

2007

January February March

April May June

July August September

October November December

2 E.ON Group Financial Highlights

E.ON Group Financial Highlights ¹			
January 1 – September 30 € in millions	2007	2006	+/- %
Electricity sales (billion kWh) ²	350.2	308.4	+14
Gas sales (billion kWh) ²	828.6	847.8	-2
Sales (including electricity and energy taxes)	50,905	49,352	+3
Sales	49,413	46,285	+7
Adjusted EBITDA	9,435	8,879	+6
Adjusted EBIT	7,146	6,361	+12
Income/Loss (-) from continuing operations before income taxes	7,478	3,631	+106
Income/Loss (-) from continuing operations	5,877	2,624	+124
Income/Loss (-) from discontinued operations, net	-94	779	-
Net income	5,783	3,403	+70
Net income attributable to shareholders of E.ON AG	5,318	3,137	+70
Adjusted net income	4,213	3,442	+22
Investments	4,746	3,314	+43
Cash provided by operating activities of continuing operations	7,223	4,474	+61
Free cash flow	3,128	1,916	+63
Net financial position (September 30 and December 31)	-1,291	-137	-
Economic net debt (September 30 and December 31)	-17,975	-18,233	-
Employees (September 30 and December 31)	82,348	80,612	+2
Earnings per share attributable to shareholders of E.ON AG (€)	8.10	4.76	+70

¹Effective the beginning of the 2007 financial year, we prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). Explanatory notes on the conversion of Group Reporting Policies to IFRS and IFRS reconciliations can be found on pages 32 and 50-57 of the Condensed Consolidated Interim Financial Statements and on pages 59-60.

²Unconsolidated figures.

E.ON AG Interim Report III/2007

January 1 – September 30, 2007

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- Adjusted EBIT up 12 percent
- Major power producer in Russia acquired
- Contract for the acquisition of wind farms in North America signed
- Outlook for full year 2007: continue to expect 5 to 10 percent increase in adjusted EBIT

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4 Dear Shareholders,

The E.ON Group's very positive development continued in the third quarter of 2007. We increased sales by 7 percent in the first nine months of 2007, from last year's €46.3 billion to €49.4 billion, and adjusted EBIT by 12 percent, from €6.4 billion to €7.1 billion. Net income attributable to shareholders of E.ON AG increased by 70 percent to €5.3 billion. We continue to expect the E.ON Group's full-year adjusted EBIT to surpass the prior-year level. We anticipate an increase of 5 to 10 percent.

We continue to make rapid progress in the systematic implementation of our €60 billion investment offensive. In a short time, we've succeeded in entering one of the most interesting and fastest-growing electricity markets. In October, we acquired a majority ownership interest in Russia's OGK-4, a major power producer. OGK-4 operates four gas-fired power plants and one coal-fired plant with an aggregate installed capacity of approximately 8,600 megawatts ("MW"). Over the next several years, we intend to expand OGK-4's generation fleet, which already ranks among the most efficient and attractive in Russia. Plans call for the construction of additional, technologically advanced power plants with a total capacity of 2,400 MW by 2011. We're also moving forward according to plan in gas procurement. In early August, we acquired a stake in Skarv and Idun gas fields in the northern Norwegian Sea. Together with other promising satellite fields, Skarv and Idun rank among Norway's largest and most attractive undeveloped gas fields.

We're also making swift progress growing our renewables business. We're substantially expanding renewables' share of our generation portfolio in order to also become a leader in this business—and not just in Europe. Through 2010, we now plan to invest about €6 billion in renewables. Going forward, our renewables operations will be managed by E.ON Climate & Renewables, headquartered in Düsseldorf. Currently, our focus is on wind power. In early October, we successfully entered the world's most attractive renewables market by acquiring Airtricity North America. Airtricity operates wind farms with an aggregate installed capacity of more than 210 MW and will have an additional 880 MW in service by the end of 2008. This acquisition, which comes just a few weeks after our purchase of Energi E2 Renovables Ibéricas in Spain and Portugal, accelerates the expansion of our international renewables business. In our existing renewables markets, we intend to grow organically. We already operate 20 wind farms onshore and offshore in the United Kingdom, with additional facilities in planning, including one of the world's largest offshore wind farms, which will be located in the Thames estuary. In addition, we recently, made the decision to build a wind farm off the coast of Yorkshire. It will consist of approximately 80 wind turbines which will generate up to 300 MW of green electricity. E.ON is also involved in a number of ambitious wind-power projects off Germany's North Sea and Baltic Sea coasts. Our plan to build technologically advanced power plants in Germany and Italy is also on schedule. In addition, we made the decision to build a highly efficient, next-generation coal-fired power plant in Wilhelmshaven in northwest Germany. With an unprecedented thermal efficiency of more than 50 percent, the plant will set a milestone for climate protection.

We've also been successful at improving our capital structure, another focus of the package of strategic initiatives we announced in late May 2007. Our €7 billion share buyback program is proceeding according to plan. As of October 31, 2007, we had repurchased €2.8 billion of E.ON stock. By the end of the year, this figure will be €3.5 billion. In connection with our investment offensive and share buyback program, E.ON is taking on more debt, giving the company a more efficient capital structure. We've responded to the improved situation on the financial markets with two highly successful bond issues. We issued €3.5 billion of euro benchmark bonds in September and £1.5 billion of pound-sterling benchmark bonds in October. Both were significantly oversubscribed and were successfully placed with a large number of institutional investors. These transactions represent a successful start for our financing program and provide clear evidence that investors support our corporate and financial strategy.

The end of the third quarter of 2007 sees us in a very positive position. We're making rapid, systematic progress implementing our strategy. We're laying the foundation for E.ON's continued success, success that benefits all of our stakeholders, particularly you, our shareholders.

Sincerely yours,



Dr. Wulf H. Bernotat

E.ON Stock

E.ON stock (including the dividend) finished the first nine months of 2007 up 30 percent, markedly outperforming other European blue chips as measured by the EURO STOXX 50 (+9 percent) and the European utilities index, the STOXX Utilities (+14 percent). The stock-exchange trading volume of E.ON stock climbed by nearly 45 percent year on year to 106.4 billion, making E.ON the fifth most-traded stock in the DAX index of Germany's top 30 blue chips. As of September 28, 2007, E.ON was the largest DAX stock in terms of market capitalization.

In the United States, E.ON stock is traded in the form of American Depositary Receipts (ADRs). E.ON stock was delisted from the New York Stock Exchange on September 7, 2007, and now trades on the over-the-counter market. The conversion ratio between E.ON ADRs and E.ON stock is three to one. The value of three E.ON ADRs is effectively that of one share of E.ON stock.

On June 27, 2007, E.ON began its previously announced €7 billion share buyback program, with half of this amount being purchased this year. By the end of September, E.ON had repurchased nearly 19 million of its own shares with an aggregate market value of approximately €2.3 billion and had sold put options on 6.5 million of its own shares. Repurchased shares will be cancelled, thereby reducing E.ON's capital stock. The share buyback program is an important step towards

E.ON Stock		
	Sep. 28, 2007	Dec. 29, 2006
Shares outstanding (millions) ¹	641	660
Closing price (€)	129.66	102.83
Market capitalization (€ in billions) ²	89.7	71.2

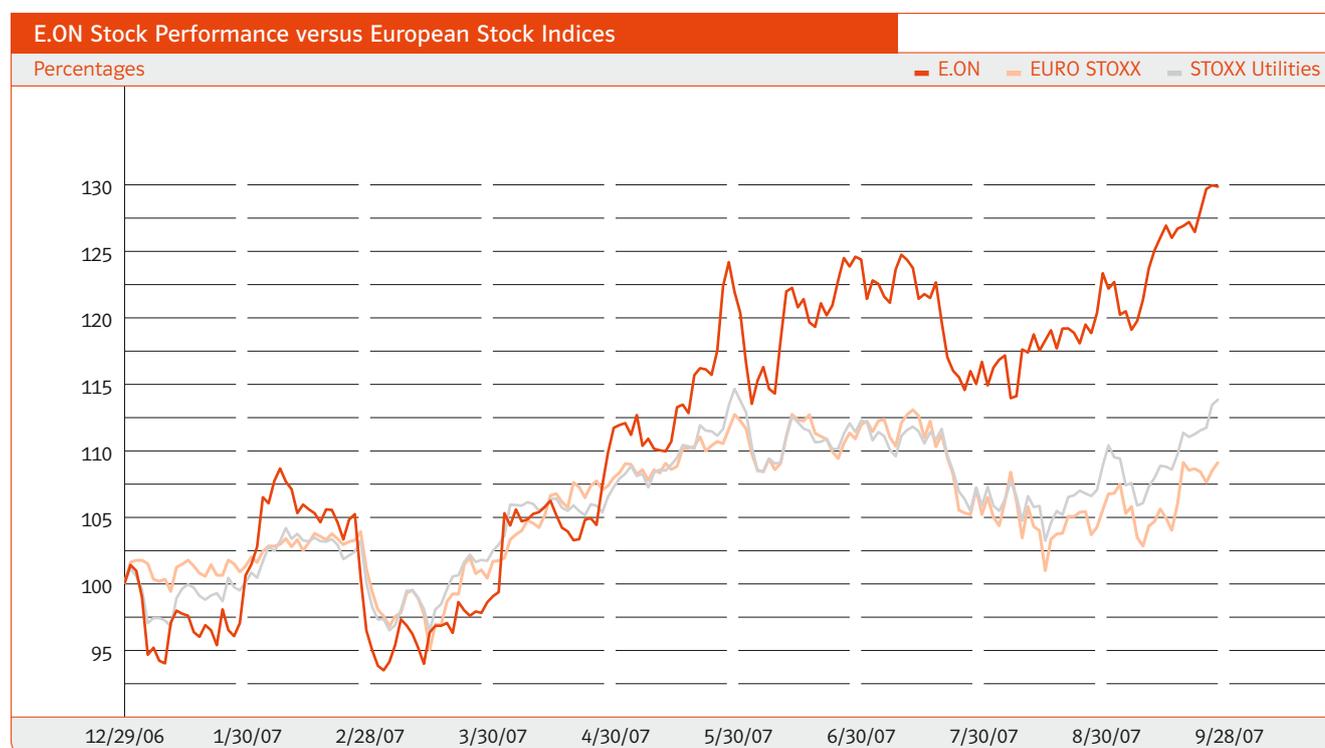
¹Excludes treasury stock.
²Based on E.ON's entire capital stock (692,000,000 shares).

Performance and Trading Volume		
January 1 - September 30	2007	2006
High (€) ¹	129.76	100.94
Low (€) ¹	96.05	82.12
Trading volume ²		
Millions of shares	951.4	779.0
€ in billions	106.4	73.5

¹XETRA.
²Source: Bloomberg (all German stock exchanges).

optimizing E.ON's capital structure. It will also increase the attractiveness of E.ON stock, since it will positively influence our earnings per share and dividend yield.

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



6 Interim Group Management Report

Business and Operating Environment

Conversion of Group Reporting Policies to International Financial Reporting Standards ("IFRS")

Through the end of the 2006 financial year, E.ON AG prepared its Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Effective January 1, 2007, we apply International Financial Reporting Standards ("IFRS"), which deviate substantially from U.S. GAAP in a number of respects. Detailed explanatory notes on the conversion of Group Reporting Policies to IFRS and IFRS reconciliations can be found on pages 32 and 50-57 of the Condensed Consolidated Interim Financial Statements and on pages 59-60. Until we publish complete Consolidated Financial Statements under IFRS for the year ending December 31, 2007, the financial information in this report will remain preliminary due to possible changes to individual reporting standards.

Energy Price Developments

Throughout the first three quarters of 2007, European power and natural gas markets were driven by three main factors:

- international oil, coal, and CO₂ prices
- warm weather
- the hydrological balance in the Nordic region

Although prices declined on most European gas and power markets in the first weeks of the year, they rose again starting in March in response to higher coal, oil, and phase-two CO₂ prices.

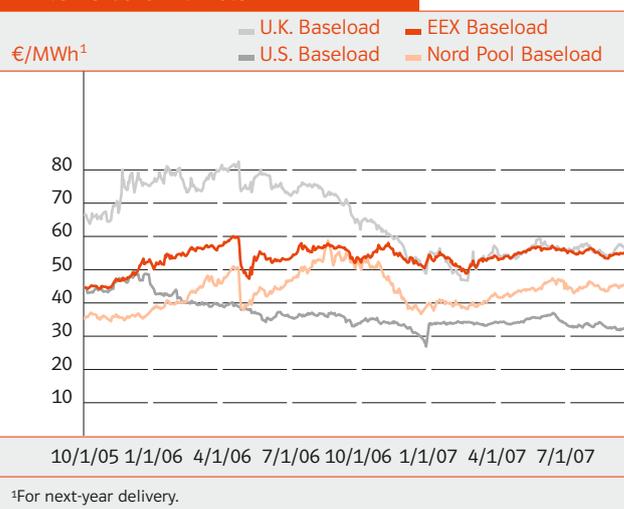
The price of Brent crude oil increased significantly beginning in January due to renewed tension in the Middle East and Nigeria and lower oil-product inventories in the United States. The U.S. dollar's considerable depreciation against other currencies also contributed to the strong rise in dollar-denominated Brent crude oil prices. At the end of September, Brent was quoted at close to \$80 per barrel, about \$30 per barrel higher than in January.

Coal prices have moved continually higher this year, particularly in the third quarter. In September, coal was selling for \$97 per metric ton, the highest level since June 2004. The increase is mainly due to sustained strong demand in the Pacific market, high freight rates (which account for about 35 percent of the price of coal), and the weak dollar, which improves the purchasing power of other currencies.

Germany's average natural gas import prices, which are indexed mainly to heating oil prices, decreased until the end of the second quarter but then started to increase reflecting higher oil prices seen since January. Unseasonably warm winter weather pushed down U.K. natural gas prices in January

and February. With rising oil prices, U.K. gas prices increased in March but remained almost unchanged until the end of June as a result of good supply. The unexpected outage of a major U.K. gas pipeline for almost three months starting in late June along with more volatile gas flows from Norway have led to higher U.K. prices in the second half of 2007. U.S. natural gas prices moved higher due to unusually warm weather (which increased the demand for peaking power provided by gas-fired generating units) and concerns about hurricanes. High storage inventories, however, led to a slight price decrease in the third quarter.

Electricity Price Movements in E.ON's Core Markets



CO₂ Allowance (2005-2007) Price Movements in Europe

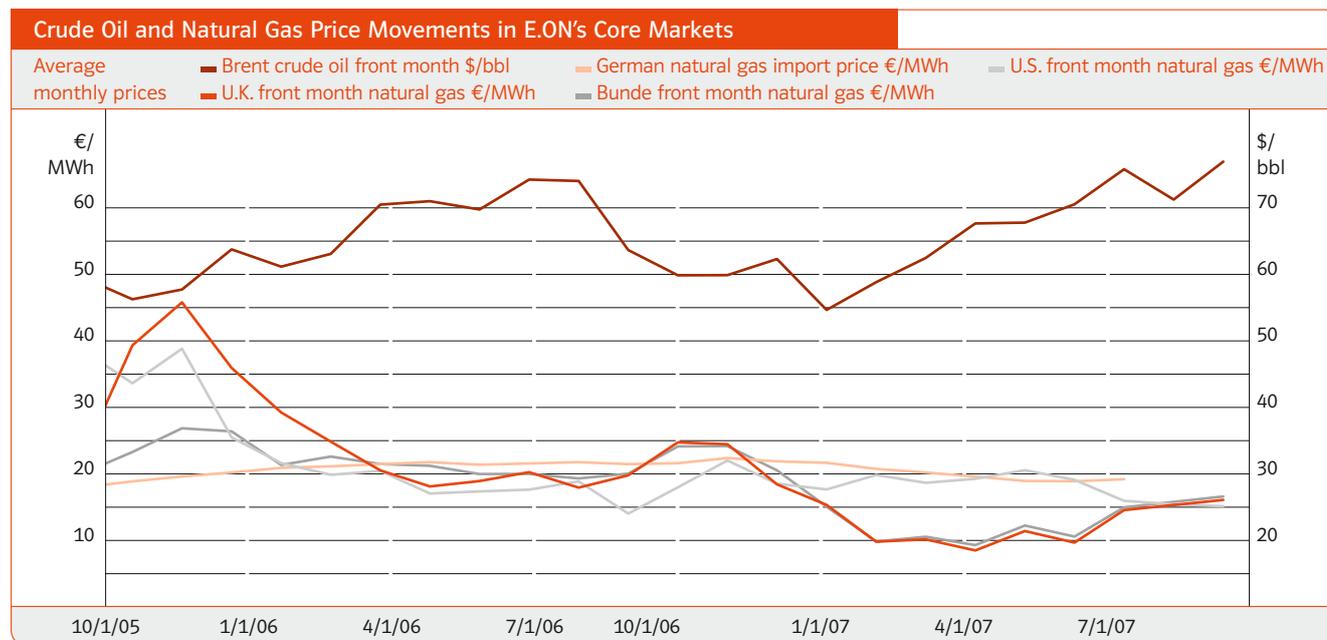


Two factors caused CO₂ prices for phase one (2005-2007) of the European Emissions Trading Scheme ("ETS") to stabilize at less than €1 per metric ton. First, installations affected by the ETS will be able to meet their carbon-emission cap. It is widely expected that phase one of the ETS will be oversupplied. Second, phase-one allowances cannot be used for phase two (2008-2012).

Phase-two prices increased in response to high oil and gas prices compared with more stable hard-coal prices and in response to the EU Commission's decision to reduce the caps on installations proposed by the member states in the beginning of the year. After peaking at €25 per metric ton in May, phase-two prices declined as market participants arbitrated credits from Joint Implementation ("JI") and Clean Development Mechanism ("CDM") projects and as fuel-switch levels improved due to the upward surge of hard-coal prices. In

recent months, the price of phase-two allowances has returned to a stable upward path. The main factors are the tight National Allocation Plans, deteriorating fuel-switch levels initiated by rising oil prices, and a poor supply of credits from JI and CDM projects.

Wholesale power prices across Europe remained heavily influenced by fuel and CO₂ prices. Since March 2007, German and Nordic power prices increased on the back of higher coal and CO₂ prices. After a short drop due to lower gas and CO₂ prices, German power prices hit a new high of €56 per MWh in response to high coal prices. Nordic power prices were also influenced by the hydrological balance, which remained above normal throughout the period. U.K. prices tracked CO₂ and natural gas prices. Forward power prices in the United States decreased slightly following the movement of natural gas prices.

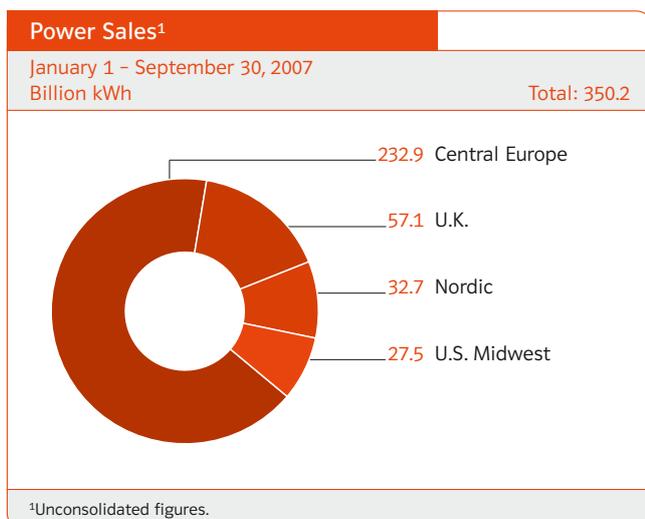


Power and Gas Sales

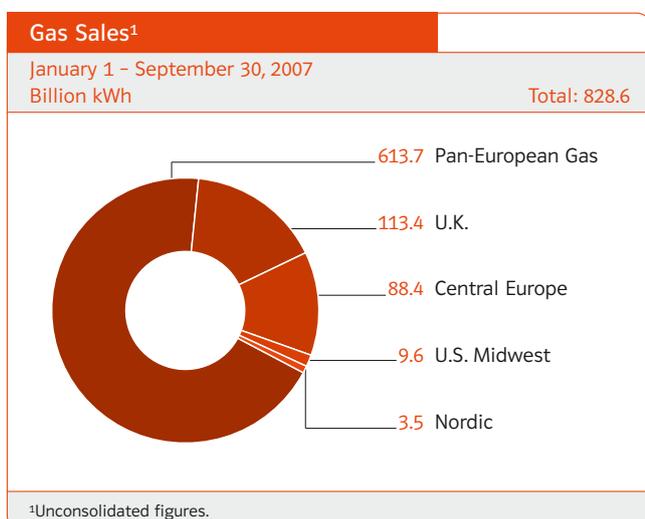
The E.ON Group increased its power sales volume by 14 percent, from 308.4 billion kWh in the first nine months of 2006 to 350.2 billion kWh in the same period this year. Central Europe's 17-percent increase in volume is predominantly attributable to significantly higher deliveries onto its network of electricity pursuant to Germany's Renewable Energy Law. Under this law, network operators must give priority to electricity from renewable-source generating units. A mechanism has been established for network operators and energy retailers to pass the higher cost of renewable-source electricity through to all end-customers. However, it has generally not been feasible to pass through the entire cost, particularly in the residential

segment where basic utility service is provided for an integrated price. Central Europe also benefited from higher sales volumes to sales and trading partners. U.K. sold 6 percent more electricity, Nordic 11 percent more, and U.S. Midwest 4 percent more. The respective factors were higher wholesale sales volumes; higher sales volumes at the Nord Pool, Northern Europe's energy exchange, and favorable temperatures in Kentucky compared with the prior-year period.

