclear Decommissioning and Disposal Costs. The draft, which will now enter the parliamentary process, calls for a risk premium of 35 percent. This would have a significant adverse effect on our earnings. The Risk Report contains more information about this matter.

Forecast Report

Macroeconomic Situation

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

Earnings Performance

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

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

Forecast by segment:

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

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

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

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

Risk Report

The Combined Group Management Report contained in our 2015 Annual Report describes in detail our risk management systems and the measures we take to limit risks. These systems and measures are currently being adjusted to reflect the new E.ON. They will be fully in place by the end of 2016.

Risk Situation

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The resulting risks—market risks, operational risks, external risks, strategic risks, technological risks, and counterparty risks—are described in detail in the 2015 Combined Group Management Report. These risks remained essentially unchanged at the end of the first three quarters of 2016.

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

In April 2015 the German Federal Ministry for Economic Affairs and Energy commissioned an auditing firm to conduct stress tests; that is, to review the nuclear-energy provisions of the country's nuclear operators. The results were communicated in October 2015. Furthermore, in November the federal government promulgated a draft Act on Continued Liability for Nuclear Decommissioning and Disposal Costs. In addition, in October 2015 the federal government appointed a Commission for Organizing and Financing the Nuclear Energy Phaseout. The commission communicated its recommendations on April 27, 2016. It recommends that the German state assume responsibility for intermediate and final storage. In return for transferring provisions and a 35-percent risk premium to the state, operators would no longer be liable for the future risks of storage. Operators would remain responsible and liable for decommissioning and dismantling. On June 1, 2016, the federal government issued a statement that it intends to implement the commission's recommendations and subsequently began to prepare draft legislation. This legislation would include amending the draft Act on Continued Liability such that spun-off companies and parts of companies would be subject to continued liability with regard to the public fund that is to be established. The German federal cabinet recently approved the draft law, which will now enter the parliamentary process. The German federal parliament plans to hold a first reading of the draft law in early November. We currently anticipate that the parliamentary process will reach a point such that the law's impact will be recorded in our 2016 Consolidated Financial Statements. If E.ON opts to be released from liability in return for the payment of a 35-percent risk premium on the figure determined by the government-appointed auditing firm, this would have a considerable adverse impact on E.ON's earnings and equity. In view of the provisions we have recorded, we currently anticipate that the impact would be below the recommended premium. However, we cannot rule out the possibility that this would lead to other adverse effects. The final version of the law—and thus its possible risks—will not be known until after the parliamentary process is completed.

In the wake of its listing, Uniper SE's market capitalization fell below the value of the Uniper Group's proportional net assets. Consequently, at September 30, 2016, E.ON SE had to record an impairment charge, which resulted in a further significant reduction in E.ON SE's equity. Uniper's future market capitalization is subject to fluctuations, which could lead to a deterioration of the E.ON Group's creditworthiness and debt-bearing capacity. Furthermore, E.ON and Uniper intend to enter into an agreement bringing about the deconsolidation of the Uniper Group by no later than the first half of 2017. Once the deconsolidation agreement takes effect, E.ON will lose control of the Uniper Group's business activities. At that point effects from Uniper's other comprehensive income will be reclassified to the income statement. This could have a considerable adverse impact on E.ON's earnings.

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

Management's Evaluation of the Risk Situation

At the end of the first three quarters of 2016 the risk situation of the E.ON Group's operating business had not changed significantly compared with year-end 2015, although the policy and regulatory risk situation did deteriorate further. In particular, the possible consequences of the German federal cabinet's approval of the draft Act on Continued Liability for Nuclear Decommissioning and Disposal Costs might have an adverse effect on our asset and earnings situation. Policy and regulatory intervention, increasing gas-market competition and its effect on sales volumes and prices, and possible delays and higher costs for power and gas new-build projects could adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks that could threaten the existence of the E.ON Group or individual segments.

Opportunity Report

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

E.ON filed a suit for damages against the states of Lower Saxony and Bavaria and against the Federal Republic of Germany for the nuclear-energy moratorium that was ordered following the reactor accident in Fukushima. The suit, which was filed with the Hanover State Court, sought approximately €380 million in damages which E.ON incurred when, in March 2011, Unterweser and Isar 1 nuclear power stations were required to temporarily suspend operations for several months until the thirteenth amended version of the Atomic Energy Act, which specifies the modalities for Germany's accelerated phaseout of nuclear energy, took effect. On July 4, 2016, the State Court issued a ruling rejecting the suit. On August 2, 2016, PreussenElektra filed an appeal to this ruling with the State Superior Court in Celle.

