Interim Report III/2012

2012

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1–September 30	2012	2011	+/- %
Electricity sales[1]	550.8 billion kWh	554.0 billion kWh	-1
Gas sales[1]	837.6 billion kWh	796.2 billion kWh	+5
Sales	€93,629 million	€77,506 million	+21
EBITDA[2]	€8,817 million	€6,553 million	+35
EBIT[2]	€6,114 million	€3,737 million	+64
Net income	€3,026 million	€1,144 million	+165
Net income attributable to shareholders of E.ON AG	€2,727 million	€864 million	+216
Underlying net income	€4,035 million	€1,585 million	+155
Investments	€4,334 million	€4,106 million	+6
Operating cash flow	€6,827 million	€4,489 million	+52
Economic net debt (September 30 and December 31)	-€35,585 million	-€36,385 million	+800[3]
Employees (September 30 and December 31)	73,133	78,889	-7
Earnings per share attributable to shareholders of E.ON AG	€1.43	€0.46	+211
Weighted-average shares outstanding (in millions)	1,905	1,905	–

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.
[2]Adjusted for extraordinary effects (see Glossary of Selected Financial Terms below).
[3]Change in absolute terms.

Glossary of Selected Financial Terms

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

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. It is equal to our definition of EBIT prior to depreciation and amortization.

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.

Underlying net income An earnings figure after interest income, income 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). Underlying net income also excludes special tax effects and income/loss from discontinued operations, net.

Interim Report III/2012

January 1 – September 30, 2012

- EBITDA and underlying net income above prior-year figures
- Further portfolio streamlining initiated to refocus our business in Europe
- Full-year EBITDA still expected to be between €10.4 and €11 billion, underlying net income between €4.1 and €4.5 billion

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Dear Shareholders,

In an increasingly difficult market environment, our earnings performance for the first nine months of 2012 was in line with our expectations. Sales rose to €93.6 billion. EBITDA stood at around €8.8 billion, underlying net income at just over €4 billion. The increase in our earnings relative to the prior-year period primarily reflects a significant improvement in our wholesale gas business, the non-recurrence of adverse effects relating to the accelerated phaseout of nuclear energy in Germany, and the operation of our new gas-fired generating units in Russia. We continue to expect our 2012 EBITDA to be between €10.4 and €11 billion and our underlying net income to be between €4.1 and €4.5 billion. We also still stand by our plan to pay out a dividend of €1.10 per share for the 2012 financial year.

Our effort to sharpen the focus of our business in Europe is making progress. We decided to divest our assets and equity interests in Finland, including our stake in the Fennovoima project. In Scandinavia, we now intend to focus on our operating business in Sweden and Denmark. In addition, we achieved a very good outcome in the sale our of stake in Horizon Nuclear Power, a joint venture formed to build nuclear power stations in the United Kingdom. As part of the refocusing of our regional business in Germany, we're conducting substantive talks to sell our stakes in three regional distribution companies. Going forward, we intend to focus on four regional distribution companies. By expanding our networks and distributed generation in line with demand, we'll play an active role in transforming Germany's energy system at a regional level. Based in Germany and at home in Europe: this motto is also behind the transformation of E.ON AG into a European Company ("SE"). The transformation will soon become official. It took just over half a year for us to fulfill all the requirements for E.ON's upcoming launch as an SE. E.ON will be the fourth SE in Germany's Dax index. The SE Supervisory Board's leaner setup will enable it to carry out its duties significantly more efficiently and effectively, and its broader European composition further underscores E.ON's considerable internationalization.

We took an important step in executing our strategy to create more value with less capital by selling a 50-percent stake in three wind farms in the United States to PensionDanmark, a Danish pension fund. This will give us greater flexibility in delivering our renewables pipeline so that we can help transform energy systems. It also demonstrates that our assets are very attractive to sustainability-oriented investors. In our gas business, after successfully negotiating improved terms with our suppliers, we're now focused firmly on the future. After just two years of construction, our new gas storage facility in Etzel in northwest Germany entered service a few days ago. With a working gas capacity of about 2 billion cubic meters, Etzel is one of Europe's largest underground storage facilities and will enhance gas supply security. In many countries around the world, natural gas could be a key ingredient in a climate-friendly power supply. However, one of the consequences of the energy transformation is that gas-fired generating units—which are both clean and operationally flexible—have become barely profitable to operate. In most European markets, the gross margin for gas-fired units is approaching zero or is indeed already negative. One factor is that the demand for electricity remains very low. But another key factor is that renewable-source electricity is being fed into the grid during peakload periods. Paradoxically, this benefits carbon-intensive lignite-fired assets which are more harmful to the earth's climate, whereas flexible, climate-friendlier assets are barely profitable. This is one of the reasons why our power generation business faces increasingly significant challenges. Consequently, we're postponing the expansion of our pumped-storage hydro station in Waldeck, Germany. In addition, we're further optimizing our conventional generation portfolio and also exploring whether to close some assets. Where assets are important for ensuring the stability of the power supply, we're working with local system operators and the relevant government agencies to find solutions. A generally deteriorated business environment along with regulatory intervention had an adverse impact on the business of our global and regional units, and we had to record net impairment charges of €1.2 billion, primarily at Generation, Optimization & Trading, and Other EU Countries.

At the nine-month mark, I'm therefore unable—despite the first results from our Group-wide E.ON 2.0 program and solid third-quarter earnings—to paint a completely positive picture of E.ON's situation. Under these circumstances, the E.ON Board of Management has decided to review our forecast for 2013 and our guidance for 2015. On balance, our business environment remains difficult. This confirms my view that we need to continue to improve our organization and enhance efficiency so that in the years ahead E.ON can remain one of the successful companies in an energy industry that has become considerably more volatile. Great challenges lay ahead. We'll only be able to meet them successfully if everyone—employees, employee representatives, and management—works together.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

At the end of the third quarter of 2012, E.ON stock (factoring in reinvested dividends) was 17 percent above its year-end closing price for 2011, thereby outperforming its peer index, the STOXX Utilities (+7 percent over the same period), and the EURO STOXX 50 index (+10 percent).

The number of E.ON shares traded in the first three quarters of 2012 declined by 24 percent year on year to 1,771 million shares. E.ON's stock-exchange trading volume declined by 34 percent to €30 billion owing to the stock's lower average price.

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

E.ON Stock

	Sep. 30, 2012	Dec. 31, 2011
Shares outstanding (millions)	1,905	1,905
Closing price (€)	18.47	16.67
Market capitalization (€ in billions)[1]	35.2	31.8

[1]Based on shares outstanding.

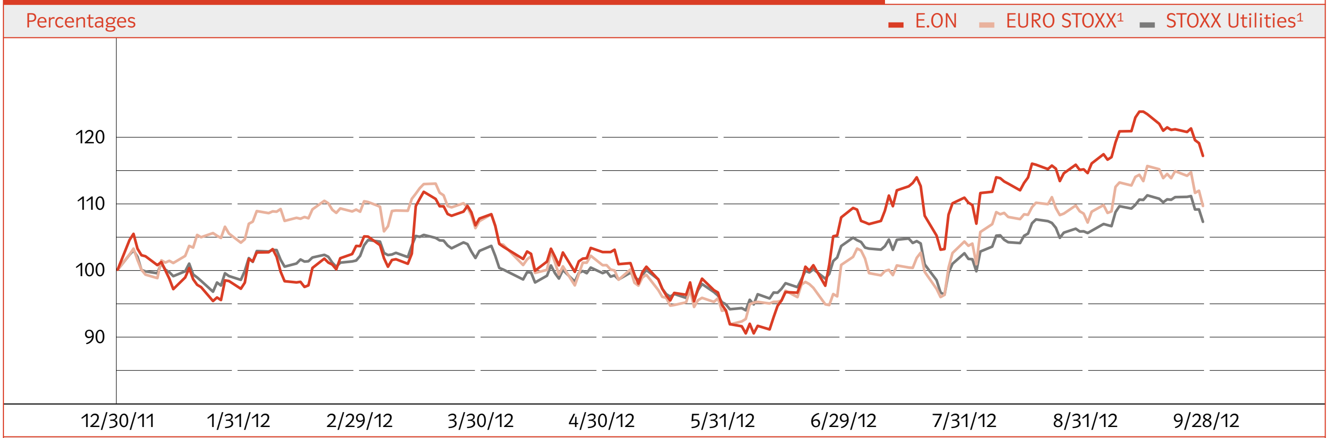
Performance and Trading Volume

January 1–September 30	2012	2011
High (€)[1]	19.52	25.11
Low (€)[1]	14.24	12.88
Trading volume[2]		
Millions of shares	*1,770.8*	*2,339.4*
€ in billions	*30.0*	*45.8*

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

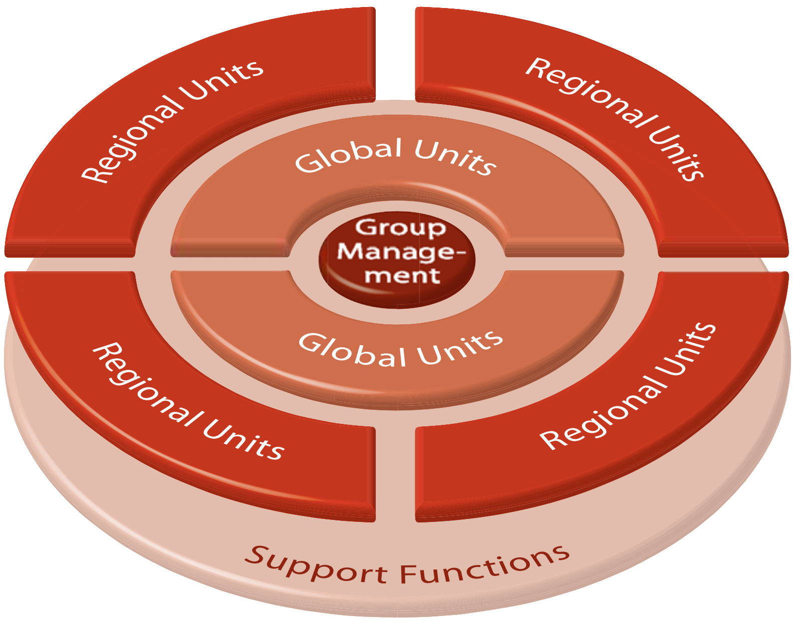
E.ON Stock Performance

Percentages



[1]Based on the performance index.

Interim Group Management Report



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.

Several changes in our segmentation took effect on January 1, 2012: the businesses of our former Gas and Trading global units are now reported in a new segment called Optimization & Trading; the Exploration & Production unit, formerly part of Gas, is now its own segment; and a number of gas sales companies, also formerly part of Gas, are now reported under the Germany regional unit. Prior-year figures were adjusted accordingly.

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

Our four global units are Generation, Renewables, Optimization & Trading, and Exploration & Production. In addition, a unit called New-Build & Technology brings together 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.

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, our Optimization & Trading global unit buys and sells electricity, natural gas, liquefied natural gas, oil, coal, freight, biomass, and carbon allowances. In addition, it manages and develops assets at several stages of the gas value chain, including pipelines, long-term supply contracts, and storage facilities.

Exploration & Production

Our Exploration & Production segment is a growth business with good prospects for the future. It is active in four focus regions: the U.K. North Sea, the Norwegian North Sea, Russia, and North Africa.

Regional Units

Eleven regional units manage our distribution and sales operations (including distributed generation) in Europe: Germany, the United Kingdom, Sweden, Italy, Spain, France, the Netherlands, Hungary, Czechia, Slovakia, Romania, and, through the end of June 2012, Bulgaria. We manage our power generation business in Russia as a special-focus region.

Macroeconomic Situation

The OECD considers the macroeconomic situation—globally and in the euro zone—to be generally weaker than we anticipated in our 2011 Annual Report.

Energy Industry

According to preliminary figures from AGEB, an energy-industry working group, Germany's energy consumption stagnated. At 338 million metric tons of hard coal equivalent, nine-month consumption of primary energy was only slightly above the prior-year figure. Factors that raised consumption (cool weather, a slight increase in economic growth, and leap year) were largely offset by factors that lowered consumption (such as more efficient energy use). Natural gas consumption declined by just under 2 percent, primarily because of a reduction in the amount of gas used to generate power and heat.

Electricity consumption in England, Scotland, and Wales was about 227 billion kWh in the first nine months of 2012, on par with the prior-year figure. Gas consumption (excluding power stations) increased from 383 billion kWh to 395 billion kWh. Low temperatures in the second and third quarters more than offset the impact of slightly higher temperatures in the first quarter, ongoing energy-efficiency measures, and customers' response to economic developments and higher prices.

Northern Europe consumed 276 billion kWh of electricity, nearly as much as in the prior-year period. Net electricity exports to surrounding countries totaled about 10.5 billion kWh compared with net imports of about 8 billion kWh in the prior-year period.

At 25.5 billion kWh, Hungary's electricity consumption was at the prior-year level. Driven by weather factors, its gas consumption fell by just under 4 percent to 7,335 million cubic meters.

Italy consumed 245.7 billion kWh of electricity, 2 percent less than in the prior-year period (251.5 billion kWh). Gas consumption declined by 3 percent to 572.5 billion kWh (prior year: 587.2 billion kWh) owing to a reduction in deliveries to gas-fired power stations.