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Natural gas sales volumes declined by 2 percent year on year, from 847.8 billion kWh to 828.6 billion kWh, mainly due to higher temperatures in Europe compared with the prior-year period. Warmer weather reduced sales volumes by 2 percent at Pan-European Gas, 12 percent at Central Europe, and 17 percent at Nordic. By contrast, U.K. sold 4 percent more natural gas due to higher wholesale sales volumes. U.S. Midwest sold 16 percent more gas primarily due to low temperatures in the Midwestern United States early in the year.



Earnings Situation

Sales up 7 Percent

Increased sales at Central Europe, U.K., and Nordic are partially attributable to higher electricity sales volumes. Higher average electricity prices were among the positive factors at Central Europe and U.K. In addition, Central Europe also benefited from significantly higher trading volumes and business expansion, particularly in Italy. The increase in green power procured under Germany's Renewable Energy Law was another

factor. Sales at Pan-European Gas were down slightly, primarily due to a weather-driven decline in sales volumes in the midstream business and lower sales prices in the upstream business. The decline in U.S. Midwest's sales is due exclusively to exchange rates.

Sales			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Central Europe	23,769	20,160	+18
Pan-European Gas	15,566	15,777	-1
U.K.	9,181	8,697	+6
Nordic	2,453	1,967	+25
U.S. Midwest	1,376	1,452	-5
Corporate Center	-2,932	-1,768	-
Sales	49,413	46,285	+7

Adjusted EBIT 12 Percent above Prior-Year Figure

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss (-) from continuing operations before income taxes and interest income and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals, and other nonoperating income and expenses of a nonrecurring or rare nature (see commentary on page 49).

Nearly all market units contributed to the E.ON Group's improved adjusted EBIT. Central Europe's adjusted EBIT was positively affected by the development of gross margins in the electricity business. The higher adjusted EBIT at Pan-European Gas was mainly attributable to the absence of regulation-driven impairment charges taken on some shareholdings in the prior year. The increase at U.K. was primarily due to lower procurement costs. A natural-gas supply bottleneck in Great Britain in early 2006 had increased these costs considerably in the prior year. Nordic's adjusted EBIT rose on higher electricity sales volumes at Nord Pool, the Northern European energy exchange. U.S. Midwest's adjusted EBIT was slightly lower due to currency factors.

Adjusted EBIT			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Central Europe	3,487	3,317	+5
Pan-European Gas	2,021	1,838	+10
U.K.	989	715	+38
Nordic	594	432	+38
U.S. Midwest	292	310	-6
Corporate Center	-237	-251	-
Adjusted EBIT	7,146	6,361	+12

Net Income Significantly above Prior-Year Level

Net income attributable to shareholders of E.ON AG of €5.3 billion and corresponding earnings per share of €8.10 were both 70 percent above the prior-year level.

Net Income			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Adjusted EBITDA	9,435	8,879	+6
Depreciation, amortization, and impairments affecting adjusted EBIT	-2,289	-2,518	-
Adjusted EBIT	7,146	6,361	+12
Adjusted interest expense (net)	-694	-874	-
Net book gains	990	443	-
Other nonoperating earnings	36	-2,299	-
Income/Loss (-) from continuing operations before income taxes	7,478	3,631	+106
Income taxes	-1,601	-1,007	-
Income/Loss (-) from continuing operations	5,877	2,624	+124
Income/Loss (-) from discontinued operations, net	-94	779	-
Net income	5,783	3,403	+70
Net income attributable to shareholders of E.ON AG	5,318	3,137	+70
Net income attributable to minority interests	465	266	+75

Adjusted interest expense (net) improved by €180 million compared with the prior year. A lower net interest expense for pensions resulting from higher anticipated income from plan assets at the Central Europe market unit and a lower expense for liabilities relating to put options were the main factors.

Adjusted Interest Expense (Net)		
January 1 - September 30		
€ in millions	2007	2006
Interest expense (net) shown in Consolidated Statements of Income	-724	-934
(+) Interest income not affecting net income	30	60
Adjusted interest expense (net)	-694	-874

Net book gains in the first three quarters of 2007 were €547 million above the prior-year figure and resulted, as in the same period in 2006, primarily from the sale of securities at Central Europe.

Other nonoperating earnings mainly reflect the marking to market of derivatives in the amount of €433 million. The roughly €2 billion improvement from the prior-year figure of

-€1.6 billion is predominantly attributable to positive earnings effects at U.K., Pan-European Gas, and Nordic. Other nonoperating earnings were adversely affected by costs relating to the Endesa acquisition plan (€291 million) and the storm in Sweden in early 2007 (€95 million).

Income/Loss (-) from continuing operations before income taxes rose considerably relative to the prior-year figure. The main factors were the positive effect of the marking to market of derivatives and higher net book gains along with the improvement in adjusted EBIT.

Our continuing operations recorded a tax expense of €1.6 billion in the first nine months of 2007. This represents a tax rate of 21 percent compared with 28 percent in the prior-year period. The decline is mainly attributable to a higher share of tax-free income and to a tax gain of about €130 million stemming from the current projection of the revaluation of deferred taxes pursuant to Germany's Corporate Tax Reform Law of 2008 and the tax-rate reduction in 2008 in the United Kingdom.

Income/Loss (-) from discontinued operations, net, contains the results of Western Kentucky Energy, which is held for sale. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income. The prior-year figure also includes earnings from our shareholdings in E.ON Finland (sold in June 2006) and in Degussa (sold in July 2006) (see commentary on pages 44-45).

Adjusted Net Income 22 Percent above Prior-Year Figure

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain special effects. The adjustments include book gains and losses on disposals, restructuring expenses, other nonoperating income and expenses (after taxes and minority interests) of a special or rare nature. Adjusted net income also excludes income/loss (-) from discontinued operations and from the cumulative effect of changes in IFRS standards (after taxes and minority interests) as well as special tax effects. Special tax effects relate mainly to the consequences of the above-mentioned changes in the tax laws of Germany and the United Kingdom.

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Adjusted Net Income			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Net income attributable to shareholders of E.ON AG	5,318	3,137	+70
Net book gains	-990	-443	-
Other nonoperating earnings	-36	2,299	-
Taxes and minority interests on nonoperating earnings	12	-782	-
Special tax effects	-185	-	-
Income/Loss (-) from discontinued operations, net	94	-769	-
Adjusted net income	4,213	3,442	+22

Financial Condition

Investments Significantly above Prior-Year Level

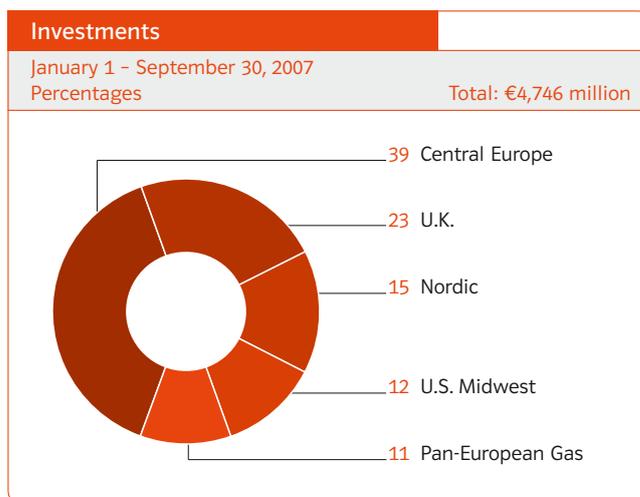
The E.ON Group's investments in the period under review were 43 percent above the prior-year figure. We invested €4.1 billion in property, plant, and equipment and intangible assets compared with €2.6 billion in the prior year. Share investments totaled €651 million versus €756 million in the prior year.

Investments ¹			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Central Europe	1,656	1,400	+18
Pan-European Gas	1,387	717	+93
U.K.	969	555	+75
Nordic	621	404	+54
U.S. Midwest	494	276	+79
Corporate Center	-381	-38	-
Investments	4,746	3,314	+43

¹Excludes other financial assets.

Central Europe invested €256 million more in the first nine months of 2007 than in the prior-year period. Investments in property, plant, and equipment and intangible assets totaled €1,530 million compared with €1,138 million in the prior year. The additional investments went towards power generation projects currently under way in Germany and Italy. Share investments of €126 million were €136 million below the prior-year level.

Pan-European Gas invested €1,387 million. Of this figure, €481 million (prior year: €247 million) went towards property, plant, and equipment and intangible assets. Share investments of €906 million (prior year: €470 million) almost exclusively reflect the acquisition of Contigas Deutsche Energie-AG from the Central Europe market unit. A corresponding offsetting item was recorded in the Corporate Center reporting segment.



U.K.'s investments were €414 million higher primarily due to increased additions to intangible assets and property, plant, and equipment. The non-regulated business increased investment in the development of new generation capacity and gas storage. Expenditure in the regulated business increased in line with the allowance granted under the five-year regulation review.

Nordic invested €217 million more than in the prior year. Nordic invested €616 million (prior year: €353 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and extend the distribution network. Share investments totaled €5 million compared with €51 million in 2006.

U.S. Midwest's investments increased compared with the prior year primarily due to increased spending for SO₂ emissions mitigation equipment and the new baseload unit under construction at the Trimble County plant. This unit is expected to enter service in 2010.

In addition to the offsetting item recorded for the intragroup acquisition of Contigas Deutsche Energie-AG, the Corporate Center's investments primarily reflect expenditures to acquire Energi E2 Renovables Ibéricas, a wind farm operator.

Cash Flow Considerably Higher

Management's analysis of E.ON's financial condition uses, among other financial measures, cash provided by operating activities of continuing operations, free cash flow, net financial position, and economic net debt.

The E.ON Group's cash provided by operating activities of continuing operations in the first nine months of 2007 was 61 percent above the prior-year level.

Cash Provided by Operating Activities of Continuing Operations			
January 1 - September 30			
€ in millions	2007	2006	+/-
Central Europe	3,293	2,463	+830
Pan-European Gas	2,068	298	+1,770
U.K.	1,329	490	+839
Nordic	766	553	+213
U.S. Midwest	181	367	-186
Corporate Center	-414	303	-717
Cash provided by operating activities of continuing operations	7,223	4,474	+2,749
Investments in intangible assets and property, plant, and equipment	-4,095	-2,558	-1,537
Free cash flow	3,128	1,916	+1,212

The increase in Central Europe's cash provided by operating activities is mainly attributable to a reduction in working capital and the consolidation of Versorgungskasse Energie. A higher electricity margin was largely offset by the reduction in network fees which became cash-effective in the period under review. A temperature-driven decline in gas margins also had an adverse effect on cash provided by operating activities.

Pan-European Gas's significant improvement in cash provided by operating activities continued in the first nine months of 2007. A key factor was the inclusion of the E.ON Földgáz companies, which were not consolidated until March 31, 2006, and which negatively impacted cash provided by operating activities in the prior-year period. In addition, there were positive effects from storage usage in the current period.

U.K.'s cash provided by operating activities was significantly higher year on year. The increase was mainly due to working capital improvements from the recovery of aged debt following the price reduction in April. Other positive factors included the avoidance of the first quarter 2006 gas issues caused by supply problems and cold weather, retail prices that were higher year on year particularly in the first two quarters of 2007, increased margins at gas-fired power stations, and improved station availability. These positive factors were partially offset by lower retail sales volumes due to warm weather, higher commodity costs, and lower customer numbers.

Nordic's cash provided by operating activities increased significantly. Positive effects from higher power sales volumes and improvements in working capital were partially offset by cash-effective costs for the January storm and by higher income tax payments.

Cash provided by operating activities at U.S. Midwest was lower mainly due to increased pension contributions made in 2007 and the euro's strong performance.

The Corporate Center's cash provided by operating activities was significantly below the prior-year level, primarily due to lower external tax refunds.

In general, surplus cash provided by operating activities at Central Europe, U.K., and U.S. Midwest is lower in the first quarter of the year (despite the high sales volume typical of this season) due to the nature of their billing cycles, which in the first quarter are characterized by an increase in receivables combined with cash outflows for goods and services. During the remainder of the year, there is typically a corresponding reduction in working capital, resulting in surplus cash provided by operating activities, although sales volumes in these quarters (with the exception of U.S. Midwest) are actually lower. The fourth quarter is characterized by an increase in working capital. At Pan-European Gas, by contrast, cash provided by operating activities is recorded principally in the first quarter, whereas there are cash outflows for gas storage intake in the second and third quarters.

We define free cash flow as cash provided by operating activities less investments in intangible assets and property, plant, and equipment. Due to the increase in cash provided by operating activities, free cash flow was 63 percent above the prior-year number despite higher investments.

Net financial position equals the difference between our total financial assets and our total financial liabilities. Our net financial position of -€1,291 million was €1,154 million below the figure reported as of December 31, 2006 (-€137 million). The main factors were the significant increase in investments and expenditures for the share buyback program. To increase transparency, since December 31, 2006, we also include financial liabilities to affiliated companies and to associated companies in our net financial position. Our financial position as of September 30, 2006, was adjusted accordingly.

We have borrowed money and invested it in short-term instruments in preparation for financing the investment expenditures to acquire U.S.-based wind-farm operator Airtricity and major Russian power producer OGK-4. This explains the increase in financial assets and financial liabilities.

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Besides financial liabilities, there are other line items, such as provisions for pensions and provisions for nuclear waste management and asset retirement obligations, that are debt-like. Starting with the first quarter of 2007, we are reporting a new key figure, "economic net debt," to provide a more meaningful description of the E.ON Group's actual financial situation. This key figure supplements net financial position with provisions for pensions and provisions for waste management and asset retirement obligations (less prepayments).

Pension obligations, net, declined compared with year end 2006 due principally to actuarial gains attributable to higher interest rates used to calculate the defined benefit obligation.

Economic Net Debt			
€ in millions	Sep. 30, 2007	Dec. 31, 2006	Sep. 30, 2006
Liquid funds	8,731	6,189	6,518
Securities and funds (non-current assets)	6,963	7,146	7,693
Total financial assets	15,694	13,335	14,211
Financial liabilities to banks and third parties	-15,034	-11,465	-13,039
Financial liabilities resulting to group companies	-1,951	-2,007	-2,157
Total financial liabilities	-16,985	-13,472	-15,196
Net financial position	-1,291	-137	-985
Provisions for pensions and similar obligations	-2,385	-3,962	-6,307
Asset retirement and similar obligations	-15,556	-15,424	-15,114
Less prepayments to the Swedish Nuclear Fund	1,257	1,290	1,160
Economic net debt	-17,975	-18,233	-21,246

Following the announcement of our new investment plan for the period 2007-2010, on May 31, 2007, Moody's confirmed its long-term rating for E.ON at A2 with a stable outlook. Previously, Moody's had reduced its long-term rating for E.ON from Aa3 to A2 following E.ON's announcement that it had signed an agreement with Enel and Acciona to acquire certain assets. Moody's short-term rating for E.ON remained unchanged at P-1.

On June 12, 2007, Standard & Poor's lowered its long-term rating for E.ON from AA- to A (stable outlook) and its short-term rating from A-1+ to A-1 following the announcement of E.ON's revised strategy on May 31, 2007.

Asset Situation

As of September 30, 2007, non-current assets and current assets accounted for 75 percent and 25 percent, respectively, of total equity and liabilities, unchanged from year end 2006. Total equity and liabilities at the balance-sheet date were on par with the figure as of December 31, 2006.

At 40 percent, our equity ratio was unchanged from year end 2006.

The following key figures underscore that the E.ON Group has a solid asset and capital structure:

- Non-current assets are covered by equity at 53 percent (year end 2006: 53 percent).
- Non-current assets are covered by long-term capital at 101 percent (year end 2006: 102 percent).

Consolidated Assets, Liabilities, and Equity				
€ in millions	Sep. 30, 2007	%	Dec. 31, 2006	%
Non-current assets	96,363	75	96,488	76
Current assets	31,379	25	31,087	24
Total assets	127,742	100	127,575	100
Equity	51,004	40	51,245	40
Non-current liabilities	45,923	36	46,947	37
Current liabilities	30,815	24	29,383	23
Total equity and liabilities	127,742	100	127,575	100

Employees

Employees ¹			
	Sep. 30, 2007	Dec. 31, 2006	+/- %
Central Europe	44,144	43,546	+1
Pan-European Gas	12,190	12,417	-2
U.K.	16,695	15,621	+7
Nordic	5,832	5,693	+2
U.S. Midwest	2,949	2,890	+2
Corporate Center	538	445	+21
Group	82,348	80,612	+2
Discontinued operations ²	467	473	-1

¹Figures do not include apprentices, managing directors, or board members.
²Includes WKE at the U.S. Midwest market unit.

On September 30, 2007, the E.ON Group had 82,348 employees worldwide, about 2 percent more than at year end 2006. E.ON also had 2,656 apprentices and 263 board members and managing directors.

At the end of the third quarter of 2007, 47,711 employees, or 58 percent of all staff, were working outside Germany, essentially unchanged from year end 2006.

The slight increase in Central Europe's workforce compared with year end 2006 was due primarily to the hiring of former apprentices in Germany who had completed their training.

The number of employees at Pan-European Gas declined mainly due to efficiency-enhancement measures at E.ON Gaz Distributie in Romania.

The workforce increase at U.K. is primarily attributable to additions to sales staff. The number of employees at U.S. Midwest rose by about 2 percent since year end 2006 due mainly to the construction of the Trimble County 2 generating unit.

At the end of September 2007, the Corporate Center had 93 more employees than at year end 2006, primarily because of the addition of employees to staff the department of a newly created position on the Board of Management and because E.ON Academy and E.ON Montan, which had previously not been consolidated E.ON companies, were merged into E.ON AG.

Wages and salaries including social-security contributions and retirement payments totaled about €3.5 billion during the reporting period compared with €3.4 billion a year ago.

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.

Energy production and distribution involves technologically complex facilities. Operational failures or extended production stoppages of facilities or components of facilities could adversely impact our earnings situation. We minimize these risks through ongoing employee training and qualification programs and regular maintenance and enhancement of our facilities.

Our operations expose us to interest-rate, currency, and counterparty risks as well as commodity price risks for electricity, natural gas, coal, oil, and carbon dioxide. We minimize these risks through the use of instruments suited to this purpose.

Our market units operate in an international market environment characterized by general risks related to the business cycle and by increasingly intense competition. We use a comprehensive sales management system and intensive customer management to minimize the price and volume risks faced by our power and gas business on liberalized markets.

The political, legal, and regulatory environment in which the E.ON Group does business is a source of additional external risks. Changes to this environment can make planning uncertain. Our goal is to play an informed and active role in shaping our business environment. We pursue this goal by engaging in a systematic and constructive dialog with government agencies and policymakers. Currently, the following issues are of particular relevance:

- In April 2007, the German federal cabinet agreed to amendments to the Law Against Anticompetitive Behavior which would lead to a considerable broadening of antitrust oversight in Germany's electricity and natural gas markets. The Bundestag, Germany's federal parliament, has yet to enact this legislation. In late October and early November 2007, the Bundestag's Economics Committee held hearings on, and made changes to, this legislation, which is therefore unlikely to be finalized before the end of 2007. The earliest date the new law could take effect is January 1, 2008. We are unable at this time to quantify its effects on E.ON.
- As part of an anticompetitive practices case, the German Federal Cartel Office ("FCO") is investigating the treatment of CO₂ emission allowances as a cost factor in the price of electricity. A fundamental principle of emissions trading is that treating emission allowances as a cost factor provides an incentive to reduce CO₂ emissions. The FCO is currently investigating whether it is an anticompetitive

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practice to factor CO₂ emission allowances into the price of electricity although the allowances were allocated at no cost.