The reactor accident in Fukushima led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power stations in the fall of 2010 in line with the stipulations of that government's coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Atomic Energy Act ("the Act") and established a number of stricter rules. E.ON considers the nuclear phaseout, under the current legislation, to be irreconcilable with our constitutionally protected right to property and right to operate a business. It is our view that such an intervention is unconstitutional unless compensation is granted for the rights so deprived and for the resulting stranded assets. Consequently, in mid-November 2011 E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Federal Constitutional Court in Karlsruhe. The court will issue its ruling on December 6, 2016.

Review Report

To E.ON SE, Düsseldorf

We have reviewed the condensed consolidated interim financial statements—comprising the balance sheet, income statement, statement of recognized income and expenses, condensed cash flows statement, statement of changes in equity and selected explanatory notes—and the interim group management report of E.ON SE for the period from January 1 to September 30, 2016, 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, November 7, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	July 1–September 30 2016	July 1–September 30 2015[1]	January 1–September 30 2016	January 1–September 30 2015[1]
Sales including electricity and energy taxes		8,107	9,489	28,941	32,910
Electricity and energy taxes		-163	-230	-743	-868
Sales[2]	(13)	**7,944**	**9,259**	**28,198**	**32,042**
Changes in inventories (finished goods and work in progress)		12	2	24	5
Own work capitalized		99	120	294	239
Other operating income[3]		2,104	1,611	4,926	5,439
Cost of materials		-6,393	-7,603	-22,078	-25,143
Personnel costs		-681	-707	-2,135	-2,220
Depreciation, amortization and impairment charges		-432	-3,696	-1,385	-4,968
Other operating expenses[3]		-2,268	-1,911	-5,280	-6,507
Income/Loss from companies accounted for under the equity method		76	25	245	237
Income/Loss from continuing operations before financial results and income taxes		**461**	**-2,900**	**2,809**	**-876**
Financial results	(6)	-365	-313	-1,191	-1,070
Income/Loss from equity investments		*3*	*-13*	*-9*	*1*
Income/Loss from other securities, interest and similar income		*79*	*110*	*241*	*403*
Interest and similar expenses		*-447*	*-410*	*-1,423*	*-1,474*
Income taxes		-57	498	-624	217
Income/Loss from continuing operations		**39**	**-2,715**	**994**	**-1,729**
Income/Loss from discontinued operations, net	(4)	-6,409	-4,270	-10,293	-3,941
Net income/loss		**-6,370**	**-6,985**	**-9,299**	**-5,670**
Attributable to shareholders of E.ON SE		*-914*	*-7,250*	*-3,948*	*-6,101*
Attributable to non-controlling interests		*-5,456*	*265*	*-5,351*	*431*
in €					
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted	(7)				
from continuing operations		0.00	-1.41	0.43	-1.00
from discontinued operations		-0.47	-2.30	-2.45	-2.14
from net income/loss		**-0.47**	**-3.71**	**-2.02**	**-3.14**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]The principal causes of the substantial reduction in sales were the sales of the E&P activities in the North Sea and of the generation activities in Italy and Spain. In addition, lower market prices, the decommissioning of the Grafenrheinfeld nuclear power plant at the end of June 2015 and the expiration of deliveries in Belgium, the Netherlands and France all led to a reduction in sales at the German nuclear activities.
[3]The change in other operating income or expenses primarily results from exchange rate differences, derivative financial instruments and the disposal of assets.

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

	July 1–September 30		January 1–September 30	
€ in millions	2016	2015	2016	2015
Net income/loss	**-6,370**	**-6,985**	**-9,299**	**-5,670**
Remeasurements of defined benefit plans	-399	-165	-3,505	925
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	–	-1	-10
Income taxes	59	35	307	-302
Items that will not be reclassified subsequently to the income statement	**-340**	**-130**	**-3,199**	**613**
Cash flow hedges	-126	-32	-636	139
Unrealized changes	*-190*	*246*	*-1,148*	*1,184*
Reclassification adjustments recognized in income	*64*	*-278*	*512*	*-1,045*
Available-for-sale securities	86	-112	106	-173
Unrealized changes	*100*	*-126*	*165*	*165*
Reclassification adjustments recognized in income	*-14*	*14*	*-59*	*-338*
Currency translation adjustments	96	-626	646	168
Unrealized changes	*96*	*-645*	*576*	*149*
Reclassification adjustments recognized in income	–	*19*	*70*	*19*
Companies accounted for under the equity method	-97	-312	-81	-379
Unrealized changes	*-97*	*-312*	*-86*	*-379*
Reclassification adjustments recognized in income	–	–	*5*	–
Income taxes	-16	-264	-51	-193
Items that might be reclassified subsequently to the income statement	**-57**	**-1,346**	**-16**	**-438**
Total income and expenses recognized directly in equity	**-397**	**-1,476**	**-3,215**	**175**
Total recognized income and expenses (total comprehensive income)	**-6,767**	**-8,461**	**-12,514**	**-5,495**
Attributable to shareholders of E.ON SE	*-1,318*	*-8,640*	*-7,021*	*-5,982*
Continuing operations	*-343*	*-3,427*	*-1,822*	*-2,079*
Discontinued operations	*-975*	*-5,213*	*-5,199*	*-3,903*
Attributable to non-controlling interests	*-5,449*	*179*	*-5,493*	*487*

