

2011

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	2011	2010	+/- %
Electricity sales ²	857.0 billion kWh	713.8 billion kWh	+20
Gas sales ²	1,182.8 billion kWh	952.9 billion kWh	+24
Sales	€77,506 million	€63,938 million	+21
Adjusted EBITDA	€6,553 million	€10,809 million	-39
Adjusted EBIT	€3,737 million	€8,024 million	-53
Net income	€1,144 million	€3,781 million	-70
Net income attributable to shareholders of E.ON AG	€864 million	€3,522 million	-75
Adjusted net income	€1,585 million	€4,359 million	-64
Investments	€4,106 million	€5,573 million	-26
Cash provided by operating activities of continuing operations	€4,489 million	€9,161 million	-51
Economic net debt (September 30 and December 31)	-€34,468 million	-€37,701 million	+3,233 ³
Employees (September 30 and December 31)	79,457	85,111	-7
Earnings per share attributable to shareholders of E.ON AG	€0.46	€1.85	-75
Weighted-average shares outstanding (in millions)	1,905	1,905	-

¹Adjusted for discontinued operations.
²Includes trading sales volume.
³Change in absolute terms.

Glossary of Selected Financial Terms

Adjusted EBIT Adjusted earnings before interest and taxes. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature.

Adjusted EBITDA Adjusted earnings before interest, taxes, depreciation, and amortization. It is E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power.

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

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

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

January 1 – September 30, 2011

- Nine-month adjusted EBITDA down by 39 percent
- Systematic expansion of growth businesses: renewables, gas production, and power generation in Russia
- Full-year adjusted EBITDA still expected to be between €9.1 and €9.8 billion

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4 Dear Shareholders,

Your company's nine-month results are in line with our expectations. Sales rose by 21 percent year on year to roughly €78 billion. Adjusted EBITDA, however, declined by 39 percent to roughly €6.6 billion. The adverse factors include the early shutdown of several of our nuclear power stations in Germany, Germany's nuclear-fuel tax, and continued margin pressure in our gas wholesale business. By contrast, a number of our growth businesses—renewables, upstream gas, and power generation in Russia—increased their earnings. Our interim results have us on course to deliver on our full-year forecast. We still expect full-year adjusted EBITDA to be between €9.1 and €9.8 billion and full-year adjusted net income to be between €2.1 and €2.6 billion. We also still plan to pay out a dividend of €1 per share.

At the time we released our half-year results, we adjusted our full-year forecast because—in addition to the adverse impact of the shutdown of several of our nuclear power stations and the nuclear-fuel tax—the economic environment remains difficult in most of the European markets where we operate. Furthermore, at the present time it's nearly impossible to quantify the risks of international economic and financial developments. The EU's agreement on an expanded bailout fund doesn't mean that the danger is past. That's why it's more important than ever that we work even harder to build on E.ON's strengths. As we've demonstrated many times in our successful history, one of these strengths is that we actively shape our businesses for the future. The new strategy we announced in November 2010—cleaner & better energy—is the right platform for doing this. One of our strategy's four key components is that we improve our efficiency. In August 2011, we began to put this component into action by launching an efficiency-enhancement program called E.ON 2.0. To ensure our company's ability to take strategic action over the medium and long term, to secure our earnings strength, and thus to retain as many jobs as possible, by 2015 at the latest we intend to reduce our controllable costs from presently about €11 billion to €9.5 billion. In December, the Board of Management will provide the Supervisory Board with detailed information about our specific plans for E.ON 2.0. We're also discussing them with employee representatives to pave the way for swift implementation.

In line with our strategy, over the past twelve months we've also worked systematically to improve E.ON's financial strength and flexibility. As of September 30, 2011, we had reduced E.ON's net debt to about €34.5 billion and our net financial position even further, to about -€17 billion. The main driver has been the resolute implementation of our divestment program. Since November 2010, we've divested businesses worth more than €9 billion. Moody's downgrading of E.ON's rating—which was brought on primarily by Germany's accelerated phaseout of nuclear energy, the adverse impact of the nuclear-fuel tax, and the earnings situation in our gas business—didn't come as a surprise. The new rating remains in line with our target rating (solid single A) and therefore doesn't have a direct impact on our finance strategy. But it means that going forward we'll continue to need to actively manage our debt so that we have the financial flexibility to finance our businesses of the future.

This future has already begun. We now have about 2 gigawatts of installed wind capacity in the United States. Our new 400 MW combined-cycle gas turbine ("CCGT") in Yaiva increases our installed capacity in Russia's fast-growing power market to about 10 gigawatts. A gas discovery in the U.K. North Sea represents another step in the future development of our upstream gas business. And in Germany, the Ulrich Hartmann CCGT recently commissioned in Irsching sets new standards for fuel-efficient power generation. Units like this one are crucial for the energy turnaround. Distributed, climate-friendly power generation, offshore wind farms, CHP plants, smart grids, and the orchestration of these components in the energy system—these will comprise our core business in Germany. And we can leverage this expertise worldwide, which could help many countries transform their energy system. We can improve the energy supply in other parts of the world and do our part to help them achieve supply security.

E.ON can help shape the energy future if we resolutely pursue the course we've set. We're systematically implementing our new strategy, reorganizing our business in Europe and selected markets around the world, intensifying our efforts to achieve substantial cost reductions, and boosting our performance. Only companies that systematically transform themselves will be able to help shape the transformation of the energy world. I'm convinced that E.ON will be successful in this effort.

Best wishes,



Dr. Johannes Teysen

E.ON Stock

E.ON stock (factoring in reinvested dividends) finished the third quarter of 2011 24 percent below its year-end closing price for 2010, thereby underperforming its peer index (the STOXX Utilities declined by 12 percent during the same period), Germany's DAX index (-20 percent), and the EURO STOXX 50 index (-20 percent).

In the first three quarters of 2011, the number of E.ON shares traded rose to 2.3 billion shares, whereas E.ON's stock-exchange trading volume declined by 6 percent year on year to €45.8 billion due to the stock's lower average price.

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

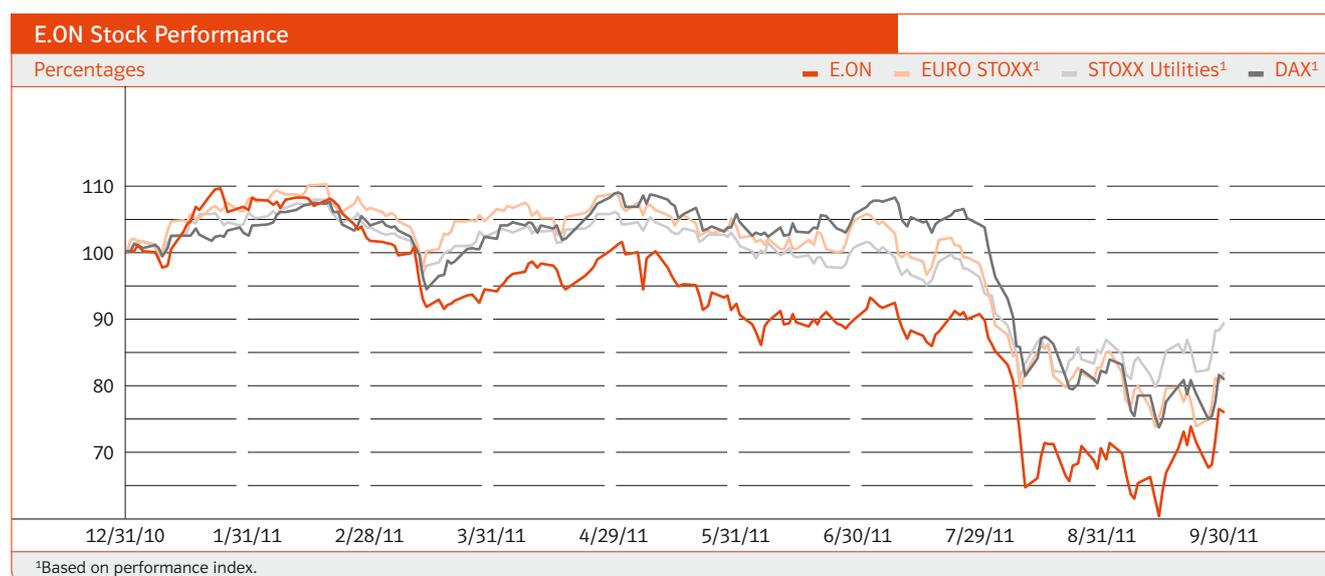
E.ON Stock		
	Sep. 30, 2011	Dec. 31, 2010
Shares outstanding (in millions)	1,905	1,905
Closing price (€)	16.36	22.94
Market capitalization (€ in billions) ¹	31.2	43.7

¹Based on shares outstanding.

Performance and Trading Volume		
January 1 - September 30	2011	2010
High (€) ¹	25.11	29.36
Low (€) ¹	12.88	21.57
Trading volume ²		
Millions of shares	2,339.4	1,926.5
€ in billions	45.8	48.5

¹Xetra.

²Source: Bloomberg (all German stock exchanges).



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Business and Operating Environment

Corporate Structure and Operations

E.ON is a major investor-owned energy company. Led by Group Management in Düsseldorf, our operations are segmented into global units and regional units. This new setup took effect on January 1, 2011. Figures of our former market units were allocated to our new entities.

Group Management

Group Management in Düsseldorf oversees the E.ON Group as a whole and coordinates its operations. Its tasks include charting E.ON's strategic course, defining its financial policy and initiatives, managing business issues that transcend individual markets, managing risk, continually optimizing the Group's business portfolio, and conducting stakeholder management.

Several entities perform important support functions for our core businesses wherever we operate. These functions (IT, procurement, insurance, consulting, business processes) are centrally organized so that we pool professional expertise and leverage synergies.

Global Units

Four global units are responsible for generation, renewables, gas, and energy trading. We also restructured our new-build and technology activities and combined our project-management and engineering expertise to support the construction of new assets and the operation of existing assets across the Group. This unit also oversees our entire research and development effort.

Generation

This global unit consists of our conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables

We also take a global approach to managing our carbon-sourcing and renewables businesses. Our objective is to extend our leading position in this growing market.

Gas

This global unit is responsible for gas procurement (including our own gas production) and for project and product development in gas storage, gas transport, liquefied natural gas, and technical asset support.

Trading

This unit is responsible for our trading activities in power, gas, coal, oil, and carbon allowances and is active on all major European energy exchanges.

Regional Units

Twelve regional units manage our distribution and sales operations (including distributed generation) in Europe: Germany, the United Kingdom, Sweden, Italy, Spain, France, the Netherlands, Hungary, the Czech Republic, Slovakia, Romania, and Bulgaria. We manage our power generation business in Russia as a special-focus region.

Energy Industry

According to preliminary figures from AGEB, an energy industry working group, Germany consumed about 4 percent less primary energy in the first nine months of 2011 than in the prior-year period. Significantly milder weather than in the cold prior year led to consumption declines, particularly for energy used for heating. As a result of Germany's decision to accelerate the phaseout of nuclear energy, nuclear's share of primary energy consumption fell by 21 percent to roughly 9 percent. Gas consumption declined by more than 9 percent because of significantly warmer weather and because less gas was used to fuel power and heat plants.

Electricity consumption in England, Scotland, and Wales was about 227 billion kWh in the first three quarters of 2011 compared with 233 billion kWh in the same period of 2010. Gas consumption (excluding power stations) fell from 427 billion kWh to 383 billion kWh. Exceptionally cold weather in the first and third quarters of 2010 along with a warm April 2011 were the main factors in the decline.

The Nordic region consumed 276 billion kWh of electricity, about 9 billion kWh less than in the same period of 2010, which generally saw cooler temperatures. Net electricity imports from surrounding countries were about 8 billion kWh compared with about 13 billion kWh in the prior-year period.

Hungary consumed 25.5 billion kWh of electricity, 1.4 percent more than in the prior-year period. The different number of work days and higher industrial demand were the main reasons for the increase. Driven by weather factors, Hungary's gas consumption fell by 5 percent to 7,668 million cubic meters.

Italy consumed 250.5 billion kWh of electricity, an increase of 1.7 percent from the prior-year figure (prior year: 246.3 billion kWh). Gas consumption declined by 4.2 percent to 587.5 billion kWh (613 billion kWh) due to weather factors.

Peninsular electricity consumption in Spain was 193 billion kWh, 1 percent below the prior-year figure (consumption was unchanged if adjusted for differences in temperature and the number of working days). Retail gas consumption increased slightly, rising by 0.6 percent to 191 billion kWh.

Through the end of August, France's electricity consumption fell by 5 percent to 315.9 billion kWh (consumption fell by 0.3 percent if adjusted for differences in temperature and the number of working days). By contrast, total generation increased by 0.4 percent to 361.5 billion kWh.

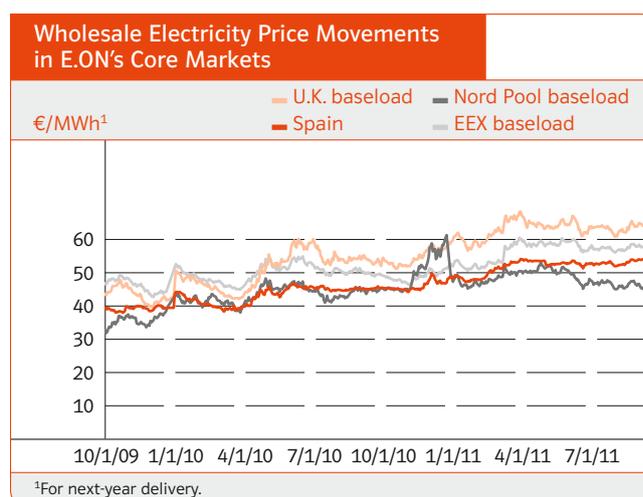
The Russian Federation generated about 742 billion kWh of electricity, 1.4 percent more than in the prior-year period.

