Quarterly Statement III/2018

January – September

- Full-year adjusted EBIT and adjusted net income now expected to be in upper half of forecast range
- Nine-month adjusted EBIT and adjusted net income above prior-year figures
- Economic net debt reduced significantly

E.ON Group Financial Highlights

Nine months € in millions	2018	2017	+/- %
Sales[1]	24,342	27,937	-13
Adjusted EBITDA[1, 2]	3,675	3,540	+4
Adjusted EBIT[1, 2]	2,352	2,117	+11
Net income/Net loss	3,155	3,903	-19
Net income/Net loss attributable to shareholders of E.ON SE	2,920	3,706	-21
Adjusted net income[1, 2]	1,208	965	+25
Investments[1]	2,279	2,222	+3
Cash provided by operating activities[1]	2,557	-3,309	–
Cash provided by operating activities before interest and taxes[1]	3,494	-3,091	–
Economic net debt (September 30 and December 31)[1]	15,357	19,248	-20
Earnings per share[3, 4] (€)	1.35	1.75	-23
Adjusted net income per share[1, 3, 4] (€)	0.56	0.46	+22
Shares outstanding (weighted average; in millions)	2,167	2,116	+2

[1]Includes the discontinued operations in the Renewables segment.
[2]Adjusted for non-operating effects.
[3]Based on shares outstanding (weighted average).
[4]Attributable to shareholders of E.ON SE.

Contents

This document is a Quarterly Statement pursuant to Section 53 of the Exchange Regulations of the Frankfurt Stock Exchange (dated September 17, 2018) and is not a Quarterly Report within the meaning of International Accounting Standard 34.

Business Report

Business Performance

E.ON's operating business continued to deliver a positive performance in the first nine months of 2018. Nevertheless, our sales of €24.3 billion were about €3.6 billion below the prior-year figure. The decline resulted largely from changes in the accounting treatment of certain levies pursuant to IFRS 15, which was applied for the first time in 2018. These levies are no longer reported in full but rather are netted against the corresponding costs of materials.

Nine-month adjusted EBIT in our core businesses of €2,038 million was 10 percent above the prior-year figure of €1,853 million. Nine-month adjusted EBIT for the E.ON Group rose by 11 percent to €2,352 million, in part due to seasonal factors. Adjusted net income of €1,208 million surpassed the prior-year figure of €965 million by €243 million, or 25 percent.

Special Events in the Reporting Period

Asset Swap with RWE

On March 12, 2018, E.ON SE and RWE AG reached an agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy SE as part of an extensive asset swap. As part of this swap, E.ON will transfer to RWE substantially all of its renewables business as well as the minority stakes, held by its subsidiary PreussenElektra, in Emsland und Gundremmingen nuclear power stations, which are operated by RWE. However, the E.ON Group will retain certain assets reported in its Renewables segment, namely: businesses operated by e.disnatur in Germany and Poland as well as a 20-percent stake in Rampion offshore wind farm. In return for its innogy stake, RWE will receive a 16.67-percent stake in E.ON. The stock will be issued by means of a 20-percent capital increase against contributions in kind from E.ON SE's existing authorized capital. In addition, RWE will make a cash payment of €1.5 billion to E.ON. The transaction will take place in several steps and is subject to the usual antitrust approvals.

Renewables

Pursuant to IFRS 5, the operations in the Renewables segment that will be transferred are reported as discontinued operations effective June 30, 2018. Until the final transfer to RWE, however, the Renewables segment will be managed as before. For the purpose of internal management control, its results will therefore be fully included in the relevant key performance indicators. In addition, the scheduled depreciation charges required by IFRS 5 and the carrying amount of these discontinued operations will be recorded in equity and disclosed accordingly.

This Quarterly Statement's presentation of the key performance indicators relevant for management control therefore includes the results of discontinued operations in the Renewables segment. Pages 11 and 18 contain reconciliations of these indicators to the disclosures in the E.ON SE and Subsidiaries Consolidated Statements of Income, Consolidated Balance Sheets, and Consolidated Statements of Cash Flows.

Minority Stakes in Nuclear Power Stations

Under the agreement with E.ON, RWE will acquire not only substantially all of E.ON's renewables business but also its minority stakes in Lippe-Ems GmbH and Gundremmingen GmbH nuclear power stations, which are operated by RWE. These minority stakes and the associated debt, which had previously been reported at Non-Core Business, are reclassified as a disposal group effective June 30, 2018.

Voluntary Public Takeover Offer for innogy SE Stock

Following approval of the offer documents by the German Federal Financial Supervisory Authority, on April 27, 2018, E.ON published its voluntary public takeover offer ("PTO") for innogy SE stock. The extended acceptance period for the PTO ended on July 25, 2018. In addition to the 76.8-percent stake to be acquired from RWE, 9.4 percent of innogy stock was tendered under the PTO.

To finance the PTO, E.ON originally secured a €5 billion acquisition facility, which will fund the acquisition of innogy stock not held by RWE. Considering the tender ratio under the PTO, E.ON partially cancelled the facility down to €1.75 billion.

innogy Agreements in Principle with E.ON and with RWE

On July 18, 2018, innogy concluded two legally binding agreements—one with E.ON, another with RWE—on the planned integration of innogy into E.ON and the planned integration of innogy's renewables business into RWE. The agreements call for the planned transaction to be implemented in a transparent process in which all employees will be treated fairly and as equally as possible, regardless of which company they currently work for. In addition, the integrations will take into account the strengths of the respective companies. Essen will remain the registered office and headquarters of the new E.ON. innogy will play a positive role in supporting the swift implementation of the planned transaction between RWE and E.ON.