Condensed Consolidated Interim Financial Statements

E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	Sep. 30, 2016	Dec. 31, 2015
Assets			
Goodwill		3,435	6,441
Intangible assets		2,259	4,465
Property, plant and equipment		24,215	38,997
Companies accounted for under the equity method	(8)	3,800	4,536
Other financial assets	(8)	5,343	5,926
Equity investments		*803*	*1,202*
Non-current securities		*4,540*	*4,724*
Financial receivables and other financial assets		532	3,571
Operating receivables and other operating assets		1,727	5,534
Income tax assets		34	46
Deferred tax assets		1,970	4,096
Non-current assets		**43,315**	**73,612**
Inventories		844	2,546
Financial receivables and other financial assets		433	1,493
Trade receivables and other operating assets		4,678	25,331
Income tax assets		1,052	1,330
Liquid funds		9,308	8,190
Securities and fixed-term deposits		*2,128*	*2,078*
Restricted cash and cash equivalents		*1,234*	*923*
Cash and cash equivalents		*5,946*	*5,189*
Assets held for sale	(4)	36,641	1,191
Current assets		**52,956**	**40,081**
Total assets		**96,271**	**113,693**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		9,201	12,558
Retained earnings		-5,184	9,419
Accumulated other comprehensive income[1]		-3,871	-5,835
Treasury shares	(9)	-1,714	-1,714
Equity attributable to shareholders of E.ON SE		**433**	**16,429**
Non-controlling interests (before reclassification)		5,673	3,209
Reclassification related to put options		-668	-561
Non-controlling interests		**5,005**	**2,648**
Equity		**5,438**	**19,077**
Financial liabilities		12,080	14,954
Operating liabilities		5,942	8,346
Income taxes		1,420	1,562
Provisions for pensions and similar obligations	(11)	5,921	4,210
Miscellaneous provisions		20,973	26,445
Deferred tax liabilities		2,972	5,655
Non-current liabilities		**49,308**	**61,172**
Financial liabilities		1,798	2,788
Trade payables and other operating liabilities		6,528	24,811
Income taxes		382	814
Miscellaneous provisions		1,839	4,280
Liabilities associated with assets held for sale	(4)	30,978	751
Current liabilities		**41,525**	**33,444**
Total equity and liabilities		**96,271**	**113,693**

[1]Thereof relating to discontinued operations (September 30, 2016): -€1,771 million.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

January 1–September 30 € in millions	2016	2015
Net income/loss	-9,299	-5,670
Income/Loss from discontinued operations, net	10,293	3,941
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,385	4,968
Changes in provisions	589	-111
Changes in deferred taxes	305	-125
Other non-cash income and expenses	-216	37
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-125	-415
Changes in operating assets and liabilities and in income taxes	109	770
Cash provided by (used for) operating activities of continuing operations (operating cash flow)[1]	**3,041**	**3,395**
Cash provided by (used for) operating activities of discontinued operations	2,537	2,392
Cash provided by (used for) operating activities	**5,578**	**5,787**
Proceeds from disposal of	608	2,418
Intangible assets and property, plant and equipment	*334*	*125*
Equity investments	*274*	*2,293*
Purchases of investments in	-1,981	-1,956
Intangible assets and property, plant and equipment	*-1,890*	*-1,920*
Equity investments	*-91*	*-36*
Changes in securities and fixed-term deposits	-558	-464
Changes in restricted cash and cash equivalents	-286	213
Cash provided by (used for) investing activities of continuing operations	**-2,217**	**211**
Cash provided by (used for) investing activities of discontinued operations	-551	-746
Cash provided by (used for) investing activities	**-2,768**	**-535**
Payments received/made from changes in capital[2]	93	15
Cash dividends paid to shareholders of E.ON SE	-976	-706
Cash dividends paid to non-controlling interests	-112	-110
Changes in financial liabilities	-815	-2,836
Cash provided by (used for) financing activities of continuing operations	**-1,810**	**-3,637**
Cash provided by (used for) financing activities of discontinued operations	1,776	71
Cash provided by (used for) financing activities	**-34**	**-3,566**
Net increase/decrease in cash and cash equivalents	**2,776**	**1,686**
Effect of foreign exchange rates on cash and cash equivalents	10	46
Cash and cash equivalents at the beginning of the year[3]	5,190	3,216
Cash and cash equivalents at the end of the quarter[4]	**7,976**	**4,948**
Less: Cash and cash equivalents of discontinued operations at the end of the quarter	**2,030**	**150**
Cash and cash equivalents of continuing operations at the end of the quarter[4]	**5,946**	**4,798**

