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Germany's E.ON Struggles With Weak Ruble and Industry Crisis

By The Moscow Times

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The E.ON power plant in Bremen, Germany.

Germany's largest utility E.ON posted a 7 percent profit drop in the first nine months of the year, blaming low wholesale prices as well as a weak ruble that hit business in Russia, its most important foreign market.

Earnings before interest, tax, depreciation and amortization, or EBITDA, fell to 6.64 billion euros ($8.29 billion) in the January-September period. In Russia, EBITDA was down by nearly a fifth at 401 million euros.

Russia has been hit by a weakening ruble — down more than a quarter against the euro so far this year — due to Western economic sanctions over Ukraine.

"The political crisis in Ukraine could have an impact on the gas supply and our activities in Russia," the company said Wednesday, adding its Russian business was currently operating

''largely according to plan.''

Last year, the Russian market accounted for 1.5 percent of E.ON's sales and 7.4 percent of the group's EBITDA.

Germany, Europe's biggest gas market, relies on supplies from Russia, which accounted for about 39 percent of German natural gas imports last year, while E.ON itself gets as much as half the gas it needs from Gazprom.

Shares in the company, which have underperformed the broader European utility index by 13 percentage points so far this year, were indicated 2.3 percent higher in pre-market trade, as the group's nine-month EBITDA surpassed expectations.

Analysts had, on average, expected EBITDA of 6.44 billion euros.

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