Energy Prices

Four main factors drove electricity and natural gas markets in Europe and the electricity market in Russia in the first three quarters of 2011:

- international commodity prices (especially oil, gas, coal, and carbon-allowance prices)
- macroeconomic and political developments
- weather and natural disasters
- the availability of hydroelectricity in Scandinavia.

Whereas in the second quarter energy markets were still driven largely by the unrest in North Africa and the Middle East and by the earthquake and tsunami in Japan, in the third quarter Europe's debt crisis and worse prospects for global economic growth became increasingly tangible factors.



After at times exceeding \$125 per barrel at the start of the second quarter and holding at a temporary plateau of \$110 per barrel, the price of oil fluctuated widely in the third quarter, mainly reflecting uncertainty on equity and commodity markets. The low for the quarter, \$102 per barrel, came at the end of September.

Prices on Europe's coal market (as measured by the API#2 index) continued the downward trend seen in the second quarter. After declining from \$134 per metric ton at the start of April to \$128 in June, the front-year index ended the third quarter at \$122. The main drivers were lower oil prices and lower demand brought on by the uncertain economic outlook. By contrast, global demand for coal for power generation

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was robust, increasing by an estimated 5 to 6 percent compared with the prior-year figure. Largely responsible for the increase was India, whose coal consumption rose by nearly 40 percent year on year. The freight market benefited somewhat from China's increased demand for iron ore but otherwise remained weak because of ongoing oversupply.

After recovering strongly in the first quarter and remaining largely stable in the second, European forward gas prices declined slightly in the third quarter. The main factors were tepid demand forecasts, LNG availability, and uncertainty about oil prices. Developments in Japan, where most nuclear power stations remain out of service as they undergo comprehensive stress tests, had a stabilizing influence on gas prices. As result, the Asian LNG market is expected to remain tight. Gas prices rose sharply in August on Qatar's announcement that it would withdraw several gasification plants from service for scheduled maintenance but then fell again towards the end of the quarter due to the resumption of LNG supplies and lower demand forecasts.

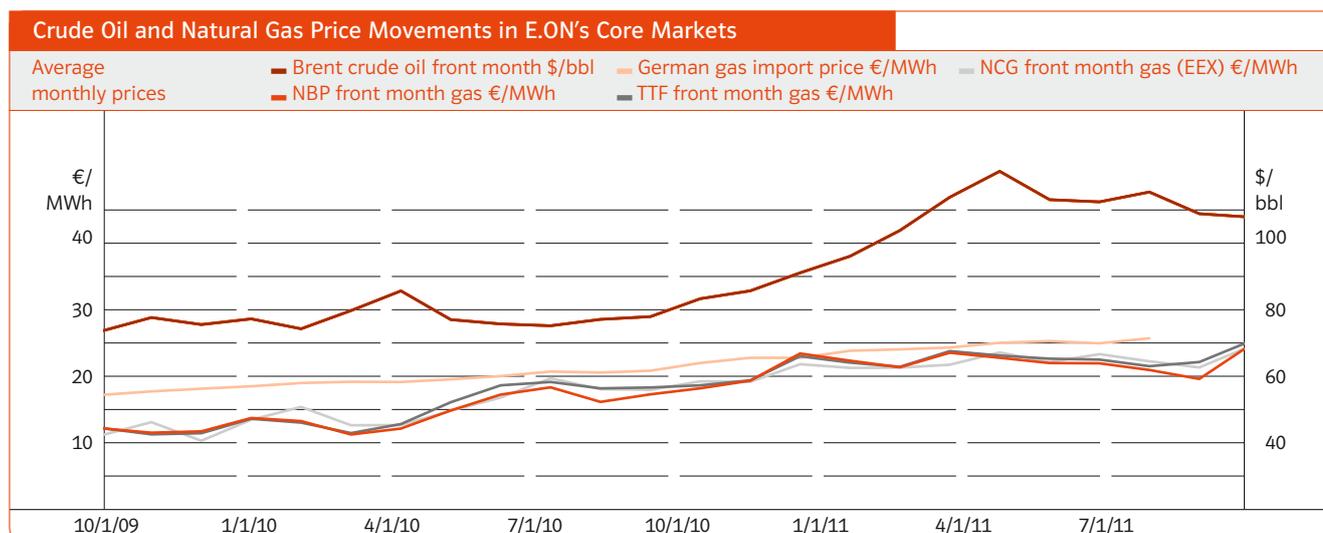
The December carbon contract for next-year delivery of EU allowances under the European Emissions Trading Scheme again came under pressure in the third quarter. After rising significantly in March and then trending downward due to Europe's debt crisis and worse prospects for global economic growth, December 2012 carbon fell to €10 per metric ton at the end of September. This trend was enhanced by the issuance of additional allowances from the Clean Development Mechanism program and the EU's New Entrants Reserve.



After spiking in the first quarter because of the Japan crisis and Germany's subsequent nuclear-energy moratorium and trending downward in the second quarter because of declining

carbon prices, German prices for baseload electricity for 2012 delivery were relatively stable in the third quarter. A temporary upward trend, which led to a peak of €59 per MWh, was counteracted by lower carbon and coal prices and weaker economic macroeconomic indicators. As a result, German power prices finished September at about €57 per MWh, roughly where they had stood at the end of June. For most of the quarter, U.K. electricity prices moved in a similar pattern to Germany's, albeit at a higher level. Electricity prices in the Nordic market continued to be strongly influenced by the situation in the country's water reservoirs. After extremely low reservoir levels in the first quarter, abundant precipitation and the resulting increase in reservoir inflows caused temporary sharp declines in spot prices, which also affected forward prices. Prices for delivery in 2012 fell from €47 per MWh in June to €44 in September. Compared with other European markets, lower carbon prices had less of an impact on power prices in Italy, which is less dependent on coal. As a result, Italian prices for next-year delivery tended to track the fluctuations in oil prices and finished the third quarter at about €74 per MWh. Forward electricity prices in Spain were also stable, fluctuating within a band of roughly €2.50; the slight downward trend of the second quarter did not continue.

Prices on the Russian market rose significantly in the first half of the year on higher fuel prices and increased demand in the European price zone. This trend reversed itself in the third quarter on lower-than-anticipated demand, particularly in the European price zone, where the weighted-average spot price fell by 3 percent to RUB 945 (around €22) per MWh. In the Siberian zone, the spot price remained stable in the third quarter at RUB 527 (around €12) per MWh, with lower demand offset by a maintenance-related reduction in plant availability.



Power Procurement

The E.ON Group's owned generation declined by 3 percent, from 200.3 billion kWh in the first three quarters of 2010 to 195.1 billion kWh in 2011. By contrast, power procured increased by 28 percent to 677.2 billion kWh.

The reduction in Generation's owned generation is primarily attributable to the shutdown of Unterweser and Isar 1 nuclear power stations in Germany after the expiration of the moratorium period set by the German federal government. The decline was also due to narrower margins in the United Kingdom, which made some plant less economic to operate.

Renewables' owned generation of 17.4 billion kWh exceeded the prior-year figure (16.3 billion kWh). Owned generation in the Hydro reporting unit declined in all regions due to lower water levels, falling by an aggregate 0.6 billion kWh. It was particularly lower in Germany due to a decline in precipitation.

By contrast, owned generation at the Wind/Solar/Other reporting unit rose by 32 percent to 7.2 billion kWh. Wind farms accounted for 96 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Owned generation at the Germany regional unit's distributed generating facilities was at the prior-year level. Less output from small-scale hydroelectric plants due to lower flowthrough was offset by positive effects from the commissioning of a generating unit in Plattling in April 2010.

Other EU Countries' owned generation declined by 0.9 billion kWh, mainly because narrower margins in the United Kingdom made some gas-fired units less economic to operate. The 2011 and 2010 figures for this segment include CHP output in the United Kingdom. A temperature-driven decline in owned generation in the Netherlands was another adverse factor.

Power Procurement																
Jan. 1-Sep. 30 Billion kWh	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Owned generation	122.5	132.6	17.4	16.3	-	-	5.1	5.1	5.2	6.1	44.9	40.2	-	-	195.1	200.3
Purchases	23.5	36.4	4.5	4.9	734.9	550.0	131.1	140.6	117.8	112.7	3.2	3.6	-337.8	-318.7	677.2	529.5
Jointly owned power plants	8.1	9.1	1.4	1.5	-	-	0.2	-	-	-	-	-	-	-0.8	9.7	9.8
Trading/outside sources	15.4	27.3	3.1	3.4	734.9	550.0	130.9	140.6	117.8	112.7	3.2	3.6	-337.8	-317.9	667.5	519.7
Total	146.0	169.0	21.9	21.2	734.9	550.0	136.2	145.7	123.0	118.8	48.1	43.8	-337.8	-318.7	872.3	729.8
Station use, line loss, etc.	-1.5	-2.4	-0.7	-0.8	-	-	-4.2	-4.4	-7.6	-7.0	-1.3	-1.4	-	-	-15.3	-16.0
Power sales	144.5	166.6	21.2	20.4	734.9	550.0	132.0	141.3	115.4	111.8	46.8	42.4	-337.8	-318.7	857.0	713.8

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Owned Generation by Energy Source												
Jan. 1-Sep. 30, 2011	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	45.1	36	-	-	-	-	-	-	-	-	45.1	23
Lignite	3.5	3	-	-	-	-	0.2	4	7.7	17	11.4	6
Hard coal	42.6	35	-	-	-	-	-	-	-	-	42.6	22
Natural gas, oil	31.3	26	-	-	0.1	2	4.3	82	37.2	83	72.9	37
Hydro	-	-	10.3	59	1.7	33	0.1	2	-	-	12.1	6
Wind	-	-	6.9	40	-	-	-	-	-	-	6.9	4
Other	-	-	0.2	1	3.3	65	0.6	12	-	-	4.1	2
Total	122.5	100	17.4	100	5.1	100	5.2	100	44.9	100	195.1	100

The Russia unit generated about 93 percent of its total needs of 48.1 billion kWh at its own power stations. When it made business sense, Russia met its delivery obligations by purchasing electricity instead of producing it.

Gas Procurement

E.ON Ruhrgas procured 488.6 billion kWh of natural gas from producers in and outside Germany in the first three quarters of 2011, about 2 percent less than in the prior-year period. The biggest suppliers were Russia (which accounted for 28 percent), Norway (25 percent), Germany (23 percent), and the Netherlands (15 percent). E.ON Földgáz Trade of Hungary, whose biggest supplier is Russia, accounted for the Gas global unit's remaining procurement (roughly 58 billion kWh). In addition, our Trading unit procures gas primarily on the spot market; E.ON companies procure gas from our Trading unit and from outside suppliers.

The Gas global unit's gas production in the North Sea declined to 931 million cubic meters. Oil and condensates production of 2.8 million barrels was also down, declining by 26 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord and Rita fields and natural production declines at older fields. Together, these factors caused total upstream production of gas, oil, and condensates to fall by 16 percent to 8.6 million barrels of oil equivalent. In addition to its North Sea production, Gas had 4.7 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. This represents a slight increase over the prior-year figure.

Upstream Production			
January 1-September 30	2011	2010	+/- %
Oil/condensates (million barrels)	2.8	3.8	-26
Gas (million standard cubic meters)	931	1,027	-9
Total (million barrels of oil equivalent)	8.6	10.2	-16

Trading Volume

To execute its procurement and sales mission for the E.ON Group, the Trading global unit traded the following financial and physical quantities:

Trading Volume		
January 1-September 30	2011	2010
Power (billion kWh)	1,508	1,137
Gas (billion kWh)	1,900	1,479
Carbon allowances (million metric tons)	489	525
Oil (million metric tons)	69	61
Coal (million metric tons)	193	176

The table above shows our entire trading volume for the first three quarters, including volume for delivery in future periods.

Power Sales

On a consolidated basis, the E.ON Group increased its nine-month power sales by 20 percent to 857 billion kWh. Higher trading sales volume was the main factor.

Generation sold 22.1 billion kWh less power than in the prior-year period. Power sales declined by 7.2 billion kWh in Germany (where the shutdown of Unterweser and Isar 1 nuclear power stations reduced deliveries to the Trading unit), by 7.1 billion kWh in France (due to the transfer of certain activities to Trading), and by 3.7 billion kWh in the United Kingdom (where narrower margins made some plant less economic to operate). Generation recorded its biggest increases in power sales in the Netherlands (+0.8 billion kWh) and Sweden (+0.6 billion kWh).

Renewables sold 0.8 billion kWh more power than last year. Power sales at the Hydro reporting unit declined by an aggregate 0.8 billion kWh on lower output in all regions. Wind/Solar/Other, which sells its output exclusively in markets with

incentive mechanisms for renewables, grew power sales by 1.6 billion kWh, or 25 percent, primarily because of an increase in its generating capacity.

The decline in power sales at the Germany regional unit primarily reflects the sale of our ultrahigh-voltage transmission system (transpower) in late February 2010. A decline in customer numbers was also an adverse factor.

Other EU Countries sold 3.6 billion kWh more power. Gains of 7.9 billion kWh (primarily in France and the United Kingdom, including output from CHP plants) more than offset declines of 4.3 billion kWh (primarily in Italy, Sweden, and Czechia).

The Russia unit sold 46.8 billion kWh on the wholesale market. This 10-percent increase is mainly attributable to the commissioning of new generating capacity.