Peninsular electricity consumption in Spain was 191 billion kWh, 1 percent below the prior-year figure (consumption fell by 2 percent if adjusted for differences in temperature and the number of working days). Retail gas consumption increased by 6 percent to 203 billion kWh.

France's electricity consumption rose by 2 percent to 357.8 billion kWh (by 0.3 percent if adjusted for differences in temperature and the number of working days). Total generation increased by 2 percent to 395.1 billion kWh.

The Russian Federation generated about 765.7 billion kWh of electricity, 1.3 percent more than in the prior-year period.

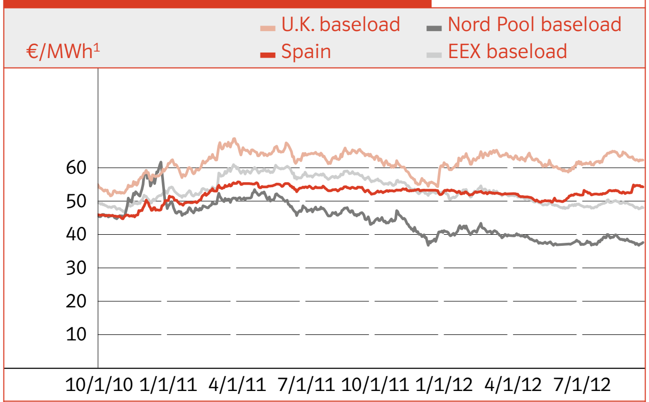
Energy Prices

Four main factors drove Europe's electricity and natural gas markets and Russia's electricity market in the first three quarters of 2012:

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

In the first quarter, energy markets were influenced mainly by an extended period of cold weather in Europe and unrest in the Middle East; in the second quarter, by a tepid global economy and the ongoing crisis in the euro zone. These factors resulted in a tentative mood in energy markets.

Electricity Price Movements in E.ON's Core Markets

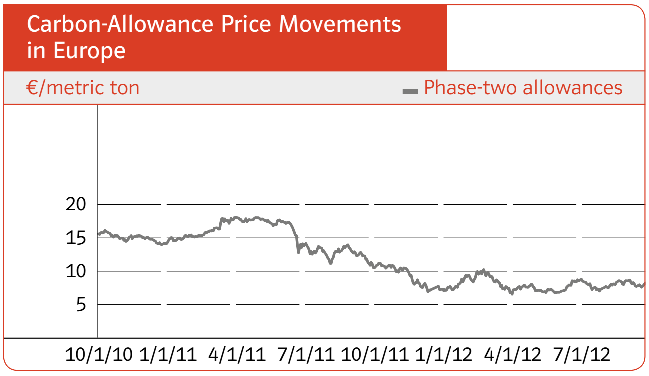


[1]For next-year delivery.

This trend was clearly reflected in the price of Brent crude oil for next-month delivery. After peaking above $125 per barrel in the first quarter and tumbling to below $90 in the second, Brent rebounded to nearly $118 in September, as fears of a decrease in global demand were replaced by concerns about increased disruptions of production and exports. Brent then declined somewhat, finishing the quarter at about $112 per barrel.

Prices on Europe's coal market (as measured by the API#2 index), which had begun the year at $117 per metric ton for next-year delivery, fell by nearly 17 percent to $97 at the end of September. Although prices had recovered slightly in early August owing to a strike in Columbia, they fell back to their previous level when Columbian exports resumed. A significant increase in U.S. coal exports, which were up by almost 60 percent relative to the prior year, remained a key reason for low coal prices. In the United States, shale gas increasingly crowded out domestic coal, particularly in power generation. And with Chinese prices dropping in recent months, arbitrage opportunities for exports from Atlantic to Pacific markets became much scarcer. These factors, along with flat demand in the Atlantic basin, drove coal prices to the above-mentioned low level. Due to an ongoing oversupply of ships, freight rates also remained low.

In the first quarter, cold weather across Europe and a production stoppage at Elgin drilling platform sent U.K. hub gas prices for next-year delivery to a relatively high level of €30 per MWh. After falling to €27 in the second quarter, prices recovered somewhat in the third quarter in response to higher oil prices and the easing of monetary policy by the central banks of several major countries. Nevertheless, at just under €28, gas prices remained behind expectations, particularly when compared with oil prices. A key mitigating factor in the rise in gas prices was lower LNG demand in Asia, where the Japan-Korea marker, the region's leading indicator for gas prices, fell by nearly 30 percent.



In the third quarter, prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme ("ETS") continued their sideways trend from the first two quarters, trading between €7 and €8.50 per metric ton. The record low of €5.99 reached in June was not repeated but was enough to spur policymakers to action. The European Commission proposed amendments to the ETS (which involve a process known as back-loading) aimed at reducing the number of EUAs in circulation. It quickly became apparent, however, that implementing these proposals would be significantly more difficult than anticipated. Consequently, the proposals sent no real positive signal to the EUA market.

Fundamentals continued to keep Germany's forward electricity prices at a relatively low level in the third quarter. With new coal-fired generating capacity expected to enter service next year and the ongoing addition of new solar and wind capacity putting consistent downward pressure on power prices, slight rises and declines resulted only from changes in fuel prices. In response to a brief spike in oil prices in mid-August, for example, the price of German baseload electricity for next-year delivery temporarily surpassed €50 per MWh. Towards the end of the third quarter, it returned to under €48 per MWh, just where it had finished the second quarter and €4 below the level at the start of the year.

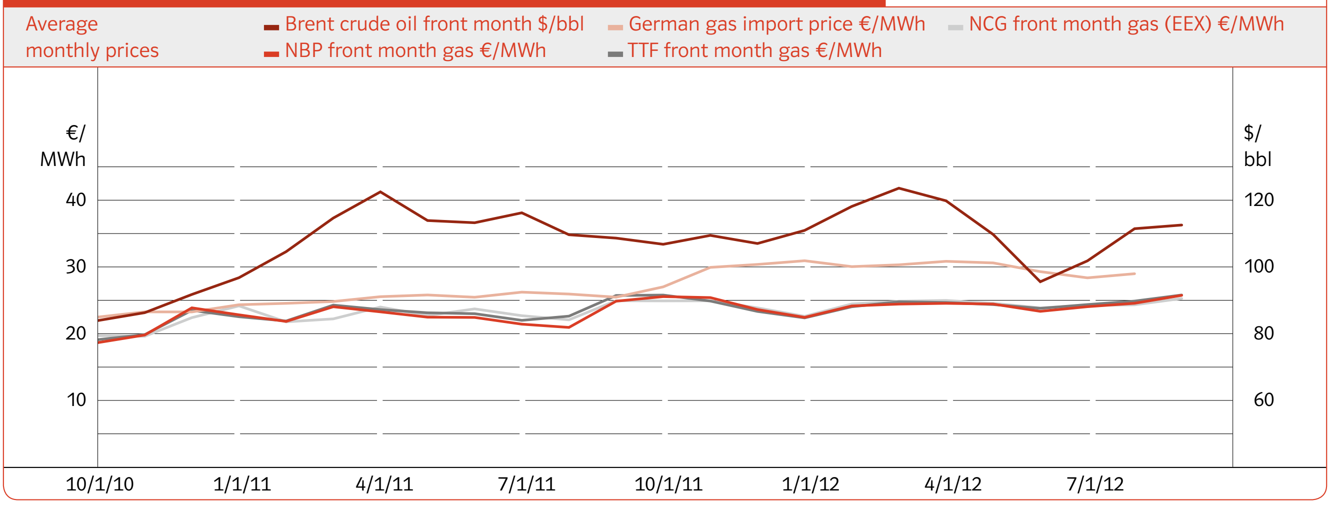
U.K. power prices for next-year delivery also showed little movement, finishing the third quarter at just under €62 per MWh, only modestly higher than the second-quarter closing price of €60. With the exception of a brief spike to €65 in August caused by the sharp rise in oil prices, the U.K. power price curve generally tracked the slight upward trend in gas prices. Britain's good supply situation, which resulted from the recent commissioning of new generating capacity and substantial power imports from the Continent, prevented a more dramatic increase in its power prices.

Record high reservoir levels continued to have a significant impact on the Nordic power market in the third quarter. With abundant rain leading to further significant reservoir inflows, this summer's spot power prices in Norway and Sweden were the lowest in 20 years. This also affected prices for next-year delivery, which fell to a low of €36 per MWh in mid-June and displayed little movement in the third quarter, which they finished at about €37 per MWh, €4 below the price at the start of the year.

In Italy, prices for next-year delivery rose by €2 in the first quarter to €77 per MWh owing to the Italian power market's high dependence on oil-indexed natural gas. With power consumption lower due to Italy's weak economy and solar feed-in higher, power prices then fell in the second quarter. Prices stabilized in the third quarter, remaining steady at about €70 per MWh, with the exception of a brief spike in August caused by the rise in oil prices. High solar feed-in led to a further narrowing of the gap between baseload and peakload prices. After fluctuating little in the first quarter, the price of power for next-year delivery in Spain fell by about €2 to under €50 per MWh in the first half of the second quarter owing to lower fuel prices. Power prices then stabilized in response to higher EUA and oil prices. In the third quarter, the Spanish government's decision to introduce a new tax on power generation sent prices sharply higher, to €54 per MWh, which is where they finished the quarter.

Prices in the European zone of Russia's power market remained largely stable, in part due to the Russian government's decision to postpone the planned increase in gas tariffs from January to July, when gas demand is lower. Planned and unplanned maintenance outages at a number of nuclear power stations also put upward pressure on prices. As a result, the weighted-average spot price for the first three quarters of 2012 was steady at RUB 865 (nearly €22) per MWh. The gas-tariff issue had a negligible effect on power prices in the Siberian zone, where the weighted-average spot price rose significantly to RUB 696 (around €17) per MWh. Continued below-average reservoir inflow and lower hydro output were the main factors.

Crude Oil and Natural Gas Price Movements in E.ON's Core Markets



Power Procurement

The E.ON Group's owned generation declined by 4.7 billion kWh, or 2 percent, year on year. Power procured increased slightly, rising by 0.8 billion kWh.

Power Procurement

January 1–Sep. 30	Generation		Renewables		Optimization & Trading[1]		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Owned generation	115.3	122.5	19.2	17.4	–	–	4.4	5.1	4.5	5.3	47.1	44.9	–	–	190.5	195.2
Purchases	20.4	23.5	5.3	4.5	416.0	427.6	128.2	131.1	110.5	117.7	3.3	3.2	-308.8	-333.5	374.9	374.1
Jointly owned power plants	*8.4*	*8.1*	*1.7*	*1.4*	–	–	*0.1*	*0.2*	–	–	–	–	–	–	*10.2*	*9.7*
Optimization & Trading/ outside sources	*12.0*	*15.4*	*3.6*	*3.1*	*416.0*	*427.6*	*128.1*	*130.9*	*110.5*	*117.7*	*3.3*	*3.2*	*-308.8*	*-333.5*	*364.7*	*364.4*
Total power procurement	**135.7**	**146.0**	**24.5**	**21.9**	**416.0**	**427.6**	**132.6**	**136.2**	**115.0**	**123.0**	**50.4**	**48.1**	**-308.8**	**-333.5**	**565.4**	**569.3**
Station use, line loss, etc.	-1.3	-1.5	-0.6	-0.7	–	–	-4.1	-4.2	-6.9	-7.6	-1.7	-1.3	–	–	-14.6	-15.3
Power sales	**134.4**	**144.5**	**23.9**	**21.2**	**416.0**	**427.6**	**128.5**	**132.0**	**108.1**	**115.4**	**48.7**	**46.8**	**-308.8**	**-333.5**	**550.8**	**554.0**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Owned Generation by Energy Source

Jan. 1–Sep. 30, 2012	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	40.8	36	–	–	–	–	–	–	–	–	40.8	21
Lignite	3.8	3	–	–	–	–	0.3	7	7.3	15	11.4	6
Hard coal	48.6	42	–	–	–	–	–	–	–	–	48.6	26
Natural gas, oil	22.1	19	–	–	0.8	18	3.6	80	39.8	85	66.3	35
Hydro	–	–	11.0	57	1.9	43	0.1	2	–	–	13.0	7
Wind	–	–	7.9	41	–	–	–	–	–	–	7.9	4
Other	–	–	0.3	2	1.7	39	0.5	11	–	–	2.5	1
Total	**115.3**	**100**	**19.2**	**100**	**4.4**	**100**	**4.5**	**100**	**47.1**	**100**	**190.5**	**100**

Generation's owned generation was 7.2 billion kWh below the prior-year level. The decline resulted in particular from the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act, a decline in availability at Oskarshamn nuclear power station in Sweden, and generally lower demand in Europe's power markets. The commissioning of new gas-fired power plants in the United Kingdom and Germany along with significantly improved market conditions for coal-fired assets in the United Kingdom, France, and Spain constituted the main positive factors.