Sale of Uniper Stake

In September 2017 E.ON and Fortum Corporation of Espoo, Finland, concluded an agreement under which E.ON had the right to sell its 46.65-percent stake in Uniper to Fortum in early 2018. Until the end of September 2017 we classified this stake as an associated company and accounted for it using the equity method. We then reclassified it as an asset held for sale. In January 2018 E.ON decided to exercise its option to tender its Uniper stake. After the necessary antitrust approvals were obtained, the transaction closed on June 26, 2018, with E.ON receiving liquid funds totaling €3.8 billion. The disposal of the stake and the derecognition of the associated derivative financial instruments resulted in income totaling €1.1 billion.

Changes in Segment Reporting

At the beginning of 2018 we made a number of reclassifications. The generation business in Turkey is now reported under Non-Core Business. Customer Solutions' heat business in Germany is no longer reported at its Germany unit but rather at its Other unit. In addition, costs for the ongoing expansion of our business of providing new digital products and services as well as innovative projects, which were previously allocated to Corporate Functions/Other, are now allocated to the appropriate operating units at Customer Solutions. We adjusted the prior-year figures accordingly. These reclassifications were already factored into the earnings forecast for 2018 contained in our 2017 Annual Report.

IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers"

We apply IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers," for the first time effective the start of 2018. The impact of the initial application of these standards on E.ON SE and Subsidiaries Consolidated Interim Financial Statements as of June 30, 2018—in particular, on sales, costs of materials, and a reduction in the value of financial assets—is explained in detail in Note 2 to the Condensed Consolidated Interim Financial Statements of our Quarterly Report for the first half of 2018.

Sale of E.ON Elektrárne

On July 26, 2018, E.ON sold its stake in E.ON Elektrárne s.r.o. to Západoslovenská energetika a.s. ("ZSE"). The parties agreed not to disclose the sales price. The transaction included the repayment of shareholder loans. ZSE is owned jointly by the Slovakian state (51 percent) and the E.ON Group (overall, 49 percent). The assets of E.ON Elektrárne s.r.o. include Malženice combined-cycle gas turbine.

Sale of E.ON Gas Sverige

The E.ON Group closed the sale of E.ON Gas Sverige AB, its gas distribution network company in Sweden, on April 25, 2018. The buyer was the European Diversified Infrastructure Fund II. The transaction closed with retroactive economic effect as of January 1, 2018.

Sale of Hamburg Netz

In 2017 E.ON agreed to sell its 74.9-percent stake in Hamburg Netz GmbH to the Free and Hanseatic City of Hamburg. The transaction closed on January 1, 2018. The payment was received in 2017.

Initial Public Offering of Enerjisa Enerji

A 20-percent stake (E.ON's share: 10 percentage points) of Enerjisa Enerji A.Ş. was successfully placed on the stock market on February 8, 2018. The issuance price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. continues to be a joint venture between E.ON and Sabancı, each of which holds 40 percent. The book gain on this transaction was more than offset by cumulative adverse currency-translation effects.

Earnings Situation

Sales

We recorded sales of €24.3 billion in the first nine months of 2018, about €3.6 billion less than the prior-year figure. The initial application of IFRS 15 reduced sales by €3.7 billion.

Energy Networks' sales of €9.1 billion were 29 percent below the prior-year figure of €12.9 billion. Sales in Germany declined by 33 percent, from €10.8 billion to €7.3 billion. They were reduced primarily by netting effects in conjunction with IFRS 15 (€3.4 billion) and by the sale of Hamburg Netz GmbH, which took effect on January 1, 2018. Sales in Sweden were below the prior-year level due to the transfer of the gas sales business to Customer Solutions and the sale of the gas distribution network in April 2018. Sales in East-Central Europe/Turkey declined owing primarily to netting effects in conjunction with IFRS 15 in the Czech Republic (€0.1 billion).

Customer Solutions' sales rose by €0.3 billion to €15.8 billion. Sales in Germany declined by €0.2 billion year on year, primarily because of the expiration of sales contracts to certain wholesale customers that were transferred to Uniper. Price adjustments and a decline in power sales to residential and small and medium-sized enterprise customers were additional adverse factors. Sales rose by €0.3 billion in the United Kingdom owing to price increases and a weather-driven increase in gas sales volume. This was partially offset by a reduction in power sales volume. Sales at this segment's Other unit rose by €0.2 billion, principally because of higher sales prices in Sweden, Italy, and Hungary. The acquisition of the gas sales business in Sweden from Energy Networks and higher sales volumes in Italy and Hungary were also positive factors. Sales in the Czech Republic declined, mainly because of netting effects pursuant to IFRS 15. Adverse currency-translation effects in Sweden had a negative impact as well.

Renewables' sales rose year on year, primarily because of an increase in output due to the commissioning of new onshore wind farms in the United States and an offshore wind farm in the United Kingdom. The expiration of support mechanisms was the principal adverse factor.

Sales at Non-Core Business declined significantly year on year, mainly because of lower sales prices and the absence of one-off items at PreussenElektra in conjunction with legal proceedings.