Power Sales																
Jan. 1-Sep. 30 Billion kWh	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	-	-	-	-	-	-	18.2	20.0	44.5	45.6	-	-	-	-	62.7	65.6
I&C	2.9	3.0	-	1.4	-	-	27.8	21.4	58.0	53.7	-	-	-0.2	-0.1	88.5	79.4
Sales partners	27.0	26.5	3.5	2.1	-	-	59.5	62.9	1.1	2.1	-	-	-3.6	-6.4	87.5	87.2
Customer segments	29.9	29.5	3.5	3.5	-	-	105.5	104.3	103.6	101.4	-	-	-3.8	-6.5	238.7	232.2
Wholesale market/ Trading	114.6	137.1	17.7	16.9	734.9	550.0	26.5	37.0	11.8	10.4	46.8	42.4	-334.0	-312.2	618.3	481.6
Total	144.5	166.6	21.2	20.4	734.9	550.0	132.0	141.3	115.4	111.8	46.8	42.4	-337.8	-318.7	857.0	713.8

Gas Sales

On a consolidated basis, the E.ON Group increased its nine-month gas sales by 229.9 billion kWh, or 24 percent, to 1,182.8 billion kWh. Higher trading sales volume was the main factor.

Our Gas global unit is responsible for procuring gas for our regional sales entities and the Trading unit and for marketing gas in regions in which our sales and trading entities do not operate. This is reflected in Gas's sales volume, which is adjusted for intrasegment effects and consists of the gas sales of E.ON Ruhrgas, Ferngas Nordbayern, and E.ON Földgáz Trade. Gas sold a total of 519 billion kWh of gas, a reduction of about 21 billion kWh, or roughly 4 percent, relative to the first three quarters of 2010. Broken down by customer segment, Gas made 14 percent of its gas sales to sales partners, 55 percent to the Germany regional unit, 16 percent outside Germany, and 14 percent to Trading. The sales partner segment consists mainly of E.ON sales entities and regional gas companies and municipal utilities supplied directly by Gas. The roughly 29 billion kWh decline in sales to this segment primarily reflects warmer weather compared with the prior-year period. Gas sales to the Germany regional unit were about 4 billion kWh higher.

Gas sales outside Germany, which declined by about 5 billion kWh, consist mainly of the sales volume of E.ON Földgáz Trade, which sold about 62 billion kWh of gas. Gas sales to Trading rose by about 8 billion kWh year on year because of an increase in spot trading, which resulted mainly from increased trading in LNG cargos.

The Germany regional unit sold about 15 billion kWh less gas, mainly because of customer losses and weather effects.

Gas sales volume at Other EU Countries was down by 10.4 billion kWh. The main drivers were very cold weather in the prior-year period in the United Kingdom, Italy, and Hungary; ongoing energy-efficiency measures in the United Kingdom; increased customer churning in Italy; and a reduction in deliveries to gas-fired power plants in Sweden. Gas sales volume was higher in several other markets, particularly in Czechia, where an increase in sales volume resulting from the acquisition of new wholesale customers was partially offset by keener competition in the industrial segment.

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Gas Sales														
Jan. 1-Sep. 30 Billion kWh	Gas		Generation		Trading		Germany		Other EU Countries		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	-	-	-	-	-	-	17.1	22.5	59.5	66.5	-	-	76.6	89.0
I&C	5.6	5.3	-	-	-	-	98.1	102.7	35.4	37.9	-9.3	-5.7	129.8	140.2
Sales partners	69.8	98.3	-	-	-	-	187.2	193.5	0.7	1.4	-66.5	-73.1	191.2	220.1
Customer segments	75.4	103.6	-	-	-	-	302.4	318.7	95.6	105.8	-75.8	-78.8	397.6	449.3
Germany	288.1	284.3	-	-	-	-	-	-	-	-	-288.1	-284.3	-	-
Other countries	84.0	88.5	-	-	-	-	-	-	-	-	-14.0	-31.2	70.0	57.3
Wholesale market/ Trading	71.3	63.1	0.2	1.6	933.4	589.4	33.8	32.2	7.2	7.4	-330.7	-247.4	715.2	446.3
Total	518.8	539.5	0.2	1.6	933.4	589.4	336.2	350.9	102.8	113.2	-708.6	-641.7	1,182.8	952.9

Earnings Situation

Sales

Our nine-month sales rose by 21 percent year on year to €77.5 billion. Almost all our reporting segments recorded higher sales and had a higher share of external sales, particularly Trading.

Sales			
January 1-September 30 € in millions	2011	2010	+/- %
Generation	10,648	10,238	+4
Renewables	1,733	1,386	+25
Gas	15,955	14,770	+8
Trading	45,840	31,457	+46
Germany	27,065	26,256	+3
Other EU Countries	16,805	16,145	+4
Russia	1,171	972	+20
Group Management/ Consolidation	-41,711	-37,286	-
Total	77,506	63,938	+21

Generation

The Generation global unit increased its sales by €410 million relative to the prior-year figure.

Sales			
January 1-September 30 € in millions	2011	2010	+/- %
Nuclear	3,740	3,586	+4
Fossil	6,782	6,636	+2
Other/Consolidation	126	16	-
Generation	10,648	10,238	+4

The Nuclear reporting unit's nine-month sales were up by €154 million on higher market-based transfer prices for deliveries to our Trading unit in Germany. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace three years prior to delivery. The resulting transfer prices, which our Trading unit pays our generation units for their output, were higher in 2011 than the prices for the 2010 delivery period. At the same time, the impact of increased renewable energy production, especially solar, has led to decreased flexibility value of our conventional fleet. The German federal government's nuclear-energy moratorium and the shutdown of Unterweser and Isar 1 nuclear power stations had an adverse impact on sales. Nuclear's sales were positively impacted by higher sales volume, higher average transfer prices, and positive currency-translation effects in Sweden.

The Fossil reporting unit grew sales by €146 million on higher market-based transfer prices for deliveries to our Trading unit in Germany, the United Kingdom, and the Netherlands.

Renewables

Sales at Renewables rose by €347 million.

Sales			
January 1-September 30 € in millions	2011	2010	+/- %
Hydro	1,078	943	+14
Wind/Solar/Other	655	443	+48
Renewables	1,733	1,386	+25

The increase in sales of €135 million recorded at the Hydro reporting unit is mainly attributable to higher market-based transfer prices for deliveries to our Trading unit in Germany and Sweden. Lower output had a negative impact on sales.

The primary reason for the €212 million increase in Wind/Solar/Other's sales was a considerable increase in generating capacity, particularly in the United Kingdom, Denmark, and the United States.

Gas

Gas's sales were up by 8 percent to around €16 billion (prior year: €14.8 billion).

Sales			
January 1-September 30			
€ in millions	2011	2010	+/- %
Upstream	1,132	977	+16
Midstream	14,649	13,807	+6
Transmission/Shareholdings	815	1,177	-31
Other/Consolidation	-641	-1,191	-
Gas	15,955	14,770	+8

The Upstream reporting unit's sales rose by €155 million. Positive energy price developments and increased volume from North Sea as well as Yuzhno Russkoye gas fields more than offset lower production at gas fields in the North Sea.

The Midstream reporting unit grew sales by 6 percent. E.ON Ruhrgas's lower sales volume was more than offset by rising sales prices. Capacity enlargement led to higher sales at the storage business.

Lower transport charges in the regulated business and lower sales of control and balancing energy resulted in a decrease in sales at Transport/Shareholdings.

Trading

Trading recorded sales of about €45.8 billion in the first three quarters of 2011. The increase versus the prior-year period resulted mainly from higher sales volumes, particularly of power and gas. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income.

Sales			
January 1-September 30			
€ in millions	2011	2010	+/- %
Proprietary Trading	52	-12	-
Optimization	45,788	31,469	+46
Trading	45,840	31,457	+46

Germany

Sales at the Germany regional unit increased by €0.8 billion.

Sales			
January 1-September 30			
€ in millions	2011	2010	+/- %
Distribution Networks	8,535	7,572	+13
Non-regulated/Other	18,530	18,684	-1
Germany	27,065	26,256	+3

The Distribution Networks reporting unit grew sales by just under €1 billion. The increase is primarily attributable to significantly higher sales in conjunction with Germany's Renewable Energy Law. A regulation-driven decline in network charges was the main negative factor.

Sales at the Non-regulated/Other reporting unit fell by €154 million, mainly because the prior-year figure includes two months of sales from transpower's transmission business.

Other EU Countries

Other EU Countries grew sales by €660 million.

Sales			
January 1-September 30			
€ in millions	2011	2010	+/- %
UK	6,078	6,172	-2
(£ in millions)	(5,297)	(5,291)	(-)
Sweden	2,187	2,263	-3
(SEK in millions)	(19,705)	(21,834)	(-10)
Czechia	1,996	1,647	+21
(CZK in millions)	(48,627)	(41,923)	(+16)
Hungary	1,457	1,464	-
(HUF in millions)	(395,482)	(403,109)	(-2)
Remaining regional units	5,087	4,599	+11
Other EU Countries	16,805	16,145	+4

Sales at the UK regional unit declined by €94 million due to currency-translation effects; in local currency, sales were unchanged. The slight decline in sales resulting from the disposal of the regulated business (Central Networks) was more than offset by lower consolidation effects and higher sales in the retail business.

The Sweden regional unit's sales decreased by €76 million, despite positive currency-translation effects of €144 million. The decline is mainly due to lower retail sales which reflect a decline in spot prices from the high level seen in the first half of 2010.

Sales in Czechia rose by €349 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

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Sales at the Hungary regional unit were at the prior-year level.

Sales at the remaining reporting units rose by €488 million, in particular because of positive volume effects in France, the Netherlands, and Spain. The acquisition of new customers in France was another positive factor. Sales in Italy declined on lower sales volume.

Russia

An increase in generating capacity along with higher power prices enabled the Russia region to grow its nine-month sales by 20 percent, from €972 million in 2010 to €1,171 million in 2011. In local currency, sales were up by 23 percent, from RUB 38,547 million to RUB 47,282 million.

Development of Significant Line Items of the Consolidated Statements of Income

Own work capitalized of €363 million was 17 percent below the prior-year level (€435 million) and consisted chiefly of engineering services performed in our network business in conjunction with new-build projects.

Other operating income declined by 5 percent to €10,670 million (prior year: €11,266 million). Higher income from exchange-rate differences of €4,736 million (€4,135 million) was more than offset by significantly lower income from derivative financial instruments of €3,261 million (€4,923 million). In derivative financial instruments, there were significant effects from commodity derivatives, as in the prior-year period. These principally affected our coal, oil, and natural gas positions. Countervailing effects were recorded under other operating expenses. Gains on the disposal of securities, fixed assets, and shareholdings amounted to €1,535 million (€1,382 million). In the current-year period, these gains are primarily attributable to the sale of Gazprom stock and our U.K. power distribution network; in the prior-year period, to the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission.

Miscellaneous other operating income consisted primarily of reductions to valuation allowances and provisions as well as compensation payments received for damages.

Costs of materials rose by €17,965 million to €66,802 million (€48,837 million), primarily due to an increase in trading volume compared with the prior-year period, higher costs stemming from the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of nuclear power plants ("NPPs") in Germany, and higher procurement costs.

Personnel costs of €3,849 million were roughly on par with the prior-year figure (€3,876 million).

Depreciation charges declined by €2,227 million to €3,031 million (€5,258 million). The amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of NPPs in Germany made it necessary to record impairment charges. The prior-year figure primarily reflects impairment charges of €2.6 billion on goodwill and other assets at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa.

Other operating expenses rose by 20 percent, or €2,088 million, to €12,554 million (€10,466 million). This is mainly attributable to higher expenditures relating to currency differences of €5,543 million (€3,521 million) and losses on the disposal of shareholdings in the first three quarters of 2011 in the amount of €658 million. The latter mainly reflect negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup. Lower expenditures relating to derivative financial instruments of €3,185 million (€3,669 million) had a countervailing effect.

Income from companies accounted for under the equity method declined to €398 million (€403 million), primarily due to impairment charges resulting from the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of NPPs in Germany.

Adjusted EBITDA

Effective January 1, 2011, adjusted EBITDA replaced adjusted EBIT as our key figure for purposes of internal management control and as an indicator of our units' long-term earnings power. It is an earnings figure before interest, taxes, depreciation, and amortization and is adjusted to exclude certain extraordinary items. We made the change because adjusted EBITDA is unaffected by investment and depreciation cycles and also provides a better indication of our cash-effective earnings (see the commentary in Note 12 to the Condensed Consolidated Interim Financial Statements).

Our nine-month adjusted EBITDA was down by about €4.3 billion year on year. The main reasons were:

- the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of nuclear power plants ("NPPs") in Germany
- substantial pressure on margins in the gas wholesale business at Gas
- higher wholesale costs and the disposal of our regulated network business in the United Kingdom
- adverse price developments at Trading.

Adjusted EBITDA			
January 1–September 30 € in millions	2011	2010	+/- %
Generation	1,052	2,588	-59
Renewables	1,086	913	+19
Gas	1,291	1,984	-35
Trading	-145	1,307	-
Germany	1,647	1,610	+2
Other EU Countries	1,619	2,192	-26
Russia	378	272	+39
Group Management/ Consolidation	-375	-57	-
Total	6,553	10,809	-39

Generation

Generation's adjusted EBITDA declined by €1,536 million.

Generation				
January 1–September 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
Nuclear	-144	1,459	-365	1,336
Fossil	1,193	1,109	670	562
Other/Consolidation	3	20	-1	16
Total	1,052	2,588	304	1,914

The Nuclear reporting unit's adjusted EBITDA fell by €1.6 billion. Although its operations in Germany benefited from higher market-based transfer prices for deliveries to our Trading unit, the nuclear-energy moratorium, the amendment of Germany's Nuclear Energy Act (which calls for the early, unplanned shutdown of Unterweser, Isar 1, Krümmel, and Brunsbüttel NPPs), and expenses relating to the nuclear-fuel tax reduced earnings by a total of €2.3 billion. Nuclear's adjusted EBITDA in Sweden rose by €188 million, primarily because of higher sales volumes resulting from increased availability and higher average transfer prices.