Renewables' owned generation of 19.2 billion kWh surpassed the prior-year figure of 17.4 billion kWh. Owned generation at the Hydro reporting unit rose by 0.7 billion kWh to 10.9 billion kWh owing to an increase in output in Sweden (due to consistently high reservoir inflow and high reservoir levels at the start of 2012) and generally good stream flow in Germany. Owned generation at the Wind/Solar/Other reporting unit rose by 15 percent to 8.3 billion kWh (prior year: 7.2 billion kWh). Wind farms accounted for 95 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

The decline in owned generation at the Germany regional unit is primarily attributable to the leasing of Plattling and Grenzach-Wyhlen power plants effective the second half of 2011. Renewables accounted for 50 percent of this unit's owned generation.

Other EU Countries' owned generation declined by 0.8 billion kWh to 4.5 billion kWh.

The Russia unit generated about 93 percent of its total needs of 50.4 billion kWh at its own power stations. It procured 3.3 billion kWh from outside sources.

Gas Procurement, Trading Volume, and Gas Production

The Optimization & Trading unit procured about 956.2 billion kWh of natural gas from producers in and outside Germany in the first three quarters of 2012. About half of this amount was procured under long-term contracts, the remainder at trading hubs. The biggest suppliers were Norway, Russia, Germany, and the Netherlands.

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

Trading Volume

January 1–September 30	2012	2011
Power (billion kWh)[1]	1,099	1,321
Gas (billion kWh)	1,783	1,900
Carbon allowances (million metric tons)	319	489
Oil (million metric tons)	211	69
Coal (million metric tons)	171	193

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

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

Exploration & Production's gas production in the North Sea declined to 498 million cubic meters. Oil and condensates production of 1.4 million barrels was also down, declining by 50 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord, Elgin/Franklin, and Rita fields and natural production declines at older fields. Together, these factors caused total upstream production of gas, liquids, and condensates to fall by 48 percent to 4.5 million barrels of oil equivalent. In addition to its North Sea production, Exploration & Production had 4.6 billion cubic meters of output from Yuzhno Russkoye, somewhat lower than the prior-year figure.

Upstream Production			
January 1–September 30	2012	2011	+/- %
Oil/condensates (million barrels)	1.4	2.8	-50
Gas (million standard cubic meters)	498	931	-46
Total (million barrels of oil equivalent)	**4.5**	**8.6**	**-48**

Renewables sold 2.7 billion kWh more power than last year. Power sales at Hydro were up by 1.6 billion kWh, primarily because of an increase in owned generation and in deliveries to Optimization & Trading in Sweden and Germany. Wind/Solar/Other, which sells its output exclusively in markets with incentive mechanisms for renewables, grew its power sales by 1.1 billion kWh, or 14 percent, chiefly because of an increase in installed generating capacity.

Power Sales

The E.ON Group's consolidated nine-month power sales were 3.2 billion kWh below the prior-year level.

The decline in Generation's power sales is mainly attributable to the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act and generally lower demand in Europe's power markets. Power sales benefited from the significantly improved market conditions for coal-fired assets in the United Kingdom and Spain as well as the commissioning of new gas-fired power plants in the United Kingdom and Germany.

Power sales at the Germany regional unit were nearly at the prior-year level.

Other EU Countries sold 7.3 billion kWh less power. An aggregate decline of 10.8 billion kWh in France, Italy, the United Kingdom, the Netherlands, and Sweden more than offset an aggregate gain of 3.5 billion kWh in Romania, Spain, Czechia, and Hungary.

The Russia unit sold 48.7 billion kWh of electricity on the wholesale market, a 4-percent increase from the prior-year figure. The main factor was the addition of new generating capacity that entered service in the second half of 2011 at Surgut and Yaiva power stations.

Power Sales																
January 1–Sep. 30	Generation		Renewables		Optimization & Trading[1]		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	–	–	0.1	–	–	–	17.3	18.2	44.1	44.5	–	–	–	–	61.5	62.7
I&C	2.8	2.9	–	–	–	–	25.9	27.8	50.8	58.0	–	–	-0.4	-0.2	79.1	88.5
Sales partners	25.4	27.0	3.5	3.5	–	–	62.2	59.5	0.5	1.1	–	–	-3.7	-3.6	87.9	87.5
Customer groups	**28.2**	**29.9**	**3.6**	**3.5**	**–**	**–**	**105.4**	**105.5**	**95.4**	**103.6**	**–**	**–**	**-4.1**	**-3.8**	**228.5**	**238.7**
Wholesale market/ Optimization & Trading	106.2	114.6	20.3	17.7	416.0	427.6	23.1	26.5	12.7	11.8	48.7	46.8	-304.7	-329.7	322.3	315.3
Total	**134.4**	**144.5**	**23.9**	**21.2**	**416.0**	**427.6**	**128.5**	**132.0**	**108.1**	**115.4**	**48.7**	**46.8**	**-308.8**	**-333.5**	**550.8**	**554.0**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Gas Sales

The E.ON Group increased its consolidated nine-month gas sales by 41.4 billion kWh, or 5 percent, to 837.6 billion kWh.

Optimization & Trading's gas sales rose by 3 percent from the prior-year figure. Gas sales to industrial and commercial ("I&C") customers and sales partners were below the prior-year level. The change in these two groups' respective share of total gas sales results from the reclassification of some customers.

Gas sales to the Germany regional unit increased to about 309 billion kWh. Gas sales outside Germany declined by about 17 billion kWh owing to a reduction in deliveries to E.ON Földgáz Trade. Higher retail demand in the United Kingdom was the main factor in the increase in sales on the wholesale market.

The Germany regional unit recorded an increase in gas sales volume, mainly because of the acquisition of new customers in the sales-partner customers.

On balance, Other EU Countries sold 13.9 billion kWh more gas than in the prior-year period. Gas sales rose by a total of 14.9 billion kWh in several countries, in particular in the United Kingdom (owing to lower temperatures in the second and third quarters), in Romania and Czechia (on higher wholesale sales volume), in Spain (on higher I&C sales volume), and in the Netherlands (on higher sales volume to Optimization & Trading). In Sweden, gas sales fell by a total of 1 billion kWh owing to a reduction in deliveries to gas-fired power stations.

Gas Sales

January 1–September 30 Billion kWh	Optimization & Trading[1]		Germany		Other EU Countries		Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	–	–	17.3	17.1	66.9	59.5	–	–	84.2	76.6
I&C	6.4	–	93.5	98.1	35.2	35.4	-3.5	-9.3	131.6	124.2
Sales partners	47.9	61.9	246.8	221.0	0.1	0.7	-47.8	-66.5	247.0	217.1
Customer groups	**54.3**	**61.9**	**357.6**	**336.2**	**102.2**	**95.6**	**-51.3**	**-75.8**	**462.8**	**417.9**
Germany	308.8	288.1	–	–	–	–	-308.8	-288.1	–	–
Other countries	66.6	84.0	–	–	–	–	-23.3	-14.0	43.3	70.0
Wholesale market/ Optimization & Trading	512.8	478.4	–	–	14.5	7.2	-195.8	-177.3	331.5	308.3
Total	**942.5**	**912.4**	**357.6**	**336.2**	**116.7**	**102.8**	**-579.2**	**-555.2**	**837.6**	**796.2**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Earnings Situation

Transfer Price System

Deliveries from our generation units to Optimization & Trading are settled according to a market-based transfer price system. 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 for power deliveries in 2012 were lower than the prices for deliveries in 2011.

Sales

Our nine-month sales rose by 21 percent to €93.6 billion. Our Optimization & Trading and Germany segments recorded particularly significant sales increases. Overall, the share of external sales was higher. By contrast, Generation's sales declined significantly.

Sales

January 1–September 30 € in millions	2012	2011	+/- %
Generation	9,199	10,648	-14
Renewables	1,785	1,733	+3
Optimization & Trading	69,496	55,978	+24
Exploration & Production	1,045	1,132	-8
Germany	29,646	27,104	+9
Other EU Countries	17,434	16,805	+4
Russia	1,363	1,171	+16
Group Management/ Consolidation	-36,339	-37,065	–
Total	**93,629**	**77,506**	**+21**

Generation

Generation's nine-month sales declined by €1.4 billion, or 14 percent.

Sales

January 1–September 30 € in millions	2012	2011	+/- %
Nuclear	3,081	3,740	-18
Fossil	6,042	6,782	-11
Other	76	126	-40
Generation	**9,199**	**10,648**	**-14**

Nuclear's sales declined by €659 million, or 18 percent. The main reason was the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act. Sales also declined on lower internal transfer prices on deliveries to Optimization & Trading and lower sales volume in Sweden.

Fossil's sales were €740 million, or 11 percent, lower. The decline resulted primarily from lower capacity utilization at our fossil generation fleet and from lower internal transfer prices. Sales were higher in the United Kingdom due to the commissioning of a new gas-fired power plant, improved market conditions for coal-fired assets, and currency-translation effects. Sales were higher in Spain due to an increase in sales volume.

Renewables

Sales at Renewables rose by €52 million.

Sales January 1–September 30 € in millions	2012	2011	+/- %
Hydro	976	1,078	-9
Wind/Solar/Other	809	655	+24
Renewables	**1,785**	**1,733**	**+3**

Sales at Hydro declined by 9 percent to €976 million, mainly because of lower sales volume in Italy and lower transfer and spot prices in Sweden. Other negative factors were negative price movements in Germany and a weather-driven reduction in output in Spain.

The predominant reason for the €154 million increase in Wind/Solar/Other's sales was a considerable increase in installed generating capacity.

Optimization & Trading

Optimization & Trading's sales were up by 24 percent to around €69.5 billion (prior year: €56 billion).

Sales January 1–September 30 € in millions	2012	2011	+/- %
Proprietary Trading	-15	52	–
Optimization	69,233	55,661	+24
Transmission/Shareholdings/ Other	278	265	+5
Optimization & Trading	**69,496**	**55,978**	**+24**

The Optimization reporting unit consists of our wholesale gas business, gas storage business, and asset optimization. Continuing the trend from the fourth quarter of 2011, sales were higher due to an increase in trading activity, primarily in gas. Here, hedging in conjunction with long-term supply contracts and the optimization of E.ON-owned gas-fired power plants led to a significant increase in sales, as did the shift to an annual rolling hedging strategy. Sales at the wholesale gas business also rose owing primarily to higher sales prices and higher sales volume. The increase in sales is reflected almost identically in the increase in cost of materials, since optimization involves buying quantities and then reselling them. The Consolidated Statements of Income include Proprietary Trading's sales net of the associated cost of materials.

Sales at the Gas Transmission/Shareholdings/Other reporting unit were at the prior-year level. The sale of Open Grid Europe in late July 2012 led to lower sales in the gas transport business. This was offset by a reduction in consolidation effects.

Exploration & Production

Sales at Exploration & Production declined by 8 percent to €1,045 million (prior year: €1,132 million) owing to a decline in production at our North Sea fields. This effect was partially offset by positive price developments, particularly for sales volume from Yuzhno Russkoye gas field in Siberia.

Germany

Sales at the Germany regional unit increased by €2.5 billion.

Sales January 1–September 30 € in millions	2012	2011	+/- %
Distribution Networks	9,727	8,535	+14
Non-regulated/Other	19,919	18,569	+7
Germany	**29,646**	**27,104**	**+9**

The Distribution Networks reporting unit grew sales by €1.2 billion. The increase is mainly attributable to significantly higher sales in conjunction with Germany's Renewable Energy Law and to a regulation-driven increase in power network charges.

Sales at the Non-regulated/Other reporting unit rose by €1.3 billion, chiefly because of the acquisition of new retail gas customers.

Other EU Countries

Other EU Countries grew sales by €629 million to €17.4 billion.

Sales January 1–September 30 € in millions	2012	2011	+/- %
UK (£ in millions)	6,911 (5,612)	6,078 (5,297)	+14 (+6)
Sweden (SEK in millions)	2,026 (17,693)	2,187 (19,705)	-7 (-10)
Czechia (CZK in millions)	2,161 (54,341)	1,996 (48,627)	+8 (+11)
Hungary (HUF in millions)	1,435 (417,929)	1,457 (395,482)	-2 (+6)
Remaining regional units	4,901	5,087	-4
Other EU Countries	**17,434**	**16,805**	**+4**

Sales at the UK regional unit rose by €833 million, primarily because of currency-translation effects. Higher retail sales were partially offset by the disposal of the regulated business (Central Networks) at the end of the first quarter of 2011.

The Sweden regional unit's sales decreased by €161 million despite positive currency-translation effects of €63 million. The main negative factors were lower retail sales which resulted from lower spot prices and sales volume.

Sales in Czechia rose by €165 million owing primarily to higher sales prices in the retail gas business and higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network. These factors were partially mitigated by adverse currency-translation effects.

Sales at the Hungary regional unit declined by €22 million. Adverse currency-translation effects of €105 million were partially offset by higher sales prices and higher power and gas sales volume.

Sales at the remaining regional units fell by €186 million, in particular because of the loss of a large customer in the Netherlands, a significant volume- and price-driven decline in sales in France, the disposal of operations in Bulgaria, and lower sales volume in Italy. These declines were partially offset by higher power sales volume and positive margin and price effects in the gas business in Spain and by higher power and gas sales volume in Romania.

Russia

The Russia unit grew its nine-month sales by 16 percent to €1,363 million (prior year: €1,171 million). The reason for the increase was higher sales volume resulting from new generating capacity. In local currency, sales were up by 15 percent, from RUB 47,282 million to RUB 54,306 million.