- The European Commission carried out investigations at the premises of several energy companies in Europe, including E.ON AG and some of its affiliates, in May and December 2006, followed by requests for information regarding a number of regulatory and energy-market-related issues of E.ON Energie and E.ON Ruhrgas. The two companies have responded to these requests. On July 18, 2007, the Commission initiated antitrust proceedings against E.ON Ruhrgas and Gaz de France for allegedly violating Article 81 of the European Community Treaty. The Commission points out that the initiation of proceedings does not imply that there is conclusive proof of an infringement.
- E.ON Ruhrgas filed a complaint with the State Superior Court in Düsseldorf against the FCO's restraining order of January 13, 2006, relating to long-term gas supply contracts; the complaint related mainly to the competitive injunction contained in the FCO's order. The court dismissed this complaint on October 4, 2007. E.ON Ruhrgas has appealed the court's decision to the Federal Court of Justice, Germany's highest appellate court for civil and criminal cases.
- In September 2007, the European Commission published draft versions of a third package of energy legislation designed to establish a competitive, non-discriminatory, and transparent EU internal energy market. E.ON expressly supports these objectives. In our view, however, some of the proposed measures and mechanisms will not serve to promote competition or the development of cross-border regional markets. In particular, this applies to regulatory oversight over power and gas trading and to the ownership unbundling of electricity and gas transmission systems or, as an alternative, the creation of independent system operators. E.ON believes that requiring companies to relinquish ownership of assets and regulating competitive markets will not serve to enhance competition, ensure non-discriminatory access to network infrastructure, or integrate regional markets. We believe it makes more sense to systematically move forward with European market integration, particularly by expanding cross-border transfer infrastructure, further integrating cross-border energy trading, and prudently applying existing competition and antitrust mechanisms. We are playing a constructive role in this policy-making debate.
- In September 2007, the Bundesrat, Germany's upper house of parliament, passed a number of changes to the federal government's incentive regulation ordinance. The amendments relate mainly to the implementation of the benchmarking of network operators. The federal government adopted the Bundesrat's changes. The ordinance calls for incentive regulation to take effect beginning on January 1, 2009. Under Germany's Energy Law

of 2005, the current cost-based, rate-of-return model for network fees is to be replaced by incentive regulation in order to create additional incentives for enhancing the efficiency of network operations. In principle, we support the rapid introduction of a reasonable incentive system. However, a number of useful suggestions made by system operators affected by the legislation were not incorporated into the incentive regulation ordinance. It remains to be seen whether the regulations will in all areas lead to efficiency-enhancement targets that can be achieved and surpassed. Germany's Federal Network Agency must design a system of benchmarks for all affected network operators by the middle of next year and is currently developing a methodology and establishing criteria. For this reason, we cannot at this time reliably assess the consequences of incentive regulation. E.ON Gastransport currently charges market-based network fees. If in the future the Federal Network Agency rules against market-based network fees, E.ON Gastransport could be migrated to the incentive system effective January 1, 2010.

- The second round of the network fee approvals process for 2008 is currently under way. The results will serve as the basis for the incentive regulation system. We cannot rule out the possibility that this will pose a risk to our future earnings situation, since it is becoming apparent that the Federal Network Agency is interpreting the law in a one-sided manner prejudicial to network operators. In addition, if the Federal Network Agency significantly reduces the network fees submitted for approval, it may, in individual cases, be necessary for us to record impairment charges on our network operators affected by such rulings.

The operational and strategic management of the E.ON Group relies heavily on highly complex information technology. Our IT systems are maintained and optimized by qualified E.ON Group experts, outside experts, and a wide range of technical security measures.

In the period under review, the E.ON Group's risk situation did not change substantially from year end 2006.

Subsequent Events

(See also the detailed presentation in Note 16 to the Condensed Consolidated Interim Financial Statements.)

- E.ON responded to the improved situation on the financial markets with two bond issues, one in euros and one in pounds sterling. The bonds were placed with a large number of institutional investors. Both transactions will be shown in E.ON's Consolidated Balance Sheets in the fourth quarter of 2007.

- In early October 2007, E.ON concluded a purchase agreement to acquire Airtricity Inc. and Airtricity Holding (Canada) Ltd., the North American activities of Airtricity, an Ireland-based wind farm operator. We expect the transaction to close in the beginning of 2008 at the latest.
- In mid-October 2007, E.ON and RAO UES, Russia's holding company for its state-owned energy assets, signed a final agreement for E.ON's purchase of a majority ownership interest in OGK-4, a Russian power generation company. In the wake of the acquisition (including a capital increase) and subsequent share purchases, E.ON now holds 72.7 percent of OGK-4's capital stock.
- In October 2007, E.ON and Statkraft signed a Letter of Intent for an asset swap under which E.ON will take ownership of the 44.6-percent stake in E.ON Sverige currently held by Statkraft, giving E.ON nearly 100 percent of the shares in E.ON Sverige. Plans call for the deal to be finalized in the first half of 2008.

Forecast

Earnings Development

We continue to expect adjusted EBIT for full year 2007 to surpass the high prior-year figure. The E.ON Group's generally positive earnings performance continued into the third quarter, which confirms our expectation that 2007 adjusted EBIT will increase by about 5 to 10 percent compared with 2006. In addition, we anticipate a reduction in nuclear waste management and asset retirement obligations in the fourth quarter. We expect the improvement in adjusted net income for full year 2007 to be comparable to the increase in adjusted EBIT.

The earnings forecast by market unit is as follows:

We expect the Central Europe market unit's 2007 adjusted EBIT to significantly exceed the prior-year figure, with the positive development of gross margins in the electricity business more than offsetting temperature-driven declines in natural gas sales volumes, outages at nuclear power stations, and negative effects from the increased feed-in of renewable-source electricity. We anticipate a cost reduction in our nuclear asset retirement obligations in the fourth quarter.

We expect Pan-European Gas's adjusted EBIT for the 2007 financial year to surpass the prior-year figure. The midstream business will deteriorate further as the year progresses due to declining margins brought on by more intense competition and price developments. The decline in midstream's adjusted EBIT will be offset by significant earnings improvements in the downstream business, particularly due to earnings growth at our Hungarian shareholdings and the absence of nonrecurring negative effects relating to the regulation of

network charges. In addition, E.ON Földgáz will benefit from a regulation-driven settlement for price adjustments not taken in prior years.

The 2007 adjusted EBIT of the U.K. market unit is expected to be markedly below 2006. For the remainder of the year, we expect a significant deterioration of retail margins caused by price reductions. Charges stemming from imbalance settlements in the retail business constitute another negative factor. These features will be only partly offset by operating improvements.

We expect Nordic's adjusted EBIT for 2007 to be significantly above the level of 2006. Earnings development will be positively affected by higher power production volumes, as well as by higher average achieved wholesale electricity prices. However, we do not expect to maintain the strong increase on a full-year basis due to an expected increase in nuclear decommissioning obligations.

We expect U.S. Midwest's 2007 adjusted EBIT to be significantly below 2006 due primarily to the strong euro and lower gas margins resulting from the timing of gas cost recoveries from customers.

Opportunities

Positive developments in foreign-currency rates and market prices for commodities such as electricity, natural gas, coal, oil, and carbon dioxide can create opportunities for our operations. In addition, continued positive development of market prices can create opportunities relating to the short-term securities we own.

Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter months can create opportunities for us to meet higher demand for electricity and natural gas. Similarly, periods of exceptionally hot weather in the summer months can create opportunities for our U.S. Midwest market unit to meet the greater demand for electricity resulting from increased air conditioning use.

Our investment policy is aimed at strengthening and enlarging our leading position in our target markets and to systematically seize opportunities, including opportunities in future markets.

16 Market Units

Central Europe

Central Europe			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Sales	23,769	20,160	+18
Adjusted EBITDA	4,578	4,402	+4
Adjusted EBIT	3,487	3,317	+5

Power and Gas Sales

The Central Europe market unit grew power sales by 34.4 billion kWh to 232.9 billion kWh. The increase is mainly attributable to higher deliveries onto Central Europe's network of electricity pursuant to Germany's Renewable Energy Law and to higher volumes sold to sales and trading partners. Furthermore, the results for the first nine months of 2007 for the first time include the sales volume of Italy's Dalmine Energie ("Dalmine"), which became a consolidated E.ON company in December 2006.

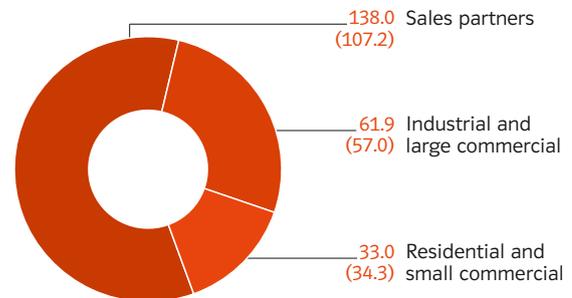
The decline in gas sales volumes is attributable to the unseasonably warm weather across many parts of Europe. Although the inclusion of newly consolidated companies, mainly JCP of the Czech Republic (since September 2006) and Dalmine of Italy, had a positive effect on gas sales volumes, overall Central Europe sold 12 percent less natural gas than in the same period last year.

Power Generation and Procurement

Central Europe utilized its flexible mix of generation assets to meet about 41 percent of its electricity requirements, compared with 47 percent in the prior-year period. It procured around 34.8 billion kWh more electricity from jointly owned power plants and from outside sources than a year ago. This increase, and the corresponding decline in the share of owned generation, are due to the procurement of more electricity under Germany's Renewable Energy Law and an increase in trading activities. The above-mentioned consolidation effects also served to increase the amount of electricity procured from outside sources.

Power Sales by Customer Segment¹

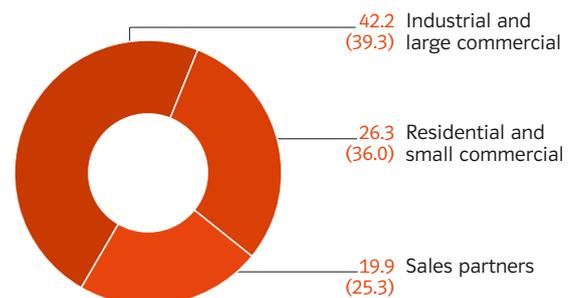
January 1 - September 30, 2007 Total: 232.9
Billion kWh (Jan. 1 - Sep. 30, 2006: 198.5)



¹Excludes trading activities, which are recognized net pursuant to IFRS.

Gas Sales by Customer Segment¹

January 1 - September 30, 2007 Total: 88.4
Billion kWh (Jan. 1 - Sep. 30, 2006: 100.6)

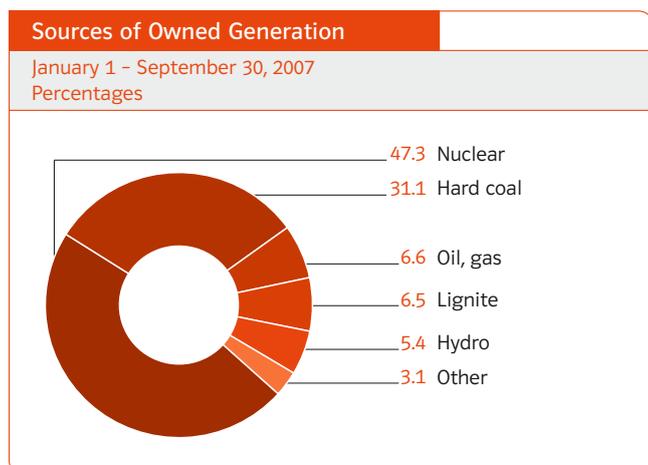


¹Excludes trading activities.

Power Generation and Procurement¹

January 1 - September 30			
Billion kWh	2007	2006	+/- %
Owned generation	98.6	98.3	-
Purchases	144.6	109.8	+32
from jointly owned power plants	7.0	9.2	-24
from outside sources	137.6	100.6	+37
Power procured	243.2	208.1	+17
Station use, line loss, pumped-storage hydro	-10.3	-9.6	-
Power sales	232.9	198.5	+17

¹Excludes trading activities.



Sales and Adjusted EBIT

Central Europe grew sales by about €3.6 billion relative to the prior-year period. The increase is mainly attributable to business expansion (particularly in Italy), the passthrough of the significantly greater volume of electricity procured under Germany's Renewable Energy Law, higher electricity prices, and increased sales in the power trading business. These effects were partially mitigated by a temperature-driven decline in sales in the natural gas business.

Adjusted EBIT exceeded the prior-year figure by €170 million, with Central Europe's businesses developing as follows:

Central Europe West Power increased adjusted EBIT by €348 million compared with the prior-year period. Positive price effects and the absence of aperiodic negative effects recorded in the prior-year period were partially mitigated by higher electricity procurement costs, higher expenditures resulting in particular from an increase in the amount of renewable-source electricity delivered onto the network, and lower results from network activities. Adjusted EBIT was also adversely affected by the absence of positive nonrecurring effects impacting income from companies accounted for under the equity method recorded in 2006 and by the outages at Krümmel and Brunsbüttel, jointly owned nuclear power stations that have been out of service since the middle of the year.

Adjusted EBIT at Central Europe West Gas was €61 million below the prior-year figure due primarily to the very mild winter and the resulting decline in sales volumes.

Central Europe East's adjusted EBIT was slightly above the prior-year level. The increase results primarily from higher gross margins in Hungary and positive earnings contributions from JCP and Teplárna Otrokovice, whose results were not included in the prior-year period. Adjusted EBIT was adversely affected by mild weather at the beginning of the year, which led to lower sales volumes, and by higher expenditures.

Adjusted EBIT recorded under Other/Consolidation was €126 million below the prior-year figure, mainly as a result of negative consolidation effects, lower income from companies accounted for under the equity method, lower earnings from currency hedging transactions, and higher other expenditures.

Financial Highlights by Business										
Jan. 1 - Sep. 30 € in millions	Central Europe West				Central Europe East		Other/Consolidation		Central Europe	
	Power		Gas		2007	2006	2007	2006	2007	2006
	2007	2006	2007	2006						
Sales ¹	17,419	13,790	2,737	3,571	2,904	2,479	709	320	23,769	20,160
Adjusted EBITDA	3,736	3,406	359	425	416	387	67	184	4,578	4,402
Adjusted EBIT	3,059	2,711	198	259	246	237	-16	110	3,487	3,317

¹Trading activities are recognized net.

18 Market Units

Pan-European Gas

Pan-European Gas			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Sales	15,566	15,777	-1
Adjusted EBITDA	2,438	2,450	-
Adjusted EBIT	2,021	1,838	+10

Market Development

Germany consumed 11.6 percent less natural gas in the first nine months of 2007 than in the prior-year period. The decline resulted mainly from warm weather in the first quarter which served to reduce gas sales volumes by about 20 percent. In the third quarter, gas consumption was 19 percent higher than in the prior-year quarter.

Gas Sales

Through mid-year, E.ON Ruhrgas AG's gas sales volumes were 15 percent lower than in the prior-year period. In the third quarter, E.ON Ruhrgas sold 23 percent more natural gas year on year, reducing the volume decline for the entire nine months to 7 percent.

Gas Sales by Period ¹			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
First quarter	213.4	266.3	-20
Second quarter	131.1	138.6	-5
July	46.3	34.1	+36
August	41.5	38.2	+9
September	49.4	38.9	+27
Third quarter	137.2	111.2	+23
Total	481.7	516.1	-7

¹Gas sales of E.ON Ruhrgas AG.

Pan-European Gas increased sales volumes in the third quarter, both in and outside Germany. Domestically, volume growth was particularly significant in the municipal utility and regional gas company segments. The increase was driven primarily by relatively cool temperatures in the third quarter. On average, temperatures in E.ON Ruhrgas's sales territory were 0.8 degrees Celsius below the prior-year figures.

Business outside Germany continued to develop very well. In the third quarter, E.ON Ruhrgas concluded a number of new gas supply contracts. These included a contract with a customer in France for more than 1 billion kWh and the first contract with a customer in Belgium.

E.ON Ruhrgas traded about 4 billion kWh of natural gas at E.ON Gastransport's notional trading points in the third quarter of 2007, following 5.3 billion kWh in the first half of the year. E.ON Ruhrgas's trading operations make a significant contribution towards market liquidity.

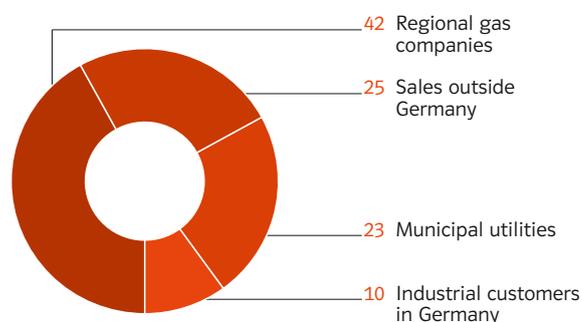
Downstream Shareholdings Gas Sales Volume

The majority shareholdings in Pan-European Gas's Downstream Shareholdings business sold 132.0 billion kWh of natural gas in the first three quarters of 2007, up 21 percent from the 109.3 billion kWh sold in the year-earlier period. The increase is attributable to the inclusion of Hungary's E.ON Földgáz for the entire period under review; this company was not included until the second quarter in 2006.

Effective July 1, 2007, E.ON Gaz România complied with regulatory requirements by unbundling its trading and distribution businesses, creating organizationally and legally independent entities for each. E.ON Gaz România is now responsible for the trading business and E.ON Gaz Distribuție for the distribution business in northern Romania.

Gas Sales by Customer Segment¹

January 1 - September 30, 2007
Percentages



¹Gas sales of E.ON Ruhrgas AG.

Upstream Production Declines

In the upstream business, gas production for the first nine months of 2007 was on par with the prior-year figure. Production in newly operational fields that were not included, or only partially included, in the previous year offset lower production from fields characterized by a natural production decline and fields in which production was at times curtailed due to price factors. Oil production fell compared with the prior-year period mainly because of natural production decline in Njord field and Elgin/Franklin, an effect that was only partially counteracted by production from newly operational fields.

Upstream Production			
January 1 - September 30	2007	2006	+/- %
Liquids/oil (million barrels)	3.7	4.0	-8
Gas (million standard cubic meters)	538.1	537.1	-
Total (million barrels of oil equivalent)	7.0	7.3	-4

In July, we signed an agreement to acquire 28 percent of Skarv and Idun, gas fields located in the northern Norwegian Sea just below the polar circle. E.ON's stake in the fields' reserves amounts to 18.4 million standard cubic meters of oil equivalent. The area ranks among Norway's largest and most attractive undeveloped gas fields. Production is scheduled to begin in 2011. E.ON's share of the fields' annual output is expected to average about 1.4 billion cubic meters for at least ten years.

Expansion of LNG Operations

In early October, we made further progress with our plan to build a liquefied natural gas ("LNG") terminal on the Croatian island of Krk. A consortium, which includes E.ON Ruhrgas and four other companies, founded Adria LNG d.o.o. Plans call for the terminal to have an initial capacity of approximately 10 billion cubic meters per year and for this capacity to be later expanded to 15 billion cubic meters per year. Following the completion of additional studies and planning, the terminal could enter service in early 2012. The final decision on the construction of the terminal will be made in 2008.

Sales and Adjusted EBIT

Pan-European Gas's sales totaled €15,566 million, 1 percent less than the prior-year figure of €15,777 million.

In the first nine months of 2007, sales in the Up-/Midstream business were below the prior-year level. Warm weather in

the first quarter led to a decline in sales volumes in the midstream business, while the sales decline in the upstream business is mainly attributable to lower sales prices.

Positive effects in the Downstream Shareholdings business nearly offset the sales decline in the Up-/Midstream business. The inclusion of the E.ON Földgáz companies for the first nine months of 2007 was the main factor. The sales declines at the other companies in the downstream business were primarily weather-driven.

Pan-European Gas's adjusted EBIT in the first nine months of 2007 was up €183 million, or 10 percent, from the prior-year figure.

The Downstream Shareholdings business was responsible for the increase in adjusted EBIT, which benefited in the current year from the absence of significant regulation-driven impairment charges taken on certain shareholdings in the prior year. The inclusion of the E.ON Földgáz companies for the entire nine months of the year along with book gains on the sale of shareholdings at Thüga also served to increase adjusted EBIT. In addition, E.ON Földgáz benefited from a regulation-driven settlement for price adjustments not taken in prior years.

Adjusted EBIT at the midstream business was lower than the figure for the first nine months of 2006 due to a weather-driven decline in sales volumes in the first quarter and to lower earnings from storage valuation. In addition, prior-year adjusted EBIT was positively affected by nonrecurring income from the final clearing of trading transactions. The earnings decline was mitigated by the absence in the current-year period of the adverse earnings effect recorded in the prior year resulting from the fact that procurement prices are adjusted more rapidly than sales prices. Adjusted EBIT at the upstream business declined due to lower sales prices.