Adjusted EBITDA at the Fossil reporting unit rose by €84 million. Higher earnings in Germany and the United Kingdom resulted mainly from higher market-based transfer prices compared with the prior-year period. Earnings in France were adversely affected by negative market-valuation effects and compensation payments in conjunction with the transfer of certain operations to Trading. Earnings in Italy were adversely affected by higher operating costs and intermittently narrower margins.

Renewables

Renewables' adjusted EBITDA increased by €173 million, or 19 percent.

Renewables				
January 1–September 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
Hydro	654	602	567	517
Wind/Solar/Other	432	311	253	159
Total	1,086	913	820	676

The Hydro reporting unit's adjusted EBITDA rose by 9 percent to €654 million, chiefly because of higher market-based transfer prices for deliveries to Trading. Earnings were adversely affected by lower output and by lower optimization effects due to volatile market prices in Spain.

Adjusted EBITDA at Wind/Solar/Other was significantly higher, mainly because of a considerable increase in generating capacity.

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Gas

Gas's adjusted EBITDA of €1,291 million was €693 million, or 35 percent, below the prior-year figure of €1,984 million.

Gas	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
January 1-September 30 € in millions				
Upstream	581	478	394	266
Midstream	45	825	-51	747
Transmission/ Shareholdings	455	564	349	461
Other/Consolidation	210	117	209	117
Total	1,291	1,984	901	1,591

Upstream's adjusted EBITDA rose by €103 million, primarily because of positive price developments.

Midstream's earnings development reflect the dramatic decline in earnings at the gas wholesale business. The disconnect between oil and gas prices and the resulting negative gas-oil spread led to considerable margin pressure. The prices of our purchase contracts, which are largely based on oil prices, are above the level of the prices that can be achieved in our gas sales business, which are based on market prices. Negotiations with several producers to adjust purchase prices were partially successful, but do not yet encompass the entire portfolio and in 2011 only partly offset the gas wholesale business's overall negative performance. Equity earnings were lower due to the sale of our Gazprom stake; in the prior-year period, we recorded a dividend. Our gas-storage business recorded slightly higher earnings, primarily because of an increase in capacity.

Adjusted EBITDA at Transport/Shareholdings declined on lower earnings at the transport business and the absence of positive nonrecurring effects recorded in the prior-year period.

Trading

Trading's adjusted EBITDA was -€145 million. Optimization, whose main purpose is to limit risks and to optimize the deployment of the E.ON Group's generation and production assets, had earnings of -€145 million, mainly because of higher transfer prices paid to our generation units' non-fossil portfolio and lower achieved prices. Although Proprietary Trading's performance improved year on year, it remained adversely affected by market developments following the German government's announcement of a nuclear-energy moratorium.

Trading	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
January 1-September 30 € in millions				
Proprietary Trading	-	-66	-2	-68
Optimization	-145	1,373	-153	1,369
Total	-145	1,307	-155	1,301

Germany

Adjusted EBITDA at the Germany regional unit increased by €37 million.

Germany	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
January 1-September 30 € in millions				
Distribution Networks	1,011	1,229	542	770
Non-regulated/Other	636	381	409	182
Total	1,647	1,610	951	952

Distribution Networks' adjusted EBITDA declined by €218 million, chiefly because of a regulation-driven reduction in power and gas network charges.

Adjusted EBITDA at Non-regulated/Other rose by €255 million, due in part to higher earnings in the retail business. Earnings also benefited from improvements stemming from cost-cutting measures. The disposal of the ultrahigh-voltage transmission system (transpower) in late February 2010 reduced earnings by €37 million.

Other EU Countries

Other EU Countries' adjusted EBITDA declined by 26 percent, or €573 million.

Other EU Countries	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
January 1-September 30 € in millions				
UK (£ in millions)	295 (257)	838 (718)	198 (173)	659 (565)
Sweden (SEK in millions)	506 (4,563)	467 (4,509)	329 (2,960)	303 (2,922)
Czechia (CZK in millions)	316 (7,698)	263 (6,822)	234 (5,701)	183 (4,658)
Hungary (HUF in millions)	201 (54,652)	233 (64,152)	110 (29,860)	125 (34,413)
Remaining regional units	301	391	197	263
Total	1,619	2,192	1,068	1,533

The UK regional unit's adjusted EBITDA decreased by €543 million, primarily because of higher costs in the wholesale market which led to narrower retail margins. The disposal of the regulated business (Central Networks) also had a negative impact on earnings; this business recorded adjusted EBITDA of €266 million in the second and third quarters of 2010.

The Sweden regional unit's adjusted EBITDA increased by €39 million due to positive currency-translation effects of €33 million. Wider margins in the retail and heat businesses were partially offset by negative effects from disposals.

Adjusted EBITDA in Czechia rose by €53 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

The main contributions to the Hungary regional unit's adjusted EBITDA came from its distribution network business (€163 million) and its retail business (€26 million). The decline from the prior-year figure is attributable to narrower margins, the revenue-based crisis tax Hungary introduced in 2010, and lower hedging earnings.

Adjusted EBITDA at the remaining reporting units decreased by €90 million, mainly because higher procurement costs led to narrower margins in the gas business in Romania. Higher allowances for overdue receivables in Italy constituted another negative factor. Wider margins at the distribution network business in Spain had a positive impact on earnings.

Russia

The Russia unit's adjusted EBITDA rose by €106 million, from €272 million in the prior-year period to €378 million, mainly because of an increase in generating capacity and an improved power margin. Adjusted EBIT was €276 million (prior year: €172 million). Adjusted EBITDA in local currency increased by 42 percent, from RUB 10,781 million to RUB 15,258 million. Adjusted EBIT was RUB 11,151 million (RUB 6,827 million).

Net Income

Net income attributable to shareholders of E.ON AG of €864 million and corresponding earnings per share of €0.46 were far below the respective prior-year figures, €3,522 million and €1.85.

Net Income		
January 1-September 30		
€ in millions	2011	2010
Adjusted EBITDA	6,553	10,809
Depreciation and amortization	-2,766	-2,706
Impairments (-)/Reversals (+) ¹	-50	-79
Adjusted EBIT	3,737	8,024
Adjusted interest income (net)	-1,349	-1,610
Net book gains/losses	1,250	893
Restructuring/cost-management expenses	-393	-363
Other non-operating earnings	-2,134	-766
Income/Loss (-) from continuing operations before taxes	1,111	6,178
Income taxes	20	-1,728
Income/Loss (-) from continuing operations	1,131	4,450
Income/Loss (-) from discontinued operations, net	13	-669
Net income	1,144	3,781
<i>Attributable to shareholders of E.ON AG</i>	<i>864</i>	<i>3,522</i>
<i>Attributable to non-controlling interests</i>	<i>280</i>	<i>259</i>

¹Impairments differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings.

Our adjusted interest expense (net) improved by €261 million year on year, mainly because of the reduction in the E.ON Group's net debt. The reversal of the adverse interest effect on prepayments to a fund to support renewables recorded at year-end 2010 also had a positive impact on adjusted interest expense (net).

Adjusted Interest Expense (Net)		
January 1-September 30		
€ in millions	2011	2010
Interest expense shown in Consolidated Statements of Income	-1,636	-1,626
Interest income (-)/expense (+) not affecting net income	287	16
Total	-1,349	-1,610

Nine-month net book gains were €357 million, or 40 percent, above the prior-year level. In the current-year period, book gains were recorded mainly on the sale of the network business in the United Kingdom, Gazprom equity, and securities; in the prior-year period, on the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission.

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Restructuring and cost-management expenditures increased by €30 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional utilities in Germany, as well as at the UK and France regional units. The current-year figure also includes costs relating to the restructuring of our IT organization.

Other non-operating earnings include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in a negative effect of €692 million at September 30, 2011, compared with a positive effect of €1,874 million at September 30, 2010. In the current-year period, there were also negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup, from impairment charges recorded in conjunction with the amendment of Germany's Nuclear Energy Act, and from prepayment penalties in connection with our announced debt reduction to the extent that such penalties have a tangible relationship to disposal proceeds. The prior-year figure was adversely impacted primarily by impairment charges of €2.6 billion on goodwill and other assets at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa.

Our tax expense fell by €1.7 billion compared with the prior-year period, principally because of the decline in our earnings and a relative increase in tax-free earnings.

Prior-year income/loss from discontinued operations, net, consists mainly of the earnings of the U.S. Midwest market unit, which was sold in 2010. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see Note 4 to the Condensed Consolidated Interim Financial Statements). The high negative figure reflects an impairment charge of €0.9 billion on goodwill at U.S. Midwest in conjunction with the disposal of our U.S. power and gas business.

Adjusted Net Income

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. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and non-controlling 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 principles (after taxes and non-controlling interests), as well as special tax effects.

Adjusted Net Income			
January 1-September 30 € in millions	2011	2010	+/- %
Net income attributable to shareholders of E.ON AG	864	3,522	-75
Net book gains	-1,250	-893	-
Restructuring and cost-management expenses	393	363	-
Other non-operating earnings	2,134	766	-
Taxes and non-controlling interests on non-operating earnings	-433	4	-
Special tax effects	-110	-72	-
Income/Loss from discontinued operations, net	-13	669	-
Total	1,585	4,359	-64

Financial Condition

Investments

Our nine-month investments declined by about €1.5 billion year on year to €4.1 billion. We invested about €4 billion in property, plant, and equipment and in intangible assets (prior year: €5.2 billion). Share investments totaled €110 million versus €340 million in the prior-year period.

Investments			
January 1-September 30 € in millions	2011	2010	+/- %
Generation	1,048	1,904	-45
Renewables	712	878	-19
Gas	787	763	+3
Trading	12	7	+71
Germany	531	588	-10
Other EU Countries	739	988	-25
Russia	248	366	-32
Group Management/ Consolidation	29	79	-63
Total	4,106	5,573	-26
<i>Maintenance investments</i>	712	670	+6
<i>Growth and replacement investments</i>	3,394	4,903	-31

Generation invested about €856 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €823 million, from €1,843 million to €1,020 million. The high prior-year figure mainly reflects expenditures on generation projects in Gönyü (Hungary), Malzenice (Slovakia), Irsching (Germany), Algeciras (Spain), and Émile Huchet (France), which are now completed. In addition, investments in the generation project in Maasvlakte (Netherlands) were higher in the prior-year period.

Investments at Renewables were down by €166 million. Hydro's investments of €47 million were 33 percent below the prior-year figure of €70 million. Wind/Solar/Other's investments declined by 18 percent, from €808 million to €665 million. These expenditures mainly reflect the development and construction of wind farms in Europe and the United States.

Gas invested €787 million. Of this figure, €724 million (prior year: €637 million) went towards property, plant, and equipment and towards intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €63 million (prior-year: €126 million) were chiefly attributable to the repurchase of E.ON Bioerdgas from E.ON Climate & Renewables and to a capital increase at the Nord Stream pipeline business.

The Germany regional unit invested €57 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €38 million to €524 million, owing principally to high expenditures in the prior year for Plattling power station and waste-incineration projects. Share investments totaled €7 million.

Investments at Other EU Countries were €249 million below the prior-year figure. The UK regional unit invested about €167 million (prior year: €365 million). The sale of Central Networks was the main cause for the decline. The Sweden unit invested €23 million less than in the prior-year period (€248 million). It invested €221 million (prior year: €246 million) in intangible assets and property, plant, and equipment to maintain and expand existing distributed generating units and to upgrade and modernize its distribution network. Share investments totaled €4 million versus €2 million in the prior-year period. Investments of €120 million in Czechia were at the prior-year level. Investments in Hungary declined by 6 percent to €103 million.

The Russia unit invested €248 million (prior year: €366 million), mainly in its new-build program.

Cash Flow and Financial Position

E.ON presents its financial condition using, among other financial measures, cash provided by operating activities of continuing operations and economic net debt.

At €4.5 billion, our cash provided by operating activities of continuing operations was considerably below the prior-year figure of €9.2 billion. The main reasons for the decline were cash-effective items in conjunction with the decrease in adjusted EBITDA, a non-recurring adverse effect relating to the refunding of pension assets in the United Kingdom, and negative working-capital effects. The main negative factors for the latter item were lower subsidy payments for new wind farms in the United States due to a decrease in new capacity commissioned and changes in working capital at Trading and Gas.

Cash provided by investing activities of continuing operations amounted to -€0.2 billion in the first three quarters of 2011 (prior year: -€3.8 billion). The sale of Central Networks was the main positive factor. In addition, investment expenditures on property, plant, and equipment were lower than in the prior-year period. Higher expenditures on securities and fixed-term deposits constituted a negative factor.

Cash provided by financing activities of continuing operations of -€6.6 billion (prior year: -€7.5 billion) primarily reflects E.ON's dividend payout and the repayment of financial liabilities ahead of schedule.

Compared with the figure recorded at December 31, 2010 (-€37,701 million), our economic net debt improved by €3,233 million to -€34,468 million. The main reasons for the improvement were the sale of Central Networks and the sale of the second tranche of Gazprom stock. In the first three quarters of 2011, our cash provided by operating activities and disposal proceeds exceeded our investments in property, plant, and equipment. E.ON AG's dividend payout had an adverse affect on our economic net debt. A decline in provisions for pensions could not offset an increase in provisions for nuclear waste management, which was due in part to the amendment of Germany's Nuclear Energy Act.

The calculation of economic net debt includes the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management) in order to also reflect the foreign-currency effects of financial transactions which, for accounting reasons, would not be included in the components of net financial position.