Significant Line Items from the Consolidated Statements of Income

Own work capitalized of €207 million was 43 percent below the prior-year figure (€363 million). The main reason is that relative to the prior-year period significantly fewer engineering services were performed owing to the completion of a number of generation new-build projects.

Other operating income declined by 23 percent to €8,182 million (prior year: €10,670 million). Lower income from exchange-rate differences of €3,475 million (€4,736 million) and lower income from derivative financial instruments of €2,539 million (€3,261 million) constituted the main factors. Among derivative financial instruments, there were significant effects from commodity derivatives in the first nine months of 2012. These principally affected our power, natural gas, coal, and oil positions. Gains on the sale of securities, fixed assets, and shareholdings amounted to €443 million (€1,535 million). In the current-year period, these gains resulted primarily from the sale of fixed assets and securities; in the prior-year period, primarily from the sale of additional shares of Gazprom stock and our power distribution network in the United Kingdom. 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 €13,786 million to €80,588 million (€66,802 million), primarily owing to a substantial increase in trading volume at Optimization & Trading, since optimization involves buying quantities and then reselling them. The agreement we reached with Gazprom in the first half of 2012, which retroactively affected price terms for the period since the fourth quarter of 2010, had positive effect in the amount of approximately €1 billion in the current-year period.

Personnel costs declined by 4.2 percent to €3,687 million (€3,849 million), in part because of the sale of our power distribution network in the United Kingdom in the prior year.

Depreciation charges of €3,646 million were significantly above the prior-year figure of €3,031 million due to impairment charges on goodwill, property, plant, and equipment ("PP&E"), and immaterial assets in the first nine months of 2012. These were partially offset by reversals of impairment charges on PP&E recorded in other operating income. The amendment of

Germany's Nuclear Energy Act (which called for the early, unplanned shutdown of nuclear power stations in Germany) made it necessary to record impairment charges on PP&E in the prior-year period.

Other operating expenses declined by 22 percent to €9,860 million (€12,554 million). This is mainly attributable to lower expenditures relating to currency differences of €3,283 million (€5,543 million) and lower expenditures relating to derivative financial instruments of €3,089 million (€3,185 million), especially relating to commodity derivatives.

Income from companies accounted for under the equity method declined to €177 million (€398 million), mainly because of impairment charges on shareholdings in the gas business. In addition, this item was adversely affected in the prior-year period by impairment charges resulting from the amendment of Germany's Nuclear Energy Act which called for the early, unplanned shutdown of nuclear power stations in Germany.

EBITDA

Our key figure for purposes of internal management control and as an indicator of our units' long-term earnings power is earnings before interest, taxes, depreciation, and amortization ("EBITDA"), which we adjust to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature. EBITDA is unaffected by investment and depreciation cycles and also provides an indication of our cash-effective earnings (see the commentary in Note 12 to the Condensed Consolidated Interim Financial Statements).

Our nine-month EBITDA was up by about €2.3 billion year on year. The main factors were:

- significant improvements in our wholesale gas business
- the non-recurrence of the adverse impact, recorded in the prior-year period, of the amended Nuclear Energy Act
- the first results from our Group-wide E.ON 2.0 program
- the operation of new gas-fired generating units at Surgut and Yaiva power stations in Russia.

EBITDA[1]

January 1–September 30 € in millions	2012	2011	+/- %
Generation	1,740	1,052	+65
Renewables	906	1,086	-17
Optimization & Trading	1,961	531	+269
Exploration & Production	421	564	-25
Germany	1,935	1,677	+15
Other EU Countries	1,558	1,619	-4
Russia	523	378	+38
Group Management/ Consolidation	-227	-354	–
Total	**8,817**	**6,553**	**+35**

[1]Adjusted for extraordinary effects.

Generation

Generation's EBITDA increased by €688 million.

Generation

January 1–September 30 € in millions	EBITDA[1] 2012	EBITDA[1] 2011	EBIT[1] 2012	EBIT[1] 2011
Nuclear	599	-144	454	-365
Fossil	1,208	1,193	700	670
Other	-67	3	-72	-1
Total	**1,740**	**1,052**	**1,082**	**304**

[1]Adjusted for extraordinary effects.

Nuclear's nine-month EBITDA was positively affected by the absence of a non-recurring effect recorded in the second quarter of 2011 relating to the shutdown of nuclear power stations in Germany pursuant to the amended Nuclear Energy Act. Earnings in Germany were adversely affected by lower market-based transfer prices for deliveries to Optimization & Trading and by higher expenditures for the nuclear-fuel tax. Lower sales volume and transfer prices in Sweden also served to reduce earnings.

Fossil's earnings were €15 million above the prior-year level. The positive factors included the commissioning of new gas-fired power plants in Germany and the United Kingdom as well as improved margins in France and Spain. Lower internal transfer prices and narrower margins in Italy had an adverse impact on earnings.

Renewables

Renewables' EBITDA decreased by €180 million, or 17 percent.

Renewables

January 1–September 30 € in millions	EBITDA[1] 2012	EBITDA[1] 2011	EBIT[1] 2012	EBIT[1] 2011
Hydro	521	654	433	567
Wind/Solar/Other	385	432	173	253
Total	**906**	**1,086**	**606**	**820**

[1]Adjusted for extraordinary effects.

EBITDA at Hydro declined by 20 percent year on year to €521 million. The main factors were lower prices in Sweden and Italy along with a weather-driven reduction in output in Spain.

Wind/Solar/Other's EBITDA declined by 11 percent owing to the non-recurrence of a positive effect recorded in the first quarter of 2011 and lower compensation in the United Kingdom.

Optimization & Trading

Optimization & Trading's EBITDA surpassed the prior-year figure by €1,430 million.

Optimization & Trading				
January 1–September 30 € in millions	EBITDA[1]		EBIT[1]	
	2012	2011	2012	2011
Proprietary Trading	-66	–	-68	-2
Optimization	1,375	-130	1,255	-230
Transmission/ Shareholdings/Other	652	661	596	556
Total	**1,961**	**531**	**1,783**	**324**

[1]Adjusted for extraordinary effects.

Proprietary Trading's EBITDA was below the prior-year figure because of the non-recurrence of a positive effect in the gas portfolio recorded in the prior-year period and a decline in earnings in the power portfolio (particularly in Eastern Europe) and in oil trading in the current-year period.

EBITDA at Optimization was significantly above the prior-year level, primarily because of our gas business, where negotiations with all suppliers to adjust purchase prices to market levels were successful, leading to a substantial earnings improvement relative to the prior-year period. Depending on the producer, some price adjustments are attributable to an earlier reporting period, in some cases going back as far as the fourth quarter of 2010. Earnings on the optimization of the E.ON Group's generation and production assets improved significantly relative to the prior-year period.

Earnings at Gas Transmission/Shareholdings/Other were slightly lower. Higher earnings from equity interests were more than offset by adverse consolidation effects.

Exploration & Production

EBITDA at Exploration & Production declined by 25 percent to €421 million (prior year: €564 million) owing mainly to a decline in production at our North Sea fields. This effect was partially offset by a price-driven increase in sales from Yuzhno Russkoye gas field in Siberia. Exploration & Production recorded nine-month EBIT of €241 million (€377 million).

Germany

EBITDA at the Germany regional unit increased by €258 million.

Germany				
January 1–September 30 € in millions	EBITDA[1]		EBIT[1]	
	2012	2011	2012	2011
Distribution Networks	1,270	1,011	787	542
Non-regulated/Other	665	666	453	433
Total	**1,935**	**1,677**	**1,240**	**975**

[1]Adjusted for extraordinary effects.

Distribution Networks grew its earnings by €259 million. A regulation-driven increase in power network charges and improvements achieved through cost-cutting measures more than offset the effect of lower gas network charges.

EBITDA at Non-regulated/Other was roughly at the prior-year level.

Other EU Countries

Other EU Countries' EBITDA was 4 percent, or €61 million, below the prior-year figure.

Other EU Countries				
January 1–September 30 € in millions	EBITDA[1]		EBIT[1]	
	2012	2011	2012	2011
UK (£ in millions)	297 (241)	295 (257)	215 (174)	198 (173)
Sweden (SEK in millions)	526 (4,595)	506 (4,563)	343 (2,996)	329 (2,960)
Czechia (CZK in millions)	315 (7,923)	316 (7,698)	233 (5,857)	234 (5,701)
Hungary (HUF in millions)	149 (43,344)	201 (54,652)	76 (22,060)	110 (29,860)
Remaining regional units	271	301	195	197
Total	**1,558**	**1,619**	**1,062**	**1,068**

[1]Adjusted for extraordinary effects.

EBITDA at the UK regional unit was at the prior-year level. Performance improvements and positive currency-translation effects were almost entirely offset by the absence of earnings streams from the regulated business (Central Networks), which was divested in April 2011.

The Sweden regional unit's EBITDA increased by €20 million, primarily because of positive currency-translation effects of €16 million. Other positive factors were a general adjustment of network fees, new network connections for wind farms, and the sale of a subsidiary. EBITDA was adversely affected by a decline in asset availability in the heating business and by higher procurement costs (resulting from price spikes) and lower sales volume in the retail business.

EBITDA in Czechia was at the prior-year level. Higher compensation payments for the mandatory purchase of renewable-source electricity in the distribution network were offset by adverse currency-translation effects.

The main contributions to the Hungary regional unit's EBITDA came from its distribution network business (€163 million) and its retail business (-€20 million). The decline from the prior-year figure is chiefly attributable to narrower margins, higher personnel and IT costs, losses on unrecoverable receivables, and currency-translation effects.

EBITDA at the remaining regional units declined by €30 million, or 10 percent. This was mainly because of developments in France (due to the recording of a provision for anticipated losses in the gas business, regulatory changes and lower sales volume in the power business along with narrower margins in the gas business) and in Spain (due to regulation-driven changes in the distribution business and the sales of equity interests). These declines were partially offset by the absence of allowances for overdue receivables recorded in the prior-year period in Italy and by improved margins in the gas business in Romania.

Russia

The Russia unit's EBITDA rose by €145 million, or 38 percent, to €523 million (prior year: €378 million), mainly because of higher sales volume resulting from an increase in generating capacity. EBIT was €384 million (€276 million). EBITDA in local currency increased by 36 percent, from RUB 15,258 million to RUB 20,815 million. EBIT was RUB 15,295 million (RUB 11,151 million).

Net Income

Net income attributable to shareholders of E.ON AG of €2,727 million and corresponding earnings per share of €1.43 were considerably above the respective prior-year figures, €864 million and €0.46. However, net impairment charges of €1.2 billion had a considerable adverse impact on third-quarter net income.

Net Income

January 1–September 30 € in millions	2012	2011
EBITDA[1]	**8,817**	**6,553**
Depreciation and amortization	-2,632	-2,766
Impairments (-)/Reversals (+)[2]	-71	-50
EBIT[1]	**6,114**	**3,737**
Economic interest income (net)	-1,022	-1,349
Net book gains/losses	190	1,250
Restructuring/cost-management expenses	-233	-393
Impairments (-)/Reversals (+)[2]	-1,190	–
Other non-operating earnings	-333	-2,134
Income/Loss (-) from continuing operations before taxes	**3,526**	**1,111**
Income taxes	-527	20
Income/Loss (-) from continuing operations	**2,999**	**1,131**
Income/Loss (-) from discontinued operations, net	27	13
Net income	**3,026**	**1,144**
Attributable to shareholders of E.ON AG	*2,727*	*864*
Attributable to non-controlling interests	*299*	*280*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the 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 improvement in our economic interest expense is primarily attributable to the release of provisions recorded in previous years. The principal countervailing effect was the absence of a non-recurring item relating to a renewables support fund.

Economic Interest Expense

January 1–September 30 € in millions	2012	2011
Interest expense shown in Consolidated Statements of Income	-1,056	-1,636
Interest income (-)/expense (+) not affecting net income	34	287
Total	**-1,022**	**-1,349**

Nine-month net book gains were €1.1 billion, or 85 percent, below the prior-year level. In the current-year period, book gains were recorded mainly on the sale of securities, an office building in Munich and network segments in Germany, and shares in a gas pipeline in the United Kingdom. The prior-year figure reflects, in particular, the sale of Gazprom stock, our U.K. network business, and securities.

Restructuring and cost-management expenditures declined by €160 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional units and internal cost-cutting programs. There were also expenditures relating to the withdrawal of generating units in the current year and relating to restructuring measures at our UK and France regional units and in IT in the prior year.

In 2012, our global and regional units were adversely affected by a generally deteriorated business environment and by regulatory intervention. We therefore had to record impairment charges totaling €1.5 billion mainly at Generation, Optimization & Trading, and Other EU Countries. Of these charges, €0.1 billion were on goodwill; €0.9 billion on property, plant, and equipment and goodwill; and €0.5 billion on share investments. These were partially offset by the reversal of certain impairment charges of €0.3 billion, mainly at Generation.