Sales[1]

	Third quarter			Nine months		
€ in millions	2018	2017	+/- %	2018	2017	+/- %
Energy Networks	3,057	4,240	-28	9,110	12,867	-29
Customer Solutions	4,328	4,284	+1	15,807	15,485	+2
Renewables	472	420	+12	1,213	1,130	+7
Non-Core Business	382	339	+13	983	1,230	-20
Corporate Functions/Other	182	170	+7	500	562	-11
Consolidation	-1,122	-1,099	-2	-3,271	-3,337	+2
E.ON Group	**7,299**	**8,354**	**-13**	**24,342**	**27,937**	**-13**

[1]Includes the discontinued operations in the Renewables segment. Sales from continuing operations amounted to €23.9 billion in the first nine months of 2018 (prior year: €27.5 billion).

Adjusted EBIT

For the purpose of internal management control and as the most important indicator of our businesses' long-term earnings power, we use earnings before interest and taxes that have been adjusted to exclude non-operating effects ("adjusted EBIT"). It includes the operating earnings of the discontinued operations in the Renewables segment.

Nine-month adjusted EBIT in our core business was €185 million above the prior-year figure. Energy Networks' adjusted EBIT was at the prior-year level. Its adjusted EBIT in Germany declined by €26 million year on year to €755 million. The principal reasons were the non-recurrence of a positive one-off item involving the delayed repayment of personnel costs in Germany for regulatory reasons, the aforementioned sale of Hamburg Netz, and the beginning of the third regulatory period for gas. These factors were partially offset by income from earlier reporting periods. Adjusted EBIT in Sweden benefited from an improved gross margin in the power business, which resulted from tariff increases. This was partially offset by adverse currency-translation effects. Earnings at the East-Central Europe/Turkey unit were below the prior-year level, primarily because of a narrower gross margin in the gas distribution business in Romania.

Adjusted EBIT at Customer Solutions rose by about €18 million. The principal factor was a wider gross margin in the power and gas sales business in Germany. Adjusted EBIT in the United Kingdom was at the prior-year level. The factors negatively affecting adjusted EBIT at this segment's Other unit included higher gas procurement costs in Romania and the unavailability of a cogeneration unit.

Renewables' adjusted EBIT rose by €35 million, primarily because of an increase in output due to the commissioning of new onshore wind farms in the United States and an offshore wind farm in the United Kingdom. This was partially offset by the expiration of support mechanisms.

Adjusted EBIT reported under Corporate Functions/Other improved by €152 million year on year, owing in part to lower costs for personnel and materials as a result of our Phoenix reorganization program.

The E.ON Group's adjusted EBIT surpassed the prior-year figure by €235 million. In addition to the aforementioned factors affecting adjusted EBIT in our core businesses, adjusted EBIT at Non-Core Business was higher because prior-year equity earnings on our stake in Enerjisa Üretim were adversely affected in particular by a book loss on the sale of a hydroelectric station.

Adjusted EBIT

	Third quarter			Nine months		
€ in millions	2018	2017	+/- %	2018	2017	+/- %
Energy Networks	402	416	-3	1,472	1,503	-2
Customer Solutions	-117	-98	–	360	342	+5
Renewables	47	43	+9	283	248	+14
Corporate Functions/Other	-14	-68	–	-80	-232	–
Consolidation	2	-2	–	3	-8	–
Adjusted EBIT from core business	**320**	**291**	**+10**	**2,038**	**1,853**	**+10**
Non-Core Business	90	59	+53	314	264	+19
E.ON Group adjusted EBIT	**410**	**350**	**+17**	**2,352**	**2,117**	**+11**

Net Income/Loss

We recorded nine-month net income attributable to shareholders of E.ON SE of €2.9 billion and corresponding earnings per share of €1.35. In the prior-year period we recorded net income of €3.7 billion and earnings per share of €1.75.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, for the first nine months of 2018, includes the earnings from the discontinued operations at Renewables.

We had a tax expense on continuing operations of €198 million compared with €540 million in the prior-year period. Our tax rate on net income from continuing operations declined from 13 percent to 6 percent, mainly because of higher income subject to tax exposure and one-off effects from prior tax years. Our tax rate for the prior-year period mainly reflected one-off items relating to the refund of the nuclear-fuel tax, which was subject to a minimum tax.

Financial results declined by €0.6 billion year on year, mainly because of the reimbursement of interest pending during legal proceedings in conjunction with the refund of the nuclear-fuel tax we recorded in the prior-year period.

Nine-month net book gains were substantially above the prior-year figure, mainly because of the disposal of our Uniper stake, Hamburg Netz, and E.ON Gas Sverige. Overall, the initial public offering of Enerjisa Enerji in Turkey resulted in a book loss. In addition, book gains on the sale of securities were significantly below the prior-year figure.

Restructuring expenses declined substantially year on year. The decrease is in part attributable to considerably lower expenditures in conjunction with Group-wide cost-reduction programs.

At September 30, 2018, the marking to market of the derivatives we use to shield our operating business from price fluctuations as well as other derivatives resulted in a positive effect of €905 million (prior year: -€483 million). The positive nine-month figure in 2018 is mainly attributable to the derecognition, in the second quarter, of derivative financial instruments in conjunction with contractual rights and obligations relating to the sale of our Uniper stake. As in the prior-year period, there were also effects resulting from hedging against price fluctuations, in particular at Customer Solutions.

We recorded no impairment charges or reversals at continuing operations in the first nine months of 2018 or the prior-year period.