[1]Additional information on operating cash flow is provided in Note 13.
[2]There was no significant offsetting in the respective years. The spinoff of Uniper was presented as a non-cash payout of reserves to E.ON shareholders. The E.ON Group generated additional minority interests without payment of consideration in the amount of the value of the shares issued.
[3]Cash and cash equivalents at the beginning of 2016 also include an amount of €1 million at E.ON E&P UK, which is presented as a disposal group. At the beginning of 2015, cash and cash equivalents also included a combined total of €6 million at the generation activities in Spain and Italy, which were presented as disposal groups, and a combined total of €19 million at the Spain and Italy regions, which were presented as discontinued operations.
[4]Cash and cash equivalents from continuing operations as of September 30, 2015 also include the holdings of E&P Norge of €6 million, which is reported as a disposal group.

Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2015	**2,001**	**13,077**	**16,842**	**-4,917**	**887**	**-803**
Change in scope of consolidation						
Treasury shares repurchased/sold		-520	-7			
Capital increase						
Capital decrease						
Dividends			-966			
Share additions/reductions			-84			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-5,569	-182	-114	-117
Net income/loss			*-6,101*			
Other comprehensive income			*532*	*-182*	*-114*	*-117*
Remeasurements of defined benefit plans			*532*			
Changes in accumulated other comprehensive income				*-182*	*-114*	*-117*
Balance as of September 30, 2015	**2,001**	**12,557**	**10,216**	**-5,099**	**773**	**-920**
Balance as of January 1, 2016	**2,001**	**12,558**	**9,419**	**-5,351**	**419**	**-903**
Change in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends			-976			
Share additions/reductions		-3,357	-6,667	2,085	-52	-8
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-6,960	522	57	-640
Net income/loss			*-3,948*			
Other comprehensive income[1]			*-3,012*	*522*	*57*	*-640*
Remeasurements of defined benefit plans			*-3,012*			
Changes in accumulated other comprehensive income				*522*	*57*	*-640*
Balance as of September 30, 2016	**2,001**	**9,201**	**-5,184**	**-2,744**	**424**	**-1,551**

[1]The changes recognized here in the current year include the entirety of the changes attributable to Uniper entities, which are then allocated to non-controlling interests in the amount of -€404 million.

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-2,502	**24,585**	**2,723**	**-595**	**2,128**	**26,713**
		-145		-145	-145
787	260				260
		62		62	62
		-7		-7	-7
	-966	-161		-161	-1,127
	-84	68		68	-16
					0
	-5,982	487		487	-5,495
	-6,101	*431*		*431*	*-5,670*
	119	*56*		*56*	*175*
	532	*81*		*81*	*613*
	-413	*-25*		*-25*	*-438*
-1,715	**17,813**	**3,027**	**-595**	**2,432**	**20,245**
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
					0
					0
		142		142	142
					0
	-976	-151		-151	-1,127
	-7,999	7,966		7,966	-33
			-107	-107	-107
	-7,021	-5,493		-5,493	-12,514
	-3,948	*-5,351*		*-5,351*	*-9,299*
	-3,073	*-142*		*-142*	*-3,215*
	-3,012	*-187*		*-187*	*-3,199*
	-61	*45*		*45*	*-16*
-1,714	**433**	**5,673**	**-668**	**5,005**	**5,438**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

The Interim Report for the nine months ended September 30, 2016, has been prepared in accordance with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRS IC") effective and adopted for use in the European Union ("EU").

With the exception of the changes described in Note 2, this Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2015 fiscal year.