Other non-operating earnings of -€333 million (prior year: -€2,134 million) include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in negative effects at both September 30, 2012 (-€450 million) and September 30, 2011 (-€692 million). In the current-year period, non-operating earnings were also adversely affected by a number of smaller items. Non-operating earnings were positively affected in the current-year period by the €233 million reduction (€240 million including interest) of the fine that the European Commission had levied against E.ON for an alleged market-sharing agreement with GdF Suez. Negative effects in the prior-year period also resulted from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup, from impairment charges related to the amendment of Germany's Nuclear Energy Act, from early redemption fees in connection with our debt reduction, and from write-downs on production licenses at Exploration & Production.

The increase in our tax expense compared with 2011 is mainly attributable to the increase in our earnings in 2012.

Income/loss from discontinued operations, net, consists of the earnings from contractual obligations of operations that have already been sold. Pursuant to IFRS, these earnings are reported separately in the Consolidated Statements of Income.

Underlying Net Income

Net income reflects not only our operating performance but also special effects, such as the marking to market of derivatives. Underlying 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. Underlying net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and interests without a controlling influence), as well as special tax effects.

Underlying Net Income

January 1–September 30 € in millions	2012	2011	+/- %
Net income attributable to shareholders of E.ON AG	2,727	864	+216
Net book gains/losses	-190	-1,250	–
Restructuring and cost-management expenses	233	393	–
Impairments (-)/Reversals (+)	1,190	–	–
Other non-operating earnings	333	2,134	–
Taxes and non-controlling interests on non-operating earnings	-207	-433	–
Special tax effects	-24	-110	–
Income/Loss from discontinued operations, net	-27	-13	–
Total	**4,035**	**1,585**	**+155**

Financial Condition

Investments

Our nine-month investments were €228 million above the prior-year level. We invested about €3.8 billion in property, plant, and equipment ("PP&E") and intangible assets (prior year: €4 billion). Share investments totaled €0.5 billion versus €0.1 billion in the prior-year period.

Investments January 1–September 30 € in millions	2012	2011	+/- %
Generation	846	1,048	-19
Renewables	1,113	712	+56
Optimization & Trading	245	372	-34
Exploration & Production	359	425	-16
Germany	554	533	+4
Other EU Countries	619	739	-16
Russia	186	248	-25
Group Management/ Consolidation	412	29	-
Total	**4,334**	**4,106**	**+6**
Maintenance investments	*582*	*712*	*-18*
Growth and replacement investments	*3,752*	*3,394*	*+11*

Generation invested €202 million less than in the prior-year period. Investments in PP&E and intangible assets declined by €254 million, from €1,020 million to €766 million. The main reason for the decline was the completion of new-build projects in Slovakia (Malzenice), Germany (Irsching), and Spain (Algeciras). Share investments totaled €80 million (prior year: €28 million).

Investments at Renewables were up by €401 million. Hydro's investments of €39 million were 17 percent below the prior-year figure of €47 million. Wind/Solar/Other's investments rose by 62 percent, from €665 million to €1,074 million. These expenditures went towards the development and construction of wind farms in Europe and the United States.

Optimization & Trading invested €245 million. Of this figure, €220 million (prior year: €309 million) was invested in PP&E and intangible assets. Most of these investments were in gas infrastructure. Share investments of €25 million (€63 million) were chiefly attributable to a capital increase at the Nord Stream pipeline company.

Exploration & Production invested €359 million (prior year: €425 million) in PP&E and intangible assets. Investments in Skarv field amounted to €174 million (€280 million).

The Germany regional unit invested €21 million more than in the prior-year period. Investments in PP&E and intangible assets totaled €547 million. Of these investments, €443 million went towards the network business and €54 million towards the district-heating business. Share investments totaled €7 million.

Investments at Other EU Countries were €120 million below the prior-year figure. The UK regional unit invested about €82 million (prior year: €167 million). The sale of Central Networks was the main cause for the decline. The Sweden unit's investments of €226 million were at the prior-year level (€225 million); investments served to expand distributed generation and to expand and upgrade the distribution network, including adding new connections. Investments totaled €98 million (€120 million) in Czechia, €89 million (€103 million) in Hungary, and €124 million in the remaining EU countries (€124 million).

The Russia unit invested €186 million (prior year: €248 million), mainly in its new-build program.

Investments recorded under Group Management/Consolidation were considerably higher because we made initial payments as part of our joint venture with Brazil's MPX.

Cash Flow and Financial Position

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

At €6,827 million, our operating cash flow was significantly above the prior-year figure of €4,489 million. The main positive factors were cash-effective items in the EBITDA increase and a reduction in working capital, which resulted in part from higher withdrawals from coal and gas inventories. Other positive factors in the current-year period were the non-recurrence of the refunding of pension assets in the United Kingdom recorded in 2011, lower interest and tax payments, and the partial refund of the fine for an alleged market-sharing agreement with GdF Suez. As anticipated, the investment-income tax on an intragroup dividend distribution paid in the first quarter of this year was refunded in the third quarter, which eliminated the temporary adverse effect on operating cash flow shown in the earlier reporting periods.

Cash provided by investing activities of continuing operations amounted to approximately -€1.2 billion (prior year: -€0.2 billion). Although investment expenditures were only incrementally above the prior-year level, cash from the sale of shareholdings was considerably lower. This mainly reflects the significant cash recorded on the sale of Central Networks and our remaining Gazprom stock in the prior-year period. The proceeds from the sale of Open Grid Europe constituted the main positive factor in 2012; another positive factor was a reduction in cash outflows from changes in securities and fixed-term deposits.

Cash provided by financing activities of continuing operations amounted to -€4.7 billion (prior year: -€6.6 billion). This development was mainly due to a higher net repayment of financial liabilities in the prior-year period and a lower dividend payout in the current-year period.

Compared with the figure recorded at December 31, 2011 (-€36,385 million), our economic net debt declined by €800 million to -€35,585 million. The main reason for the decline was that our positive operating cash flow along with the proceeds from divestments were sufficient to fully cover E.ON AG's dividend payout and our investment expenditures. Higher provisions for pensions, relating mainly to a decline in discount rates, had an adverse impact on our economic net debt.

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.

Economic Net Debt

€ in millions	Sep. 30, 2012	Dec. 31, 2011
Liquid funds	8,364	7,020
Non-current securities	5,000	4,904
Total liquid funds and non-current securities	**13,364**	**11,924**
Financial liabilities to banks and third parties	-26,464	-28,490
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,675	-1,424
Total financial liabilities	**-28,139**	**-29,914**
Net financial position	**-14,775**	**-17,990**
Fair value (net) of currency derivatives used for financing transactions[1]	310	524
Provisions for pensions	-5,437	-3,245
Asset-retirement obligations	-17,433	-17,269
Less prepayments to Swedish nuclear fund	1,750	1,595
Economic net debt	**-35,585**	**-36,385**

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

E.ON did not issue or repurchase bonds in the first three quarters of 2012; regular bond maturities amounted to €1.3 billion. On balance, E.ON's gross financial liabilities to financial institutions and third parties declined by €2 billion to €26.5 billion relative to year-end 2011, mainly because of a reduction in the amount of bonds and commercial paper outstanding.

In April 2012, 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 €20 billion had been utilized as of September 30, 2012.

Standard & Poor's ("S&P") long-term rating for E.ON is A-. Moody's long-term rating for E.ON is A3. Both of these ratings have a stable outlook. The short-term ratings are A-2 (S&P) and P-2 (Moody's). In July 2012, S&P downgraded its A rating to A- with a stable outlook and its short-term rating from A-1 to A-2. The ratings assigned by both agencies remain in line with E.ON's rating target (solid single A).

Asset Situation

Non-current assets at September 30, 2012, were almost unchanged from the figure at year-end 2011. Investments in property, plant, and equipment ("PP&E") and higher receivables from derivative financial instruments were partially offset by items that included the derecognition of the assets of our gas transmission system operator, Open Grid Europe. In addition, in the third quarter of 2012 we recorded impairment charges on goodwill, intangible assets, PP&E, and share investments; these charges were partially offset by the reversal of certain impairment charges from earlier reporting periods.

Current assets declined by 19 percent from year-end 2011. The main factors were reductions in operating receivables and in receivables from derivative financial instruments; these factors were offset to a slight degree by an increase in liquid funds.

Our equity ratio at September 30, 2012, was 27 percent (year-end 2011: 26 percent). We paid out a dividend of €1.9 billion to E.ON shareholders in the second quarter of 2012.

Non-current liabilities were at the prior year-end level. Higher pension obligations (resulting primarily from a decline in the discount rate in Germany and the United Kingdom) were offset in particular by lower non-current financial liabilities.

Current liabilities declined by 20 percent relative to year-end 2011, mainly because of a decrease in operating liabilities and in liabilities from derivative financial instruments. These effects were partially offset by the reclassification of bonds scheduled to mature in 2013.

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 38 percent (December 31, 2011: 39 percent).
- Non-current assets are covered by long-term capital at 104 percent (December 31, 2011: 104 percent).

Consolidated Assets, Liabilities, and Equity

€ in millions	Sep. 30, 2012	%	Dec. 31, 2011	%
Non-current assets	102,446	71	102,221	67
Current assets	41,047	29	50,651	33
Total assets	**143,493**	**100**	**152,872**	**100**
Equity	39,107	27	39,613	26
Non-current liabilities	67,265	47	67,129	44
Current liabilities	37,121	26	46,130	30
Total equity and liabilities	**143,493**	**100**	**152,872**	**100**

Employees

As of September 30, 2012, the E.ON Group had 73,133 employees worldwide, 7 percent less than at year-end 2011. E.ON also had 2,260 apprentices and 270 board members and managing directors.

As of the same date, 41,030 employees, or 56 percent of all staff, were working outside Germany, a slightly higher percentage than at year-end 2011.

Employees[1]

	Sep. 30, 2012	Dec. 31, 2011	+/- %
Generation	10,257	10,578	-3
Renewables	1,817	1,808	–
Optimization & Trading	2,204	3,941	-44
Exploration & Production	191	203	-6
Germany	20,764	21,602	-4
Other EU Countries	29,037	31,909	-9
Russia	5,058	4,896	+3
Group Management/Other[2]	3,805	3,952	-4
Total	**73,133**	**78,889**	**-7**

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

Generation's headcount was lower due mainly to the expiration of temporary contracts, early retirement arrangements, and staff reductions as part of E.ON 2.0. The transfer of employees from Generation to the UK regional unit was another factor.

At Renewables, the hiring of staff for offshore projects was almost entirely offset by staff reductions as part of E.ON 2.0.

The number of employees at Optimization & Trading declined significantly owing to the sale of its gas transport business along with fluctuation and staff reductions as part of E.ON 2.0.

The relocation of Exploration & Production's headquarters led to a slight reduction in its staff numbers.

The headcount at the Germany regional unit was lower mainly because of staff reductions resulting from E.ON 2.0 efficiency-enhancement measures and the closure of the Brienner Straße office in Munich.

The decline in the number of employees at Other EU Countries is chiefly attributable to the sale of the Bulgaria regional unit and of a waste-incineration subsidiary in Sweden. Efficiency-enhancement measures, primarily in the United Kingdom, constituted another factor.

The headcount at Russia increased mainly because of hiring for new-build projects and maintenance work.

Group Management/Other's headcount declined owing to fluctuation and staff reductions as part of E.ON 2.0.

Risk Situation

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The E.ON Group, and thus E.ON AG, is exposed to the following main categories of risk:

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. Our Optimization & Trading global unit continues to face considerable competitive pressure in its gas business. 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, price risks result from the fact that gas procurement prices are partially indexed to oil prices, whereas sales prices are guided by wholesale gas prices. Generally, long-term gas procurement contracts between producers and importers include the possibility of adjusting them to reflect continually changing market conditions. On this basis, we conduct ongoing, intensive negotiations with our producers. In July 2012, a mutually acceptable solution was reached in the arbitration process we had opened against Gazprom.

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 autumn 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 policies 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 & Optimization 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, Russian rubles, 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.

Further risks may result from the EU's European Market Infrastructure Regulation ("EMIR") for derivatives traded over the counter ("OTC") and the possible rescission of energy-trading companies' exemption from the Markets in Financial Instruments Directive ("MiFID"). The European Commission is introducing mandatory central clearing of all OTC trades. This would increase the margin requirements for such transactions, which could lead to an increased cash liquidity risk. Non-financial firms will be exempt from the clearing requirement as long as it can be proven that these are risk-reducing transactions or if they remain below certain monetary thresholds. Key details of EMIR have yet to be formally determined.

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.

In view of the tense financial situation in many EU member states, a worsening of the euro crisis would, on balance, lead to an increase in financial risks.

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 used in the production and distribution of energy. Germany's Renewable Energy Law and the transformation of the country's energy system are resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network. On a regional level, the increase in decentralized feed-in (primarily from renewables) has led to a shift in load flows. 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) as well as environmental damage could negatively impact our earnings and/or affect our cost situation. In addition, problems with the development of new gas fields could lead to lower-than-expected earnings.

Climate change has become a central risk factor. For example, E.ON's operations could be adversely affected by the absence of precipitation or above-average temperatures that reduce the cooling efficiency of our generation assets and may make it necessary to shut them down. Extreme weather or long-term climatic change could also affect wind power generation. Alongside risks to our energy production, there are also risks that could lead to the disruption of offsite activities, such as transportation, communications, water supply, waste removal, and so forth. Increasingly, our investors and customers expect us to play an active leadership role in environmental issues like climate change and water conservation. Our failure to meet these expectations could increase the risk to our business by reducing the capital market's willingness to invest in our company and the public's trust in our brand.