The substantial decline in other non-operating earnings is chiefly attributable to our receipt of the refund of the nuclear-fuel tax in the prior-year period, which also includes the equity earnings on our Uniper stake. This stake was reclassified as an asset held for sale as of September 30, 2017. Since this date, its book value is no longer recorded in equity.

Net Income/Loss

	Third quarter		Nine months	
€ in millions	2018	2017	2018	2017
Net income/loss	247	-131	3,155	3,903
Attributable to shareholders of E.ON SE	*216*	*-166*	*2,920*	*3,706*
Attributable to non-controlling interests	*31*	*35*	*235*	*197*
Income/Loss from discontinued operations, net	-74	-24	-170	-150
Income/Loss from continuing operations	**173**	**-155**	**2,985**	**3,753**
Income taxes	-5	46	198	540
Financial results	211	172	454	-139
Income/Loss from continuing operations before financial results and income taxes	**379**	**63**	**3,637**	**4,154**
Income/Loss from equity investments	17	23	68	43
EBIT	**396**	**86**	**3,705**	**4,197**
Non-operating adjustments	**-37**	**222**	**-1,631**	**-2,320**
Net book gains (-)/losses (+)	*-4*	*-15*	*-859*	*-288*
Restructuring expenses	*26*	*-4*	*52*	*172*
Marking to market of derivative financial instruments	*-65*	*137*	*-905*	*483*
Impairments (+)/Reversals (-)	–	–	–	–
Other non-operating earnings	*6*	*104*	*81*	*-2,687*
Reclassified businesses at Renewables (adjusted EBIT)	51	42	278	240
Adjusted EBIT	**410**	**350**	**2,352**	**2,117**
Impairments (+)/Reversals (-)	18	20	18	39
Scheduled depreciation and amortization	361	378	1,061	1,131
Reclassified businesses at Renewables (scheduled depreciation and amortization)	87	77	244	253
Adjusted EBITDA	**876**	**825**	**3,675**	**3,540**

Adjusted Net Income

Like EBIT, net income also consists of non-operating effects, such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other material non-operating income and expenses (after taxes and non-controlling interests), and interest expense/income not affecting net income, which consists of the interest expense/income resulting from non-operating effects. Adjusted net income includes the earnings (adjusted to exclude non-operating effects) of the discontinued operations at Renewables as if they had not been reclassified pursuant to IFRS 5.

As a rule, the E.ON Management Board uses this figure in conjunction with its consistent dividend policy and aims for E.ON to have a payout ratio that is on par with its relevant peer companies. In view of the planned acquisition of innogy as part of an extensive asset swap with RWE, we intend to propose to the Annual Shareholders Meeting that E.ON pay a dividend of €0.43 per share for the 2018 financial year.

Adjusted Net Income

	Third quarter		Nine months	
€ in millions	2018	2017	2018	2017
Income/Loss from continuing operations before financial results and income taxes	**379**	**63**	**3,637**	**4,154**
Income/Loss from equity investments	17	23	68	43
EBIT	**396**	**86**	**3,705**	**4,197**
Non-operating adjustments	-37	222	-1,631	-2,320
Reclassified businesses at Renewables (adjusted EBIT)	51	42	278	240
Adjusted EBIT	**410**	**350**	**2,352**	**2,117**
Net interest income/loss	-228	-196	-522	95
Non-operating interest expense (+)/income (-)	99	16	121	-616
Reclassified businesses at Renewables (operating interest expense (+)/income (-))	-41	-12	-99	-54
Operating earnings before taxes	**240**	**158**	**1,852**	**1,542**
Taxes on operating earnings	-57	-32	-418	-339
Operating earnings attributable to non-controlling interests	-22	-33	-167	-185
Reclassified businesses at Renewables (taxes and minority interests on operating earnings)	-5	-9	-59	-53
Adjusted net income	**156**	**84**	**1,208**	**965**

Financial Situation

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

Financial Position

For the purpose of internal management control, economic net debt includes the discontinued operations at Renewables as well as the waste-disposal and dismantling obligations associated with our stakes in Emsland and Gundremmingen nuclear power stations, which are classified as a disposal group at PreussenElektra.

Compared with the figure recorded at December 31, 2017 (€19.2 billion), our economic net debt declined by about €3.9 billion to €15.4 billion, in particular because of the proceeds on the sale of our Uniper stake.

Furthermore, our net financial position at the balance-sheet date was influenced mainly by the dissolution of Versorgungskasse Energie in the first quarter of 2018 and the transfer of these assets to other investment vehicles. Because most of these assets were transferred to our Contractual Trust Arrangement, this affected our economic net debt only slightly, since our provisions for pensions were reduced by the nearly same amount. The impact on our economic net debt of the transfer of the remaining assets to other share investments and third parties was offset by positive effects from the sale of Hamburg Netz GmbH.

Economic Net Debt

€ in millions	Sep. 30, 2018	Dec. 31, 2017
Liquid funds	6,489	5,160
Non-current securities	1,997	2,749
Financial liabilities	-10,710	-13,021
FX hedging adjustment	-8	114
Net financial position	**-2,232**	**-4,998**
Provisions for pensions[1]	-2,715	-3,620
Asset-retirement obligations[2]	-10,411	-10,630
Economic net debt	**-15,357**	**-19,248**
Reclassified businesses at Renewables and PreussenElektra	1,861	–
Economic net debt (continuing operations)	**-13,496**	**-19,248**

[1] To calculate provisions for pensions we used actuarial interest rates of 2.2 percent for Germany (year-end 2017: 2.1 percent) and 3 percent for the United Kingdom (year-end 2017: 2.7 percent).
[2] This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet from continuing and discontinued operations (€11,454 million at September 30, 2018; €11,673 million at December 31, 2017). This is because we calculate our economic net debt in part based on the actual amount of our obligations.