Financial Highlights by Business								
January 1 - September 30 € in millions	Up-/Midstream		Downstream Shareholdings		Other/ Consolidation		Pan-European Gas	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales	12,117	13,225	3,845	3,041	-396	-489	15,566	15,777
Adjusted EBITDA	1,561	1,762	853	682	24	6	2,438	2,450
Adjusted EBIT	1,267	1,444	730	389	24	5	2,021	1,838

20 Market Units

U.K.

U.K.			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Sales	9,181	8,697	+6
Adjusted EBITDA	1,381	1,125	+23
Adjusted EBIT	989	715	+38

Market Development

Electricity consumption in England, Wales, and Scotland was 250 billion kWh for the first nine months of 2007, 10 billion kWh lower than in the equivalent period in 2006, primarily due to warmer weather in the winter and also partly due to a cooler summer leading to very little air conditioning demand. Gas consumption for the first nine months of 2007 was 770 billion kWh compared with 752 billion kWh in 2006. The increase was due to higher demand from gas power stations and an increase in gas exports from the United Kingdom to Europe.

Pricing activity in the residential market has stabilized following price-reduction announcements from all the major suppliers in the first quarter of the year. Customer accounts at 8 million are broadly in line with June 2007. Customer churn is slightly lower than for the first nine months of 2006.

Power and Gas Sales

Sales of power and gas to residential, SME, and I&C customers declined due to warmer weather, lower customer numbers, and changing customer behaviors as a result of higher prices and climate-change awareness. Sales to the market rose significantly due to the lower retail demand.

Sales by Customer Segment ¹			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Power—Residential & SME	24.7	27.5	-10
Power—I&C	13.5	13.7	-1
Power—Market sales	18.9	12.8	+48
Total power sales	57.1	54.0	+6
Gas—Residential & SME	36.9	45.5	-19
Gas—I&C	16.8	21.2	-21
Gas—Market sales	59.7	42.6	+40
Total gas sales	113.4	109.3	+4

¹Excludes trading activities.

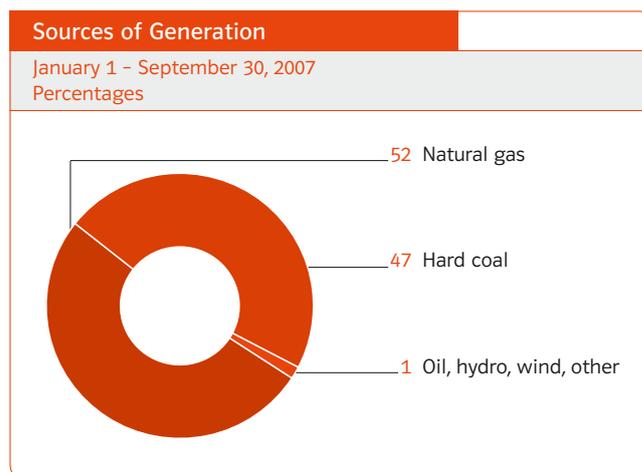
Power Generation and Procurement

The amount generated by owned assets increased in 2007 compared with 2006 due to increased gas generation partially offset by lower coal generation. Gas generation increased due to higher spark spreads (power prices less gas and CO₂ prices) coupled with excellent availability. Coal generation reduced due to lower dark spreads (power prices less coal and CO₂ prices). Power purchased from other suppliers decreased in 2007 compared with 2006 primarily due to lower sales to residential and SME customers and higher generation from our own generation assets.

Power Generation and Procurement			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Owned generation ¹	29.4	25.1	+17
Purchases	27.8	29.6	-6
from jointly owned power plants	1.0	0.4	+150
from outside sources	26.8	29.2	-8
Power procured	57.2	54.7	+5
Station use, line loss, pumped-storage hydro	-0.1	-0.7	-
Power sales	57.1	54.0	+6

¹Excludes non-merchant CHP and non wholly owned plants.

There was a slight increase of 15 MW in attributable generation capacity between September 2006 and September 2007 due to the inclusion of Stags Holt wind farm. Some merchant CHP plants are now classified as natural gas.



The shift from coal to gas generation compared with the prior year is explained by the changing economics of power production caused by an increase in spark spreads and a reduction in dark spreads.

E.ON UK is currently looking at options to develop further power plants in the United Kingdom over the next few years. The objective is to deliver secure energy supplies, reduce CO₂ emissions to tackle the challenge of climate change, and keep energy as affordable as possible for our customers.

During the third quarter of 2007, work was concluded on Stags Holt onshore wind farm which is now fully operational. Development continues on Robin Rigg offshore wind farm. E.ON UK also continued to generate from biomass by co-firing with coal at Kingsnorth and Ironbridge power stations. Construction of the wood-burning plant at Lockerbie is completed with commercial operation scheduled for the fourth quarter of 2007. Construction also continues on a 1,200 MW gas-fired station with combined heat and power at our Isle of Grain site in Kent.

E.ON UK has been granted consent to build a 1,200 MW CCGT on the site of its former coal-fired station at Drakelow in Derbyshire.

Sales and Adjusted EBIT

E.ON UK increased its sales in the first nine months of 2007 compared with the prior year primarily due to higher average prices in 2007 compared with 2006 at the Retail business and higher sales volumes at the Energy Wholesale business. E.ON UK delivered an adjusted EBIT of €989 million in the first nine months of 2007, of which €385 million was in the regulated business and €690 million in the non-regulated business.

Adjusted EBIT at the regulated business increased by €38 million principally due to tariff increases.

Adjusted EBIT at the non-regulated business increased by €265 million. The key features are the avoidance of the high gas input costs during the first quarter of 2006 caused by gas supply issues and cold weather, higher retail prices in 2007, increased margins from the gas power stations, and improved station availability offset by lower retail sales volumes due to warmer weather, higher commodity costs, and lower customer numbers.

Adjusted EBIT recorded under Other/Consolidation was €29 million lower, mainly due to higher hedging costs associated with foreign-exchange movements.

Financial Highlights by Business								
January 1 - September 30 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		U.K.	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales	661	621	8,808	8,232	-288	-156	9,181	8,697
Adjusted EBITDA	486	457	979	725	-84	-57	1,381	1,125
Adjusted EBIT	385	347	690	425	-86	-57	989	715

22 Market Units

Nordic

Nordic			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Sales	2,453	1,967	+25
Adjusted EBITDA	849	705	+20
Adjusted EBIT	594	432	+38

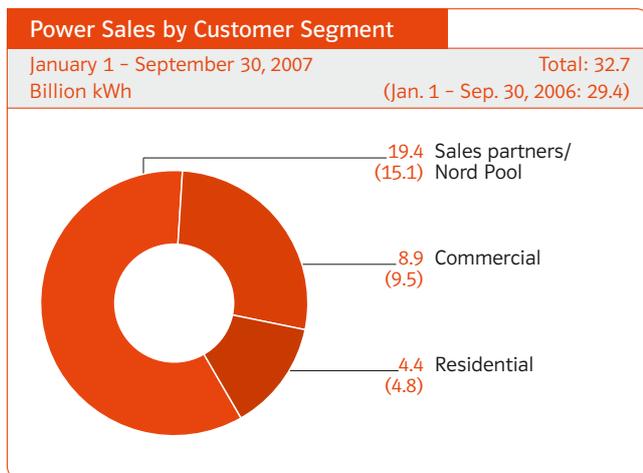
Market Development

The Nordic region consumed about 288 billion kWh of electricity during the first three quarters of 2007, 1 billion kWh less than in the same period in 2006. However, consumption during the third quarter of 2007 was almost 5 billion kWh higher than in the corresponding period due to milder weather in 2006.

On average, net power flow between the Nordic region and surrounding countries was in balance during the third quarter, thus keeping the nine-month status the same. Net exports to Germany were 5.8 billion kWh compared with less than 1 billion kWh in 2006. The hydrological situation remained above normal during the first nine months of 2007.

Power Sales

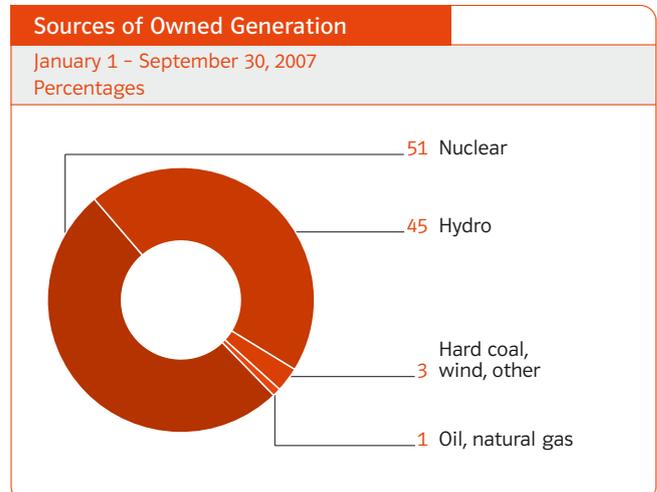
E.ON Nordic sold 3.3 billion kWh more electricity than in the first nine months of 2006, mainly due to increased sales to Nord Pool, Northern Europe's energy exchange. This was primarily a result of higher hydropower production. Sales to residential and commercial customers decreased by 1.0 billion kWh relative to the prior year due to milder weather and increased competition.



Power Generation and Procurement

E.ON Nordic's owned generation increased by 2.5 billion kWh relative to the prior year. Hydropower production was above normal due to higher reservoir inflow primarily during the last quarter of 2006 and the first quarter of 2007. Nuclear power production was below the prior year, mainly due to the late restart of E.ON's Oskarshamn 1 nuclear plant following the incident at Vattenfall's Forsmark nuclear power station in July 2006. Unplanned outages in Forsmark and Ringhals have also had an adverse effect on this year's production. Purchases from outside sources increased significantly, driven mainly by cross-border trading activities.

Power Generation and Procurement			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Owned generation	22.8	20.3	+12
Purchases	11.3	10.7	+6
from jointly owned power plants	7.0	7.5	-7
from outside sources	4.3	3.2	+34
Power procured	34.1	31.0	+10
Station use, line loss, pumped-storage hydro	-1.4	-1.6	-
Power sales	32.7	29.4	+11



Gas and Heat Sales

Gas sales were 0.7 billion kWh below the prior-year figure due to increased competition and milder weather. Heat sales decreased as a consequence of milder weather in the beginning of the year.

Gas and Heat Sales			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Gas sales	3.5	4.2	-17
Heat sales	5.1	5.7	-11

Sales and Adjusted EBIT

Nordic's sales increased by €486 million compared with the prior year. Sales in the non-regulated business increased as a result of significantly higher electricity volumes sold to Nord Pool and the positive impact of hedging activities. The increase in power sales was to some extent offset by declining gas and heat sales. Sales in the regulated business decreased by €7 million primarily due to lower distributed gas volumes.

Nordic's adjusted EBIT increased by €162 million year on year to €594 million. Compared with the prior-year period, adjusted EBIT for the non-regulated business was positively impacted by higher electricity volumes and successful hedging for the production portfolio. This was to some extent offset by the decline in spot prices. Adjusted EBIT at the regulated business was almost unchanged from the prior year. Lower volumes in the electricity distribution business were counteracted by adjusted network tariffs based on higher costs for power losses in 2006. The gas distribution business was negatively affected by lower volumes, resulting in a slightly lower adjusted EBIT.

On January 14, 2007, a storm in southern Sweden caused substantial damage to the electricity distribution system in some areas. The costs of repair work and compensation of customers are approximately €95 million. Storm-related costs will not affect adjusted EBIT, as this event was exceptional in nature.

Financial Highlights by Business								
January 1 - September 30 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		Nordic	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales	528	535	2,119	1,589	-194	-157	2,453	1,967
Adjusted EBITDA	246	245	613	466	-10	-6	849	705
Adjusted EBIT	165	163	453	286	-24	-17	594	432

24 Market Units

U.S. Midwest

U.S. Midwest			
January 1 - September 30			
€ in millions	2007	2006	+/- %
Sales	1,376	1,452	-5
Adjusted EBITDA	409	439	-7
Adjusted EBIT	292	310	-6

Market Development

Electricity consumption in the Midwestern United States increased by approximately 3 percent in the first nine months of 2007 compared with the same period in 2006 due to increased demand caused by colder-than-normal weather in February and warmer weather during the summer months.

Power and Gas Sales

Regulated utility retail power sales volumes increased in 2007 compared with 2006, primarily due to colder weather in February and warmer weather throughout the summer. Off-system power sales volumes were lower in 2007, primarily due to lower market prices.

Gas sales increased in 2007 compared with 2006, primarily due to colder weather in the beginning of 2007 and market factors that produced opportunities for off-system gas sales.

Sales by Customer Segment			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Retail customers	26.4	24.8	+6
Off-system sales	1.1	1.7	-35
Power sales	27.5	26.5	+4
Retail customers	9.1	8.3	+10
Off-system sales	0.5	-	-
Gas sales	9.6	8.3	+16

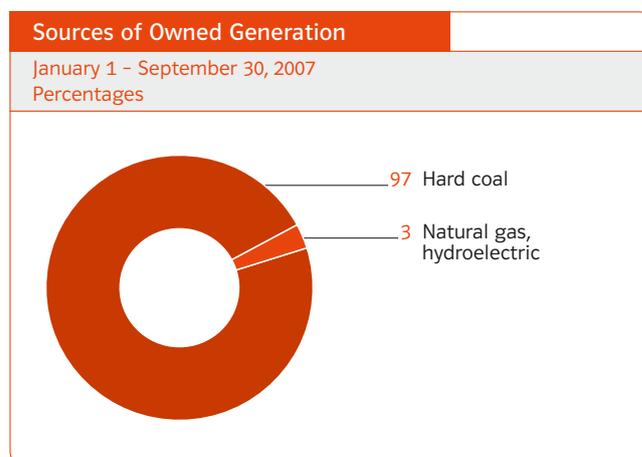
Power Generation and Procurement

U.S. Midwest generated more electricity at its own power plants for the first nine months of 2007 due to improved unit performance and higher power sales compared with the prior-year period.

Power Generation and Procurement			
January 1 - September 30			
Billion kWh	2007	2006	+/- %
Owned generation	27.0	25.5	+6
Purchases	2.2	2.6	-15
Power procured	29.2	28.1	+4
Station use, line loss	-1.7	-1.6	-
Power sales	27.5	26.5	+4

U.S. Midwest's attributable generating capacity was unchanged from year end 2006.

Coal-fired power plants accounted for 97 percent of U.S. Midwest's owned generation for the first nine months of 2007, while gas-fired and hydro generating assets accounted for the remaining 3 percent.



Sales and Adjusted EBIT

U.S. Midwest's sales in the first nine months of 2007 were lower compared with last year, primarily due to the strong euro. In local currency, sales were slightly higher, with higher retail volumes partially offset by lower gas prices.

U.S. Midwest's adjusted EBIT decreased by 6 percent. The decrease is attributable to the stronger euro; adjusted EBIT in local currency was slightly higher than the previous year. Higher retail electric volumes and earnings from higher environmental cost recoveries were partially offset by lower gas margins as a result of the timing of gas cost recoveries from customers and lower off-system electric sales.

Financial Highlights by Business						
January 1 - September 30 € in millions	Regulated Business		Non-regulated Business/ Other		U.S. Midwest	
	2007	2006	2007	2006	2007	2006
Sales	1,333	1,403	43	49	1,376	1,452
Adjusted EBITDA	407	436	2	3	409	439
Adjusted EBIT	292	315	-	-5	292	310

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E.ON AG and Subsidiaries Consolidated Statements of Income					
€ in millions	Notes	July 1 – Sep. 30		Jan. 1 – Sep. 30	
		2007	2006	2007	2006
Sales including electricity and energy taxes		14,246	12,504	50,905	49,352
Electricity and energy taxes		-392	-458	-1,492	-3,067
Sales	(14)	13,854	12,046	49,413	46,285
Changes in inventories (finished goods and work in progress)		-7	16	59	36
Own work capitalized		145	106	324	223
Other operating income		1,340	2,449	5,254	5,385
Cost of materials		-9,911	-8,442	-35,647	-33,597
Personnel expenses		-1,194	-1,123	-3,513	-3,401
Depreciation, amortization and impairment charges		-772	-1,075	-2,282	-2,689
Other operating expenses		-1,884	-3,839	-6,461	-8,339
Income/Loss (-) from companies accounted for under the equity method		375	154	850	604
Income/Loss (-) from continuing operations before financial results and income taxes	(14)	1,946	292	7,997	4,507
Financial results	(7)	-223	-424	-519	-876
Income from share investments	(7)	34	-73	205	58
Income from other securities, interest and similar income	(7)	303	240	928	917
Interest and similar expenses	(7)	-560	-591	-1,652	-1,851
Income taxes		-259	47	-1,601	-1,007
Income/Loss (-) from continuing operations		1,464	-85	5,877	2,624
Income/Loss (-) from discontinued operations, net	(5)	-1	42	-94	779
Net income		1,463	-43	5,783	3,403
Thereof shareholders of E.ON AG		1,350	-5	5,318	3,137
Thereof minority interests		113	-38	465	266
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(8)				
from continuing operations		2.08	-0.07	8.24	3.59
from discontinued operations		0.00	0.06	-0.14	1.17
from net income		2.08	-0.01	8.10	4.76

E.ON AG and Subsidiaries Consolidated Balance Sheets				
€ in millions	Notes	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Assets				
Goodwill	(9)	15,008	15,320	15,494
Intangible assets		3,990	3,894	4,207
Property, plant and equipment		43,838	42,484	41,067
Companies accounted for under the equity method	(10)	8,143	7,770	9,507
Other financial assets	(10)	19,059	20,679	16,544
Share investments	(10)	12,096	13,533	10,073
Non-current securities	(10)	6,963	7,146	6,471
Financial receivables and other financial assets		2,401	2,631	3,268
Operating receivables and other operating assets		3,027	2,463	1,737
Deferred tax assets		897	1,247	2,108
Non-current assets		96,363	96,488	93,932
Inventories		4,312	4,199	2,587
Financial receivables and other financial assets		1,405	1,477	1,090
Operating receivables and other operating assets		16,100	18,611	17,962
Liquid funds		8,731	6,189	9,901
Restricted cash		370	587	98
Securities and fixed-term deposits		2,922	4,448	5,455
Cash and cash equivalents		5,439	1,154	4,348
Assets held for sale	(5)	831	611	682
Current assets		31,379	31,087	32,222
Total assets		127,742	127,575	126,154

E.ON AG and Subsidiaries Consolidated Balance Sheets				
€ in millions	Notes	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Equity and liabilities				
Capital stock		1,799	1,799	1,799
Additional paid-in capital		11,760	11,760	11,749
Retained earnings		28,640	24,350	22,910
Accumulated other comprehensive income		9,106	11,033	8,150
Treasury stock	(11)	-2,473	-230	-256
Reclassification related to put options on treasury stock	(11)	-667	0	0
Equity attributable to shareholders of E.ON AG		48,165	48,712	44,352
Minority interests (before reclassification)		5,298	4,994	4,747
Reclassification related to put options		-2,459	-2,461	-3,130
Minority interests		2,839	2,533	1,617
Equity		51,004	51,245	45,969
Financial liabilities		10,222	10,029	10,985
Operating liabilities		5,388	5,432	5,666
Provisions for pensions and similar obligations	(13)	2,385	3,962	9,768
Other provisions		21,230	20,461	19,143
Deferred tax liabilities		6,698	7,063	7,625
Non-current liabilities		45,923	46,947	53,187
Financial liabilities		6,763	3,443	3,455
Operating liabilities		17,142	19,731	18,457
Other provisions		5,839	5,594	4,250
Liabilities associated with assets held for sale	(5)	1,071	615	836
Current liabilities		30,815	29,383	26,998
Total equity and liabilities		127,742	127,575	126,154