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

(2) Newly Adopted Standards and Interpretations

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions

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

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

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

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

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

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

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

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

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

Amendments to IAS 27—Equity Method in Separate Financial Statements

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

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

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

Amendments to IAS 1, "Presentation of Financial Statements"

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

Amendments to IFRS 10, IFRS 12 and IAS 28—Investment Entities: Applying the Consolidation Exception

In December 2014, the IASB published amendments to IFRS 10, IFRS 12 and IAS 28. The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method, but the fair value the investment company applies to its interests in subsidiaries may be retained. They have been adopted by the EU into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

(3) Scope of Consolidation

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

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2015	**107**	**190**	**297**
Additions	–	4	4
Disposals/Mergers	4	6	10
Consolidated companies as of September 30, 2016[1]	**103**	**188**	**291**

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

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

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2016

Uniper

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

At the E.ON Annual Shareholders Meeting held on June 8, 2016, the Company's shareholders approved the spinoff with the support of 99.68 percent of the share capital represented at the meeting. The Uniper spinoff took effect 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 they held, as specified in the spinoff agreement. All Uniper shares were admitted for trading on the regulated market of the Frankfurt Stock Exchange on September 9, 2016. Trading on the Frankfurt Stock Exchange commenced on September 12, 2016. Because of the spinoff, E.ON is now required to report non-controlling interests equivalent to 53.35 percent of the net assets of the Uniper activities within the Group's equity at their carrying amounts.

E.ON and Uniper intend to enter into an agreement bringing about the deconsolidation of the Uniper Group by no later than the first half of 2017. The deconsolidation agreement will contain provisions regarding E.ON's abstention from exercising voting rights relating to the election of supervisory board members at Uniper shareholders' meetings. The agreement intends to ensure that, even though E.ON will initially continue to hold a minority interest in Uniper of 46.65 percent—which is likely to constitute a majority of share capital represented at any Uniper shareholders' meeting—the obligation to fully consolidate the Uniper Group in E.ON's consolidated financial statements will lapse. Once the deconsolidation agreement takes effect, E.ON will lose control of the Uniper Group's business activities. At that point effects from other comprehensive income of Uniper are then reclassified to the income statement. This could have a considerable adverse impact on E.ON's earnings.

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

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

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

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

Pursuant to IFRS 5.18, the carrying amounts of all of Uniper's assets and liabilities must be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, based on the application of IAS 36, an impairment charge of €2.9 billion was recognized on non-current assets in the second quarter of 2016. Approximately €1.8 billion of this charge was attributable to European Generation, and approximately €1.1 billion to Global Commodities. Furthermore, provisions were established for anticipated losses in the amount of €0.9 billion.

In the third quarter of 2016, the assets and the carrying amount of the Uniper Group were once again subject to review at E.ON. When trading on the Frankfurt Stock Exchange commenced on September 12, 2016, the fair value was to be calculated on the basis of the share price, while taking into account a market-rate premium for presentation of ownership. Because the fair value calculated in this manner less costs to sell on September 30, 2016, was less than the carrying amount, an impairment of €6.1 billion, including deferred taxes, was recognized, which was first allocated to the goodwill included in the discontinued operation (€2.9 billion). The remaining impairment was allocated to long-term assets on the basis of relative carrying amounts. This resulted in depreciation of property, plant and equipment of €2.8 billion as well as of intangible assets of €0.5 billion. There was a negative impact from deferred taxes (€0.1 billion). All depreciation is included in income from discontinued operations. Non-controlling interests totaled €3.1 billion as of September 30, 2016.

In the first nine months of 2016, E.ON generated revenues of €2,170 million (2015: €3,998 million), interest income of €184 million (2015: €152 million) and interest expenses of €10 million (2015: €29 million), as well as other income of €1,126 million (2015: €5,003 million) and other expenses of €7,197 million (2015: €13,297 million), with companies of the Uniper Group.

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

Selected Financial Information—Uniper (Summary)

January 1-September 30 € in millions	2016	2015
Sales	40,330	53,436
Other income	3,332	3,574
Other expense	-53,905	-60,815
Income/Loss from continuing operations before income taxes	**-10,243**	**-3,805**
Income taxes	-70	-145
Income/Loss from discontinued operations, net	**-10,313**	**-3,950**

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

Major Balance Sheet Line Items—Uniper (Summary)

€ in millions	Sep. 30, 2016
Intangible assets	1,508
Property, plant and equipment	8,677
Miscellaneous assets	26,444
Assets held for sale	**36,629**
Liabilities	21,568
Provisions	9,407
Liabilities associated with assets held for sale	**30,975**

The preceding figures do not include receivables from or liabilities to the E.ON Group. Virtually all of the financial assets of €12.4 billion, and of the financial liabilities of €9.0 billion, reported within the disposal group were determined based on market prices or otherwise derived from market values.