E.ON's creditworthiness has been assessed by Standard & Poor's (S&P) and Moody's with long-term ratings of BBB and Baa2, respectively, both with a stable outlook. As a result of the agreement E.ON concluded with RWE on March 12, 2018, to acquire RWE's 76.8-percent stake in innogy SE and the successful conclusion, on July 25, 2018, of E.ON's voluntary public takeover offer, which had an acceptance rate of 9.4 percent, both S&P and Moody's anticipate an improvement in E.ON's business risk profile. S&P's and Moody's short-term ratings are unchanged at A-2 and P-2, respectively.

Investments

The E.ON Group's nine-month investments were above the prior-year level. A slight decline in investments in our core business was more than offset by higher investments at Non-Core Business. We invested about €1.9 billion in property, plant, and equipment and intangible assets (prior year: €2.1 billion). Share investments totaled €0.4 billion versus €0.1 billion in the prior-year period.

Investments

Nine months € in millions	2018	2017	+/- %
Energy Networks	954	864	+10
Customer Solutions	407	350	+16
Renewables	698	961	-27
Corporate Functions/Other	56	42	+33
Consolidation	–	-5	–
Investments in core business	**2,115**	**2,212**	**-4**
Non-Core Business	164	10	–
E.ON Group investments	**2,279**	**2,222**	**+3**

Energy Networks' investments were €90 million above the prior-year level. Investments in Germany rose primarily because of new connections and maintenance. Investments in Sweden were at the prior-year level. Investments in East-Central Europe/Turkey were higher, in particular because of new network connections and maintenance in the Czech Republic and Hungary along with upgrades to our power networks in Romania.

Customer Solutions invested €57 million more than in the prior-year period. The increase in the current-year period results in particular from investments in the maintenance, upgrade, and expansion of existing assets and our heat distribution network in Sweden. Investments in the United Kingdom went principally toward the rollout of smart meters.

Investments at Renewables were €263 million lower. The decline reflects lower expenditures for new-build projects, whereas the prior-year figure includes expenditures for three such projects (Radford's Run, Bruenning's Breeze, and Rampion). By contrast, expenditures for equity investments were €111 billion higher, due primarily to expenditures for the Arkona project.

Investments at Non-Core Business were €154 million above the prior-year level, primarily because of a capital increase at Enerjisa Üretim in Turkey, which we account for using the equity method. The capital increase was covered by cash inflow from the initial public offering of Enerjisa Enerji.

Cash Flow

Cash provided by operating activities of continuing and discontinued operations before interest and taxes of €3.5 billion was €6.6 billion above the prior-year level. The main reason for the increase is that in July 2017 we paid €10.3 billion into Germany's public fund to finance nuclear-waste disposal. This amount was partially offset by the €2.85 billion nuclear-fuel-tax refund we received in June 2017 and positive working-capital effects in the prior-year period. In the current-year period, the adverse factors affecting cash provided by operating activities of continuing and discontinued operations included higher interest and tax payments.

Cash Flow[1]

Nine months € in millions	2018	2017
Cash provided by (used for) operating activities (operating cash flow)	2,557	-3,309
Operating cash flow before interest and taxes	3,494	-3,091
Cash provided by (used for) investing activities	2,281	-40
Cash provided by (used for) financing activities	-2,830	1,845

[1]From continuing and discontinued operations.

Cash provided by investing activities of continuing and discontinued operations totaled approximately €2.3 billion versus -€40 million in the prior-year period. The sale of our stake in Uniper SE was the principal factor (+€3.8 billion), whereas the purchase and sale of securities and changes in restricted funds reduced cash provided by investing activities by €1.5 billion.

Cash provided by financing activities of continuing and discontinued operations of -€2.8 million was €4.6 billion below the prior-year figure of +€1.8 billion. This is principally attributable to the issuance of €2 billion in bonds in the first half of 2017, the roughly €1.35 billion capital increase conducted in March 2017, and higher cash outflow to repay bonds in the current-year period. In addition, E.ON SE's dividend payout was about €0.3 billion higher than in the prior-year period.

Forecast Report

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecasts for the 2018 financial year continue to be influenced by the business environment in the energy industry. Examples include regulatory intervention in Germany and the United Kingdom. The current low interest-rate environment and increasingly fierce competition in our core markets continue to put downward pressure on achievable margins.

We continue to expect the E.ON Group's 2018 adjusted EBIT to be between €2.8 and €3 billion and its 2018 adjusted net income to be between €1.3 and €1.5 billion. We now expect both earnings metrics to be in the upper half of their respective target ranges.

Our forecast by segment:

We expect Energy Networks' 2018 adjusted EBIT to be below the prior-year figure. Operating earnings in Germany will be stable. On balance, however, the positive regulatory one-off item recorded in 2017 relating to the delayed repayment of personnel costs along with the deconsolidation of Hamburg Netz will lead to a substantial decline in earnings in Germany. In addition, we expect a tariff-driven decline in earnings at our gas networks in Romania this year, which is the transition year to the next regulatory period. By contrast, improved power tariffs in Sweden will have a positive impact.