28 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1 – September 30 € in millions	2007	2006
Net income	5,783	3,403
Adjustments to reconcile net income to net cash provided by operating activities		
Income from discontinued operations, net	94	-779
Depreciation, amortization and impairment on intangible assets and property, plant and equipment	2,282	2,689
Changes in provisions	850	1,516
Changes in deferred taxes	-15	-443
Other non-cash income and expenses	-109	194
Gain/Loss on disposal of intangible assets, property, plant and equipment, equity investments and securities (>3 months)	-1,127	-552
Changes in current assets and liabilities	-535	-1,554
Cash provided by operating activities of continuing operations (operating cash flow)	7,223	4,474
Proceeds from disposal of		
intangible assets and property, plant and equipment	194	125
equity investments	551	3,420
Purchase of investments in		
intangible assets and property, plant and equipment	-4,095	-2,558
equity investments	-651	-756
Changes in securities and fixed-term deposits	1,672	-2,381
Changes in restricted cash	233	5
Cash used for investing activities of continuing operations	-2,096	-2,145
Payments received/made from changes in capital	27	-4
Payments for treasury stock, net	-2,199	0
Payment of cash dividends to		
shareholders of E.ON AG	-2,210	-4,614
minority stockholders	-228	-230
Change in financial liabilities	3,770	795
Cash used for financing activities of continuing operations	-840	-4,053
Net increase (decrease) in cash and cash equivalents from continuing operations	4,287	-1,724
Cash provided by operating activities of discontinued operations	9	65
Cash used for investing activities of discontinued operations	-9	-105
Cash provided by financing activities of discontinued operations	0	2
Net increase (decrease) in cash and cash equivalents from discontinued operations	0	-38
Effect of foreign exchange rates on cash and cash equivalents	-2	-17
Cash and cash equivalents at the beginning of the period	1,154	4,348
Cash and cash equivalents at the end of the quarter	5,439	2,569

E.ON AG and Subsidiaries		
Consolidated Statements of Recognized Income and Expenses		
January 1 - September 30	2007	2006
€ in millions		
Net income	5,783	3,403
Cash flow hedges	63	-429
Available-for-sale securities	-2,159	3,384
Changes in actuarial gains/losses of defined benefit pension plans and other employee benefits	1,743	1,117
Currency translation adjustments	-475	-235
Deferred taxes on changes recognized in equity	69	-884
Income and expenses recognized in equity	-759	2,953
Total of recognized income and expenses (total comprehensive income)	5,024	6,356
Thereof shareholders of E.ON AG	4,573	5,867
Thereof minority interests	451	489

30 Notes to the Condensed Consolidated Interim Financial Statements

Summary of Changes in Equity			
€ in millions	Capital stock	Additional paid-in capital	Retained earnings
Balance as of January 1, 2006	1,799	11,749	22,910
Shares repurchased/sold			
Dividends paid			-4,614
Other changes in minority interests			
Net additions/disposals from the reclassification related to put options			
Net income			3,137
Changes in actuarial gains/losses of defined benefit pension plans and other employee benefits			693
Other comprehensive income			
Total comprehensive income			
Balance as of September 30, 2006	1,799	11,749	22,126
Balance as of January 1, 2007	1,799	11,760	24,350
Shares repurchased/sold			
Capital increase			
Capital decrease			
Dividends paid			-2,210
Other changes in minority interests			
Net additions/disposals from the reclassification related to put options			
Net income			5,318
Changes in actuarial gains/losses of defined benefit pension plans and other employee benefits			1,182
Other comprehensive income			
Total comprehensive income			
Balance as of September 30, 2007	1,799	11,760	28,640

Accumulated other comprehensive income				Reclassification related to put options on treasury stock	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
Currency translation adjustments	Available-for-sale securities	Cash flow hedges	Treasury stock						
675	7,343	132	-256		44,352	4,747	-3,130	1,617	45,969
					-4,614	-230		-230	-4,844
						-96		-96	-96
							681	681	681
					3,137	266		266	3,403
					693	36		36	729
-534	2,820	-249			2,037	187		187	2,224
					5,867	489		489	6,356
141	10,163	-117	-256		45,605	4,910	-2,449	2,461	48,066
632	10,491	-90	-230		48,712	4,994	-2,461	2,533	51,245
			-2,243		-2,243				-2,243
						107		107	107
						-66		-66	-66
					-2,210	-228		-228	-2,438
						40		40	40
				-667	-667		2	2	-665
					5,318	465		465	5,783
					1,182	76		76	1,258
-475	-1,512	60			-1,927	-90		-90	-2,017
					4,573	451		451	5,024
157	8,979	-30	-2,473	-667	48,165	5,298	-2,459	2,839	51,004

32 Notes to the Condensed Consolidated Interim Financial Statements

(1) Basis of Presentation

Based in Germany, the E.ON Group ("E.ON" or the "Group") is an international group of companies with integrated electricity and gas operations. The Group is organized around five defined target markets:

- The Central Europe market unit, led by E.ON Energie AG ("E.ON Energie"), Munich, Germany, operates E.ON's integrated electricity business and the downstream gas business in Central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business. This market unit is led by E.ON Ruhrgas AG ("E.ON Ruhrgas"), Essen, Germany.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom. This market unit is led by E.ON UK plc ("E.ON UK"), Coventry, U.K.
- The Nordic market unit, which is led by E.ON Nordic AB ("E.ON Nordic"), Malmö, Sweden, focuses on the integrated energy business in Northern Europe. It operates through the integrated energy company E.ON Sverige AB ("E.ON Sverige"), Malmö, Sweden.
- The U.S. Midwest market unit, led by E.ON U.S. LLC ("E.ON U.S."), Louisville, Kentucky, U.S., is primarily active in the regulated energy market in the U.S. state of Kentucky.

The Corporate Center contains those interests held directly by E.ON AG ("E.ON" or the "Company") that are not allocated to a particular segment, as well as E.ON AG itself.

These market units are the primary segments as defined in International Accounting Standard ("IAS") 14, "Segment Reporting" ("IAS 14"). The Corporate Center also contains the consolidation effects that take place at the Group level.

Note 14 provides additional information about the market units.

With European Union ("EU") Regulation 1606/2002 dated July 19, 2002, the European Parliament and the European Council mandated the adoption of International Financial Reporting Standards ("IFRS") into EU law governing the Consolidated Financial Statements of publicly traded companies for fiscal years beginning on or after January 1, 2005. However, member states may defer mandatory application

of IFRS until 2007 for companies that, like E.ON, have been preparing their Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and whose stock is officially listed for public trading in a non-EU member state. In Germany, the Bilanzrechtsreformgesetz ("BilReG") implemented the option to defer mandatory IFRS application in October 2004.

E.ON made use of this option and, accordingly, the Condensed Interim Financial Statements for the nine months ended September 30, 2007, have been prepared in accordance with IFRS, specifically IAS 34, "Interim Financial Reporting" ("IAS 34"), and IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). This Interim Report has been prepared in accordance with all IFRS effective and adopted for use in the EU as of the end of the interim period.

The IFRS effective or available for voluntary early adoption in this Interim Report as of September 30, 2007, are subject to change or to the issuance of additional interpretations until December 31, 2007. Accordingly, the accounting policies relevant for this Interim Report may be adjusted in future periods and are only considered final when the first IFRS financial statements are prepared for the year ending December 31, 2007.

The preparation of the Consolidated Financial Statements for interim financial reporting in accordance with IFRS has led to changes in the Group's accounting policies as compared with the accounting principles used in the most recent annual Consolidated Financial Statements, i.e. U.S. GAAP. The following accounting policies have been applied for all periods presented in this Interim Report. They have also been used in accordance with IFRS 1 for the preparation of the opening balance sheet under IFRS as of January 1, 2006. The effects of the transition from U.S. GAAP to IFRS are discussed in Note 15.

(2) Summary of Significant Accounting Policies

Scope of Consolidation

The Consolidated Financial Statements incorporate the financial statements of E.ON AG and entities controlled by E.ON ("subsidiaries"). Control is achieved when the parent company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In addition, special purpose entities are consolidated when the substance of the relationship indicates that the entity is controlled by E.ON. However, certain subsidiaries controlled by E.ON that are inconsequential, both individually and in the aggregate, are accounted for as financial instruments under IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), generally at fair value, and are reviewed for impairment if indications of a decline of the fair value arise. If required, an impairment is recognized as an expense. Impairment losses may not be reversed in future reporting periods through income.

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of acquisition or until the date of the disposal, respectively.

Where necessary, adjustments are made to the subsidiaries' financial statements to bring their accounting policies into line with those of the Group. Intercompany receivables, liabilities and results between Group companies are eliminated in the consolidation.

Associated Companies

An associate is an entity over which E.ON has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is achieved when E.ON has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control these decisions. Significant influence is generally presumed if E.ON directly or indirectly holds 20 percent or more, but less than 50 percent, of an entity's voting rights.

Interests in associated companies are accounted for under the equity method. In addition, majority-owned companies in which E.ON does not exercise control, due to restrictions concerning the control of assets or management, are also generally accounted for under the equity method. Certain associated companies, however, that are inconsequential, both individually and in the aggregate, are accounted for as financial instruments under IAS 39, generally at fair value, and are reviewed for impairment consistent with non-consolidated subsidiaries.

Interests in associated companies accounted for under the equity method are reported on the balance sheet at cost, adjusted for changes in the Group's share of the net assets after the date of acquisition, as well as any impairment charges. Losses that exceed the Group's interest in an associated company are not recognized. Any goodwill resulting from the acquisition of an associated company is included within the carrying amount of the investment.

Intercompany results arising from transactions with associated companies accounted for under the equity method are eliminated within the consolidation process if and to the extent these are material.

Companies accounted for under the equity method are tested for impairment by comparing the carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted in the amount of this difference. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed.

Joint Ventures

Joint ventures are also accounted for under the equity method. Intercompany results arising from transactions with joint-venture companies are eliminated within the consolidation process if and to the extent these are material.

34 Notes to the Condensed Consolidated Interim Financial Statements

Business Combinations

In accordance with the exemption allowed under IFRS 1, the provisions of IFRS 3, "Business Combinations" ("IFRS 3"), were not applied with respect to the accounting for business combinations which occurred before January 1, 2006. The goodwill maintained from this period does not include any intangible assets that must be reported separately under IFRS. Conversely, there are no intangible assets that until now had been reported separately that must be included in goodwill. As no adjustment for intangible assets was required relating to such business combinations, the goodwill previously reported was maintained in E.ON's opening balance sheet under IFRS.

Business combinations are accounted for under the purchase method, whereby the purchase price is offset against the proportional share in the acquired company's net assets. In doing so, the values at the date of the exchange are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values, regardless of the extent attributable to minority interests. 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, for example, and in the case of land, buildings and more significant technical equipment, generally using independent expert reports that have been prepared by third parties. 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 as applied for internal valuation purposes. 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 specific risks inherent to the asset.

Intangible assets must be recognized separately from goodwill if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures may not be recorded in a purchase price allocation. If the purchase price paid exceeds the proportional share in the net assets at the time of acquisition, the positive difference is recognized as goodwill. A negative difference is immediately recognized in income.

Foreign Currency Translation

The Company's transactions denominated in foreign currencies are translated at the current exchange rate at the date of the transaction. Monetary foreign currency items are adjusted to the current exchange rate at each balance sheet date; any gains and losses resulting from fluctuations in the relevant currencies are included in other operating income and other operating expenses, respectively. Gains and losses from the translation of financial instruments used in hedges of net investments in its foreign operations are recorded with no effect on net income as a component of equity.

The functional currency as well as the reporting currency of E.ON AG is the euro. The Consolidated Financial Statements are presented in euro as well. The assets and liabilities of the Company's foreign subsidiaries with a functional currency other than the euro are translated using period-end exchange rates, while items of the statements of income are translated using average exchange rates for the period. Significant transactions of foreign subsidiaries occurring during the fiscal year are translated in the financial statements using the exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities, as well as gains or losses in comparison with the translation of prior years, are included as a separate component of equity and accordingly have no effect on net income. In accordance with IFRS 1, E.ON offset the cumulative translation differences that were recognized in equity from the translation of financial statements into the reporting currency of E.ON in prior periods against retained earnings at the date of transition.

The foreign currency translation effects that are attributable to monetary financial instruments classified as available-for-sale are recognized in net income. For non-monetary financial instruments classified as available-for-sale, the foreign currency translation effects are recognized in equity with no effect on net income.

Revenue Recognition

The Company generally recognizes revenue upon delivery of products to customers or upon fulfillment of services. Delivery has occurred when the risks and rewards associated with ownership have been transferred to the buyer, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable.

Sales in the Central Europe, Pan-European Gas, U.K., Nordic and U.S. Midwest market units result primarily from the sale of electricity and gas to industrial and commercial customers and to retail customers. Additional revenue is earned from the distribution of electricity and deliveries of steam and heat.

Revenues from the sale of electricity and gas to industrial and commercial customers and to retail customers are recognized when earned on the basis of a contractual arrangement with the customer; they reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and period-end.

Electricity and Energy Taxes

The electricity tax is levied on electricity delivered to retail customers by domestic utilities in Germany and Sweden and is calculated on the basis of a fixed tax rate per kilowatt-hour ("kWh"). This rate varies between different classes of customers.

The new German Energy Tax Act ("Energiesteuerergesetz," "EnergieStG") regulates the taxation of energy generated from petroleum, natural gas and coal. It replaced the Petroleum Tax Act ("Mineralölsteuergesetz") effective August 1, 2006. Under the Energy Tax Act, natural gas tax is not levied until delivery to the end consumer. Under the previously applicable Petroleum Tax Act, natural gas tax became due at the time of the procurement or removal of the natural gas from storage facilities.

Earnings per Share

Basic (undiluted) earnings per share is computed by dividing the consolidated net income attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding during the relevant period. At E.ON the computation of diluted earnings per share is identical to basic earnings per share, because E.ON AG has no dilutive potential ordinary shares.

Goodwill and Intangible Assets

Goodwill

According to IFRS 3, goodwill is not amortized, but rather tested for impairment at the cash-generating unit level on at least an annual basis. Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable. E.ON has identified the operating units one level below its primary segments as its cash-generating units.

In an impairment test, the recoverable amount of a cash-generating unit is compared with its carrying amount, including goodwill. If the carrying amount exceeds the recoverable amount, the goodwill allocated to the cash-generating unit is adjusted in the amount of this difference. Impairment losses for goodwill may not be reversed in future reporting periods.

The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use. In a first step, E.ON determines the recoverable amount of a cash-generating unit on the basis of the fair value (less costs to sell) using valuation procedures that make use of the Company's current mid-term planning data for internal reporting. Measurement is based on the discounted cash flow method and market comparables.

E.ON has elected to perform the annual testing of goodwill for impairment at the cash-generating unit level in the fourth quarter of each fiscal year.

Intangible Assets

IAS 38, "Intangible Assets" ("IAS 38"), requires that intangible assets be amortized over their useful lives unless their lives are considered to be indefinite. Any intangible asset that is not subject to amortization must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

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Intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. They are all measured at cost and amortized using the straight-line method over their expected useful lives, generally for a period between 5 and 25 years or between 3 and 5 years for software, respectively. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

In accordance with IAS 36, "Impairment of Assets" ("IAS 36"), the carrying amount of an intangible asset, whether subject to amortization or not, is tested for impairment by comparing the carrying value with its recoverable amount, which is the higher of an asset's value in use and its fair value less costs to sell. Should the carrying amount exceed the recoverable amount, an impairment charge equal to the difference between the carrying amount and the recoverable amount is recognized. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortization to exceed the amount that would have been presented had no impairment taken place during the preceding periods.

If a recoverable amount cannot be determined for an individual intangible asset, the recoverable amount for the smallest identifiable group of assets (cash-generating unit) that the intangible asset may be assigned to is determined.

Emission Rights

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets and are not amortized. Emission rights are capitalized at cost on acquisition or when issued for the respective reporting period as (partial) fulfillment of the notice of allocation from the responsible national authorities.

Provisions are recorded for emissions made. The provision is measured at the carrying amount of the emission rights held.

Any shortfall in emission rights is accrued throughout the year within other provisions. The expenses incurred for the recognition of the provision are reported under cost of materials.

As part of operating activities, emission rights are also held for proprietary trading purposes. Emission rights held for proprietary trading are reported under other operating assets and measured at the lower of cost or fair value.

Property, Plant and Equipment

Property, plant and equipment are initially measured at acquisition or production cost, including decommissioning or restoration cost that must be capitalized, and are depreciated over their expected useful lives, generally using the straight-line method.

Useful Lives of Property and Equipment	
Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment in accordance with IAS 36 following the principles described for intangible assets. If an impairment loss is determined, the remaining useful life of the asset might also be subject to adjustment, if necessary. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. Such reversal shall not cause the carrying amount to exceed the amount that would have been presented had no impairment taken place during the preceding periods.

Interest on debt apportioned to the construction period of qualifying assets is capitalized as part of their cost of acquisition or construction and depreciated over the expected useful life of the related asset.

Repair and maintenance costs are expensed as incurred.

Investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

Leasing

Leasing transactions are classified according to the lease agreements and to the underlying risks and rewards specified therein in line with IAS 17, "Leases" ("IAS 17"). In addition, IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), further defines the criteria as to whether an agreement that conveys a right to use an asset meets the definition of a lease. E.ON is party to some agreements in which it is the lessor and other agreements in which it is the lessee. Certain purchase and supply contracts in the electricity and gas business as well as certain rights of use may be classified as leases if the criteria are met.

Leasing transactions in which E.ON is the lessee are classified either as finance leases or operating leases. If the Company has the majority of the risks and rewards from the leased property, the lease is classified as a finance lease. Accordingly, the Company recognizes the asset and associated liability on its balance sheet. The liability is subsequently measured using the effective interest method. All other transactions in which E.ON is the lessee are classified as operating leases. Payments made under operating leases are recorded as an expense.

Leasing transactions in which E.ON is the lessor and the lessee enjoys substantially all the risks and all rewards of the leased property are classified as finance leases. In this type of lease, E.ON records the present value of the minimum lease payments as a receivable. Payments by the lessee are allocated between a reduction of the lease receivable and interest income. All other transactions in which E.ON is the lessor are categorized as operating leases. E.ON records the leased property as an asset and the lease payments as income.

Financial Instruments

Financial instruments are reported at fair value using trade date accounting. Equity investments and securities are measured in accordance with IAS 39. IAS 39 requires a financial asset to be accounted for according to its classification as held-for-trading, available-for-sale, loans and receivables or as held-to-maturity. Management determines the classification of the financial assets at initial recognition.

IAS 39 requires that derivative financial instruments are classified as financial instruments held for trading. These instruments are reported under other operating receivables and liabilities. No further financial instruments classified as held-for-trading exist within the Group.

Securities classified as available-for-sale are carried at fair value on a continuing basis, with any resulting unrealized gains and losses, net of related deferred taxes, reported as a separate component within equity until realized. Realized gains and losses are recorded based on the specific identification method. Unrealized losses previously recognized in equity indicating an impairment are included in the line item financial results.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported under receivables and other assets. They are subsequently measured at amortized cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Financial liabilities within the scope of IAS 39 are measured at amortized cost using the effective interest method. Initial recognition occurs at fair value plus transaction cost. In subsequent periods, the amortization and accretion of any premium or discount is included in financial results.

Inventories

The Company measures inventories at the lower of acquisition or production cost and net realizable value. The cost for gas inventories, raw materials, finished products and goods purchased for resale is determined based on the average cost method. In addition to production materials and wages, production costs include material and production overheads based on normal capacity. The costs of general administration, voluntary social benefits and pensions are not capitalized. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation allowances whereby inventories are written down to net realizable value.

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Receivables and Other Assets

Receivables (including trade receivables) and other assets are initially measured at fair value which approximates nominal value. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Liquid Funds

Liquid funds include current available-for-sale securities, checks, cash on hand and bank balances. Bank balances and available-for-sale securities with an original maturity of more than three months are recognized under securities and fixed-term deposits. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

Restricted cash with a remaining maturity in excess of twelve months is classified as financial receivables and other financial assets.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Individual non-current assets or groups of assets held for sale and any directly attributable liabilities (disposal groups) are reported separately in the Consolidated Balance Sheet, whereby the assets and liabilities must be intended for sale in a single transaction.

Discontinued operations are components of an entity that are either held for sale or have already been sold and can be clearly distinguished from other corporate operations, both operationally and for financial reporting purposes. Additionally, the component classified as a discontinued operation must represent a major business line or a specific geographic area of the Group.

Non-current assets that are held for sale either individually or collectively as part of a disposal group, or that belong to a discontinued operation, are no longer depreciated. They are instead accounted for at the lower of the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognized.

The income and losses resulting from the measurement of components held for sale at fair value less any remaining costs to sell, as well as the gains and losses arising from the disposal of discontinued operations, are reported separately on the face of the income statement under income/loss from discontinued operations, net, as is the income from the ordinary operating activities of these divisions. Prior-year income statement figures are adjusted accordingly. The cash flows of discontinued operations are reported separately in the cash flow statement with prior-year figures being adjusted accordingly. However, there is no reclassification of prior-year balance sheet line items attributable to discontinued operations.

Equity Instruments

IFRS defines equity as the residual interest in the Group's assets after deducting all liabilities. Therefore, equity is the net of all recognized assets and liabilities.