E.ON or financial institutions instructed by E.ON have pledged collateral to guarantee the performance of contractual obligations by Uniper Group companies. These collateral pledges are intended to be replaced or assumed by the companies of the Uniper Group once control is lost, at the latest.

Exploration and Production Business in the North Sea

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

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

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

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

Enovos International S.A.

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

AS Latvijas Gāze

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

Grid Connection Infrastructure for the Humber Gateway Wind Farm

Following the construction and entry into service of the Humber Gateway wind farm in the U.K. North Sea, E.ON 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.

Results from Discontinued Operations

Results from discontinued operations are primarily determined by the Uniper Group, with an after-tax result of €10.3 billion. In addition, various smaller items contributed approximately €20 million to the after-tax results from discontinued operations.

Disposal Groups and Assets Held for Sale in 2015

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

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

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

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

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

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

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

E.ON in Italy

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

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

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

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

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

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

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

Esperanto Infrastructure

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

(5) Research and Development Costs

The E.ON Group's research and development costs under IFRS totaled €8.5 million in the first nine months of 2016 (first nine months of 2015: €8.8 million).

(6) Financial Results

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

Financial Results	July 1–September 30		January 1–September 30	
€ in millions	2016	2015	2016	2015
Income/Loss from companies in which equity investments are held	14	17	59	55
Impairment charges/reversals on other financial assets	-11	-30	-68	-54
Income/Loss from equity investments	**3**	**-13**	**-9**	**1**
Income/Loss from securities, interest and similar income	79	110	241	403
Interest and similar expenses	-447	-410	-1,423	-1,474
Net interest income/loss	**-368**	**-300**	**-1,182**	**-1,071**
Financial results	**-365**	**-313**	**-1,191**	**-1,070**

(7) Earnings per Share

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

Earnings per Share	July 1–September 30		January 1–September 30	
€ in millions	2016	2015	2016	2015
Income/Loss from continuing operations	39	-2,715	994	-1,729
Less: Non-controlling interests	-32	-40	-147	-205
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**7**	**-2,755**	**847**	**-1,934**
Income/Loss from discontinued operations, net	-6,409	-4,270	-10,293	-3,941
Less: Non-controlling interests	5,488	-225	5,498	-226
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**-921**	**-4,495**	**-4,795**	**-4,167**
Net income/loss attributable to shareholders of E.ON SE	**-914**	**-7,250**	**-3,948**	**-6,101**
in €				
Earnings per share (attributable to shareholders of E.ON SE)				
from continuing operations	0.00	-1.41	0.43	-1.00
from discontinued operations	-0.47	-2.30	-2.45	-2.14
from net income/loss	**-0.47**	**-3.71**	**-2.02**	**-3.14**
Weighted-average number of shares outstanding (in millions)	1,952	1,952	1,952	1,941

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

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

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets

€ in millions	September 30, 2016			December 31, 2015		
	E.ON Group	Associates[1]	Joint ventures[1]	E.ON Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	3,800	1,462	2,338	4,536	2,092	2,444
Equity investments	803	256	1	1,202	278	10
Non-current securities	4,540	–	–	4,724	–	–
Total	**9,143**	**1,718**	**2,339**	**10,462**	**2,370**	**2,454**

[1]The associates and joint ventures presented as equity investments are associated companies and joint ventures accounted for at cost on materiality grounds.

The net income of €245 million from companies accounted for under the equity method (first nine months of 2015: €237 million) includes no impairments.

(9) Treasury Shares

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

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

(10) Dividends

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

(11) Provisions for Pensions and Similar Obligations

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

The following discount rates were applied for the computation of provisions for pensions and similar obligations in Germany and in the United Kingdom:

Discount Rates

Percentages	Sep. 30, 2016	Dec. 31, 2015
Germany	1.30	2.70
United Kingdom	2.40	3.80

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

Net Defined Benefit Liability

€ in millions	Sep. 30, 2016	Dec. 31, 2015
Present value of all defined benefit obligations	18,075	17,920
Fair value of plan assets	12,156	13,712
Net defined benefit liability	**5,919**	**4,208**
Presented as operating receivables	*-2*	*-2*
Presented as provisions for pensions and similar obligations	*5,921*	*4,210*

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

Net Periodic Pension Cost for Defined Benefit Plans

	July 1–September 30		January 1–September 30	
€ in millions	2016	2015	2016	2015
Employer service cost	45	62	143	200
Net interest on the net defined benefit liability	21	18	64	58
Past service cost	4	8	18	18
Total	**70**	**88**	**225**	**276**

(12) Additional Disclosures on Financial Instruments

Measurement of Financial Instruments

The value of financial instruments is determined on the basis of fair value measurement. The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. The fair value to be determined for each derivative financial instrument is the price at which one party can sell to a third party the rights and/or obligations embodied in that derivative. Fair values of derivatives are determined using customary market valuation methods, taking into account the market data available on the measurement date and including a credit risk premium or discount. The counterparty credit risk is recognized in the form of a credit value adjustment.