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Economic Net Debt		
€ in millions	Sep. 30, 2011	Dec. 31, 2010
Liquid funds	6,476	8,273
Non-current securities	5,029	3,903
Total liquid funds and non-current securities	11,505	12,176
Financial liabilities to banks and third parties	-27,765	-31,799
Financial liabilities resulting from interests in associated companies and other shareholdings	-781	-692
Total financial liabilities	-28,546	-32,491
Net financial position	-17,041	-20,315
Fair value (net) of currency derivatives used for financing transactions ¹	549	334
Provisions for pensions	-2,815	-3,250
Asset-retirement obligations	-16,675	-15,968
Less prepayments to Swedish nuclear fund	1,514	1,498
Economic net debt	-34,468	-37,701

¹Does not include transactions relating to our operating business or asset management.

E.ON did not issue bonds in the first three quarters of 2011. In line with the announcement that we would use a portion of disposal proceeds to reduce our debt, on January 24, 2011, we made a two-stage offer to repurchase, ahead of schedule, bonds with a face value of about €7 billion. We repurchased about €1.8 billion in bonds under this offer. In addition, we repaid or cancelled about €0.6 billion in promissory notes in the first three quarters of 2011. Together with on-schedule bond repayments of €1.4 billion and with the deconsolidation of €0.6 billion of debt due to the disposal of our U.K. distribution business, in the first three quarters of 2011 E.ON reduced its gross financial liabilities to financial institutions and third parties by €4 billion to roughly €28 billion.

In April 2011, E.ON's Debt Issuance Program ("DIP") was extended, as planned, for another year. The DIP enables us to issue debt to investors in public and private placements. It has a total volume of €35 billion, of which about €22 billion had been utilized at the time of the extension.

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A3. The short-term ratings are A-1 (S&P) and P-2 (Moody's). In July 2011, S&P reconfirmed

its A rating and changed the outlook from stable to negative. In October 2011, Moody's downgraded E.ON's short-term rating from P-1 to P-2 and its long-term rating from A2 to A3 with a stable outlook. The ratings assigned by both agencies therefore remain in line with E.ON's rating target (solid single A).

Asset Situation

Non-current assets at September 30, 2011, declined by 2 percent compared with the figure at year-end 2010, mainly due to the sales of the assets of our U.K. network business. This effect was partially offset by investments in property, plant, and equipment and by higher receivables from non-current derivative financial instruments.

Current assets declined by 12 percent from year-end 2010, mainly because of a decrease in operating receivables and the sale of Gazprom stock. These effects were partially offset by an increase in natural gas inventories.

Our equity ratio of 30 percent was unchanged from the figure recorded at year-end 2010 despite E.ON AG's dividend payout of €2.8 billion in May 2011.

Non-current liabilities declined by 6 percent relative to year-end 2010, primarily because of the early repayment of non-current debt. This effect was partially mitigated by an increase in liabilities from non-current derivative financial instruments.

Current liabilities declined by 3 percent relative to year-end 2010, mainly because of a decrease in operating liabilities.

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 41 percent (December 31, 2010: 43 percent).
- Non-current assets are covered by long-term capital at 104 percent (December 31, 2010: 108 percent).

Consolidated Assets, Liabilities, and Equity				
€ in millions	Sep. 30, 2011	%	Dec. 31, 2010	%
Non-current assets	104,182	72	106,657	70
Current assets	40,549	28	46,224	30
Total assets	144,731	100	152,881	100
Equity	42,650	30	45,585	30
Non-current liabilities	65,637	45	69,580	45
Current liabilities	36,444	25	37,716	25
Total equity and liabilities	144,731	100	152,881	100

Employees

As of September 30, 2011, the E.ON Group had 79,457 employees worldwide, 7 percent less than at year-end 2010. E.ON also had 2,477 apprentices and 292 board members and managing directors.

As of the same date, 44,007 employees, or 55 percent of all staff, were working outside Germany, slightly less than at year-end 2010.

Employees ¹			
	Sep. 30, 2011	Dec. 31, 2010	+/- %
Generation	10,747	10,997	-2
Renewables	1,806	1,737	+4
Global Gas	3,212	3,189	+1
Trading	1,018	1,062	-4
Germany	21,683	21,084	+3
Other EU Countries	32,138	37,403	-14
Russia	4,887	4,812	+2
Group Management/Other ²	3,966	4,821	-18
Total	79,457	85,105	-7

¹Does not include board members, managing directors, or apprentices.
²Includes E.ON IT Group.

The headcount at Generation was lower mainly because of the sale of a power station in Poland.

The decline in the number of employees at Trading is attributable to the expiration of temporary secondments and employment contracts as part of this unit's centralization and to fluctuations.

The headcount at the Germany unit was higher mainly because of the expansion of service companies and additional employees at our regional distribution companies in conjunction with Germany's Renewable Energy Law. This effect was partially offset by the transfer of employees to the Group Management/Other segment as part of the further centralization of functions.

The decline in the number of employees at Other EU Countries is mainly attributable to disposals at the UK and Sweden regional units.

The headcount at Russia increased because of the expansion of a newly created central repair shop.

The increase in Group Management/Other segment's headcount due to the implementation of E.ON's new organizational setup was more than offset by the outsourcing of IT infrastructure and by a deconsolidation at E.ON IT Group.

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.

Market Risks

Our units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. The global unit Gas continues to face considerable competitive pressure in the gas marketplace. Competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable risks for natural gas purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are predominantly indexed to oil prices, whereas sales prices are increasingly guided by wholesale prices. Generally, contracts between producers and importers are subject to periodic adjustments to the current market situation. E.ON Ruhrgas is conducting intensive negotiations with producers. After unsuccessful negotiations with Gazprom, E.ON Ruhrgas exercised its contractual option of opening an arbitration process against Gazprom.

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The demand for electric power and natural gas is seasonal, with our operations generally experiencing higher demand during the cold-weather months of October through March and lower demand during the warm-weather months of April through September. As a result of these seasonal patterns, our sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of our energy operations can be negatively affected by periods of unseasonably warm weather during the fall and winter months. Our units in Scandinavia could be negatively affected by a lack of precipitation, which could lead to a decline in hydroelectric generation. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

We use a comprehensive sales management system and intensive customer management to minimize these risks.

Commodity Price Risks

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to binding Group-wide guidelines and a Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. To limit commodity price risks, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The Trading unit aggregates and consistently manages the price risks we face on Europe's liquid commodity markets.

We mainly use electricity, gas, coal, carbon allowance, and oil price hedging transactions to limit our exposure to risks resulting from price fluctuations, to optimize systems and load balancing, and to lock in margins. We also engage in proprietary commodity trading in accordance with detailed guidelines and within narrowly defined limits.

Financial Risks

The international nature of E.ON's business operations exposes E.ON to risks from currency fluctuation. One form of this risk is transaction risk, which occurs when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which occurs when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the euro-zone are translated into euros and entered into our Consolidated Financial Statements. We limit currency risk by conducting systematic currency management involving

derivative and underlying financial instruments. Currency-translation risk results mainly from transactions denominated in U.S. dollars, pounds sterling, Swedish kroner, Norwegian kroner, and Hungarian forints.

E.ON faces earnings risks from financial liabilities, accounts payable, short-term financing with variable interest rates, and interest derivatives that are based on variable interest rates.

We also use systematic risk management to manage our interest-rate and currency risks. Here, E.ON AG plays a central role by aggregating risk positions through intragroup transactions and hedging these risks on the market. Due to its intermediary role, E.ON AG's risk position is largely closed.

E.ON's operating activities and use of derivative financial instruments expose E.ON to credit-default risks. We use a Group-wide credit risk management system to systematically monitor the creditworthiness of our business partners on the basis of Group-wide minimum standards. We manage our credit-default risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about all material credit-default risks.

E.ON could face liquidity risks due to margin calls resulting from adverse price developments of derivative financial instruments.

In addition, E.ON also faces risks from price changes and losses on the current and non-current investments it makes to cover its non-current obligations, particularly pension and asset-retirement obligations. The foundation of our risk management in this area is a conservative investment strategy and a broadly diversified portfolio.

Further risks could result from the European Commission's plans to change the regulation of derivatives traded over the counter ("OTC") and possibly to rescind energy-trading companies' exemption from the Markets in Financial Instruments Directive ("MiFID"). The Commission is considering introducing mandatory clearing of energy OTC trades that exceed an amount that has yet to be determined. This would increase the margin requirements for such transactions, which could lead to an increased liquidity risk. It could also have a negative impact on E.ON's economic net debt. Rescinding the MiFID exemption for energy-trading companies would have effects

similar to the regulation of OTC transactions. These changes could also result in increased capital requirements and disclosure obligations for E.ON's energy-trading companies.

Strategic Risks

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance, on acceptable terms, our energy business. In order to obtain the necessary approvals for acquisitions, we may be required to divest other parts of our business or to make concessions or undertakings that materially affect our business. In addition, there can be no assurance that we will be able to achieve the returns we expect from any acquisition or investment. For example, we may fail to retain key employees; may be unable to successfully integrate new businesses with our existing businesses; may incorrectly judge expected cost savings, operating profits, or future market trends and regulatory changes; or may spend more on the acquisition, integration, and operation of new businesses than anticipated. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and expose us to commercial and other risks.

We have comprehensive processes in place to manage potential risks relating to acquisitions and investments. These processes include, in addition to the relevant company guidelines and manuals, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and project controlling. Comprehensive post-acquisition integration projects also contribute to successful integration.

In the case of planned disposals, E.ON faces the risk, which is not assessable, of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible to determine the likelihood of these risks. If planned disposals do not take place or are significantly delayed, this would have a negative impact on the planned development of our debt factor.

Operational Risks

Technologically complex production facilities are involved in the production and distribution of energy. Significant parts of Europe and the United States have experienced major power outages in recent years. The reasons for these outages vary, although generally they involved a locally or regionally inadequate balance between power production and consumption, with single failures triggering a cascade-like shutdown of lines and power plants following overload or voltage problems. The high loads on Europe's integrated transmission system have led to bottlenecks at various locations, which has resulted in lower levels of safety reserves in the network. These factors create the need for additional expansion of the transmission network. Germany's Renewable Energy Law and the energy turnaround are resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network, as well. Furthermore, some regions have seen an increase in decentralized feed-in (primarily from renewables), which has shifted load flows. In Germany, where power plants are located in closer proximity to population centers than in many other countries, the risk of blackouts is lower due to shorter transmission paths and a strongly meshed network. Nevertheless, our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities, including new-build projects, could negatively impact our earnings.

Capacity markets will play an important role for E.ON in a number of the electricity markets where it operates. Russia and Spain already have capacity markets, and Sweden has a peak load reserve capacity market. France and Italy have passed legislation to create capacity markets, and the U.K. government has recommended taking the same step. Germany is also weighing the issue. This could result in market-design risks for E.ON, which could face a competitive disadvantage, particularly if there is a focus on specific generating technologies or if some existing assets are not included.

We could also be subject to environmental liabilities associated with our power generation operations that could materially and adversely affect our business. In addition, new or amended environmental laws and regulations may result in material increases in our costs.

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The following are among the comprehensive measures we take to address these risks:

- systematic employee training, advanced training, and qualification programs
- further refinement of our production procedures, processes, and technologies
- regular facility and network maintenance and inspection
- company guidelines as well as work and process instructions
- quality management, control, and assurance
- project, environmental, and deterioration management
- crisis-prevention measures and emergency planning.

Should an accident occur despite the measures we take, we have a reasonable level of insurance coverage.

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that price-adjustment clauses of years past are invalid in the special-customer segment. In July 2010, the Federal Court of Justice issued a ruling against EWE AG pertaining to the validity of gas-price adjustments and the legal status of uncontested payments. At this time, we cannot conclusively evaluate this ruling's possible consequences for E.ON Group companies, in part because of inconsistencies in the rulings of different state superior courts.

On July 8, 2009, the European Commission fined E.ON Ruhrgas and E.ON (as joint debtor) €553 million for an alleged market-sharing agreement with GdF Suez. In September 2009, E.ON Ruhrgas and E.ON filed an appeal with the European Court of First Instance to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. We cannot rule out the possibility of subsequent lawsuits.

In September 2011, the European Commission undertook inspections at the premises of several gas supply companies in Central and Eastern Europe, including at E.ON Group companies. The Commission is investigating potential anticompetitive practices by Gazprom, possibly in collusion with other companies. The Commission points out that the fact that it carries out such inspections does not mean that a company is guilty of anticompetitive practices.

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's legally binding land-use plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the land-use plan did not sufficiently take into consideration binding state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, rendering the ruling legally binding. However, the SAC's ruling does not forbid the realization of a hard-coal-fired power plant at the planned site. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a project-related legally binding land-use plan. On December 13, 2010, the Regionalverband Ruhr ("RVR") passed a resolution to institute a regional plan-alteration process which in May 2011 was confirmed by an expert legal opinion solicited by the RVR. On June 20, 2011, the RVR passed a resolution to continue the regional plan-alteration process and began the public consultation process. The new planning process must address and resolve the SAC's objections in order to reestablish a reliable planning basis for the Datteln power plant. In view of the planning processes under way, we currently anticipate that the Datteln plant will become operational later than originally planned. The suits filed by a farmer and the BUND NRW against the preliminary decision and certain partial permissions for construction are still pending before the SAC; among the questions at issue is the extent of environmental groups' title to sue due to the most recent rulings in this regard by the Court of Justice of the European Union. To ensure the supply of district heating and of traction power, E.ON therefore took the precautionary measure of withdrawing its notification of the shutdown of Datteln units 1 to 3 and Shamrock generating unit effective December 31, 2012. The district governments in Münster and Arnsberg, which have jurisdiction over the matter, rejected the withdrawal. As a matter of sound business practice and to secure the supply of district heating and of traction power, E.ON filed lawsuits against the Münster and Arnsberg rulings. However, we remain convinced that the new plant will be successfully completed. In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by conducting appropriate project management.