To limit these risks, we will continue to improve our network management and the optimal dispatch of our generation assets. At the same time, we are implementing operational and infrastructure improvements that will enhance the reliability of our generation assets and distribution networks, even under extraordinarily adverse conditions. In addition, we have factored the operational and financial effects of environmental risks into our emergency plan. They are part of a catalog of crisis and system-failure scenarios prepared for the Group by our incident and crisis management team.

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 and ongoing planning processes 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 certain contractual price-adjustment clauses of years past are invalid. Additional risks may result from submissions by Germany's Federal Court of Justice to the European Court of Justice to determine whether standard price-adjustment clauses in sales contracts with residential customers (clauses that are also used by E.ON) and whether Germany's Basic Supply Ordinances (*Grundversorgungsverordnungen*) for Power and Gas comply with European law. Furthermore, court actions, governmental investigations and proceedings, and other claims could be instituted or asserted in the future against E.ON and E.ON Group companies. 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.

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 General Court of the European Union to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. On June 29, 2012, the General Court issued a ruling overturning a portion of the European Commission's decision and reduced the fine to €233 million. This ruling is now legally binding. 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 investigated potential anticompetitive practices by Gazprom, possibly in collusion with other companies. In September 2012, the Commission initiated a formal antitrust proceeding against Gazprom to determine whether the company abused a dominant market position in breach of Article 102 of the Treaty on the Functioning of the European Union.

E.ON is building a hard-coal-fired power plant in Datteln, Germany ("Datteln 4"). The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested more than €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a ruling declaring void the City of Datteln's land-use plan. This ruling was subsequently upheld by the Federal Administrative Court in Leipzig. Consequently, a new planning process is being conducted to reestablish a reliable planning basis for Datteln 4. In view of the ongoing planning processes, the SAC's ruling issued on June 12, 2012 (which declares void the preliminary decision), the filing for leave of appeal pending before the Federal Administrative Court, other lawsuits still pending, and the current policy environment, we currently anticipate additional delays relative to Datteln 4's originally planned date of commissioning. E.ON is taking provisional measures to ensure the supply of district heating and of traction power until Datteln 4 becomes operational, which we continue to assume will happen. In principle, these types of risks as well as technology-related 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.

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 and Central 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. The Nord Stream pipeline entered service in November 2011, establishing the first direct link between Russia's large gas reserves and Western European gas markets. Nord Stream will play an important role in diversifying gas procurement and enhancing Europe's supply security.

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 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") in the fall of 2010 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 ("the Act") and established a number of stricter rules. In addition to rescinding the eleventh amendment's operating-life extension, the newly amended Act calls for a gradual phaseout of nuclear power by 2022 and for the seven NPPs that entered service before year-end 1980 (which had been shut down temporarily by the moratorium) and for Krümmel NPP to be permanently shut down as of the date the Act took effect. This affected two NPPs for which E.ON has operational responsibility: Unterweser and Isar 1. 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 lives 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 constitutionally protected right to property and right 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 deprivation. In mid-November 2011, E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Constitutional Court in Karlsruhe. The nuclear-fuel tax remains at its original level after the rescission of operating-life extensions. 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 and C, Grohnde, Grafenrheinfeld, Emsland, Brokdorf, and Isar 2 NPPs have already begun. Conclusive court rulings will be handed down some time in the future.

As established in its coalition agreement, the German federal government lifted the Gorleben moratorium and continued the study of the Gorleben site, albeit with a number of subsequently stipulated restrictions. The Federal Ministry of the Environment formed a working group, which includes the federal states, with the aim of drafting legislation that stipulates the search process for a final storage site. In view of statements made to the media by Jürgen Trittin and Sigmar Gabriel in October 2012, however, it seems unlikely that the ministry and the opposition parties will be able to reach a consensus—and thus enact legislation—in the near future. The initial draft legislation is intended to "stipulate the individual procedural steps for searching for and selecting a site for the safe storage of heat-generating, radioactive waste." The draft legislation mentions Gorleben as a possible site but does not seem to conclusively clarify what Gorleben's status will be in the planned search process for a final storage site. After being updated on February 2, 2012, the initial draft legislation contains a passage for amending Section 21b of Germany's Nuclear Energy Act such that the costs for "conducting a site-selection process pursuant to the Site Selection Act" are considered a necessary expense subject to passthrough and thus are to be borne by entities with a disposal obligation. This was not changed in the new draft dated June 13, 2012. According to a correct (albeit not undisputed) interpretation of the law, such a passthrough of costs is unconstitutional as long as Gorleben has not been deemed unsuitable.

In early October, the European Commission released a communication on stress tests of NPPs in the European Union. First and foremost, the tests demonstrated that E.ON NPPs, particularly those in Germany (those shut down last year and those still in operation), have wide safety margins under all the scenarios that were examined. These safety margins considerably exceed the minimum standards set by laws, permits, and regulations. This also applies to events such as floods and earthquakes.

The new EU energy efficiency directive takes effect in November 2012. Among other provisions, it obliges all energy distributors and energy retailers to achieve, between 2014 and 2020, annual savings of 1.5 percent on the amount of energy they sell to their customers. However, member states have the option of replacing this provision with alternative measures that achieve a comparable effect. The other provisions afford member states a similar degree of flexibility. Consequently, how the directive is transposed into national law is of particular significance and could pose risks for our regional units. However, there is a discernable trend that the EU's energy-efficiency efforts will influence energy markets and thus could potentially create sales-volume risks for E.ON.

In the context of discussions about Europe's ability to meet its long-term climate-protection targets in 2050, adjustments to European emissions-trading legislation are under consideration. They include reducing the number of carbon allowances available during the next phase (2013–2020) of the EU Emissions Trading Scheme. Policymakers hope that reducing the number of allowances will lead to higher carbon prices, which would create additional incentives for investments in low-carbon generating capacity. The risks of potentially higher carbon prices for E.ON's current fossil-fueled generation portfolio in the EU can only be assessed when greater clarity exists about the measures under consideration.

In mid-July, the European Network of Transmission System Operators for Electricity ("ENTSO-E") finalized draft EU-wide network codes that set minimum technical requirements for connecting generating facilities to distribution and transmission systems. The codes could increase requirements for new and, in some cases, existing generating facilities. The Agency for the Cooperation of Energy Regulators ("ACER") generally approved of the network codes developed by ENTSO-E but requested some modifications. These modifications must be made and approved before the comitology process can be initiated.

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 regulatory agency (the German Federal Network Agency, known by its German acronym, "BNetzA") views RDCs having ownership interests in the retail subsidiaries as a violation of unbundling requirements. In early February 2012, the BNetzA issued a ruling in the test case against one RDC (E.ON Bayern) and E.ON Energie. The ruling requires the RDC to relinquish its ownership interest in the management company and the regional sales subsidiary within six months of the date the ruling takes effect. E.ON Energie and E.ON Bayern filed an appeal to the State Superior Court (*Oberlandesgericht*, or "OLG") in Düsseldorf against the BNetzA's ruling in the test case and will seek to have the ruling be subject to legal review. If, at the end of the multi-year legal process, the BNetzA's ruling is deemed legal, the RDCs affected by the ruling would have to be restructured.

E.ON's power and gas network operators in Germany are currently going through the regulatory cost-assessment process for the second period of incentive-based regulation, which begins in 2013 (for power network operators) and 2014 (for gas network operators). This process is not yet completed for either type of operator. It cannot be conclusively determined whether revenue caps can be maintained at their current level.

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 decided to create capacity markets, and the U.K. government has recommended taking the same step. Germany and Belgium are 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.

The U.K. government is implementing a number of reforms to the country's wholesale power market with the aim of providing incentives for investments in low-carbon generation and to maintain a reliable supply of electricity. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and power plants equipped with carbon capture and storage. The introduction of a capacity market is intended to support generating capacity that operates at lower load factors to help maintain security of supply. It is anticipated that the drafting of legislation to implement these reforms will continue in 2012 and that the measures will be fully implemented by the end of 2014. These reforms could affect E.ON's generation activities in the United Kingdom.

Draft legislation to amend Germany's Energy Law currently includes provisions that could prevent the shutdown of generating units, make it possible to contract reserve generating units, establish rules for safeguarding gas-fired generating units that are essential for system stability, and lead to government intervention in gas-transport and gas-storage operations. If this draft legislation becomes law, it could affect E.ON's generation and gas operations.

In view of the current economic and financial crisis in many EU member states, political and regulatory intervention (such as additional taxes, price moratoriums, and changes to support schemes for renewables) is becoming increasingly apparent. Such intervention could pose a risk to E.ON's operations in these countries. In particular, the refinancing situation of many European countries could have a direct impact on the E.ON Group's cost of capital, which could create the risk of impairment charges. Examples of such intervention include the coal tax in the Netherlands, new energy taxes in Spain, and so-called Robin Hood taxes in Italy and Hungary.

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. We outsourced our IT infrastructure to an external service provider in 2011. 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

At the end of the third quarter of 2012, the risk situation of the E.ON Group's operating business had not changed compared with the end of the first half of 2012. The positive change compared with year-end 2011 was due in particular to the outcomes of our negotiations regarding gas supply contracts. In the future, increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could 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.

Subsequent Events

As part of our divestment strategy, we signed contracts on October 26, 2012, to sell our stake in Horizon Nuclear Power to Japanese industrial conglomerate Hitachi.

In addition, on October 5, 2012, we signed contacts to sell a 50-percent stake in three wind farms in the United States to PensionDanmark, a Danish pension fund.

Note 13 to the Condensed Consolidated Interim Financial Statements contains a more detailed description of these transactions.

Forecast

Future Macroeconomic Situation

The OECD considers the global economic outlook to be generally weaker than we anticipated in our 2011 Annual Report. The European Commission and the German Council of Economic Experts also recently adjusted downward their forecasts for Europe's economic growth for the remainder of 2012 and in 2013.

Future Energy Prices

Currently, the development of commodity prices depends to a large degree on the market's estimation of future economic developments. Current forward market data reflect the following expectations:

- declining oil prices
- rising coal prices
- flat gas prices characterized by typical seasonal fluctuations
- a similar sideways tendency for power prices.

However, the downward trend of wholesale power prices of recent years continued unabated. In October, for example, year-ahead baseload power at the European Energy Exchange EEX (in Leipzig) was trading at just €47 per MWh, a new low. Through our hedging strategy, the development of power prices influences our future earnings development. Margins have narrowed substantially, particularly in fossil-fueled generation and above all for gas-fired generating capacity.

Earnings

Overall, we reaffirm the forecast for our full-year 2012 earnings contained in our ad hoc release from early July.

Our forecast is based on the following effects relative to the prior year:

- the absence of an adverse, one-off effect recorded in 2011 owing to the German federal government's decision regarding the early shutdown of nuclear power stations
- disposals (among others, Central Networks and Open Grid Europe)
- agreement with Gazprom regarding long-term gas supply contracts
- lower earnings at our generation business.

From today's perspective, we continue to anticipate that our 2012 EBITDA will be between €10.4 and €11 billion and that our 2012 underlying net income will be between €4.1 and €4.5 billion.

For 2013, we had anticipated EBITDA of €11.6 to €12.3 billion and underlying net income of €3.2 to €3.7 billion. Considering the substantial economic uncertainties and the structural changes in the energy industry, these no longer seem achievable. We will therefore review our 2013 forecast as part of our current planning process.

Our forecast by segment:

We expect Generation's 2012 EBITDA to surpass the prior-year figure. Earnings will be positively impacted by the absence of the adverse, one-off effect recorded in 2011 owing to the German federal government's decision regarding the early shutdown of nuclear power stations. The negative factors compared with 2011 include narrower wholesale margins, higher nuclear-fuel taxes due to overhaul scheduling, and the absence of earnings from shut-down nuclear power stations which were operational in the first quarter of 2011.

We anticipate Renewables' earnings will be lower in 2012, in particular because declining prices for hydroelectricity will not be offset by increases in installed wind and solar capacity.

Our Optimization & Trading segment faces significant margin pressure in both its wholesale power and gas businesses. On the power side, this is principally because internal transfer prices are declining relative to 2011 but still high. This factor, along with low market prices, means that we can anticipate only a limited recovery of power margins, which remain negative. On the gas side, in the first half of 2012 we achieved good outcomes in negotiations with all suppliers, including Statoil, GasTerra, and Gazprom. Owing in particular to these successes, we expect Optimization & Trading's 2012 EBITDA to surpass the prior-year level.

We expect the Exploration & Production segment's 2012 EBITDA to be below the prior-year figure. The main reasons are a longer shut-in of Njord field for maintenance and tie-in of satellite fields as well as the shut-in of Elgin/Franklin due to the gas field incident. Earnings from our stake in Yuzhno Russkoye gas field in Russia and higher energy prices will partly offset these negative effects.

We expect the Germany regional unit's 2012 EBITDA to surpass the prior-year level because of higher earnings at the distribution business and positive one-off effects.

Other EU Countries' EBITDA for 2012 is expected to be below the prior-year figure. The decline is mainly attributable to the sale of Central Networks and to higher costs for legally mandated energy-efficiency measures in the United Kingdom.