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

The fair values of individual assets are determined using published exchange or market prices at the time of acquisition in the case of marketable securities, and are adjusted to current market prices as of the reporting dates. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, E.ON determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated until the end of an asset's useful life using a growth rate based on industry and internal projections. The discount rate reflects the specific risks inherent in the activities.

Presentation of Financial Instruments

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

Carrying Amounts of Financial Instruments as of September 30, 2016

€ in millions	Total carrying amounts within the scope of IFRS 7	Determined using market prices	Derived from active market prices
Assets			
Equity investments	803	73	192
Derivatives	1,933	1,924	6
Securities and fixed-term deposits	6,668	6,046	622
Cash and cash equivalents	5,946	5,946	–
Restricted cash	1,234	1,234	–
Liabilities			
Derivatives	3,072	31	2,941

Carrying Amounts of Financial Instruments as of December 31, 2015

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

The carrying amounts of cash and cash equivalents and of trade receivables are considered generally reasonable estimates of fair value because of their short maturity. Similarly, the carrying amounts of commercial paper, borrowings under revolving short-term credit facilities and trade payables are used as the fair value due to the short maturities of these items. The fair value of the bonds as of September 30, 2016, was €18,922 million (December 31, 2015: €16,655 million). The carrying amount of the bonds as of September 30, 2016, was €11,785 million (December 31, 2015: €13,750 million). The fair value of the remaining financial instruments largely corresponds to the carrying amount. At the end of each reporting period, E.ON assesses whether there might be grounds for reclassification between hierarchy levels. The proportion of fair values measured at Level 1 to those measured at Level 2 has not changed materially compared with December 31, 2015. There were no reclassifications between these two fair-value-hierarchy levels in the first nine months of 2016. However, equity investments were reclassified into Level 3 of the fair value hierarchy in the amount of €60 million, and out of Level 3 in the amount of €19 million, during this period. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

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

€ in millions	Jan. 1, 2016	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/Losses in OCI	Sep. 30, 2016
Equity investments	649	16	-157	–	-4	60	-19	-7	538
Derivative financial instruments	361	-48	-359	-14	-35	–	-4	2	-97
Total	**1,010**	**-32**	**-516**	**-14**	**-39**	**60**	**-23**	**-5**	**441**

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

At the beginning of 2016, a net loss of €47 million from the initial measurement of derivatives was deferred. Of this amount, € 43 million was reclassified in connection with the presentation of the Uniper Group as a disposal group. The deferred expense from the recognition of derivatives in the first nine months of 2016 rose by €48 million, resulting in a deferred expense of €52 million at the end of the quarter, which will be recognized in income during subsequent periods as the contracts are settled.

Certain long-term energy contracts are measured using valuation models based on internal fundamental data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €22 million or an increase of €22 million, respectively.

Credit Risk

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Risk-management collateral was accepted in the amount of €4,686 million. Of this amount, €4,186 million is attributable to the Uniper Group. Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements and exchange clearing. As of September 30, 2016, exchange-traded forward and option contracts, as well as exchange-traded emissions-related derivatives, bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

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(13) Segment Information

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

Energy Networks

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

Germany

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

Sweden

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

Central Europe East/Turkey

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

Customer Solutions

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

Germany

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

Financial Information by Business Segment

Jan. 1–Sep. 30 € in millions	Energy Networks: Germany 2016	Energy Networks: Germany 2015	Energy Networks: Sweden 2016	Energy Networks: Sweden 2015	Energy Networks: CEE/Turkey 2016	Energy Networks: CEE/Turkey 2015	Customer Solutions: Germany 2016	Customer Solutions: Germany 2015	Customer Solutions: UK 2016	Customer Solutions: UK 2015	Customer Solutions: Other 2016	Customer Solutions: Other 2015
External sales	9,122	8,375	727	717	504	495	5,470	5,978	5,597	7,041	4,706	5,242
Intersegment sales	1,166	1,161	9	8	679	728	56	115	79	66	171	188
Sales	**10,288**	**9,536**	**736**	**725**	**1,183**	**1,223**	**5,526**	**6,093**	**5,676**	**7,107**	**4,877**	**5,430**
Depreciation and amortization[1]	**-446**	**-401**	**-123**	**-125**	**-158**	**-160**	**-48**	**-41**	**-70**	**-88**	**-97**	**-93**
Adjusted EBIT	**638**	**758**	**288**	**252**	**270**	**249**	**144**	**210**	**227**	**156**	**177**	**121**
Equity-method earnings[2]	*54*	*81*	–	–	*47*	*22*	–	*15*	–	–	*8*	*8*
Operating cash flow before interest and taxes[3]	**1,809**	**883**	**398**	**348**	**394**	**368**	**352**	**420**	**283**	**385**	**505**	**246**
Investments	**517**	**422**	**180**	**157**	**169**	**184**	**47**	**45**	**158**	**122**	**187**	**119**