There are also lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000. In addition, court actions, governmental investigations, and proceedings, and other claims could be instituted or asserted in the future against companies of

the E.ON Group. We attempt to minimize the risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

E.ON Ruhrgas currently obtains about one fourth of its total natural gas supply from Russia pursuant to long-term supply contracts with Gazprom. In addition, E.ON Ruhrgas currently obtains natural gas from five other supply countries, giving it one of the most diversified gas procurement portfolios in Europe. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control.

External Risks

The political, legal, and regulatory environment in which the E.ON Group does business is also a source of external risks. Changes to this environment can lead to considerable uncertainty with regard to planning.

The reactor accident in Fukushima has led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") last fall in line with the stipulations of the coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Nuclear Energy Act and established a number of stricter rules. The report prepared by the Reactor Safety Commission in the wake of the moratorium did not bring to light any safety defects, particularly with reference to the events in Japan, that would justify an earlier shutdown of German NPPs. Nevertheless, the federal government—with the support of the Ethics Commission—concluded that it would not be responsible for Germany to use nuclear energy after 2022. In addition to rescinding the eleventh amendment, the newly amended Nuclear Energy Act calls for a gradual phaseout of nuclear power to end in 2022 and for the temporary shutdown of the seven NPPs that entered service before year-end 1980 and of Krümmel NPP to become permanent as of the date the Act took effect. There is a risk that the remaining NPPs may not be able to make full use of their assigned production volumes before their respective operating lifetimes expire. E.ON is implementing the political majority's decision on an earlier phaseout of nuclear energy. At the same time, however, E.ON believes that the nuclear phaseout, under the current legislation, is irreconcilable with our constitutional right to property and our constitutional

freedom to operate a business. In any case, such an intervention is unconstitutional unless compensation is granted for the rights so deprived. Consequently, we expect appropriate compensation for the billions of euros in stranded assets created by this decision. We are preparing to file a suit before Germany's Constitutional Court on this matter. In view of the curtailment of operating lifetimes, all four NPP operators in Germany have suspended prepayments of their contributions to the Energy and Climate Fund. The federal government's resolutions retain the nuclear-fuel tax at its original level. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal questions. E.ON is therefore instituting administrative proceedings and taking legal action against the tax. The proceedings regarding Gundremmingen B, Grohnde, Grafenrheinfeld, Emsland, Brokdorf, and Isar 2 NPPs have already begun. Although the levying of the tax was suspended for one of the above-mentioned NPPs, conclusive court rulings will not be handed down until some time in the future.

As established in its coalition agreement, the German federal government lifted the Gorleben moratorium. The study of the Gorleben site will now continue. In order to be able to make an initial determination, during the current legislative period, of whether the Gorleben salt dome is a suitable site, the Federal Ministry of the Environment has commissioned a preliminary safety analysis of whether Gorleben can comply with new safety requirements for the final disposal of heat-generating, radioactive waste. By the end of the year, the German federal government intends to present draft legislation that sets a firm timeline and establishes the processes for conducting an open-outcome study of Gorleben, for establishing general geological criteria, and for examining alternative disposal options.

European regulatory agencies have been putting together recommendations for a legally binding set of rules on how gas transmission system operators ("TSOs") manage gas capacity and bottlenecks in their systems. The rules will apply to cross-border transfer points between member states and to transfer points between different gas TSOs within a single member state. Market participants had an opportunity to take part in an official consultation concerning the recommendations, which may create risks for existing supply contracts and for intraday flexibility. In parallel, the Federal Network Agency (known by its German acronym, "BNetzA") issued a ruling at the start of the year on capacity rules and auction procedures. This ruling will have a particular impact on the allocation of cross-border and cross-market-area transport capacity, which, from now on will be allocated by an auction mechanism.

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E.ON restructured its six regional distribution companies ("RDCs") in Germany in 2008. As part of this process, system operations were reintegrated into the RDCs so that they function as the distribution system operator. At the same time, generation and retail operations were transferred to subsidiaries and the retail subsidiaries placed under central management. The BNetzA may invoke unbundling to forbid the RDCs from having ownership interests in the retail subsidiaries. If the courts deem such a decision legal, the affected RDCs would have to be restructured.

The BNetzA has stipulated that IT-based billing systems must have a firewall between data on sales customers and data on network customers. E.ON encountered some technical delays in implementing this requirement together with a new harmonized billing system. The system migrations resulted in a number of residual errors. Following complaints from traders, the BNetzA imposed monetary fines on one E.ON RDC. The legality of these fines is now being reviewed. Five of the six E.ON RDCs have successfully migrated to the new IT system. The remaining RDC is offering the billing solution approved by the BNetzA until its system is migrated.

Open Grid Europe ("OGE," formerly E.ON Gastransport) is supposed to have been subject to incentive-based regulation since the start of 2010. In mid-2011, OGE made available to the BNetzA documents the agency will use to set OGE's initial revenue cap for the second regulatory period (2013-2017). We anticipate that the BNetzA's cost analysis, including the process of seeking clarifications from OGE, will last until the summer of 2012. It will be followed by a new efficiency benchmarking, and a new assigning to groups, of Germany's highly heterogeneous gas TSOs. The BNetzA will derive the revenue caps for 2013-2017 from the individual efficiency factor it calculates for each TSO. The BNetzA recently announced that the return on equity will be reduced from the current 9.29 percent to 9.05 percent for new assets and from 7.56 percent to 7.14 percent for old assets.

In August 2009, the European Commission, the European Parliament, and the member states approved the third internal energy market package. In addition to the complete ownership unbundling of electricity and gas TSOs, the third internal-market package gives member states the option of establishing an independent transmission operator ("ITO") or an independent system operator ("ISO"). The third internal energy market package will affect the entire value chain and will grant national and European regulatory agencies far-reaching new authority to intervene in markets. Risks result not only from the increased scope of intervention options, but

also from the legislation that the member states enact to transpose the third legislative package into national law, which may not use the ISO or ITO option and which could go beyond the guidelines of the electricity and gas directives. Although the March 2011 deadline for transposing the two directives has passed, some member states continue to work on transposing them into national law.

We try to manage these risks by engaging in an intensive and constructive dialog with government agencies and policymakers.

IT Risks

The operational and strategic management of the E.ON Group relies heavily on complex information technology. Our IT systems are maintained and optimized by qualified E.ON Group experts, outside experts, and a wide range of technological security measures. In addition, the E.ON Group has in place a range of technological and organizational measures to counter the risk of unauthorized access to data, the misuse of data, and data loss.

Management's Evaluation of the Risk Situation

During the third quarter of 2011, the risk situation of the E.ON Group's operating business did not change substantially compared with the second quarter of 2011. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

Forecast

Earnings

We expect the German federal government's recent decision to shut down nuclear power stations early and to transform the country's energy supply to have a substantial negative impact on our full-year earnings. Along with the existing adverse factors—Germany's nuclear-fuel tax, the full auctioning of EU carbon allowances starting in 2013, the altered market environment in the gas business, and narrower wholesale margins—this new policy environment presents our company with considerable business challenges. From today's perspective, we continue to anticipate that our 2011 adjusted EBITDA will be between €9.1 billion and €9.8 billion, although there are a number of changes in our guidance for individual segments. We expect our 2011 adjusted net income to be in a range from €2.1 billion to €2.6 billion.

Generation's 2011 adjusted EBITDA will reflect the adverse effects of the German federal government's decision to shut down nuclear power stations early and to transform the country's energy supply and will be substantially below the prior-year level. We expect Generation's 2011 adjusted EBITDA to be between €1.9 and €2.2 billion. This reduction of €0.1 billion relative to our previous guidance is due in part to a number of extended power plant outages.

For Renewables we anticipate a 2011 adjusted EBITDA of between €1.4 and €1.6 billion. This segment will benefit from a significant increase in generating capacity, particularly in wind power.

We expect Gas's 2011 adjusted EBITDA to be well below the prior-year level. The reason is that the gas wholesale business is under considerable margin pressure due to the disconnect between oil-indexed procurement prices and achievable gas wholesale prices. Despite the ongoing negotiations to reduce procurement costs, Gas's gas wholesale business will not record positive earnings in 2011 because in the case of some producers no contractual adjustments are anticipated in the current year. Earnings at the E&P business will be higher thanks to the positive development of commodity prices. The commissioning of new capacity will also enable the storage business to increase its earnings. Due to regulatory pressure, earnings at the transport business will be below the prior-year level. On balance, we now expect Gas's full-year adjusted EBITDA to be between €1.1 and €1.6 billion. This increase relative to our previous guidance is due to higher earnings primarily from optimization in the gas wholesale business.

We anticipate that Trading's 2011 adjusted EBITDA will be between -€0.7 and -€0.5 billion, mainly due to continued high transfer prices between Trading and the generation units. This effect is enhanced by declining achieved prices. This reduction relative to our previous guidance is due mainly to a difficult market environment characterized by low commodity prices, low liquidity, and low volatility, all of which result from declining macroeconomic expectations.

We expect the Germany segment's 2011 adjusted EBITDA to be between €2.2 and €2.4 billion. An overall positive business performance (including improved retail earnings) is the reason for the increase in our forecast for this segment. Earnings in 2010 benefited in particular from positive effects in the network business that will not be repeated in a similar magnitude in 2011.

We anticipate that Other EU Countries will post an adjusted EBITDA of €2.2 to €2.4 billion in 2011. A key factor will be the absence of an adverse earnings effect relating to renewables recorded at the Czechia regional unit in 2010. Adjusted for portfolio measures, the forecast for this segment is unchanged.

We expect Russia's 2011 adjusted EBITDA to be between €0.5 and €0.7 billion. It will benefit the commissioning of new generating capacity along with higher margins at existing capacity.

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. 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.

The EU internal energy market is supposed to be completed by 2014 and serve as the first step towards a long-term European energy strategy. Nevertheless, many member states pursue their own agenda, aspects of which are not compatible with EU policy objectives. An example of this is the different approaches member states are taking with regard to capacity markets. We believe that an interconnected European market and nationally oriented markets will develop in parallel. This could lead to a situation in which E.ON, which operates across Europe, will have to look for opportunities in a fragmented regulatory environment.

In the period under review, our opportunities did not change significantly relative to those described in our 2010 Group Management Report.

28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements – comprising the balance sheet, income statement, statement of recognised income and expenses, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to September 30, 2011 which are part of the quarterly 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 8, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Schwieters Wirtschaftsprüfer (German Public Auditor)	Michael Reuther Wirtschaftsprüfer (German Public Auditor)
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Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income					
€ in millions	Note	July 1-Sep. 30		Jan. 1-Sep. 30	
		2011	2010	2011	2010
Sales including electricity and energy taxes		24,876	19,979	79,045	65,370
Electricity and energy taxes		-418	-345	-1,539	-1,432
Sales	(12)	24,458	19,634	77,506	63,938
Changes in inventories (finished goods and work in progress)		27	38	33	84
Own work capitalized		108	178	363	435
Other operating income		2,878	2,699	10,670	11,266
Cost of materials		-20,970	-15,305	-66,802	-48,837
Personnel costs		-1,332	-1,273	-3,849	-3,876
Depreciation, amortization and impairment charges		-894	-3,461	-3,031	-5,258
Other operating expenses		-3,672	-2,698	-12,554	-10,466
Income/Loss (-) from companies accounted for under the equity method		153	60	398	403
Income/Loss (-) from continuing operations before financial results and income taxes		756	-128	2,734	7,689
Financial results	(6)	-653	-467	-1,623	-1,511
Income/Loss (-) from equity investments		-44	23	13	115
Income from other securities, interest and similar income		165	232	523	541
Interest and similar expenses		-774	-722	-2,159	-2,167
Income taxes		93	118	20	-1,728
Income/Loss (-) from continuing operations		196	-477	1,131	4,450
Income/Loss (-) from discontinued operations, net	(4)	-	89	13	-669
Net income		196	-388	1,144	3,781
Attributable to shareholders of E.ON AG		173	-389	864	3,522
Attributable to non-controlling interests		23	1	280	259
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(7)				
from continuing operations		0.10	-0.25	0.45	2.20
from discontinued operations		0.00	0.05	0.01	-0.35
from net income		0.10	-0.20	0.46	1.85

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses				
€ in millions	July 1-Sep. 30		Jan. 1-Sep. 30	
	2011	2010	2011	2010
Net income	196	-388	1,144	3,781
Cash flow hedges	-258	-99	-92	-167
Unrealized changes	-412	-307	-122	-165
Reclassification adjustments recognized in income	154	208	30	-2
Available-for-sale securities	-153	20	-861	-504
Unrealized changes	-134	52	-105	-394
Reclassification adjustments recognized in income	-19	-32	-756	-110
Currency translation adjustments	-621	-791	122	91
Unrealized changes	-636	-709	-448	392
Reclassification adjustments recognized in income	15	-82	570	-301
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-371	-1,354	4	-2,054
Companies accounted for under the equity method	-30	-41	-43	5
Unrealized changes	-30	-41	-43	5
Reclassification adjustments recognized in income	-	-	-	-
Income taxes	73	200	-39	667
Total income and expenses recognized directly in equity	-1,360	-2,065	-909	-1,962
Total recognized income and expenses (total comprehensive income)	-1,164	-2,453	235	1,819
Attributable to shareholders of E.ON AG	-1,067	-2,287	33	1,626
Attributable to non-controlling interests	-97	-166	202	193