E.ON has entered into conditional and unconditional purchase commitments to minority shareholders. By means of these agreements, the minority shareholders have the right to require E.ON to purchase their shares on specified conditions. None of the contractual obligations has led to the transfer of substantially all of the risk and rewards to E.ON at the time of entering into the contract. IAS 32, "Financial Instruments: Presentation" ("IAS 32"), prescribes that a liability must be recognized at the present value of the probable future exercise price. The liability is reclassified from a separate component within minority interests and reported separately. The reclassification occurs irrespective of the probability of exercise. Expenses resulting from the accretion of the liability are recognized in interest expenses.

Where shareholders of entities own statutory, non-excludable rights of termination (for example, in German partnerships), such termination rights require the reclassification of minority interests from equity into liabilities under IAS 32. The liability is recognized at the present value of the expected settlement amount irrespective of the probability of termination. Changes in the value of the liability are reported within other operating income. Accretion of the liability and the minority shareholders' share in net income are shown as interest expense.

Share-Based Payment

Share-based payment plans issued in the E.ON Group are accounted for in accordance with IFRS 2, "Share-Based Payment" ("IFRS 2"). Both the E.ON Share Performance Plan introduced in fiscal year 2006 and the remaining Stock Appreciation Rights granted between 1999 and 2005 as part of the virtual stock option program of E.ON AG are share-based payment transactions with cash compensation, the value of which is reported at fair value of the liability at each balance sheet date. Compensation expense is recorded ratably over the vesting period. E.ON determines fair value using the Monte Carlo simulation technique.

Provisions for Pensions and Similar Obligations

The valuation of defined benefit obligations in accordance with IAS 19, "Employee Benefits" ("IAS 19"), is based on actuarial computations using the projected unit credit method, with actuarial valuations performed at year-end. The valuation encompasses both pension obligations and pension entitlements known on the balance sheet date as well as economic trend assumptions made in order to reflect realistic expectations.

Actuarial gains and losses that may arise from differences between the estimated and actual number of beneficiaries and from the underlying assumptions are recognized in full in the period in which they occur. Such gains and losses are not reported within the Consolidated Statements of Income but rather are recognized within the Statements of Recognized Income and Expenses.

The service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel expenses; interest expenses

and expected return on plan assets are reported under financial results.

Past service cost is recognized immediately to the extent that the benefits are already vested or is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the unrecognized past service cost plus the present value of available refunds and reductions in future contributions.

Payments for defined contribution benefit plans are expensed as incurred and reported under personnel expenses. Contributions to government benefit plans are treated as defined contribution benefit plans to the extent that the Group's obligations under these benefit plans correspond to those under defined contribution benefit plans.

Other Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), provisions are recognized when E.ON has a legal or constructive present obligation towards third parties as a result of a past event, it is probable that E.ON will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the effect resulting from discounting (the difference between present value and repayment amount) is material; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. Long-term obligations are discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted.

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Obligations arising from the decommissioning and restoration of property, plant and equipment are recorded during the period of their occurrence in the form of a discounted provision, provided that the obligation can be reliably estimated. The carrying amounts of the respective property, plant and equipment are increased by the same amounts. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the assets, and the provision is accreted to its present value on an annual basis.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates. The adjustment of provisions for the decommissioning and restoration of property, plant and equipment for changes to estimates is generally recognized by way of a corresponding adjustment to assets, with no effect on income. If the property, plant and equipment to be decommissioned have already been fully depreciated, changes to estimates are recognized within the income statement.

The estimates for nuclear decommissioning provisions are based on external studies and are continuously updated. The amounts of the other provisions related to nuclear power (disposal of spent nuclear fuel rods and low-level nuclear waste) are also determined using external studies.

The Nordic market unit has a right of reimbursement from the Swedish nuclear fund totaling €1,257 million as of September 30, 2007 (December 31, 2006: €1,290 million, January 1, 2006: €1,137 million). This refund is not offset against nuclear energy provisions but is disclosed in the balance sheet under non-current financial receivables.

Trade Payables

Trade payables are measured at amortized cost, which generally approximates nominal value.

Income Taxes

According to IAS 34, income tax expense for the interim period is recognized based on the effective tax rate expected for the full financial year. Taxes related to certain special items are reflected in the quarter in which they occur.

According to IAS 12, "Income Taxes" ("IAS 12"), deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements (liability method).

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be applicable for taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates and tax law is generally recognized in income. Equity is adjusted for deferred taxes that had previously been recognized directly in equity. Beginning in the third quarter of 2007, the deferred taxes for domestic companies are subject to a new aggregate tax rate of 30 percent (2006: 39 percent) due to the enactment of Germany's Corporate Tax Reform Law of 2008. This tax rate includes, in addition to the 15 percent (2006: 25 percent) corporate income tax, a solidarity surcharge of 5.5 percent on the corporate tax, and the average trade tax rate of 14 percent (2006: 13 percent) applicable to the E.ON Group. Foreign subsidiaries use applicable national tax rates.

Derivative Instruments and Hedging Activities

IAS 39 contains accounting and measurement guidance for hedge accounting and for derivative financial instruments, including certain derivative financial instruments embedded in other contracts.

Derivative financial instruments and separated embedded derivatives are measured at fair value at initial recognition and in subsequent periods. Gains and losses from changes in fair value are immediately recognized in net income.

Instruments commonly used are foreign currency forwards, swaps and options, interest-rate swaps, interest-rate options and cross-currency swaps. Equity forwards are entered into to cover price risks on securities. In commodities, the instruments used include physically and financially settled forwards and options based on the prices of electricity, gas, coal, oil and emission rights. As part of conducting operations in commodities, derivatives are also acquired for proprietary trading purposes. Income and losses from these derivative proprietary trading instruments are shown net in the Consolidated Statements of Income.

IAS 39 prescribes requirements for designation and documentation of hedging relationships, the hedging strategy, as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the measurement of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument is 80 to 125 percent effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction.

For qualifying fair value hedges, the change in the fair value of the derivative and the change in the fair value of the hedged item that is due to the hedged risk(s) are recognized in income. If a derivative instrument qualifies as a cash flow hedge, the effective portion of the hedging instrument's gain or loss is recognized in equity (as a component of accumulated other comprehensive income) and is reclassified into earnings in the period or periods during which the transaction being hedged affects income. The hedging result is reclassified into income immediately if it becomes probable that the hedged underlying transaction will no longer occur. For hedging instruments used to establish cash flow hedges, the change in fair value of the ineffective portion is recognized immediately in the income statement. To hedge the foreign currency risk arising from the Company's net investment in foreign operations, derivative as well as non-derivative financial instruments are used. Gains or losses due to changes in fair value and from foreign currency translation are recorded separately within equity as currency translation adjustments.

Fair values of derivative financial instruments are classified as other operating assets and liabilities. Changes in fair value of derivative instruments affecting income are classified as

other operating income or expenses. Gains and losses from interest-rate derivatives are included in interest income. Certain realized amounts are, if related to the sale of products or services, included in sales or cost of materials.

Unrealized gains and losses resulting from the initial measurement of derivative financial instruments at the inception of the contract are not recognized in income. They are instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applies if unrealized gains and losses from the initial measurement are verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In this case the gains and losses are recognized in income.

Risk Management

During the normal course of business, the Company is exposed to foreign currency risk, interest rate risk, and commodity price risk. These risks create volatility in earnings, equity, and cash flows from period to period. The Company makes use of derivative financial instruments in various strategies to eliminate or limit these risks.

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, forecasted transactions, or legally binding rights or obligations. Some of the companies in the market units also conduct proprietary trading in commodities within the risk management guidelines described below.

E.ON AG has enacted general risk management guidelines for the use of derivative interest and foreign currency instruments as well as for commodity risk management that constitute a comprehensive framework for the entire Group. The market units have also adopted specific risk management guidelines to eliminate or limit risks arising from their respective activities. The market units' guidelines operate within the general risk management guidelines of E.ON AG. As part of the Company's framework for interest rate, foreign currency and commodity risk management, an enterprise-wide reporting system is used to monitor each reporting unit's exposures to these risks and their long-term and short-term financing needs. The creditworthiness of counterparties is monitored on a regular basis.

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Commodity derivatives are used for price risk management, system optimization, load balancing and margin improvement. Any use of derivatives is only allowed within limits that are established and monitored by a board independent from the trading operations. Proprietary trading activities are subject to particularly strict limits. The risk ratios and limits used mainly include value-at-risk figures, as well as volume, credit and book limits. Additional key elements of risk management are the clear division of duties between scheduling, trading, settlement and control, as well as a risk reporting independent from the trading operations.

Interest, currency and equity-related derivatives are only used for hedging purposes.

Consolidated Statement of Cash Flows

In accordance with IAS 7, "Cash Flow Statements" ("IAS 7"), the Consolidated Statements of Cash Flows are classified by operating, investing and financing activities. Cash flows from discontinued operations are reported separately in the Consolidated Statement of Cash Flows. Interest received and paid, income taxes paid and refunded, as well as dividends received are classified as operating cash flows, whereas dividends paid are classified as financing cash flows. Changes to the scope of consolidation have no effect on the Consolidated Statement of Cash Flows; only the purchase prices paid for subsidiaries in this context (or the sales prices received, respectively) are reported under investing activities, net of cash or cash equivalents acquired or divested as part of the transaction. This also applies to valuation changes due to exchange rate fluctuations, whose impact on cash and cash equivalents is separately disclosed.

Presentation of the Consolidated Balance Sheets and Statements of Income

In accordance with IAS 1, "Presentation of Financial Statements" ("IAS 1"), the Consolidated Balance Sheets have been prepared using a classified balance sheet structure. Assets that will be realized within twelve months of the reporting date, as well as liabilities that are due to be settled within one year of the reporting date are classified as current.

In addition, as part of the transition to IFRS, classification of the Income Statement was changed to the nature of expense method which is also applied for internal purposes.

Critical Accounting Estimates and Assumptions; Critical Judgments in the Application of Accounting Policies

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may influence the application of accounting principles within the Group and affect the valuation and presentation of reported figures. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods if both periods are affected.

(3) New Standards and Interpretations

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued standards and interpretations whose application is not yet mandatory in the reporting period. The application of some of these standards and interpretations is at the present time still subject to adoption by the EU, which remains outstanding.

IFRS 8, "Operating Segments"

In November 2006, the IASB issued IFRS 8, "Operating Segments" ("IFRS 8"), which contains new requirements for a company's disclosure about its operating segments. IFRS 8 replaces IAS 14 and adopts almost completely the requirements of Statement of Financial Accounting Standards ("SFAS") 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), the corresponding accounting standard under U.S. GAAP. The management approach required by IFRS designates that the internal reporting organization used by management for making operating decisions and assessing performance should be used as the source for presenting a company's reportable segments. The standard is to be applied for fiscal years beginning on or after January 1, 2009; earlier application is encouraged. However, it has not been transferred by the EU into European law yet. Thus, E.ON's intention to voluntarily apply IFRS 8 earlier than required was not executed within this Interim Report.

IAS 23, "Borrowing Costs"

In March 2007, the IASB issued revised IAS 23, "Borrowing Costs" ("IAS 23"). IAS 23 eliminates the option of recognizing borrowing costs immediately as an expense, to the extent

that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of such directly attributable borrowing costs is now mandatory. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. However, the standard has not been transferred by the EU into European law yet. Revised IAS 23 has no impact for E.ON as E.ON capitalizes borrowing costs as a part of the cost of acquisition or construction.

IAS 1, "Presentation of Financial Statements"

In September 2007, the IASB issued a revised version of IAS 1, "Presentation of Financial Statements" ("IAS 1"). The main revisions relate to the presentation of equity and to changes to the titles of the financial statements. The revised standard is to be applied for fiscal years beginning on or after January 1, 2009. However, the standard has not been transferred by the EU into European law yet. Revised IAS 1 will not have a material impact on E.ON's Consolidated Financial Statements.

IFRIC 11, "IFRS 2—Group and Treasury Share Transactions"

IFRIC 11, "IFRS 2—Group and Treasury Share Transactions" ("IFRIC 11"), addresses how to apply IFRS 2 to share-based payment arrangements in which an entity's own equity instruments or equity instruments of another company in the same group are granted. IFRIC 11 requires share-based compensation systems in which a company receives goods or services as consideration for its own equity instruments to be accounted for as equity-settled share-based payment transactions. IFRIC 11 further provides guidance on how share-based compensation systems in which a parent company's equity instruments are granted should be accounted for at a member of a group of companies. IFRIC 11 is to be applied for fiscal years beginning on or after March 1, 2007. The share-based payment arrangements established within the E.ON Group are not subject to IFRIC 11 because they are cash-settled. Accordingly, the initial application of IFRIC 11 will not have any effect on the Consolidated Financial Statements.

IFRIC 12, "Service Concession Arrangements"

IFRIC 12, "Service Concession Arrangements" ("IFRIC 12"), governs accounting for arrangements in which a government or other public-sector institution (grantor) grants contracts to private companies (grantees) for the performance of public services. In performing these services, the private company uses infrastructure that continues to be owned by the government/public-sector institution. The private company is responsible for the construction, operation, and maintenance of the infrastructure. IFRIC 12 is to be applied for fiscal years beginning on or after January 1, 2008; however, it has not yet been transferred by the EU into European law. E.ON is currently evaluating the effects of first-time application of IFRIC 12 on the Consolidated Financial Statements.

IFRIC 13, "Customer Loyalty Programmes"

IFRIC 13, "Customer Loyalty Programmes" ("IFRIC 13"), addresses accounting by entities that grant loyalty award credits. The interpretation clarifies how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. IFRIC 13 is to be applied for fiscal years beginning on or after July 1, 2008. However, the interpretation has not been transferred by the EU into European law yet. The adoption of IFRIC 13 is not expected to have a material impact on E.ON's Consolidated Financial Statements.

IFRIC 14, "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

IFRIC 14, "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" ("IFRIC 14"), provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability for defined benefit plans may be affected when there is a statutory or contractual minimum funding requirement. Under IFRIC 14 no additional liability needs to be recognized by the employer unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The interpretation is mandatory for fiscal years beginning on or after January 1, 2008; however, it has not yet been transferred by the EU into European law. E.ON is currently evaluating the effects of the first-time application of IFRIC 14 on the Consolidated Financial Statements.

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(4) 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, 2006	139	362	501
Additions	11	28	39
Disposals/Mergers	7	16	23
Consolidated companies as of September 30, 2007	143	374	517

In addition, 185 companies have been accounted for under the equity method as of September 30, 2007 (December 31, 2006: 168).

(5) Acquisitions, Disposals and Discontinued Operations

Acquisitions, Disposals and Discontinued Operations in 2007

ENERGI E2 Renovables Ibéricas

In August 2007, E.ON Dreizehnte Verwaltungs GmbH has acquired a 100-percent stake in ENERGI E2 Renovables Ibéricas S.L.U. ("E2-I"), Madrid, Spain. Through its affiliated and associated companies, E2-I primarily operates wind farms in Spain and Portugal. The purchase price totalled roughly €480 million, goodwill arising from the preliminary purchase price allocation amounted to €121 million. E2-I and its affiliated companies were fully consolidated as of September 1, 2007.

ONE

In June 2007, E.ON and its partners Telenor and Tele Danmark signed a contract to sell their shares in the Austrian telecommunications company ONE GmbH ("ONE"), Vienna, Austria, to a consortium of bidders consisting of France Télécom and the financial investor Mid Europa Partners. The transfer of E.ON's 50.01 percent stake became effective on October 2, 2007. In the fourth quarter 2007, E.ON will realize proceeds from the sale, including the consideration for the shareholder loans granted, of roughly €570 million as well as a gain in the amount of approximately €330 million. As of the end of September 2007, ONE continued to be classified as an asset held for sale.

WKE

Through Western Kentucky Energy Corp. ("WKE"), Henderson, Kentucky, USA, E.ON U.S. has a 25-year lease on and operates the generating facilities of Big Rivers Electric Corporation ("BREC"), a power generation cooperative in western Kentucky, and a coal-fired facility owned by the city of Henderson, Kentucky, U.S.

In March 2007, E.ON U.S. entered into a termination agreement with BREC to terminate the lease and the operational agreements for nine coal-fired and one oil-fired electricity generation units in western Kentucky, which were held through its wholly-owned subsidiary WKE.

The closing of the agreement is subject to a number of conditions, including review and approval by various regulatory agencies and acquisition of certain consents by other interested parties. Subject to such contingencies, the parties are working on completing the termination transaction by mid-2008. WKE therefore continues to be classified as a discontinued operation.

The tables below provide selected financial information from the discontinued WKE operations in the U.S. Midwest segment for the periods indicated:

Selected Financial Information— WKE—(Summary)		
January 1 - September 30 € in millions	2007	2006
Sales	160	176
Other income/expenses (-), net	-301	-23
Income from continuing operations before income taxes and minority interests	-141	153
Income taxes	54	-58
Income from discontinued operations	-87	95

Major Balance Sheet Line Items— WKE—(Summary)			
€ in millions	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Property, plant and equipment	207	215	211
Other assets	379	396	471
Total assets	586	611	682
Total liabilities	653	615	836

In addition, for the period presented there were gains from the discontinued operations in the Company's former Viterra segment totaling €6 million as well as losses from the sale of the former Oil segment amounting to €13 million.

Discontinued Operations in 2006

In addition to WKE, E.ON Finland and Degussa were classified as discontinued operations in 2006. Furthermore, a sales price adjustment for the disposal of Viterra in the third quarter of 2006 resulted in a preliminary additional gain of €26 million.

E.ON Finland

In June 2006, E.ON Nordic and the Finnish energy group Fortum Power and Heat Oy ("Fortum") finalized the transfer to Fortum of all of E.ON Nordic's shares in E.ON Finland. The purchase price for the 65.56 percent stake totaled approximately €390 million. E.ON Finland was classified as a discontinued operation in mid-January 2006.

The table below provides selected financial information from the discontinued E.ON Finland operations of the Nordic segment for the periods indicated:

Selected Financial Information— E.ON Finland—(Summary)	
January 1 - September 30 € in millions	2006
Sales	131
Gain on disposal, net	11
Other income/expenses (-), net	-115
Income from continuing operations before income taxes and minority interests	27
Income taxes	-7
Income from discontinued operations	20

Degussa

As part of the implementation of the framework agreement entered into at the end of 2005 by E.ON AG and RAG AG ("RAG"), Essen, Germany, on the sale of the stake in Degussa AG ("Degussa"), Düsseldorf, Germany, held by E.ON (42.9 percent), this stake was transferred into the RAG Projektgesellschaft in March 2006. E.ON's stake in RAG Projektgesellschaft was then forward sold. The forward sales agreement was executed at the beginning of July, resulting in the completion of the disposal of the remaining Degussa stake. The purchase price was paid at the end of August 2006. The transaction resulted in a gain of €981 million, which was subsequently

adjusted for the intercompany gain attributable to E.ON's minority interest in RAG (39.2 percent). A gain of €596 million was thus realized from the transfer and the subsequent sale.

As the interest in Degussa qualified as a discontinued operation under IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"), this gain is reported as income from discontinued operations in E.ON's Consolidated Financial Statements along with E.ON's equity in Degussa's first quarter earnings in 2006 of €37 million. In total, a gain of €633 million was recognized for Degussa.

Following the outcome of E.ON's tax audit, a compensation of €5 million for trade tax issues relating to prior years was recorded.

The intercompany gains resulting from the sale of certain portions of E.ON shares in Degussa to RAG totaling €418 million are recorded as liabilities associated with assets held for sale until E.ON's shares in RAG will be transferred to RAG-Stiftung.

RAG

On August 7, 2007, E.ON, ThyssenKrupp and RWE came to an agreement with the foundation "RAG-Stiftung" to sell their shares in RAG to the RAG-Stiftung. The three shareholding companies hold a total of 90 percent of the share capital. The blocks of E.ON shares are to be transferred on November 30, 2007, for a price of €1 each.

(6) Research and Development Costs

Research and development costs in the E.ON Group amounted to €20 million in the first nine months of 2007 (first nine months of 2006: €12 million).

(7) Financial Results

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

Financial Results	July 1 - Sep. 30		Jan. 1 - Sep. 30	
	2007	2006	2007	2006
€ in millions				
Income from companies in which share investments are held	29	55	217	192
Write-down of share investments	5	-128	-12	-134
Income from share investments	34	-73	205	58
Income from other securities, interest and similar income	303	240	928	917
Interest and similar expenses	-560	-591	-1,652	-1,851
Thereof accretion expense related to asset retirement obligations	-117	-115	-354	-345
Interest and similar expenses (net)	-257	-351	-724	-934
Financial results	-223	-424	-519	-876

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(8) Earnings per Share

The computation of diluted EPS is identical to basic EPS, as E.ON AG does not have any dilutive potential ordinary shares.