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

United Kingdom

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

Other

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

Renewables

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

Non-Core Business

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

Corporate Functions/Other

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

Renewables		Non-Core Business		Corporate Functions/Other		Consolidation		E.ON Group	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
649	437	1,068	1,860	357	1,897	-2	–	28,198	32,042
373	596	–	–	488	353	-3,021	-3,215	0	0
1,022	**1,033**	**1,068**	**1,860**	**845**	**2,250**	**-3,023**	**-3,215**	**28,198**	**32,042**
-275	**-249**	**-65**	**-119**	**-46**	**-487**	**-1**	**-1**	**-1,329**	**-1,764**
309	**224**	**345**	**448**	**-108**	**2**	**21**	**-2**	**2,311**	**2,418**
11	*14*	*50*	*51*	*48*	*38*	*2*	–	*220*	*229*
525	**418**	**259**	**239**	**-489**	**-155**	**-209**	**276**	**3,827**	**3,428**
637	**769**	**12**	**10**	**78**	**128**	**-4**	**–**	**1,981**	**1,956**

Notes to the Condensed Consolidated Interim Financial Statements

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

Operating Cash Flow[1]

January 1–September 30 € in millions	2016	2015	Difference
Operating cash flow before interest and taxes	**3,827**	**3,428**	**399**
Interest payments	-312	-302	-10
Tax payments	-474	269	-743
Operating cash flow	**3,041**	**3,395**	**-354**

[1]Operating cash flow from continuing operations.

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

Adjusted EBIT

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

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

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

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

The non-operating earnings effects for which EBIT is adjusted include, in particular, non-operating interest expense/income, income and expenses from the marking to market of derivative financial instruments used for hedging and, where material, book gains/losses, cost-management and restructuring expenses, impairment charges and reversals recognized in the context of impairment tests on non-current assets, on equity investments in affiliated or associated companies and on goodwill, and other contributions to non-operating earnings.

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

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

Reconciliation of Income before Financial Results and Income Taxes	July 1–September 30		January 1–September 30	
€ in millions	2016	2015	2016	2015
Income/Loss from continuing operations before financial results and income taxes	**461**	**-2,900**	**2,809**	**-876**
Income/Loss from equity investments	3	-13	-9	1
EBIT	**464**	**-2,913**	**2,800**	**-875**
Non-operating adjustments	**-154**	**3,209**	**-489**	**3,293**
Net book gains/losses	*-26*	*-47*	*-1*	*-349*
Restructuring/cost-management expenses	*92*	*132*	*221*	*250*
Market valuation derivatives	*-216*	*49*	*-768*	*201*
Impairments (+)/Reversals (-)	*–*	*3,058*	*44*	*3,176*
Other non-operating earnings	*-4*	*17*	*15*	*15*
Adjusted EBIT	**310**	**296**	**2,311**	**2,418**

Pages 14 and 15 of the Interim Group Management Report provide a more detailed explanation of the reconciliation of adjusted EBIT to the net income/loss reported in the Consolidated Financial Statements.

(14) Events after the Balance Sheet Date

In late November 2014, E.ON entered into contracts with a subsidiary consortium made up of Macquarie European Infrastructure Fund 4 (MEIF4) and Wren House Infrastructure (WHI) on the sale of its Spanish and Portuguese activities. 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 will be included as a purchase price adjustment in the fourth quarter 2016 results from discontinued operations. More information on this can be found in Note 4.

The German federal cabinet recently passed a draft Act on Continued Liability for Nuclear Decommissioning and Disposal Costs. The draft, which will now enter the parliamentary process, calls for a risk premium of 35 percent. This would have a significant adverse effect on our earnings. The Risk Report contains more information about this matter.

Teyssen

Birnbaum

Sen

Wildberger

Financial Calendar

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

Further information

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