We expect Russia's 2012 EBITDA to be above the prior-year level. The full-year operation of new gas-fired generating units at Surgut and Yaiva will be a positive factor. In addition, a positive one-off effect results from the unanticipated unavailability of competitors' generating capacity in the Surgut area.

We expect 2012 EBITDA in the Group Management/Consolidation segment to be above the prior-year figure.

Opportunities

Positive developments in foreign-currency rates and market prices for commodities such as electricity, natural gas, coal, oil, and carbon 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 internal EU 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 years ahead, we will transform our business portfolio in line with our cleaner & better energy strategy. Our focus will be on developing and expanding our operations in renewables, power generation outside Europe, and distributed energy solutions. Alongside our successful businesses in North America (wind power) and Russia (large-scale conventional power stations), we are tapping Brazil as our next growth market. In a joint venture with Brazil's MPX, we plan to develop 11 GW of generating capacity. We see substantial market opportunities in all areas as well as ways for the venture to benefit from our capabilities.

In the period under review, our opportunities did not change significantly relative to those described in the Combined Group Management Report of our 2011 Annual Report.

Review Report

To E.ON AG, Düsseldorf

We have reviewed the condensed consolidated interim financial statements—comprising the balance sheet, income statement, statement of recognized income and expenses, condensed cash flows statement, statement of changes in equity and selected explanatory notes—and the interim group management report of E.ON AG, Düsseldorf, for the period from January 1 to September 30, 2012, 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 12, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Schwieters	Michael Reuther
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income

€ in millions	Note	July 1–Sep. 30 2012	July 1–Sep. 30 2011	Jan. 1–Sep. 30 2012	Jan. 1–Sep. 30 2011
Sales including electricity and energy taxes		28,626	24,876	95,062	79,045
Electricity and energy taxes		-399	-418	-1,433	-1,539
Sales	(12)	**28,227**	**24,458**	**93,629**	**77,506**
Changes in inventories (finished goods and work in progress)		11	27	107	33
Own work capitalized		72	108	207	363
Other operating income		2,506	2,878	8,182	10,670
Cost of materials		-24,667	-20,970	-80,588	-66,802
Personnel costs		-1,230	-1,332	-3,687	-3,849
Depreciation, amortization and impairment charges	(7), (12)	-1,756	-894	-3,646	-3,031
Other operating expenses		-2,449	-3,672	-9,860	-12,554
Income/Loss (-) from companies accounted for under the equity method	(8)	-324	153	177	398
Income/Loss (-) from continuing operations before financial results and income taxes		**390**	**756**	**4,521**	**2,734**
Financial results	(6)	-263	-653	-995	-1,623
Income/Loss (-) from equity investments		*27*	*-44*	*61*	*13*
Income from other securities, interest and similar income		*259*	*165*	*824*	*523*
Interest and similar expenses		*-549*	*-774*	*-1,880*	*-2,159*
Income taxes		-234	93	-527	20
Income/Loss (-) from continuing operations		**-107**	**196**	**2,999**	**1,131**
Income/Loss (-) from discontinued operations, net	(4)	–	–	27	13
Net income/loss (-)		**-107**	**196**	**3,026**	**1,144**
Attributable to shareholders of E.ON AG		*-179*	*173*	*2,727*	*864*
Attributable to non-controlling interests		*72*	*23*	*299*	*280*
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(7)				
from continuing operations		-0.10	0.10	1.42	0.45
from discontinued operations		0.00	0.00	0.01	0.01
from net income/loss (-)		**-0.10**	**0.10**	**1.43**	**0.46**

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

€ in millions	July 1–Sep. 30 2012	July 1–Sep. 30 2011	Jan. 1–Sep. 30 2012	Jan. 1–Sep. 30 2011
Net income/loss (-)	**-107**	**196**	**3,026**	**1,144**
Cash flow hedges	-27	-258	-195	-92
Unrealized changes	*-8*	*-412*	*-111*	*-122*
Reclassification adjustments recognized in income	*-19*	*154*	*-84*	*30*
Available-for-sale securities	65	-153	-29	-861
Unrealized changes	*86*	*-134*	*35*	*-105*
Reclassification adjustments recognized in income	*-21*	*-19*	*-64*	*-756*
Currency translation adjustments	327	-621	601	122
Unrealized changes	*327*	*-636*	*646*	*-448*
Reclassification adjustments recognized in income	–	*15*	*-45*	*570*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-763	-371	-2,403	4
Companies accounted for under the equity method	9	-30	-7	-43
Unrealized changes	*9*	*-30*	*-7*	*-43*
Reclassification adjustments recognized in income	–	–	–	–
Income taxes	217	73	788	-39
Total income and expenses recognized directly in equity	**-172**	**-1,360**	**-1,245**	**-909**
Total recognized income and expenses (total comprehensive income)	**-279**	**-1,164**	**1,781**	**235**
Attributable to shareholders of E.ON AG	*-340*	*-1,067*	*1,542*	*33*
Attributable to non-controlling interests	*61*	*-97*	*239*	*202*

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	Sep. 30, 2012	Dec. 31, 2011
Assets			
Goodwill		13,858	14,083
Intangible assets		6,773	7,372
Property, plant and equipment		55,738	55,869
Companies accounted for under the equity method	(8)	5,886	6,325
Other financial assets	(8)	6,716	6,812
Equity investments		*1,716*	*1,908*
Non-current securities		*5,000*	*4,904*
Financial receivables and other financial assets		3,832	3,619
Operating receivables and other operating assets		3,151	2,842
Income tax assets		145	147
Deferred tax assets		6,347	5,152
Non-current assets		**102,446**	**102,221**
Inventories		5,351	4,828
Financial receivables and other financial assets		2,153	1,789
Trade receivables and other operating assets		23,575	31,714
Income tax assets		1,239	4,680
Liquid funds		8,364	7,020
Securities and fixed-term deposits		*3,205*	*3,079*
Restricted cash and cash equivalents		*396*	*89*
Cash and cash equivalents		*4,763*	*3,852*
Assets held for sale	(4)	365	620
Current assets		**41,047**	**50,651**
Total assets		**143,493**	**152,872**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		23,110	23,796
Accumulated other comprehensive income		91	-277
Treasury shares	(9)	-3,530	-3,530
Equity attributable to shareholders of E.ON AG		**35,419**	**35,737**
Non-controlling interests (before reclassification)		4,303	4,484
Reclassification related to put options		-615	-608
Non-controlling interests		**3,688**	**3,876**
Equity		**39,107**	**39,613**
Financial liabilities		22,154	24,029
Operating liabilities		7,037	7,057
Income taxes		2,471	3,585
Provisions for pensions and similar obligations	(11)	5,437	3,245
Miscellaneous provisions		22,946	22,427
Deferred tax liabilities		7,220	6,786
Non-current liabilities		**67,265**	**67,129**
Financial liabilities		5,985	5,885
Trade payables and other operating liabilities		25,837	30,729
Income taxes		1,582	4,425
Miscellaneous provisions		3,713	4,985
Liabilities associated with assets held for sale	(4)	4	106
Current liabilities		**37,121**	**46,130**
Total equity and liabilities		**143,493**	**152,872**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

January 1–September 30 € in millions	2012	2011
Net income	3,026	1,144
Income from discontinued operations, net	-27	-13
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	3,646	3,031
Changes in provisions	-790	236
Changes in deferred taxes	474	-761
Other non-cash income and expenses	-698	1,051
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-343	-768
Changes in operating assets and liabilities and in income taxes	1,539	569
Cash provided by operating activities of continuing operations (operating cash flow)[1]	**6,827**	**4,489**
Proceeds from disposal of	3,835	5,908
Intangible assets and property, plant and equipment	*334*	*257*
Equity investments	*3,501*	*5,651*
Purchases of investments in	-4,334	-4,106
Intangible assets and property, plant and equipment	*-3,784*	*-3,996*
Equity investments	*-550*	*-110*
Changes in securities and fixed-term deposits	-403	-2,322
Changes in restricted cash and cash equivalents	-303	328
Cash used for investing activities of continuing operations	**-1,205**	**-192**
Payments received/made from changes in capital[2]	-87	5
Cash dividends paid to shareholders of E.ON AG	-1,905	-2,858
Cash dividends paid to non-controlling interests	-185	-180
Changes in financial liabilities	-2,568	-3,536
Cash used for financing activities of continuing operations	**-4,745**	**-6,569**
Net increase/decrease in cash and cash equivalents	**877**	**-2,272**
Effect of foreign exchange rates on cash and cash equivalents	31	-12
Cash and cash equivalents at the beginning of the year[3]	3,855	6,143
Cash and cash equivalents of continuing operations at the end of the quarter	**4,763**	**3,859**

[1]Additional information on operating cash flow is provided in Note 12.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents of continuing operations include an amount of €3 million at the beginning of 2012 at E.ON Bulgaria, which is reported as a disposal group.

Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 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			
Share additions			16			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			829	94	-822	-68
Net income			*864*			
Other comprehensive income			*-35*	*94*	*-822*	*-68*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-35*			
Changes in accumulated other comprehensive income				*94*	*-822*	*-68*
Balance as of September 30, 2011	**2,001**	**13,747**	**27,013**	**-1,476**	**1,101**	**-11**
Balance as of January 1, 2012	**2,001**	**13,747**	**23,796**	**-1,117**	**895**	**-55**
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-1,905			
Share additions			45			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			1,174	639	-101	-170
Net income			*2,727*			
Other comprehensive income			*-1,553*	*639*	*-101*	*-170*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-1,553*			
Changes in accumulated other comprehensive income				*639*	*-101*	*-170*
Balance as of September 30, 2012	**2,001**	**13,747**	**23,110**	**-478**	**794**	**-225**

Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-3,531	**41,653**	**4,532**	**-600**	**3,932**	**45,585**
		-106		-106	-106
		38		38	38
		-41		-41	-41
	-2,858	-177		-177	-3,035
	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**
-3,530	**35,737**	**4,484**	**-608**	**3,876**	**39,613**
		-75		-75	-75
		17		17	17
		-9		-9	-9
	-1,905	-185		-185	-2,090
	45	-168		-168	-123
			-7	-7	-7
	1,542	239		239	1,781
	2,727	*299*		*299*	*3,026*
	-1,185	*-60*		*-60*	*-1,245*
	-1,553	*-143*		*-143*	*-1,696*
	368	*83*		*83*	*451*
-3,530	**35,419**	**4,303**	**-615**	**3,688**	**39,107**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

The Interim Report for the nine months ended September 30, 2012, 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 2011 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, 2011, which provide the basis for this Interim Report.

(2) Newly Adopted Standards and Interpretations

Amendments to IFRS 7, "Financial Instruments: Disclosures"—Disclosures—Transfers of Financial Assets

In October 2010, the IASB issued amendments to IFRS 7. The new version of the standard seeks to allow users of financial statements to improve their understanding of the transfer of financial assets (for example, securitizations of debt). The amendments relate in particular to the disclosure of potential risks that remain with the entity that transferred the assets as a consequence of continuing involvement. The amendments have been transferred by the EU into European law and thus they are to be applied for fiscal years beginning on or after July 1, 2011. They have no impact on the E.ON Consolidated Financial Statements.

(3) Scope of Consolidation

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

Scope of Consolidation	Domestic	Foreign	Total
Consolidated companies as of December 31, 2011	161	314	475
Additions	5	5	10
Disposals/Mergers	11	22	33
Consolidated companies as of September 30, 2012	**155**	**297**	**452**

As of September 30, 2012, 99 companies were accounted for under the equity method (December 31, 2011: 105).

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2012

Open Grid Europe

In line with the strategy to divest €15 billion in assets by the end of 2013, E.ON sold its shares in the gas transmission company Open Grid Europe GmbH, Essen, Germany, to a consortium of infrastructure investors on July 23, 2012. The purchase price is approximately €3.2 billion and includes the assumption of pension obligations and certain assets. As negotiations had already reached an advanced stage by May 2012, the activities have been presented as a disposal group as of that date. Held in the Optimization & Trading global unit, Open Grid Europe had net assets of approximately €3.2 billion as of the disposal date. The major balance sheet line items were €3.1 billion in intangible assets and property, plant and equipment, €0.5 billion in financial assets and €0.7 billion in current assets, as well as €0.6 billion in deferred tax liabilities and €0.5 billion in other liabilities. The sale resulted in a minimal pre-tax gain on disposal.

E.ON Bulgaria

In line with the divestment strategy, E.ON signed an agreement with the Czech company ENERGO-PRO on the disposal of its wholly-owned subsidiary E.ON Bulgaria in December 2011. The purchase price was approximately €0.1 billion. The major asset items on the balance sheet were property, plant and equipment (€0.2 billion) and current assets (€0.1 billion). Provisions and liabilities amounted to €0.1 billion in total. The agreement on the purchase price necessitated the recognition in December 2011 of impairment charges on goodwill and non-current assets totaling about €0.1 billion. The transaction closed at the end of June 2012.

HSE

Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südhessische Energie AG, Darmstadt, Germany, accounted for in the Gas global 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 book value and the purchase price of the ownership interest both amount to approximately €0.3 billion. The contract for the sale was signed in February 2012. The transaction closed at the end of June 2012.