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

Earnings per Share				
€ in millions	July 1 - Sep. 30		Jan. 1 - Sep. 30	
	2007	2006	2007	2006
Income/Loss (-) from continuing operations	1,464	-85	5,877	2,624
less: Minority interests	-113	39	-465	-256
Income/Loss (-) from continuing operations attributable to shareholders of E.ON AG	1,351	-46	5,412	2,368
Income/Loss (-) from discontinued operations, net	-1	42	-94	779
less: Minority interests	0	-1	0	-10
Income/Loss (-) from discontinued operations, net attributable to shareholders of E.ON AG	-1	41	-94	769
Net income attributable to shareholders of E.ON AG	1,350	-5	5,318	3,137
Weighted-average number of shares outstanding (shares in million)	650	659	656	659
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	2.08	-0.07	8.24	3.59
from discontinued operations	0.00	0.06	-0.14	1.17
from net income	2.08	-0.01	8.10	4.76

(9) Goodwill

During the period indicated, the carrying amount of goodwill changed as follows in each of E.ON's segments:

Goodwill							
€ in millions	Central Europe	Pan-European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	E.ON Group
Book value as of December 31, 2006	2,485	4,399	4,956	298	3,182	0	15,320
Goodwill additions/disposals	-2	27	0	2	0	121	148
Other changes ¹	-41	-8	-180	-5	-226	0	-460
Book value as of September 30, 2007	2,442	4,418	4,776	295	2,956	121	15,008

¹Other changes include transfers and exchange rate differences for the respective reporting period.

(10) Financial Assets

The Company's financial assets consisted of the following:

Financial Assets			
€ in millions	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Companies accounted for under the equity method	8,143	7,770	9,507
Share investments	12,096	13,533	10,073
Thereof investment in OAO Gazprom	10,611	11,918	8,141
Non-current securities	6,963	7,146	6,471
Total	27,202	28,449	26,051

(11) Treasury Stock

As of September 30, 2007, E.ON AG held 22,564,908 treasury shares (December 31, 2006: 3,930,537). The increase results from the share buyback program started on June 27, 2007, as well as from the acquisition of shares designated for resale to employees as part of an employee stock purchase program. Another 28,472,194 shares of E.ON stock continue to be held by an E.ON subsidiary. E.ON thus held 7.4 percent of its capital stock as treasury shares as of the balance sheet date.

In addition, in the third quarter of 2007 E.ON entered into put option arrangements for further 6,500,000 own shares under its share buyback program. Pursuant to IAS 32, the conditional purchase price obligations arising from the put options are recorded under liabilities after reclassification from a separate component of equity.

The Company plans to buy approximately €7 billion of its stock, half of it in 2007. The goals of the share buyback are to optimize E.ON's capital structure and to make E.ON stock more attractive.

(12) Dividends Paid

On May 3, 2007, the shareholders in the Annual Shareholders Meeting voted to distribute a dividend of €3.35 for each dividend-paying ordinary share, a €0.60 increase from the previous dividend paid in 2006 (excluding a special dividend of €4.25 per share in 2006). This corresponds to a total dividend paid of €2,210 million.

(13) Provisions for Pensions and Similar Obligations

Pension provisions decreased compared to year-end 2006 primarily due to actuarial gains resulting from higher discount rates.

During the first nine months of 2007, contributions to increase the percentage of obligations funded by plan assets of approximately €414 million were made, of which approximately €268 million and €83 million are attributable to the Contractual Trust Arrangement for German subsidiaries and to the U.S. Midwest market unit, respectively.

Discount Rate			
Percentages	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Germany	5.50	4.50	4.00
United Kingdom	5.90	5.10	4.80
United States	6.35	5.95	5.50

The funded status, which is equal to the difference between the defined benefit obligation and the fair value of plan assets, is reconciled with the amounts recognized within the Consolidated Balance Sheets as shown in the following table:

Net Amount Recognized			
€ in millions	Sep. 30, 2007	Dec. 31, 2006	Jan. 1, 2006
Defined benefit obligation	15,376	17,306	17,849
Fair value of plan assets	-13,399	-13,342	-8,076
Funded status	1,977	3,964	9,773
Unrecognized past service cost	-4	-4	-5
Net amount recognized	1,973	3,960	9,768
Thereof accounted as			
Operating receivables	-412	-2	0
Provisions for pensions and similar obligations	2,385	3,962	9,768

The net periodic benefit cost for defined benefit plans is as follows:

Net Periodic Benefit Cost for Defined Benefit Plans				
€ in millions	July 1 - Sep. 30		Jan. 1 - Sep. 30	
	2007	2006	2007	2006
Employer service cost	61	53	185	184
Interest cost	201	190	609	572
Expected return on plan assets	-182	-132	-551	-381
Past service cost	3	6	6	7
Total	83	117	249	382

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(14) Segment Information

The reportable segments of the E.ON Group are presented in line with the Company's internal organizational and reporting structure.

- The Central Europe market unit operates E.ON's integrated electricity business and downstream gas business in Central Europe.
- Pan-European Gas is responsible for the European upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom.

- The Nordic market unit focuses on the integrated energy business in Northern Europe.
- The U.S. Midwest market unit is primarily active in the regulated energy market in the U.S. state of Kentucky.
- The Corporate Center contains the interests managed directly by E.ON AG, E.ON AG itself, and consolidation effects at the Group level.

Under IFRS, E.ON is required to report under discontinued operations those operations of a reportable or operating segment, or of a component thereof, which either have been disposed of or are classified as held for sale. In the first nine months of 2007, this applied to WKE, which is held for sale. In the first nine months of 2006, in addition to WKE, E.ON Finland and Degussa were also held for sale and were sold in June and August 2006, respectively. For the purposes of our business segment reporting, our results for the period

Financial Information by Business Segment

January 1 – September 30 € in millions	Central Europe		Pan-European Gas		U.K.	
	2007	2006	2007	2006	2007	2006
External sales	23,326	19,780	13,402	14,529	9,094	8,611
Intersegment sales	443	380	2,164	1,248	87	86
Sales	23,769	20,160	15,566	15,777	9,181	8,697
Adjusted EBITDA	4,578	4,402	2,438	2,450	1,381	1,125
Depreciation and amortization	-1,089	-1,084	-381	-381	-392	-410
Impairments ¹	-2	-1	-36	-231	-	-
Adjusted EBIT	3,487	3,317	2,021	1,838	989	715
Thereof earnings from companies accounted for under the equity method ¹	217	266	522	435	17	4
Segment result per IAS 14 ²	4,550	3,069	2,297	1,421	1,278	-311
Cash provided by operating activities	3,293	2,463	2,068	298	1,329	490
Investments	1,656	1,400	1,387	717	969	555
Intangible assets and property, plant and equipment	1,530	1,138	481	247	969	552
Share investments	126	262	906	470	-	3
Total assets (September 30 and December 31)	61,240	59,093	35,158	36,994	18,621	19,636
Thereof intangible assets (September 30 and December 31)	1,906	1,965	886	867	603	793
Thereof property, plant and equipment (Sep. 30 and December 31)	18,048	17,664	6,348	6,289	7,610	7,157

¹Impairments recognized in adjusted EBIT differ from the relevant amounts reported in accordance with IFRS due to impairments of equity method investments and other share investments which under IFRS are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. In the first nine months of 2007, differences resulted primarily from write-ups of share investments, which were recognized within nonoperating income. In the first nine months of 2006, the deviation was primarily due to impairments stemming from regulation on property, plant and equipment, which were recognized within nonoperating expenses, and on share investments at the Central Europe and Pan-European Gas market units.

²The segment result as required by IAS 14 is defined as income from continuing operations before financial results and income taxes. In contrast to the adjusted EBIT, which E.ON uses for internal performance measurement and as an indicator for sustainable profitability, the segment result according to IFRS is not adjusted for non-recurring items.

ended September 30, 2007, and for the prior-year period do not include the results of our discontinued operations (see the commentary on page 38).

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss (-) from continuing operations before income taxes and interest income and adjusted to exclude certain special items. The adjustments include adjusted interest expense (net), net book gains, and other nonoperating earnings.

Adjusted interest expense (net) is calculated by taking the interest and similar expenses (net) recorded in the Consolidated Statements of Income and adjusting it using economic criteria and excluding certain special items (that is, the portions of interest expense that are nonoperating). Net book

gains are equal to the sum of book gains and book losses from disposals included in other operating income and expenses. Other nonoperating earnings consists of other nonoperating income and expenses of a nonrecurring or rare nature. Depending on the case, such income and expenses may affect different line items of the Consolidated Statements of Income. For example, effects from the marking to market of derivatives are recorded under other operating income and expenses, while impairment charges on property, plant, and equipment are recorded under depreciation, amortization, and impairment charges.

Page 9 in the Interim Group Management Report of this Interim Report contains a detailed reconciliation of adjusted EBIT to net income. Due to the adjustments made, our financial information by business segment may differ from the corresponding IFRS figures.

	Nordic		U.S. Midwest		Corporate Center		E.ON Group	
	2007	2006	2007	2006	2007	2006	2007	2006
	2,370	1,911	1,376	1,452	-155	2	49,413	46,285
	83	56	-	-	-2,777	-1,770	-	-
	2,453	1,967	1,376	1,452	-2,932	-1,768	49,413	46,285
	849	705	409	439	-220	-242	9,435	8,879
	-254	-273	-117	-123	-12	-8	-2,245	-2,279
	-1	-	-	-6	-5	-1	-44	-239
	594	432	292	310	-237	-251	7,146	6,361
	-2	-	18	17	9	3	781	725
	613	322	319	284	-1,060	-278	7,997	4,507
	766	553	181	367	-414	303	7,223	4,474
	621	404	494	276	-381	-38	4,746	3,314
	616	353	494	276	5	-8	4,095	2,558
	5	51	-	-	-386	-30	651	756
	13,740	13,565	8,232	8,387	-9,249	-10,100	127,742	127,575
	208	229	16	20	371	20	3,990	3,894
	7,403	7,184	4,112	4,000	317	190	43,838	42,484

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(15) IFRS Reconciliation and Interim Financial Statements of the E.ON Group for the First Nine Months 2007

Explanatory Notes Concerning the Transition of Group Accounting Policies to International Financial Reporting Standards (IFRS)

E.ON will prepare its first Consolidated Financial Statements in accordance with IFRS for December 31, 2007. These financial statements will also include comparable financial statements for the fiscal year ended December 31, 2006. The effective date of the E.ON Group's IFRS Consolidated Opening Balance Sheet is January 1, 2006 (the date of transition to IFRS according to IFRS 1).

According to IFRS 1, the first IFRS Consolidated Financial Statements must use recognition and measurement principles that are based on standards and interpretations that are mandatory at December 31, 2007, the date of first-time preparation of Consolidated Financial Statements according to IFRS, provided these have been published effective December 31, 2007, and adopted by the EU. These accounting and measurement principles must be applied retrospectively to the date of transition to IFRS and for all periods presented within the first IFRS Consolidated Financial Statements.

Any resulting differences between the carrying amounts of assets and liabilities according to IFRS as of January 1, 2006, compared with those presented in the U.S. GAAP Consolidated Balance Sheet as of December 31, 2005, were recognized in equity within the IFRS opening balance sheet.

The Interim Financial Statements for the nine months ended September 30, 2007, have been prepared in accordance with all IFRS effective and adopted for use in the EU as of the end of the interim period.

As the IASB may issue additional pronouncements prior to the preparation of the Consolidated Financial Statements for the year ending December 31, 2007, whose application is mandatory or which E.ON may elect to apply prematurely, the IFRS applied to the 2007 year-end financial statements may deviate in some respects from the standards utilized within the Interim Financial Statements for the nine months ended September 30, 2007.

As provided for by IFRS 1, E.ON has applied the mandatory exceptions as well as certain optional exemptions described in the following text to the retrospective application of IFRS.

Explanation of the IFRS 1 Exemptions Applied by E.ON

In the IFRS Consolidated Opening Balance Sheet as of January 1, 2006, the carrying amounts of assets and liabilities from the U.S. GAAP balance sheet as of December 31, 2005, are generally recognized and measured according to those IFRS regulations in effect on December 31, 2007. For certain individual cases, however, IFRS 1 provides for optional exemptions to the general principle of retrospective application of IFRS. The following discussion describes the exemptions that E.ON has made use of in preparing its IFRS Consolidated Opening Balance Sheet.

Business Combinations

E.ON has elected to utilize the option under IFRS 1 not to apply the provisions of IFRS 3 retrospectively to business combinations that took place prior to the transition to IFRS. The presentation of these business combinations according to U.S. GAAP was maintained. In general, all of those assets and liabilities that were acquired in a business combination and that fulfill the IFRS recognition criteria must be recognized in the IFRS consolidated opening balance sheet. Furthermore assets and liabilities that were not recognized under U.S. GAAP but are subject to recognition under IFRS are recognized in the IFRS opening balance sheet. Any resulting adjustment amounts are recognized in retained earnings with no effect on net income unless they pertain to intangible assets whereby an adjustment of the goodwill determined under U.S. GAAP would be required. As no adjustment for intangible assets was required relating to such business combinations, the goodwill previously reported under U.S. GAAP was maintained in E.ON's opening balance sheet under IFRS.

Goodwill must be tested for impairment at the time of transition to IFRS. No impairment was determined by E.ON at the time of transition.

Cumulative Translation Differences

E.ON has elected to utilize the exemption provided for under IFRS 1 whereby the unrealized cumulative translation differences resulting from the translation of financial statements into the reporting currency of E.ON and previously reported within other comprehensive income, may be recognized in full at the time of transition to IFRS within equity.

In a subsequent disposal of an enterprise, only those foreign currency translation differences that were recognized in equity after the preparation of the opening balance sheet, are recognized in the gain or loss on disposal.

Significant Effects of Transition from U.S. GAAP to IFRS

The following reconciliations and their associated explanatory notes provide an overview of the effects of transition to IFRS. The adjustments are presented in the following sections:

- Equity as of January 1, 2006
- Equity as of September 30, 2006
- Equity as of December 31, 2006
- Net income for the interim period from January 1, 2006, through September 30, 2006
- Net income for the third quarter from July 1, 2006, through September 30, 2006
- Net income for the fiscal year from January 1, 2006, through December 31, 2006

Reconciliation of Equity

Reconciliation of Equity				
€ in millions		Dec. 31, 2006	Sep. 30, 2006	Jan. 1, 2006
Equity under U.S. GAAP		47,845	44,871	44,484
Change in the presentation of minority interests	a	4,917	4,872	4,734
Equity under U.S. GAAP, including minority interests		52,762	49,743	49,218
Effects of IAS 32	b	-2,780	-2,657	-3,249
Inventories	c	348	343	134
Pensions and similar obligations	d	-81	-177	-1,391
Other provisions	e	-129	-55	-43
Derivatives	f	226	-202	-566
Valuation of available-for-sale financial instruments	g	370	386	377
U.S. Regulation	h	279	375	403
Income taxes	i	223	133	800
Other	j	27	177	286
Total adjustments		-1,517	-1,677	-3,249
Equity under IFRS		51,245	48,066	45,969

a) Change in the Presentation of Minority Interests

Under IFRS, minority interests of third parties in the Group are reported as part of equity. Under U.S. GAAP, minority interests are reported separately from shareholders' equity.

b) Effects of IAS 32

Put Options on Minority Interests

Financial instruments for which a right of repayment exists for the investor do not constitute equity instruments under the IFRS definition of equity. E.ON has made conditional and unconditional commitments to certain minority shareholders to acquire the outstanding shares. As a result, a liability in the amount of the present value of the future exercise price must be reported. This reclassification from equity is irrespective of the probability of exercise and is reported separately within minority interests.

Under U.S. GAAP, these potential commitments are generally reported similar to derivatives at fair value.

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Minority Interests in German Partnerships

Under German corporate law, shareholders of a German partnership have a statutory, non-excludable right of termination. Under IAS 32, this right of termination causes the minority interests in the Group to be considered repayable. Accordingly, a corresponding liability at the present value of the expected settlement amount must be reclassified from equity, irrespective of the probability of exercise. The reclassification is reported separately within minority interests.

Under U.S. GAAP, these partnership interests are shown under minority interests.

In total, these effects resulted in a reduction in equity of €3,249 million within the opening balance sheet (September 30, 2006: -€2,657 million; December 31, 2006: -€2,780 million).

c) Inventories

Under U.S. GAAP, gas inventories were generally measured at LIFO. Under IAS 2, "Inventories" ("IAS 2"), this measurement method is not allowed. The adjustment to average-cost measurement of gas inventories resulted in an increase in equity of €134 million within the opening balance sheet (September 30, 2006: €343 million; December 31, 2006: €348 million).

d) Pensions and Similar Obligations

Both U.S. GAAP and IFRS require the formation of provisions for pension obligations. Differences in the opening balance sheet in the values recognized under IAS 19, and SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87"), resulted in particular from the election to recognize all cumulative actuarial gains and losses in equity under IFRS. As part of the transition, the intangible pension asset and the prepaid pension asset as well as the additional minimum liability were eliminated. As a result, equity decreased by €1,391 million within the opening balance sheet (September 30, 2006: -€177 million; December 31, 2006: -€81 million). Due to actuarial gains recognized directly in equity under IFRS the difference decreased by September 30, 2006. The further decline by December 31, 2006, is predominantly due to the first-time application of SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"), which also requires recognition of actuarial gains and losses within equity.

e) Other Provisions

Under IFRS, long-term provisions must generally be discounted at the market interest rate applicable as of the respective balance sheet date if the effect resulting from discounting (the difference between present value and repayment amount) is material. In contrast, U.S. GAAP sets more stringent requirements with regard to discountability, with the result that under IFRS, more provisions are recognized at their lower present values.

A further difference exists with regard to the subsequent measurement of provisions for asset retirement obligations. Under both U.S. GAAP and IFRS, the acquisition or production costs of property, plant and equipment must be increased to include future asset retirement cost. The increased amount is amortized over the useful life of the corresponding asset. Each subsequent remeasurement of the provision under IFRS leads to an increase or a reduction of the entire cost of the asset to be decommissioned, while a remeasurement under U.S. GAAP leads to an increase or a reduction of only the asset retirement cost. Remeasurements of this type only affect the income statement if a reduction of the provision causes the carrying amount of the corresponding asset (or, under U.S. GAAP, the asset retirement cost portion) to be reduced to zero; in this case, each further reduction of the provision is recognized in income. As a consequence of the different definitions of the corresponding asset items, remeasurements of asset retirement obligations are less frequently recognized within the income statement under IFRS than under U.S. GAAP.

A further reduction in equity resulted from the different treatment of the bonus features ("Aufstockungsbeträge") of early retirement arrangements under IFRS.

In total, the differences in the accounting for other provisions resulted in a reduction in equity of €43 million within the opening balance sheet (September 30, 2006: -€55 million; December 31, 2006: -€129 million).

f) Derivatives

Further differences exist with regard to the definition of a derivative. Under U.S. GAAP, there are industry-specific exceptions for power-plant-specific supply contracts that are not available under IFRS. This means that the definition of a derivative encompasses more contracts under IFRS.

In the case of embedded derivatives in certain supply and sale contracts, IFRS provides for the possibility of measuring only the embedded derivative, while reporting the non-derivative portion as a pending transaction. This is an exception for own use contracts. Under U.S. GAAP, the existence of an embedded derivative in these contracts gives rise to fair value reporting through income for the contract as a whole. Further effects arise from the definition of a derivative with regard to net settlement and market liquidity.

In total, these effects resulted in a reduction in equity of €566 million within the opening balance sheet (September 30, 2006: -€202 million; December 31, 2006: increase of €226 million).

g) Valuation of Available-for-Sale Financial Instruments

Under U.S. GAAP, non-marketable equity instruments are accounted for at cost. Under IFRS, all equity instruments must be reported at fair value to the extent that the fair value can be reliably determined. This applies even if an exchange quotation or another publicly available market price does not exist. Unrealized gains and losses from available-for-sale financial instruments, with the exception of impairment charges are reported in equity and reclassified when realized. The fair value measurement of available-for-sale equity instruments resulted in an increase in equity of €377 million within the opening balance sheet (September 30, 2006: €386 million; December 31, 2006: €370 million).

h) U.S. Regulation

Accounting for E.ON's regulated utility businesses, Louisville Gas and Electric Company, Louisville, Kentucky, U.S., and Kentucky Utilities Company, Lexington, Kentucky, U.S., of the U.S. Midwest market unit, conforms to U.S. generally accepted principles as applied to regulated public utilities in the United States of America. These entities are subject to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), under which certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery of such costs from customers in future rates approved by the relevant regulator. Likewise, certain credits that would otherwise be reflected as income

are deferred as regulatory provisions. The current or expected recovery by the entities of deferred costs and the expected return of deferred credits is generally based on specific rate-making decisions or precedent for each item. The regulatory assets and liabilities under U.S. GAAP do not fulfill the recognition criteria for assets and liabilities under IFRS. As a result, these regulatory assets and liabilities were offset against equity and resulted in an increase in equity of €403 million within the opening balance sheet (September 30, 2006: €375 million; December 31, 2006: €279 million).

i) Income Taxes

Compared with U.S. GAAP, the adjustments described above result in changes in temporary differences between IFRS carrying amounts and tax-basis values and, accordingly, to changes in deferred taxes.