We now anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. Earnings will be adversely affected primarily in the United Kingdom due to the intervention of the U.K. Competition and Markets Authority and restructuring expenses. Amid keen competition in the power and gas retail market, earnings in Germany will surpass the prior-year level owing to the non-recurrence of adverse items recorded in the prior year, despite the fact that earnings will be negatively affected by restructuring expenses. The unavailability of a cogeneration unit that we operate for a customer and higher gas procurement costs in Romania are further adverse factors.

We expect Renewables' adjusted EBIT to be above the prior-year level, in particular because of the addition of Rampion offshore wind farm.

We anticipate that adjusted EBIT at Corporate Functions/Other will improve and thus significantly exceed the previous year's level, in part because of cost savings delivered by the Phoenix reorganization program.

We now expect adjusted EBIT at Non-Core Business to be below the prior-year level. The principal adverse factors at PreussenElektra are declining sales prices and the absence of positive one-off items recorded in 2017. By contrast, earnings at the generation business in Turkey will improve. Prior-year equity earnings on our stake in Enerjisa Üretim were adversely affected in particular by a book loss on the sale of a hydroelectric station. In addition, adverse currency-translation effects will be offset by higher feed-in payments, which are linked to the relatively stronger U.S. dollar.

Forecast Performance of Other Key Figures

The Forecast Report contained in our 2017 Annual Report presents our forecast for other key figures for the 2018 financial year. For the E.ON Group there are no changes to these disclosures.

Risk and Chances Report

The Combined Group Management Report contained in our 2017 Annual Report describes in detail our management system for assessing risks and chances and the measures we take to limit risks.

Risiks and Chances

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The resulting risks and chances are described in detail in the 2017 Combined Group Management Report. The E.ON Group's risk and chance position described there remained essentially unchanged at the end of the first nine months of 2018.

Assessment of the Risk Situation

At the end of the first nine months of 2018, the risk situation of the E.ON Group's core operating business had not changed significantly compared with year-end 2017. From today's perspective, we do not perceive any risks that could threaten the existence of E.ON SE, the E.ON Group, or individual segments.

Selected Financial Information

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Third quarter 2018	Third quarter 2017[1]	Nine months 2018	Nine months 2017[1]
Sales including electricity and energy taxes	7,306	8,449	24,427	28,229
Electricity and energy taxes	-127	-183	-496	-726
Sales[2]	**7,179**	**8,266**	**23,931**	**27,503**
Changes in inventories (finished goods and work in progress)	9	1	18	5
Own work capitalized	121	130	265	320
Other operating income[3]	135	954	3,942	6,338
Cost of materials[2]	-5,713	-6,972	-18,623	-22,687
Personnel costs	-656	-648	-1,929	-2,059
Depreciation, amortization and impairment charges	-376	-390	-1,080	-1,150
Other operating expenses[4]	-371	-1,248	-3,084	-4,736
Income from companies accounted for under the equity method	51	-30	197	620
Income from continuing operations before financial results and income taxes	**379**	**63**	**3,637**	**4,154**
Financial results	-211	-172	-454	139
Income/Loss from equity investments	*17*	*23*	*68*	*43*
Income from other securities, interest and similar income	*73*	*140*	*267*	*1,025*
Interest and similar expenses	*-301*	*-335*	*-789*	*-929*
Income taxes	5	-46	-198	-540
Income from continuing operations	**173**	**-155**	**2,985**	**3,753**
Income/Loss from discontinued operations, net	74	24	170	150
Net income	**247**	**-131**	**3,155**	**3,903**
Attributable to shareholders of E.ON SE	*216*	*-166*	*2,920*	*3,706*
Attributable to non-controlling interests	*31*	*35*	*235*	*197*
in €				
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[5]				
from continuing operations	0.07	-0.09	1.28	1.68
from discontinued operations	0.03	0.01	0.07	0.07
from net income	**0.10**	**-0.08**	**1.35**	**1.75**
Weighted-average number of shares outstanding (in millions)	2,167	2,167	2,167	2,116

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations.
[2]The presentation of our sales and costs of materials in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary on page 4).
[3]The decrease in other operating income is mainly due to the refund of the nuclear-fuel tax (€2.85 billion), which was included in the previous year, and a reduction in currency-translation effects. This was partially offset by income from the disposal and derecognition of derivative financial instruments in connection with the sale of the Uniper investment (total €1.1 billion).
[4]Changes in other operating expenses mainly result from positive effects from exchange rate differences and higher expenses from derivatives.
[5]Based on weighted-average number of shares outstanding.