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E.ON AG and Subsidiaries Consolidated Balance Sheets			
€ in millions	Note	Sep. 30, 2011	Dec. 31, 2010
Assets			
Goodwill		14,045	14,588
Intangible assets		7,506	8,070
Property, plant and equipment		56,777	60,870
Companies accounted for under the equity method	(8)	6,244	6,343
Other financial assets	(8)	7,188	6,104
<i>Equity investments</i>		2,159	2,201
<i>Non-current securities</i>		5,029	3,903
Financial receivables and other financial assets		3,492	3,357
Operating receivables and other operating assets		4,904	4,022
Income tax assets		773	822
Deferred tax assets		3,253	2,481
Non-current assets		104,182	106,657
Inventories		5,268	4,064
Financial receivables and other financial assets		1,593	1,674
Trade receivables and other operating assets		24,281	27,492
Income tax assets		2,484	2,678
Liquid funds		6,476	8,273
<i>Securities and fixed-term deposits</i>		2,510	1,697
<i>Restricted cash and cash equivalents</i>		107	433
<i>Cash and cash equivalents</i>		3,859	6,143
Assets held for sale	(4)	447	2,043
Current assets		40,549	46,224
Total assets		144,731	152,881
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		27,013	29,026
Accumulated other comprehensive income		-386	410
Treasury shares	(9)	-3,531	-3,531
Equity attributable to shareholders of E.ON AG		38,844	41,653
Non-controlling interests (before reclassification)		4,419	4,532
Reclassification related to put options		-613	-600
Non-controlling interests		3,806	3,932
Equity		42,650	45,585
Financial liabilities		25,086	28,880
Operating liabilities		7,567	6,506
Income taxes		2,459	3,406
Provisions for pensions and similar obligations	(11)	2,815	3,250
Miscellaneous provisions		21,190	20,381
Deferred tax liabilities		6,520	7,157
Non-current liabilities		65,637	69,580
Financial liabilities		3,460	3,611
Trade payables and other operating liabilities		25,231	26,357
Income taxes		3,065	2,578
Miscellaneous provisions		4,688	4,950
Liabilities associated with assets held for sale	(4)	-	220
Current liabilities		36,444	37,716
Total equity and liabilities		144,731	152,881

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1–September 30 € in millions	2011	2010
Net income	1,144	3,781
Income from discontinued operations, net	-13	669
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	3,031	5,257
Changes in provisions	236	213
Changes in deferred taxes	-761	363
Other non-cash income and expenses	1,051	130
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (=3 months)	-768	-1,274
Changes in operating assets and liabilities and in income taxes	569	22
Cash provided by operating activities of continuing operations (operating cash flow)	4,489	9,161
Cash provided by operating activities of discontinued operations	-	454
Cash provided by operating activities	4,489	9,615
Proceeds from disposal of	5,908	1,848
<i>Intangible assets and property, plant and equipment</i>	257	87
<i>Equity investments</i>	5,651	1,761
Purchases of investments in	-4,106	-5,573
<i>Intangible assets and property, plant and equipment</i>	-3,996	-5,233
<i>Equity investments</i>	-110	-340
Changes in securities and fixed-term deposits	-2,322	325
Changes in restricted cash and cash equivalents	328	-359
Cash used for investing activities of continuing operations	-192	-3,759
Cash provided by (used for) investing activities of discontinued operations	-	-320
Cash used for investing activities	-192	-4,079
Payments received/made from changes in capital	5	-353
Payments for treasury shares, net	-	-
Cash dividends paid to shareholders of E.ON AG	-2,858	-2,858
Cash dividends paid to non-controlling interests	-180	-229
Changes in financial liabilities	-3,536	-4,048
Cash used for financing activities of continuing operations	-6,569	-7,488
Cash provided by financing activities of discontinued operations	-	10
Cash used for financing activities	-6,569	-7,478
Net increase/decrease in cash and cash equivalents	-2,272	-1,942
Effect of foreign exchange rates on cash and cash equivalents	-12	3
Cash and cash equivalents at the beginning of the year	6,143	4,210
Cash and cash equivalents at the end of the quarter	3,859	2,271
Less: Cash and cash equivalents of discontinued operations at the end of the quarter	0	5
Cash and cash equivalents of continuing operations at the end of the quarter	3,859	2,266

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Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2010	2,001	13,747	26,609	-2,005	3,511	46
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Other changes						
Share additions			-144			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			2,181	74	-518	-111
<i>Net income</i>			3,522			
<i>Other comprehensive income</i>			-1,341	74	-518	-111
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			-1,341			
<i>Changes in accumulated other comprehensive income</i>				74	-518	-111
Balance as of September 30, 2010	2,001	13,747	25,788	-1,931	2,993	-65
Balance as of January 1, 2011	2,001	13,747	29,026	-1,570	1,923	57
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Other changes						
Share additions			16			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			829	94	-822	-68
<i>Net income</i>			864			
<i>Other comprehensive income</i>			-35	94	-822	-68
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			-35			
<i>Changes in accumulated other comprehensive income</i>				94	-822	-68
Balance as of September 30, 2011	2,001	13,747	27,013	-1,476	1,101	-11

Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-3,530	40,379	4,157	-550	3,607	43,986
		166		166	166
		58		58	58
		-41		-41	-41
	-2,858	-209		-209	-3,067
		-3		-3	-3
	-144	3		3	-141
			6	6	6
	1,626	193		193	1,819
	3,522	259		259	3,781
	-1,896	-66		-66	-1,962
	-1,341	-97		-97	-1,438
	-555	31		31	-524
-3,530	39,003	4,324	-544	3,780	42,783
-3,531	41,653	4,532	-600	3,932	45,585
		-106		-106	-106
		38		38	38
		-41		-41	-41
	-2,858	-177		-177	-3,035
					0
	16	-29		-29	-13
			-13	-13	-13
	33	202		202	235
	864	280		280	1,144
	-831	-78		-78	-909
	-35	2		2	-33
	-796	-80		-80	-876
-3,531	38,844	4,419	-613	3,806	42,650

34 Notes to the Condensed Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

The Interim Report for the nine months ended September 30, 2011, has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective and adopted for use in the European Union ("EU").

With the exception of the new regulations described in Note 2, this Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2010 fiscal year.

This Interim Report prepared in accordance with IAS 34 is condensed compared with the scope applied to the Consolidated Financial Statements for the full year. For further information, including information about E.ON's risk management system, please refer to E.ON's Consolidated Financial Statements for the year ended December 31, 2010, which provide the basis for this Interim Report.

(2) Newly Adopted Standards and Interpretations

IAS 24, "Related Party Disclosures"

In November 2009, the IASB issued a revised version of IAS 24, "Related Party Disclosures" ("IAS 24"). In particular, the revisions clarify the definition of a "related party" and simplify the disclosure requirements for entities deemed related by virtue of being controlled or significantly influenced by a particular government. Revised IAS 24 has been transferred by the EU into European law and its application is thus mandatory for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. There was no material impact for E.ON.

Omnibus Standard to Amend Multiple International Financial Reporting Standards

In the context of its Annual Improvements Process, the IASB revises existing standards. In May 2010, the IASB published a corresponding omnibus standard, the third issued under this process. It contains changes to IFRS and their associated Bases for Conclusions. The omnibus standard has been transferred by the EU into European law. The endorsement has

resulted in two different first-time application dates. The amendments are to be applied either for fiscal years beginning on or after July 1, 2010, or for those beginning on or after January 1, 2011. There are no material changes for E.ON arising from the omnibus standard.

Amendment to IFRS 1, "First-time Adoption of International Financial Reporting Standards," and to IFRS 7, "Financial Instruments: Disclosures"—Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

In January 2010, the IASB issued amendments to IFRS 1 and IFRS 7. The effect of amending the standards is that entities applying IFRS for the first time are now relieved from having to provide the comparative disclosures for fair-value measurement and for liquidity risk. The exemption applies in cases where the comparative periods end before December 31, 2009. The amendment has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning on or after July 1, 2010. The new versions of the standards have no impact on the E.ON Consolidated Financial Statements, since they are already prepared in accordance with IFRS.

Amendment to IAS 32, "Financial Statements: Presentation"—Classification of Rights Issues

In October 2009, the IASB issued an amendment to IAS 32, "Financial Statements: Presentation," regulating in particular the classification of rights issues. This new amendment requires that certain subscription rights, options and warrants that are denominated in a foreign currency be recognized as equity by the issuer of the equity instrument to which the rights refer, rather than as a derivative liability, as was past practice. The amendment is to be applied for fiscal years beginning on or after February 1, 2010. Earlier application is permitted. The amendment has been transferred by the EU into European law. It has no impact for E.ON.

Amendments to IFRIC 14—Prepayments of a Minimum Funding Requirement

In November 2009, an amendment to IFRIC 14 was published. The amendment relates to entities that are subject to minimum funding requirements and make prepayments of contributions. According to the amendment, such an entity is now permitted to present the benefit of such a prepayment as an asset where applicable. The amendment has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning on or after January 1, 2011. Early application is permitted. This will have no impact for E.ON.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" ("IFRIC 19"), was published in November 2009. IFRIC 19 clarifies the accounting treatment of financial liabilities that are settled through the transfer of equity instruments. The financial instruments issued are deemed part of the "consideration paid" as defined by IAS 39.41. The borrower must therefore fully or partially derecognize the liability. Any difference between the carrying amount of the financial liability thus (partially) extinguished and the initial measurement amount of the equity instruments issued is recognized in income. IFRIC 19 is effective for fiscal years beginning on or after July 1, 2010. Earlier application is permitted. The interpretation has been transferred by the EU into European law. IFRIC 19 has no impact for E.ON.

(3) Scope of Consolidation

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

Scope of Consolidation			
	Domestic	Foreign	Total
Consolidated companies as of December 31, 2010	146	334	480
Additions	2	9	11
Disposals/Mergers	2	24	26
Consolidated companies as of September 30, 2011	146	319	465

As of September 30, 2011, 104 companies were accounted for under the equity method (December 31, 2010: 106).

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2011

Central Networks

In line with the strategy to divest €15 billion in assets by the end of 2013, E.ON sold its U.K. power distribution network operator to PPL Corporation ("PPL"), Allentown, Pennsylvania, U.S., effective April 1, 2011. The purchase price for the equity and for the assumption of certain liabilities is approximately £4.1 billion (equivalent to €4.6 billion as of April 1, 2011). In addition, provisions for pensions of about £0.1 billion were also transferred. As negotiations had already reached an advanced stage by March 1, 2011, the activities had been presented as a disposal group as of that date. The disposal gain before foreign exchange translation differences amounts to about £0.5 billion. Held in the United Kingdom regional unit, Central Networks had net assets before consolidation effects of approximately £2.0 billion (equivalent to €2.3 billion) as of April 1, 2011. Its major balance sheet line items were non-current assets (€5.0 billion), operating receivables (€0.4 billion) intragroup liabilities (€1.2 billion) and financial liabilities to non-Group third parties (€0.6 billion), as well as pension and other provisions (€0.7 billion) and liabilities (€0.6 billion). OCI as of April 1, 2011, consisted primarily of foreign exchange translation differences totaling -€0.2 billion.

E.ON Rete

In mid-December 2010, the contractual agreements to sell all of the shares of E.ON Rete S.r.l., Milan, Italy, the company operating the Italian gas distribution network for the former Italy market unit, to a consortium consisting of Italian investment fund F2i SGR S.p.A. and AXA Private Equity at a sales price of approximately €0.3 billion, were finalized. These activities have been presented as a disposal group since December 31, 2010. The major balance sheet line items were €0.1 billion and €0.2 billion, respectively, in intangible assets and property, plant and equipment, as well as €0.2 billion in liabilities. The transaction closed at the beginning of April 2011 with a minor book gain on the disposal.

Stadtwerke Duisburg/Stadtwerke Karlsruhe

Following the disposal of the Thüga group, the shareholdings in Stadtwerke Karlsruhe GmbH (10 percent), Karlsruhe, Germany, and in Stadtwerke Duisburg Aktiengesellschaft (20 percent), Duisburg, Germany, both accounted for in the former Pan-European Gas market unit, were classified as assets held for sale as of December 31, 2010. The sales closed at the beginning of 2011 and in July 2011, respectively.

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HSE

Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südthüringische Energie AG, Darmstadt, Germany, accounted for in the Pan-European Gas market unit, was reached in the third quarter of 2010. Accordingly, the ownership interest was reclassified as an asset held for sale at the end of August 2010. The carrying amount of the ownership interest is approximately €0.3 billion. The transaction is expected to close before the end of 2011.

BKW

In the context of portfolio streamlining, E.ON made the decision to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction, in which BKW itself and Groupe E SA, Fribourg, Switzerland, paid a purchase price of approximately €0.3 billion for a roughly 14-percent stake, was completed in July 2010. The carrying amount of all the shares, accounted for in the Central Europe market unit using the equity method, was approximately €0.6 billion as of June 30, 2010; foreign exchange translation differences recognized in equity amounted to approximately €0.1 billion. The transaction closed in July 2010. A material net book gain was not realized. The remaining approximately 7 percent of the shares continue to be reported as an asset held for sale and are measured at fair value. The carrying amount as of September 30, 2011, is approximately €0.1 billion.

Interest in OAO Gazprom

The portfolio streamlining efforts also included the disposal in the fourth quarter of 2010 of most of E.ON's interest in OAO Gazprom ("Gazprom"), Moscow, Russian Federation, sold to Russia's state-owned Vnesheconombank ("VEB"), Moscow, Russian Federation. The proceeds from this transaction totaled approximately €2.6 billion, resulting in a book gain of approximately €2.0 billion. The remaining stake, held in the Gas global unit, was classified as held for sale with a carrying amount of approximately €0.9 billion as of December 31, 2010. This remainder was sold in the first quarter of 2011. The gain on disposal amounted to approximately €0.6 billion.