Furthermore, under IAS 12, deferred taxes arising from investments in subsidiaries and associates (outside basis differences) are not recognized to the extent that the investor is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

Both of these effects had a significant impact on the effective tax rate applied for measuring quarterly taxes so that the material differences between IFRS and U.S. GAAP as of September 30, 2006, are due to different effective tax rates.

In total, these effects resulted in an increase in equity within the opening balance sheet of €800 million (September 30, 2006: €133 million; December 31, 2006: €223 million).

54 Notes to the Condensed Consolidated Interim Financial Statements

j) Other

Leasing

In a manner analogous to EITF 01-8, "Determining Whether an Arrangement Contains a Lease" ("EITF 01-8"), IFRIC 4 provides for the reporting of embedded leases. IFRIC 4 requires retrospective application whereas the equivalent provisions of EITF 01-8 under U.S. GAAP had to be applied prospectively as of May 28, 2003. The positive effect of this application on equity amounted to €90 million within the opening balance sheet (September 30, 2006: €91 million; December 31, 2006: €125 million).

Change in Scope of Consolidation

One gas storage company in the Pan-European Gas market unit must be additionally consolidated under IFRS. The obligation to consolidate arises from SIC Interpretation 12, "Consolidation—Special Purpose Entities" ("SIC 12"), since E.ON has a right to obtain the majority of this company's benefits and is thereby exposed to the majority of its business risks. The U.S. GAAP criterion of asymmetric distribution of opportunities and risks under Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R"), is not met. Moreover, there are significant protective rights for minority shareholders, meaning that control in the context of U.S. GAAP is not present. The consolidation of the gas storage company resulted in an increase in equity of €81 million in the opening balance sheet (September 30, 2006: €71 million; December 31, 2006: €70 million).

Impairment

Under U.S. GAAP, the first step in the impairment testing of property, plant and equipment and intangible assets is to determine whether the carrying amount of the asset or group of assets being tested may not be recoverable. The carrying amount is not recoverable if it exceeds the estimated future undiscounted cash flows arising from the use of the asset or group of assets tested. In such a case, the second step is to recognize an impairment charge in the amount of the difference between the previous carrying amount and the lower fair value. Under IFRS no two-step approach exists. The carrying amount of the asset being tested is compared with its

recoverable amount, which is the higher of an asset's value in use and its fair value less costs to sell. If the carrying amount exceeds the corresponding recoverable amount, an impairment charge is recognized in the amount of the difference. In the fourth quarter of 2006, impairment charges in the amount of €186 million were recognized in accordance with IFRS on property, plant and equipment and intangible assets at the U.K. market unit. No impairment was necessary under U.S. GAAP because the undiscounted cash flows exceeded the carrying amounts of the assets. As of December 31, 2006, this resulted in a decrease in equity under IFRS of €186 million.

Degussa

Furthermore, the conversion to IFRS of our interest in Degussa within the opening balance sheet as well as the subsequent related impacts during 2006 from the application of the equity method and the accounting for the disposal of Degussa under IFRS resulted in the following impacts on equity: January 1, 2006: -€31 million; September 30, 2006 and December 31, 2006: -€142 million.

Reconciliation of Net Income

Reconciliation of Net Income			July 1 - Sep. 30 2006	Jan. 1 - Sep. 30 2006
€ in millions		2006		
Net income under U.S. GAAP		5,057	-198	2,629
Change in the presentation of minority interests	a	526	-35	270
Net income under U.S. GAAP, including minority interests		5,583	-233	2,899
Effects of IAS 32	b	-121	-26	-65
Inventories	c	214	8	209
Pensions and similar obligations	d	118	31	91
Other provisions	e	-78	-2	-14
Derivatives	f	791	192	365
Valuation of available-for-sale financial instruments	g	-55	5	-28
U.S. Regulation	h	9	-26	-2
Income taxes	i	-363	11	-277
Other	j	-16	-3	225
Total adjustments		499	190	504
Net income under IFRS		6,082	-43	3,403

a) Change in the Presentation of Minority Interests

Consistent with the change in presentation within the balance sheet, minority interests are reported directly in equity under IFRS as part of the allocation of earnings. Under U.S. GAAP, minority interests in earnings are reported within the calculation of net income.

b) Effects of IAS 32

Put Options on Minority Interests

Financial instruments for which a right of repayment exists do not constitute equity instruments under the IFRS definition of equity. E.ON has made conditional and unconditional repurchase offers to certain minority shareholders to acquire the outstanding shares. Correspondingly, a liability in the amount of the present value of the future exercise price must be reported, irrespective of the probability of exercise. The accretion expense for the liability is shown in interest income. The minority interest remains part of the earnings' allocation reported directly within equity under IFRS.

Under U.S. GAAP, these potential commitments are generally reported at fair value similar to derivatives. Minority interests are included in the calculation of net income.

Minority Interests in German Partnerships

Under German corporate law, shareholders of a German partnership have a statutory, non-excludable right of termination. Under IAS 32, this right of termination causes the minority interests in the Group to be considered repayable. Accordingly, a corresponding liability in the present value of the expected settlement amount must be reclassified from minority interests. The shares in earnings to which the minority shareholders are entitled as well as the accretion expense for the liability must be shown as interest expense. Other changes in the value of the liability are reported as other operating income and expenses.

Under U.S. GAAP, these partnership interests are shown under minority interests. The share in earnings to which these minority shareholders are entitled is still shown as minority interests in earnings and included in the calculation of net income.

These effects resulted in a decrease of net income by €121 million for the year ended December 31, 2006 (third quarter 2006: -€26 million; first nine months of 2006: -€65 million).

56 Notes to the Condensed Consolidated Interim Financial Statements

c) Inventories

The adjustment from LIFO measurement of gas inventories as was generally applied under U.S. GAAP to average-cost measurement under IFRS resulted in an increase in net income of €214 million for the year ended December 31, 2006 (third quarter 2006: €8 million; first nine months of 2006: €209 million).

d) Pensions and Similar Obligations

E.ON has elected the option under IAS 19 to recognize all actuarial gains and losses within equity with no further amortization through net income as required under U.S. GAAP.

As a result, net income increased by €118 million for the year ended December 31, 2006 (third quarter 2006: €31 million; first nine months of 2006: €91 million).

e) Other Provisions

The differences in the accounting treatment of other provisions described in connection with the reconciliation of equity resulted in a reduction in net income of €78 million for the year ended December 2006 (third quarter 2006: -€2 million; first nine months of 2006: -€14 million). The increased charge as of the end of the fiscal year is primarily due to early retirement agreements at the Central Europe market unit.

f) Derivatives

Under U.S. GAAP, there are industry-specific exceptions for power-plant-related supply contracts that are not available under IFRS. This means that the definition of a derivative encompasses more contracts under IFRS.

In the case of embedded derivatives in certain supply and sale contracts, IFRS provides for the possibility of measuring only the embedded derivative, while reporting the non-derivative portion as a pending transaction. Under U.S. GAAP, the existence of an embedded derivative in these contracts gives rise to fair value reporting through income for the contract as a whole. Further effects arise from the definition of a derivative with regard to net settlement and market liquidity.

The total increase in net income for the year ended December 31, 2006, attributable to these circumstances was €791 million (third quarter 2006: €192 million; first nine months of 2006: €365 million).

g) Valuation of Available-for-Sale Financial Instruments

Under IFRS, the foreign currency translation effects from monetary financial instruments classified as available-for-sale are recognized in income to the extent to which they are related to acquisition costs. Under U.S. GAAP, these effects are classified as other comprehensive income, along with all other changes in fair value. For the year ended December 31, 2006, this resulted in a decrease in net income of €55 million (third quarter 2006: increase of €5 million; first nine months of 2006: -€28 million).

h) U.S. Regulation

The regulatory assets and liabilities under U.S. GAAP do not fulfill the recognition criteria for assets and liabilities under IFRS. Immediate recognition in the income statement of the resulting income and expenses resulted in an increase in net income of €9 million for the year ended December 31, 2006 (third quarter 2006: decrease of €26 million; first nine months 2006: decrease of €2 million).

i) Income Taxes

During the 2006 fiscal year, the above deviations in income, particularly with respect to pensions, resulted in changes of deferred taxes that reduced net income.

Furthermore, under IAS 12, deferred taxes arising from investments in subsidiaries and associates (outside basis differences) are not recognized to the extent that the investor is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future. In comparison with U.S. GAAP, this resulted in an increase in net income under IFRS.

Both of these effects had a significant impact on the effective tax rate applied for measuring quarterly taxes so that the material differences between IFRS and U.S. GAAP in the first nine months of 2006 are due to different effective tax rates.

Overall the changes in income taxes resulted in a reduction of net income during the year ended December 31, 2006, of €363 million (third quarter 2006: increase of €11 million; first nine months of 2006: -€277 million).

j) Other

A further difference results from the conversion to IFRS of our interest in Degussa both with respect to the equity results as well as the book gain calculated upon disposal in 2006. The conversion led to an increase in net income of €205 million

for the year ended December 31, 2006, as well as for the first nine months of 2006. This was offset by an impairment charge of €186 million at the U.K. market unit recognized only under IFRS in the fourth quarter 2006.

Cash Flow Adjustments

As a result of the conversion to IFRS, E.ON's first nine months of 2006 cash flows from operating, investing and financing activities were adjusted by -€18 million, €25 million and -€6 million (2006: -€33 million, €44 million and -€10 million) compared to U.S. GAAP, respectively. These insignificant adjustments result from differences in the scope of consolidation and the accounting for leasing in connection with IFRIC 4.

(16) Subsequent Events

E.ON responded to the improved situation on the financial markets with two bond issues. E.ON offered the international capital market €3.5 billion of euro benchmark bonds in September and £1.5 billion of pound-sterling benchmark bonds in October. The bonds were placed with a large number of institutional investors. Both transactions will be shown in E.ON's Consolidated Balance Sheets in the fourth quarter of 2007.

In early October 2007, E.ON signed a purchase agreement with Airtricity Holdings Ltd., an Ireland-based wind farm operator, to acquire its North American activities for \$1.4 billion (approximately €1.0 billion). The acquisition of Airtricity Inc. and Airtricity Holding (Canada) Ltd. (collectively "Airtricity") enables E.ON to greatly expand its wind power business. The purchase price includes \$553 million (approximately €390 million) of net debt and shareholder loans. Airtricity currently operates wind farms with around 210 MW of installed capacity with 880 MW more to be operational by the end of 2008. Wind farms already operational or under construction are situated in extremely favorable locations in Texas and New York and have above-average load factors. More than 1,000 MW of additional projects are at an advanced development stage. These projects will require approximately \$3.5 billion of investments through 2011. Other projects across the U.S. and Canada totaling more than 5,000 MW are at an early development stage. E.ON expects the transaction to close by the beginning of 2008 at the latest.

In mid-October 2007, E.ON and RAO UES, Russia's holding company for its state-owned energy assets, signed a final agreement for E.ON's purchase of a majority ownership interest in Russian power generation company OGK-4 OAO ("OGK-4"). Through the acquisition including a capital increase and subsequent share purchases, E.ON now holds 72.7 percent of OGK-4's capital stock. The purchase price, including the capital increase in cash to finance OGK-4's planned investment program, is approximately €4.3 billion, which includes the assumption of approximately €50 million in net debt. Under Russian securities law, after officially acquiring the stake E.ON must make a public tender offer to OGK-4's minority shareholders. RAO UES has announced that it does not intend to sell its remaining 22.5-percent stake in OGK-4. If all other minority shareholders tender their shares, E.ON could acquire about 5 percent more of OGK-4 for up to €0.3 billion. OGK-4 operates five conventional power stations at different locations with a total installed capacity of 8.6 gigawatts ("GW"). By 2011, OGK-4 plans to build additional, technologically advanced power plants with a total capacity of 2.4 GW at its existing locations. Investments for the new plants will total approximately €1.8 billion, of which €1.3 billion is included in the purchase price.

In October, E.ON and Statkraft signed a Letter of Intent for an asset swap. According to the terms of the agreement, E.ON will take over the 44.6-percent stake in E.ON Sverige currently held by Statkraft worth €4.4 billion and will consequently hold nearly 100 percent in E.ON Sverige. In return, Statkraft will receive from E.ON 934 MW of hydroelectric capacity in Sweden and roughly 1.1 GW of generation capacity in Germany, the United Kingdom, and Poland. The preliminary agreement also includes electricity supply in excess of approximately 100 MW for ten years as well as a structured gas contract for up to 100 million cubic meters for ten years. Additionally, Statkraft is expected to receive more than 2 percent of E.ON shares as compensation for the difference in value which is still to be determined. E.ON intends to use treasury shares for this purpose. The deal is expected to be finalized in the first half of 2008.

(17) Group Auditor Review

The Consolidated Interim Financial Statements as of September 30, 2007 and 2006, as well as the opening balance sheet as of January 1, 2006, and the Consolidated Financial Statements as of December 31, 2006, have been reviewed by our independent auditors.

58 Review report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, condensed cash flow statement, statement of recognized income and expense and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to September 30, 2007, which are parts of the nine-month financial report pursuant to § (Article) 37x Abs. (paragraph) 3 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 12, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Vogelpoth
Wirtschaftsprüfer
(German Public Auditor)

Dr. Schwieters
Wirtschaftsprüfer
(German Public Auditor)

Other Explanations Concerning the IFRS Reconciliations

In addition to the explanations in Note 15 concerning the reconciliation of equity and net income, the following describes the effects of the transition to IFRS on other important key financial figures.

Reconciliation of Adjusted EBIT

The reconciliation of adjusted EBIT from U.S. GAAP to IFRS for the third quarter 2006, the first nine months of 2006 as well as for the year ended December 31, 2006, is presented in the following tables:

Reconciliation of Adjusted EBIT										
July 1 - September 30, 2006 € in millions	Central Europe	Pan- European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	Core Energy Business	Other Activities ¹	E.ON Group	
Adjusted EBIT under U.S. GAAP²	789	138	259	9	120	-87	1,228	-	1,228	
Inventories	-	8	-	-	-	-	8	-	8	
Pensions and similar obligations	25	2	2	-	2	2	33	-	33	
Other provisions	25	-5	-	-2	-	-1	17	-	17	
Derivatives	-	-	-1	-	-	-	-1	-	-1	
U.S. Regulation	-	-	-	-	-1	-	-1	-	-1	
Other	-17	-2	-	-	-1	8	-12	-	-12	
Total adjustments	33	3	1	-2	-	9	44	-	44	
Adjusted EBIT under IFRS	822	141	260	7	120	-78	1,272	-	1,272	

¹Included in the other activities under U.S. GAAP was the 42.9 percent interest in Degussa accounted for at equity until its disposal in July 2006.
²Non-GAAP financial measure; see reconciliation in Interim Report III/2006, page 9.

Reconciliation of Adjusted EBIT										
Jan. 1 - September 30, 2006 € in millions	Central Europe	Pan- European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	Core Energy Business	Other Activities ¹	E.ON Group	
Adjusted EBIT under U.S. GAAP²	3,243	1,596	710	437	285	-260	6,011	53	6,064	
Inventories	-	209	-	-	-	-	209	-	209	
Pensions and similar obligations	77	6	6	-	3	6	98	-	98	
Other provisions	31	7	-	-5	-	-2	31	-	31	
Derivatives	-	-	-2	-	-	-	-2	-	-2	
U.S. Regulation	-	-	-	-	23	-	23	-	23	
Other	-34	20	1	-	-1	5	-9	-53	-62	
Total adjustments	74	242	5	-5	25	9	350	-53	297	
Adjusted EBIT under IFRS	3,317	1,838	715	432	310	-251	6,361	-	6,361	

¹Included in the other activities under U.S. GAAP was the 42.9 percent interest in Degussa accounted for at equity until its disposal in July 2006.
²Non-GAAP financial measure; see reconciliation in Interim Report III/2006, page 9.

60 Other Explanations Concerning the IFRS Reconciliations

Reconciliation of Adjusted EBIT									
2006 € in millions	Central Europe	Pan- European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	Core Energy Business	Other Activities ¹	E.ON Group
Adjusted EBIT under U.S. GAAP²	4,168	2,106	1,229	619	391	-416	8,097	53	8,150
Inventories	1	213	-	-	-	-	214	-	214
Pensions and similar obligations	102	9	6	-	3	8	128	-	128
Other provisions	33	-7	-	-107	-	-3	-84	-	-84
Derivatives	-	-	8	-	-	-	8	-	8
U.S. Regulation	-	-	-	-	32	-	32	-	32
Other	-69	26	-4	-	-	8	-39	-53	-92
Total adjustments	67	241	10	-107	35	13	259	-53	206
Adjusted EBIT under IFRS	4,235	2,347	1,239	512	426	-403	8,356	-	8,356

¹Included in the other activities under U.S. GAAP was the 42.9 percent interest in Degussa accounted for at equity until its disposal in July 2006.
²Non-GAAP financial measure, see reconciliation in 2006 Annual Report, page 36.

The increase in adjusted EBIT according to IFRS in 2006 is primarily due to the change in measurement of gas inventories from LIFO under U.S. GAAP to average-cost measurement under IFRS. An additional positive effect results from the reduction of the expense for pensions compared with U.S. GAAP which is primarily due to the elimination of the amortization of actuarial gains and losses in the income statement. The immediate recognition in income of U.S. regulatory assets and liabilities recognized in accordance with U.S. GAAP within the U.S. Midwest market unit also led to an increase in adjusted EBIT.

These positive effects were offset by the negative impact of differences in the accounting for other provisions. As required under IFRS, the adjusted EBIT of the "other activities" which was attributable to the equity earnings of E.ON's share in Degussa under U.S. GAAP, has been reclassified to discontinued operations.

For a detailed explanation of these effects see the description in Note 15 of the reconciliation of equity and net income.

Reconciliation of Adjusted Net Income

The following table describes the reconciliation from U.S. GAAP to IFRS of adjusted net income for the third quarter 2006, the first nine months of 2006 as well as for the entire 2006 fiscal year:

Reconciliation of Adjusted Net Income			
€ in millions	2006	July 1 - Sep. 30 2006	Jan. 1 - Sep. 30 2006
Adjusted net income under U.S. GAAP¹	4,386	539	3,386
Differences on EBIT	206	44	297
Adjusted interest income (net)	133	-12	-26
Income taxes	-73	48	-215
Minority interests	30	-10	-
Total adjustments	296	70	56
Adjusted net income under IFRS	4,682	609	3,442

¹Non-GAAP financial measure, see reconciliation in 2006 Annual Report, page 37.

The definition and reconciliation of net income to adjusted net income under IFRS is presented on page 10.

In addition to the differences in adjusted EBIT, the increase in adjusted net income as compared with U.S. GAAP, especially for the year ended December 31, 2006, is due primarily to the differences in adjusted interest income which results mainly from the differences in the accounting treatment of other provisions which are described in Note 15.

Financial Calendar

March 6, 2008	Release of 2007 Annual Report
April 30, 2008	2008 Annual Shareholders Meeting
May 2, 2008	Dividend Payout
May 14, 2008	Interim Report: January - March 2008
August 13, 2008	Interim Report: January - June 2008
November 12, 2008	Interim Report: January - September 2008

For more information about E.ON:

Corporate Communications
E.ON AG
E.ON-Platz 1
40479 Düsseldorf
Germany

T +49 (0)211-4579-453
F +49 (0)211-4579-566
info@eon.com
www.eon.com

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

This Interim Report contains certain forward-looking statements that are subject to risk and uncertainties. For information identifying economic, currency, regulatory, technological, competitive, and some other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, you should refer to E.ON's filings to the Securities and Exchange Commission (Washington, DC), as updated from time to time, in particular to the discussion included in the sections of the E.ON 2006 Annual Report on Form 20-F entitled "Item 3. Key Information: Risk Factors," "Item 5. Operating and Financial Review and Prospects," and "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