Equity Investment Held by E.ON Czech

In line with the divestment strategy, E.ON is preparing to sell its minority stake in a regional business in the Czech Republic. The expected purchase price is approximately €0.2 billion. The ownership interest is reported within the Czechia regional unit as an asset held for sale as of September 30, 2012, with a carrying amount of approximately €0.2 billion. It is intended to complete the transaction during the first quarter of 2013. A minor book gain on the disposal is expected.

Interconnector

As part of a series of portfolio optimizations, the 15.09-percent shareholding in Interconnector (UK) Ltd., London, United Kingdom, was also sold. In line with the stage of negotiations on that date, the ownership interest was presented as an asset held for sale as of June 30, 2012. This equity investment, which is accounted for in the Optimization & Trading global unit, was sold effective September 26, 2012, with a negligible gain realized on the disposal.

Property at Brienner Straße, Munich

Following the closure of the E.ON Energie AG location in Munich implemented in the course of the E.ON 2.0 efficiency-enhancement and cost-cutting program, the property at Brienner Straße is to be sold. Accordingly, as of September 30, 2012, the property is reported on the balance sheet as an asset held for sale, with a carrying amount of approximately €0.1 billion. The sale is expected to take place before the end of 2012.

Disposal Groups and Assets Held for Sale in 2011

Central Networks

In line with the divestment strategy, 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. 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). The disposal gain before foreign exchange translation differences amounts to about £0.5 billion. OCI as of April 1, 2011, consisted primarily of foreign exchange translation differences totaling -€0.2 billion; the resulting gain on disposal thus amounted to €0.4 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 Gas global 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.

BKW

Also in the context of portfolio streamlining, E.ON decided to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction was completed in July 2010, when BKW itself and Groupe E SA, Fribourg, Switzerland, acquired a stake of approximately 14 percent. The remaining approximately 7 percent of the shares have been reported as a financial asset since the fourth quarter of 2011.

Interest in OAO Gazprom

The portfolio streamlining efforts further 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.

(5) Research and Development Costs

The E.ON Group's research and development costs totaled €32 million in the first nine months of 2012 (first nine months of 2011: €32 million).

(6) Financial Results

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

Financial Results	July 1–Sep. 30		Jan. 1–Sep. 30	
€ in millions	2012	2011	2012	2011
Income from companies in which equity investments are held	26	43	87	106
Impairment charges/reversals on other financial assets	1	-87	-26	-93
Income/Loss (-) from equity investments	**27**	**-44**	**61**	**13**
Income from securities, interest and similar income	259	165	824	523
Interest and similar expenses	-549	-774	-1,880	-2,159
Interest and similar expenses (net)	**-290**	**-609**	**-1,056**	**-1,636**
Financial results	**-263**	**-653**	**-995**	**-1,623**

(7) Earnings per Share

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

Earnings per Share	July 1–Sep. 30		Jan. 1–Sep. 30	
€ in millions	2012	2011	2012	2011
Income/Loss (-) from continuing operations	-107	196	2,999	1,131
Less: Non-controlling interests	-72	-23	-299	-280
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	**-179**	**173**	**2,700**	**851**
Income/Loss (-) from discontinued operations, net	–	–	27	13
Net income/loss (-) attributable to shareholders of E.ON AG	**-179**	**173**	**2,727**	**864**
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	-0.10	0.10	1.42	0.45
from discontinued operations	0.00	0.00	0.01	0.01
from net income/loss (-)	**-0.10**	**0.10**	**1.43**	**0.46**
Weighted-average number of shares outstanding (in millions)	1,905	1,905	1,905	1,905

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

Earnings in the third quarter reflected especially the recognition of impairment charges of €1,481 million and write-ups of €275 million.

(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, 2012	Dec. 31, 2011
Companies accounted for under the equity method	5,886	6,325
Equity investments	1,716	1,908
Non-current securities	5,000	4,904
Total	**12,602**	**13,137**

The net income of €177 million from companies accounted for under the equity method (first nine months of 2011: €398 million) includes impairments totaling €482 million.

(9) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a *et seq.* AktG, may at no time exceed 10 percent of its capital stock. The 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, 2012, was 1,905,471,097 (December 31, 2011: 1,905,470,135).

As of September 30, 2012, E.ON AG and one of its subsidiaries held a total of 95,528,903 treasury shares (December 31, 2011: 95,529,865) having a consolidated book value of €3,530 million (equivalent to 4.77 percent or €95,528,903 of the capital stock).

(10) Dividends Paid

At the Annual Shareholders Meeting on May 3, 2012, shareholders voted to distribute a dividend of €1.00 (2011: €1.50) for each dividend-paying ordinary share. The total dividend payout was €1,905 million (2011: €2,858 million).

(11) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations were higher compared with year-end 2011. The increase was caused in large part by net actuarial losses attributable primarily to the decrease in the discount rates for E.ON Group companies in Germany and in the United Kingdom. Additions attributable to the net periodic pension cost further increased provisions for pensions. The increase was partly offset by employer contributions to plan assets and by the derecognition of provisions for pensions at units that were sold.

Discount Rates		
Percentages	Sep. 30, 2012	Dec. 31, 2011
Germany	3.25	4.75
U.K.	4.00	4.60

The funded status, which is equal to the difference between the present value of the defined benefit obligations 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, 2012	Dec. 31, 2011
Present value of all defined benefit obligations	17,318	14,607
Fair value of plan assets	-11,878	-11,359
Funded status	**5,440**	**3,248**
Unrecognized past service cost	-9	-9
Net amount recognized	**5,431**	**3,239**
Thereof presented as operating receivables	*-6*	*-6*
Thereof presented as provisions for pensions and similar obligations	*5,437*	*3,245*

The change in the provisions is virtually replicated in the increase of the funded status compared with year-end 2011. Taking into account the net pension payments and currency translation effects, this increase is largely attributable to net actuarial losses in the present value of all defined benefit obligations and in the fair value of plan assets. The funded status was increased further by additions attributable to the net periodic pension cost. The increase was offset in part by the employer contributions to plan assets during the first nine months of 2012 and by the derecognition of the relevant present values of defined benefit obligations at units that were sold, which had the effect of reducing 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

	July 1–Sep. 30		Jan. 1–Sep. 30	
€ in millions	2012	2011	2012	2011
Employer service cost	59	59	180	178
Interest cost	168	172	505	552
Expected return on plan assets	-139	-140	-411	-444
Past service cost	6	–	12	2
Total	**94**	**91**	**286**	**288**

Notes to the Condensed Consolidated Interim Financial Statements

(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"). Since the beginning of 2012, the businesses of the existing Gas and Trading global units are reported collectively within the new Optimization & Trading segment. The exploration and production business previously held within the Gas global unit has become its own segment. Furthermore, a number of gas distribution companies previously assigned to the Gas global unit are being reported within the Germany regional unit since the beginning of the year. The corresponding prior-year figures have been adjusted.

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.

Financial Information by Business Segment

January 1–September 30 € in millions	Generation		Renewables		Optimization & Trading	
	2012	2011	2012	2011	2012	2011
External sales	2,272	2,766	615	596	43,186	30,404
Intersegment sales	6,927	7,882	1,170	1,137	26,310	25,574
Sales	**9,199**	**10,648**	**1,785**	**1,733**	**69,496**	**55,978**
EBITDA[1]	**1,740**	**1,052**	**906**	**1,086**	**1,961**	**531**
Earnings from companies accounted for under the equity method[2]	*10*	*13*	*14*	*9*	*399*	*278*
Operating cash flow before interest and taxes	**2,029**	**2,299**	**937**	**874**	**1,153**	**-440**
Investments	**846**	**1,048**	**1,113**	**712**	**245**	**372**

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

Financial Information by Business Segment—Presentation of Other EU Countries

January 1–September 30 € in millions	U.K.		Sweden		Czechia	
	2012	2011	2012	2011	2012	2011
External sales	6,844	6,017	1,908	2,022	2,043	1,901
Intersegment sales	67	61	118	165	118	95
Sales	**6,911**	**6,078**	**2,026**	**2,187**	**2,161**	**1,996**
EBITDA[1]	**297**	**295**	**526**	**506**	**315**	**316**
Earnings from companies accounted for under the equity method[2]	–	–	*9*	*5*	*49*	*31*
Operating cash flow before interest and taxes	**223**	**-26**	**392**	**420**	**327**	**180**
Investments	**82**	**167**	**226**	**225**	**98**	**120**

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

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, the Optimization and Trading global unit buys and sells electricity, natural gas, liquefied natural gas (LNG), oil, coal, freight, biomass, and carbon allowances. It additionally manages and develops assets at different levels in the gas market's value chain.

Exploration & Production

E.ON's exploration and production business is a segment active in the focus regions North Sea (U.K., Norway), Russia and North Africa.

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.

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 (see Note 4 for further discussion of the Bulgaria unit).

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.

	Exploration & Production		Germany		Other EU Countries without Consolidation		Russia		Group Management/ Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	902	917	28,591	25,611	16,618	15,985	1,363	1,171	82	56	93,629	77,506
	143	215	1,055	1,493	816	820	–	–	-36,421	-37,121	0	0
	1,045	**1,132**	**29,646**	**27,104**	**17,434**	**16,805**	**1,363**	**1,171**	**-36,339**	**-37,065**	**93,629**	**77,506**
	421	**564**	**1,935**	**1,677**	**1,558**	**1,619**	**523**	**378**	**-227**	**-354**	**8,817**	**6,553**
	51	*55*	*65*	*57*	*106*	*89*	–	–	*-4*	*2*	*641*	*503*
	470	**618**	**2,558**	**2,018**	**1,447**	**1,132**	**495**	**346**	**-1,148**	**-917**	**7,941**	**5,930**
	359	**425**	**554**	**533**	**619**	**739**	**186**	**248**	**412**	**29**	**4,334**	**4,106**

	Hungary		Other regional units		Other EU Countries without Consolidation	
	2012	2011	2012	2011	2012	2011
	1,391	1,440	4,432	4,605	16,618	15,985
	44	17	469	482	816	820
	1,435	**1,457**	**4,901**	**5,087**	**17,434**	**16,805**
	149	**201**	**271**	**301**	**1,558**	**1,619**
	–	–	*48*	*53*	*106*	*89*
	167	**162**	**338**	**396**	**1,447**	**1,132**
	89	**103**	**124**	**124**	**619**	**739**

Notes to the Condensed Consolidated Interim Financial Statements

Since January 1, 2011, EBITDA has been the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude certain extraordinary effects. The adjustments include economic 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	2012	2011	Difference
Operating cash flow before interest and taxes	**7,941**	**5,930**	**2,011**
Interest payments	-638	-811	173
Tax payments	-476	-630	154
Operating cash flow	**6,827**	**4,489**	**2,338**

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

Economic net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding extraordinary effects, namely, 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 our EBITDA to net income as reported in the IFRS Consolidated Financial Statements:

Net Income January 1–September 30 € in millions	2012	2011
EBITDA[1]	**8,817**	**6,553**
Depreciation and amortization	-2,632	-2,766
Impairments (-)/Reversals (+)[2]	-71	-50
EBIT[1]	**6,114**	**3,737**
Economic interest income (net)	-1,022	-1,349
Net book gains/losses	190	1,250
Restructuring/cost-management expenses	-233	-393
Impairments (-)/Reversals (+)[2]	-1,190	–
Other non-operating earnings	-333	-2,134
Income/Loss (-) from continuing operations before taxes	**3,526**	**1,111**
Income taxes	-527	20
Income/Loss (-) from continuing operations	**2,999**	**1,131**
Income/Loss (-) from discontinued operations, net	27	13
Net income	**3,026**	**1,144**
Attributable to shareholders of E.ON AG	*2,727*	*864*
Attributable to non-controlling interests	*299*	*280*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the 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.

In the 2012 reporting period, a deteriorated overall market environment and regulatory intervention have had an impact on the global and regional units. This has necessitated the recognition of impairment charges totaling €1.5 billion at the Generation, Optimization & Trading and Other EU Countries units in particular. Of this total, €0.1 billion was attributable to goodwill, €0.9 billion to property, plant and equipment, and €0.5 billion to equity investments. The charges were offset in part by write-ups of approximately €0.3 billion primarily at the Generation unit.

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

(13) Other Significant Issues

Disposals in the Fourth Quarter of 2012

As part of the divestment strategy, contracts for the sale of E.ON's shareholding in Horizon Nuclear Power were signed with the Japanese industrial group Hitachi on October 26, 2012. The purchase price for the 50-percent stake amounts to approximately €0.4 billion. The transaction is expected to close before the end of November 2012.

In addition, E.ON sold a 50-percent stake in three U.S. wind farms to the Danish pension fund PensionDanmark on October 5, 2012. The total preliminary purchase price for the interest in the three wind farms is approximately $0.5 billion (approximately €0.4 billion). The sale is expected to close at the beginning of 2013.

Teyssen Kildahl Maubach

Reutersberg Schenck Stachelhaus

Financial Calendar

March 13, 2013	Release of the 2012 Annual Report
May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payout
May 8, 2013	Interim Report: January – March 2013
August 13, 2013	Interim Report: January – June 2013
November 13, 2013	Interim Report: January – September 2013

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