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

	Third quarter		Nine months	
€ in millions	2018	2017	2018	2017
Net income	**247**	**-131**	**3,155**	**3,903**
Remeasurements of defined benefit plans	192	136	204	285
Remeasurements of defined benefit plans of companies accounted for under the equity method	–	-7	-1	40
Income taxes	-26	5	-36	-46
Items that will not be reclassified subsequently to the income statement	**166**	**134**	**167**	**279**
Cash flow hedges	38	32	33	217
Unrealized changes—hedging reserve[1]	*18*	*-8*	*-9*	*-142*
Unrealized changes—reserve for hedging costs[1]	*10*	*-2*	*41*	*39*
Reclassification adjustments recognized in income	*10*	*42*	*1*	*320*
Fair value measurement of financial instruments	-4	9	-56	-169
Unrealized changes	*-4*	*19*	*-17*	*5*
Reclassification adjustments recognized in income	*–*	*-10*	*-39*	*-174*
Currency—translation adjustments	74	-42	-105	43
Unrealized changes—hedging reserve[1]/other	*72*	*-39*	*-116*	*47*
Unrealized changes-reserve for hedging costs[1]	*2*	*-2*	*-2*	*-3*
Reclassification adjustments recognized in income	*–*	*-1*	*13*	*-1*
Companies accounted for under the equity method	-323	-106	-245	-372
Unrealized changes	*-323*	*-104*	*-574*	*-369*
Reclassification adjustments recognized in income	*–*	*-2*	*329*	*-3*
Income taxes	7	12	14	-19
Items that might be reclassified subsequently to the income statement	**-208**	**-95**	**-359**	**-300**
Total income and expenses recognized directly in equity	**-42**	**39**	**-192**	**-21**
Total recognized income and expenses (total comprehensive income)	**205**	**-92**	**2,963**	**3,882**
Attributable to shareholders of E.ON SE	*150*	*-133*	*2,718*	*3,668*
Continuing operations	*95*	*-168*	*2,612*	*3,473*
Discontinued operations	*55*	*35*	*106*	*195*
Attributable to non-controlling interests	*55*	*41*	*245*	*214*

[1]IFRS 9, which we are applying for the first time in 2018, requires us to divide the unrealized change in cash flow hedges and in the curreny-translation adjustments into two categories. We adjusted the prior-year figures accordingly.

E.ON SE and Subsidiaries Consolidated Balance Sheets

€ in millions	Sep. 30, 2018	Dec. 31, 2017
Assets		
Goodwill	2,061	3,337
Intangible assets	2,078	2,243
Property, plant and equipment	17,249	24,766
Companies accounted for under the equity method	2,312	3,547
Other financial assets	2,629	3,541
Equity investments	*687*	*792*
Non-current securities	*1,942*	*2,749*
Financial receivables and other financial assets	449	452
Operating receivables and other operating assets	1,404	1,371
Deferred tax assets	1,082	907
Income tax assets	–	–
Non-current assets	**29,264**	**40,164**
Inventories	764	794
Financial receivables and other financial assets	215	236
Trade receivables and other operating assets	5,165	5,781
Income tax assets	411	514
Liquid funds	6,423	5,160
Securities and fixed-term deposits	*1,011*	*670*
Restricted cash and cash equivalents	*713*	*1,782*
Cash and cash equivalents	*4,699*	*2,708*
Assets held for sale	10,593	3,301
Current assets	**23,571**	**15,786**
Total assets	**52,835**	**55,950**
Equity and Liabilities		
Capital stock	2,201	2,201
Additional paid-in capital	9,862	9,862
Retained earnings	-2,138	-4,552
Accumulated other comprehensive income[1]	-2,943	-2,378
Treasury shares	-1,126	-1,126
Equity attributable to shareholders of E.ON SE	**5,856**	**4,007**
Non-controlling interests (before reclassification)	3,273	3,195
Reclassification related to put options	-477	-494
Non-controlling interests	**2,796**	**2,701**
Equity	**8,652**	**6,708**
Financial liabilities	9,320	9,922
Operating liabilities	4,624	4,690
Income tax liabilities	746	969
Provisions for pensions and similar obligations	2,703	3,620
Miscellaneous provisions	12,450	14,381
Deferred tax liabilities	1,524	1,616
Non-current liabilities	**31,367**	**35,198**
Financial liabilities	654	3,099
Trade payables and other operating liabilities	6,987	8,099
Income tax liabilities	239	673
Miscellaneous provisions	1,772	2,041
Liabilities associated with assets held for sale	3,164	132
Current liabilities	**12,816**	**14,044**
Total equity and liabilities	**52,835**	**55,950**

[1]Thereof relating to discontinued operations (September 30, 2018): €21 million.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

Nine months € in millions	2018	2017[1]
Net income	**3,155**	**3,903**
Income/Loss from discontinued operations, net	-170	-150
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,080	1,150
Changes in provisions	-336	-31
Changes in deferred taxes	68	216
Other non-cash income and expenses	303	-130
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-933	-368
Changes in operating assets and liabilities and in income taxes	-1,007	-8,403
Cash provided by (used for) operating activities of continuing operations	**2,160**	**-3,813**
Cash provided by (used for) operating activities of discontinued operations	397	504
Cash provided by (used for) operating activities (operating cash flow)	**2,557**	**-3,309**
Proceeds from disposal of	4,272	194
Intangible assets and property, plant and equipment	*103*	*100*
Equity investments	*4,169*	*94*
Purchases of investments in	-1,582	-1,275
Intangible assets and property, plant and equipment	*-1,413*	*-1,258*
Equity investments	*-169*	*-17*
Changes in securities, financial receivables and fixed-term deposits	-777	1,762
Changes in restricted cash and cash equivalents	1,069	220
Cash provided by (used for) investing activities of continuing operations	**2,982**	**901**
Cash provided by (used for) investing activities of discontinued operations	-701	-941
Cash provided by (used for) investing activities	**2,281**	**-40**
Payments received/made from changes in capital[2]	6	1,350
Cash dividends paid to shareholders of E.ON SE	-649	-345
Cash dividends paid to non-controlling interests	-160	-199
Changes in financial liabilities	-1,998	643
Cash provided by (used for) financing activities of continuing operations	**-2,801**	**1,449**
Cash provided by (used for) financing activities of discontinued operations	-29	398
Cash provided by (used for) financing activities	**-2,830**	**1,845**
Net increase/decrease in cash and cash equivalents	**2,008**	**-1,504**
Effect of foreign exchange rates on cash and cash equivalents	-5	-5
Cash and cash equivalents at the beginning of the year[3]	2,762	5,574
Cash and cash equivalents at the end of the period	**4,765**	**4,065**
Less: Cash and cash equivalents of discontinued operations at the end of the period	**-66**	**-55**
Cash and cash equivalents of continuing operations at the end of the period	**4,699**	**4,010**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents of continuing operations at the beginning of 2018 also include the holdings of €54 million in Hamburg Netz GmbH, which was deconsolidated in the first quarter of 2018.