Discontinued Operations in 2010

U.S. Midwest

At the end of April 2010, E.ON and PPL signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities was approximately \$7.6 billion (equivalent to approximately €5.5 billion as of November 1, 2010). We also transferred pension obligations in the amount of approximately \$0.8 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The transaction closed on November 1, 2010. Amounts totaling -€0.2 billion that were carried in OCI had to be transferred to the income statement in connection with this disposal.

The table below provides selected financial information, including the 2010 goodwill impairment and subsequent effects at U.S. Midwest.

Selected Financial Information— U.S. Midwest (Summary)		
January 1-September 30 € in millions	2011	2010
Sales	-	1,577
Other income/expenses, net	18	-2,103
Income/Loss (-) from continuing operations before income taxes and non-controlling interests	18	-526
Income tax benefit	-6	-143
Income/Loss (-) from discontinued operations	12	-669

Disposal Groups and Assets Held for Sale in 2010

Europgas

As part of a series of portfolio optimizations, E.ON sought to sell its 50-percent stake in Europgas a.s., Prague, Czechia; accordingly, the holding was reported as an asset held for sale as of June 30, 2010. Accounted for in the Pan-European Gas market unit using the equity method, the holding had a carrying amount of approximately €0.2 billion. The transaction closed at the end of July 2010.

Agreement with the European Commission

In December 2008, E.ON's commitment to the European Commission to sell a variety of generating capacity and the ultrahigh-voltage network in Germany took effect. The total of approximately 5 GW in capacity to be sold, including associated assets and liabilities, has been presented as a disposal group since the end of 2008. The net carrying amounts of the disposal group related exclusively to the Central Europe market unit and initially amounted to approximately €0.4 billion. The disposal of significant portions of the capacity to be sold took place in several transactions during 2009. The first quarter of 2010 saw the closing of the contract with Stadtwerke Hannover AG, Hanover, Germany, on the sale of a further 0.3 GW in capacity with a gain on disposal of approximately €0.2 billion. The disposal of the remaining 0.3 GW of generating capacity closed in April 2010.

In November 2009, an agreement was reached with TenneT B.V., Arnhem, The Netherlands, on the disposal of the German ultrahigh-voltage network. The ultrahigh-voltage network was therefore reclassified as a disposal group in the fourth quarter of 2009 with a net carrying amount of approximately €0.8 billion. The major asset and liability items as of the disposal date were property, plant and equipment and current assets in the amount of €1.0 billion and €0.7 billion, respectively, as well as liabilities and deferred taxes in the amount of €0.9 billion and €0.2 billion, respectively. The relevant entity also had financial obligations from investing activities in the amount of approximately €2 billion. The agreed transaction closed at the end of February 2010. With purchase price allocations taken into account, the gain on disposal was €0.1 billion.

The commitment to the European Commission was thus fulfilled in its entirety in April 2010.

(5) Research and Development Costs

The E.ON Group's research and development costs amounted to €32 million in the first nine months of 2011 (first nine months of 2010: €36 million).

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(6) Financial Results

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

Financial Results				
€ in millions	July 1-Sep. 30		Jan. 1-Sep. 30	
	2011	2010	2011	2010
Income from companies in which equity investments are held	43	26	106	136
Impairment charges/reversals on other financial assets	-87	-3	-93	-21
Income/Loss (-) from equity investments	-44	23	13	115
Income from securities, interest and similar income	165	232	523	541
Interest and similar expenses	-774	-722	-2,159	-2,167
Interest and similar expenses (net)	-609	-490	-1,636	-1,626
Financial results	-653	-467	-1,623	-1,511

(7) Earnings per Share

The computation of earnings per share ("EPS") for the periods indicated is shown below:

Earnings per Share				
€ in millions	July 1-Sep. 30		Jan. 1-Sep. 30	
	2011	2010	2011	2010
Income/Loss (-) from continuing operations	196	-477	1,131	4,450
Less: Non-controlling interests	-23	-1	-280	-259
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	173	-478	851	4,191
Income/Loss (-) from discontinued operations, net	-	89	13	-669
Net income attributable to shareholders of E.ON AG	173	-389	864	3,522
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	0.10	-0.25	0.45	2.20
from discontinued operations	0.00	0.05	0.01	-0.35
from net income	0.10	-0.20	0.46	1.85
Weighted-average number of shares outstanding (in millions)	1,905	1,905	1,905	1,905

The computation of diluted EPS is identical to basic EPS, as E.ON AG has not issued any potentially dilutive common stock.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets		
€ in millions	Sep. 30, 2011	Dec. 31, 2010
Companies accounted for under the equity method	6,244	6,343
Equity investments	2,159	2,201
Non-current securities	5,029	3,903
Total	13,432	12,447

(9) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a *et seq.* AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of September 30, 2011, was 1,905,409,832 (December 31, 2010: 1,905,408,843).

As of September 30, 2011, E.ON AG and one of its subsidiaries held a total of 95,590,168 treasury shares (December 31, 2010: 95,591,157) having a consolidated book value of €3,531 million (equivalent to 4.78 percent or €95,590,168 of the capital stock).

(10) Dividends Paid

At the Annual Shareholders Meeting on May 5, 2011, the shareholders voted to distribute a dividend of €1.50 for each dividend-paying ordinary share, unchanged from the previous dividend. The total dividend payout was €2,858 million.

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(11) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations were reduced compared with year-end 2010 primarily by employer contributions to plan assets and by the derecognition of provisions for pensions at operating units that were sold, especially Central Networks. This reduction was offset in part by additions attributable to the net periodic pension cost.

Discount Rate		
Percentages	Sep. 30, 2011	Dec. 31, 2010
Germany	5.25	5.00
U.K.	4.60	5.40

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

Net Amount Recognized		
€ in millions	Sep. 30, 2011	Dec. 31, 2010
Present value of all defined benefit obligations	13,829	16,514
Fair value of plan assets	-11,012	-13,263
Funded status	2,817	3,251
Unrecognized past service cost	-11	-11
Net amount recognized	2,806	3,240
<i>Thereof presented as operating receivables</i>	-9	-10
<i>Thereof presented as provisions for pensions and similar obligations</i>	2,815	3,250

The change in the provisions is virtually replicated in the decrease of the funded status compared with year-end 2010. Taking into account the net pension payments, the net actuarial gains in the present value of all defined benefit obligations and in the plan assets, as well as currency-translation effects, it is primarily attributable to employer contributions to plan assets and to the derecognition of the present value of the defined benefit obligation and of the plan assets at units that were sold, especially Central Networks. They are offset in part by the additions attributable to the net periodic pension cost, which have the effect of increasing the funded status.

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

Net Periodic Pension Cost for Defined Benefit Plans				
€ in millions	July 1-Sep. 30		Jan. 1-Sep. 30	
	2011	2010	2011	2010
Employer service cost	59	59	178	175
Interest cost	172	213	552	630
Expected return on plan assets	-140	-171	-444	-506
Past service cost	-	3	2	7
Total	91	104	288	306

(12) Segment Information

Led by its Group Management in Düsseldorf, Germany, the E.ON Group ("E.ON" or the "Group") is segmented into global and regional units, which are reported here in accordance with International Financial Reporting Standard ("IFRS") 8, "Operating Segments" ("IFRS 8"). The new structure took effect at the beginning of 2011. The prior-year comparative figures of the former market units have been reconciled to these new units:

Global Units

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

Generation

This global unit consists of the Group's conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables

E.ON also takes a global approach to managing its carbon-sourcing and renewables businesses. The objective at this unit is to extend the Group's leading position in the growing renewables market.

Gas

This global unit is responsible for gas procurement (including E.ON's own gas production) and for project and product development in gas storage, gas transport, liquefied natural gas and technical asset support.

Trading

This unit is responsible for E.ON's trading activities in power, gas, coal, oil and carbon allowances, and is active on all major European energy exchanges.

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Regional Units

E.ON's distribution and sales operations in Europe are managed by twelve regional units in total.

For segment reporting purposes, the Germany, United Kingdom, Sweden, Czechia and Hungary regional units are reported separately. E.ON's power generation business in Russia is additionally reported as a special-focus region.

Financial Information by Business Segment						
January 1-September 30 € in millions	Generation		Renewables		Gas	
	2011	2010	2011	2010	2011	2010
External sales	2,766	3,527	596	348	3,917	3,980
Intersegment sales	7,882	6,711	1,137	1,038	12,038	10,790
Sales	10,648	10,238	1,733	1,386	15,955	14,770
Adjusted EBITDA	1,052	2,588	1,086	913	1,291	1,984
<i>Earnings from companies accounted for under the equity method¹</i>	13	19	9	10	337	310
Operating cash flow before interest and taxes	2,299	3,184	874	1,141	537	977
Investments	1,048	1,904	712	878	787	763

¹Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of adjusted EBITDA.

Financial Information by Business Segment—Presentation of Other EU Countries						
January 1-September 30 € in millions	UK		Sweden		Czechia	
	2011	2010	2011	2010	2011	2010
External sales	6,017	6,096	2,022	2,056	1,901	1,526
Intersegment sales	61	76	165	207	95	121
Sales	6,078	6,172	2,187	2,263	1,996	1,647
Adjusted EBITDA	295	838	506	467	316	263
<i>Earnings from companies accounted for under the equity method¹</i>	-	-12	5	15	31	33
Operating cash flow before interest and taxes	-26	876	420	411	180	254
Investments	167	365	225	248	120	118

¹Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of adjusted EBITDA.

Those units not reported separately are instead reported collectively as "Other regional units." They include the Italy, Spain, France, Netherlands, Slovakia, Romania and Bulgaria regional units.

Group Management/Consolidation contains E.ON AG itself ("E.ON" or the "Company"), the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level.

Trading		Germany		Other EU Countries		Russia		Group Management/ Consolidation		E.ON Group	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
27,739	15,483	25,276	24,226	15,985	15,412	1,171	972	56	-10	77,506	63,938
18,101	15,974	1,789	2,030	820	733	-	-	-41,767	-37,276	0	0
45,840	31,457	27,065	26,256	16,805	16,145	1,171	972	-41,711	-37,286	77,506	63,938
-145	1,307	1,647	1,610	1,619	2,192	378	272	-375	-57	6,553	10,809
-	-	53	81	89	100	-	-	2	2	503	522
-225	1,205	1,884	1,587	1,132	2,096	346	255	-917	-129	5,930	10,316
12	7	531	588	739	988	248	366	29	79	4,106	5,573

Hungary		Other regional units		Other EU Countries	
2011	2010	2011	2010	2011	2010
1,440	1,433	4,605	4,301	15,985	15,412
17	31	482	298	820	733
1,457	1,464	5,087	4,599	16,805	16,145
201	233	301	391	1,619	2,192
-	-	53	64	89	100
162	229	396	326	1,132	2,096
103	109	124	148	739	988

Effective January 1, 2011, adjusted EBITDA has replaced adjusted EBIT as the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. Adjusted EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude certain special items. The adjustments include adjusted net interest income, net book gains, cost-management and restructuring expenses, as well as other non-operating income and expenses.

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

Operating Cash Flow			
January 1-September 30 € in millions	2011	2010	Differ- ence
Operating cash flow before interest and taxes	5,930	10,316	-4,386
Interest payments	-811	-546	-265
Tax payments	-630	-609	-21
Operating cash flow	4,489	9,161	-4,672

The investments presented here are the purchases of investments reported in the Consolidated Statements of Cash Flows.

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Adjusted net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding certain special items, i.e., the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Cost-management and restructuring expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments. Due to the adjustments, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

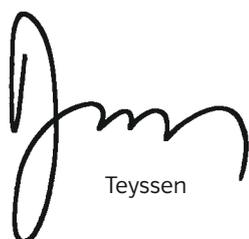
The following table shows the reconciliation of adjusted EBITDA to net income as reported in the IFRS Consolidated Financial Statements:

Net Income		
January 1-September 30 € in millions	2011	2010
Adjusted EBITDA	6,553	10,809
Depreciation and amortization	-2,766	-2,706
Impairments (-)/Reversals (+) ¹	-50	-79
Adjusted EBIT	3,737	8,024
Adjusted interest income (net)	-1,349	-1,610
Net book gains/losses	1,250	893
Restructuring/cost-management expenses	-393	-363
Other non-operating earnings	-2,134	-766
Income/Loss (-) from continuing operations before taxes	1,111	6,178
Income taxes	20	-1,728
Income/Loss (-) from continuing operations	1,131	4,450
Income/Loss (-) from discontinued operations, net	13	-669
Net income	1,144	3,781
<i>Attributable to shareholders of E.ON AG</i>	<i>864</i>	<i>3,522</i>
<i>Attributable to non-controlling interests</i>	<i>280</i>	<i>259</i>

¹Impairments differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings.

The goodwill impairment of €0.9 billion recognized in the context of the U.S. Midwest disposal (see also Note 4) is included in the net income/loss from discontinued operations for the comparative period. The nuclear moratorium, the nuclear-fuel tax and the amended Nuclear Energy Act, which calls for the early, unplanned shutdowns of the Unterweser, Isar 1, Krümmel and Brunsbüttel nuclear power plants in Germany, have combined to drive down adjusted EBITDA by €2.3 billion year on year.

Page 17 of the Interim Group Management Report provides a more detailed explanation of the reconciliation of adjusted EBITDA to net income.



Teysen



Kildahl



Maubach



Reutersberg



Schenck



Stachelhaus

Financial Calendar

March 14, 2012	Release of the 2011 Annual Report
May 3, 2012	2012 Annual Shareholders Meeting
May 4, 2012	Dividend Payout
May 9, 2012	Interim Report: January - March 2012
August 13, 2012	Interim Report: January - June 2012
November 13, 2012	Interim Report: January - September 2012

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