Financial Information by Business Segment[1]

Nine months € in millions	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany Sales		United Kingdom		Other	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales	6,224	9,574	719	800	440	535	4,814	5,101	5,391	5,040	5,259	5,052
Intersegment sales	1,032	1,223	10	31	685	704	78	21	41	43	224	228
Sales[2]	**7,256**	**10,797**	**729**	**831**	**1,125**	**1,239**	**4,892**	**5,122**	**5,432**	**5,083**	**5,483**	**5,280**
Depreciation and amortization[3]	**-427**	**-429**	**-113**	**-122**	**-175**	**-167**	**-24**	**-23**	**-68**	**-74**	**-138**	**-129**
Adjusted EBIT	**755**	**781**	**363**	**345**	**354**	**377**	**124**	**76**	**143**	**140**	**93**	**126**
Equity-method earnings[4]	*51*	*60*	–	–	*88*	*86*	–	–	–	–	*7*	*11*
Operating cash flow before interest and taxes	**1,372**	**2,099**	**535**	**443**	**523**	**424**	**236**	**188**	**125**	**225**	**253**	**308**
Investments	**448**	**396**	**223**	**228**	**283**	**240**	**10**	**15**	**157**	**142**	**240**	**193**

Nine months € in millions	Renewables[5]		Non-Core Business				Corporate Functions/Other		Consolidation		E.ON Group[5]	
			PreussenElektra		Generation Turkey							
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales	482	507	983	1,230	–	–	32	97	-2	1	24,342	27,937
Intersegment sales	731	623	–	–	–	–	468	465	-3,269	-3,338	0	0
Sales[2]	**1,213**	**1,130**	**983**	**1,230**	**–**	**–**	**500**	**562**	**-3,271**	**-3,337**	**24,342**	**27,937**
Depreciation and amortization[3]	**-251**	**-260**	**-82**	**-140**	**–**	**–**	**-46**	**-78**	**1**	**-1**	**-1,323**	**-1,423**
Adjusted EBIT	**283**	**248**	**354**	**357**	**-40**	**-93**	**-80**	**-232**	**3**	**-8**	**2,352**	**2,117**
Equity-method earnings[4]	*23*	*18*	*42*	*44*	*-40*	*-93*	*48*	*47*	*1*	*-1*	*220*	*172*
Operating cash flow before interest and taxes	**509**	**540**	**122**	**-7,069**	**–**	**–**	**-179**	**-243**	**-2**	**-6**	**3,494**	**-3,091**
Investments	**698**	**961**	**10**	**10**	**154**	**–**	**56**	**42**	**–**	**-5**	**2,279**	**2,222**

[1]Because of the changes in our reporting, the prior-year figure was adjusted accordingly.
[2]The presentation of our sales in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary on page 4).
[3]Adjusted for non-operating effects.
[4]Under IFRS, impairment charges on companies accounted for using the equity method and impairment charges on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for using the equity method and financial results, respectively. These income effects are not part of adjusted EBIT.
[5]Operating business including the divisions in the Renewables segment reclassified as discontinued operations in accordance with IFRS 5.

The following table shows the reconciliation of the revenues reported in segment reporting to the revenues in the income statement:

Reconciliation of Sales

Nine months € in millions	E.ON Group 2018	E.ON Group 2017	Reclassified businesses at Renewables 2018	Reclassified businesses at Renewables 2017	E.ON Group (continuing operations) 2018	E.ON Group (continuing operations) 2017
External sales	24,342	27,937	-411	-434	23,931	27,503
Intersegment sales	–	–	–	–	–	–
Sales	**24,342**	**27,937**	**-411**	**-434**	**23,931**	**27,503**

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

Reconciliation of Operating Cash Flow

Nine months € in millions	2018	2017
Operating cash flow before interest and taxes	**3,494**	**-3,091**
Interest payments	-461	128
Tax payments	-476	-346
Operating cash flow	**2,557**	**-3,309**
Reclassified businesses at Renewables	-397	-504
Operating cash flow from continuing operations	**2,160**	**-3,813**

The following table shows the reconciliation of the investments shown in segment reporting to the investments of continuing operations. The latter correspond to payments for investments reported in the Consolidated Statements of Cash Flows.

Reconciliation of Investments

Nine months € in millions	2018	2017
Investments	**2,279**	**2,222**
Reclassified businesses at Renewables	-697	-947
Investments from continuing operations	**1,582**	**1,275**

Financial Calendar

March 13, 2019	Release of the 2018 Annual Report
May 13, 2019	Quarterly Statement: January – March 2019
May 14, 2019	2019 Annual Shareholders Meeting
August 7, 2019	Half-Year Financial Report: January – June 2019
November 13, 2019	Quarterly Statement: January – September 2019

Further information

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