

2008

January February March

April May June

July August September

October November December

## 2 E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1- June 30	2008	2007	+/- %
Electricity sales <sup>1</sup>	307.2 billion kWh	241.1 billion kWh	+66.1 <sup>2</sup>
Gas sales <sup>1</sup>	644.6 billion kWh	618.4 billion kWh	+26.2 <sup>2</sup>
Sales	€41,218 million	€35,559 million	+16
Adjusted EBITDA	€7,363 million	€6,956 million	+6
Adjusted EBIT	€5,760 million	€5,426 million	+6
Net income	€3,103 million	€4,320 million	-28
Net income attributable to shareholders of E.ON AG	€2,961 million	€3,968 million	-25
Adjusted net income	€3,331 million	€3,087 million	+8
Economic investments	€15,834 million	€2,684 million	+490
Cash provided by operating activities of continuing operations	€4,830 million	€4,759 million	+1
Economic net debt (June 30 and December 31)	-€39,667 million	-€24,138 million	-15,529 <sup>2</sup>
Employees (June 30 and December 31)	89,718	87,815	+2
Earnings per share attributable to shareholders of E.ON AG	€4.73	€6.02	-21

<sup>1</sup>Unconsolidated figures.  
<sup>2</sup>Change in absolute terms.

# Interim Report II/2008

January 1 – June 30, 2008

- Adjusted EBIT up 6 percent
- Full-year adjusted EBIT—and now also adjusted net income—expected to increase by 5 to 10 percent
- Substantial portfolio of assets acquired, primarily in Italy, Spain, and France

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*Dear Shareholders,*

We can be very satisfied with E.ON's performance in the first half of 2008. E.ON increased sales by 16 percent, from last year's €35.6 billion to €41.2 billion, and adjusted EBIT by 6 percent, from €5.4 billion to €5.8 billion. Adjusted net income rose by 8 percent to €3.3 billion. We continue to expect E.ON's full-year adjusted EBIT to surpass the high prior-year level and to increase by 5 to 10 percent.

The dominant theme of the second quarter of 2008 was the further internationalization of our business. In late June, we acquired power plants and other assets—primarily in Italy, Spain, and France—under our agreement with Enel and Acciona. This one transaction significantly strengthened our presence in Europe. We acquired a total of about 10.7 gigawatts of generating capacity in three key European markets, expanding our existing capacity by about 20 percent. The transaction improves our market position in attractive European markets and creates a strong platform for profitable growth. It also gives E.ON a European presence that no other energy company can match, with activities in about 30 European countries. Our primary objective going forward will be to rapidly integrate our acquisitions into E.ON.

Two new combined-cycle gas turbines at Surgut power station, located in the Siberian region of Russia, demonstrate what we mean by rapidly expanding our market presence. Construction of the turbines began in July 2008. When completed, they'll increase Surgut's capacity by 800 megawatts ("MW") to 5,600 MW. We're investing a total of €800 million in the expansion, which will also make Surgut one of the world's largest heat production plants. The project is part of our roughly €2 billion investment program to add generating capacity in Russia. By 2011, the program will increase our capacity in this fast-growing electricity market from 8,630 MW to more than 11,000 MW.

We're making good progress expanding our renewables operations. In late April 2008, E.ON was chosen to build Rødsand II, a 207 MW wind farm to be sited off the Danish coast. Investments for Rødsand II will total about €500 million. In July, we joined with DONG Energy, a Danish energy provider, to acquire Shell's stake in London Array, which at 1,000 MW is the world's largest offshore wind farm project. With high wind speeds and shallow water, both the Danish and U.K. sites are very well suited for large-scale offshore wind farms. The experience we gather with Rødsand and London Array will benefit our projects in the North Sea and Baltic Sea.

We're also making progress implementing our financial strategy. In April, we issued a \$3 billion bond in the American capital market. Just a few days later, we issued a €2.5 billion bond in Europe and followed it in May with a €1 billion bond aimed mainly at small and medium-sized institutional investors in Europe. In connection with our investment program and share buyback program, E.ON is, as planned, taking on more debt. We'll reach our target debt factor of three some time this year. With these measures and the stock split we conducted in early August, we've made your investment in E.ON even more attractive.

As you can see, we continue to work hard to attain our objectives. Going forward, we'll continue to take action to promote competition, supply security, and climate protection in Europe's energy market. To do this, we need the public's trust, particularly at a time when people are increasingly concerned about high energy prices. That's why I'm actively seeking a dialog with policy-makers and the public. The purpose is to reach a consensus on key energy issues like the energy mix of the future, the role of coal within this mix, renewables and nuclear energy, and ways to enhance energy efficiency. I'm convinced that if our society can agree on which path to take towards our energy future, we'll succeed in achieving a balance between climate protection, resource conservation, and economic growth. E.ON is ready to do its part.

Sincerely yours,



Dr. Wulf H. Bernotat

## E.ON Stock<sup>1</sup>

In a sharply declining stock market, E.ON stock (including the dividend) finished the first half of 2008 below its year-end closing price for 2007 (-9 percent). However, E.ON stock again outperformed the rest of the market, with the DAX index of Germany's top blue chips (-20 percent), the EURO STOXX 50 European index (-22 percent), and the European utility industry as measured by the STOXX Utilities index (-15 percent) all posting larger declines.

The stock-exchange trading volume of E.ON stock declined by about 6 percent year on year to €65.7 billion, making E.ON the DAX's fifth most-traded stock. With a weighting of 10.41 percent, E.ON stock was again the highest-weighted stock in the DAX.

In the United States, E.ON stock is traded in the form of American Depositary Receipts ("ADRs"). Since being delisted from the New York Stock Exchange on September 7, 2007, E.ON ADRs now trade on the over-the-counter market. Following the stock split on August 4, 2008, the conversion ratio between E.ON ADRs and E.ON stock is one to one. Before the stock split, the ratio was three to one.

In the first half of 2008, we continued the €7 billion share buy-back program begun in 2007. We repurchased about 11 million shares of E.ON stock with an aggregate market value of approximately €1.4 billion and sold put options on 3.5 million shares.

On August 4, 2008, we conducted a three-for-one stock split for E.ON stock and simultaneously converted E.ON stock from bearer shares to registered shares. The stock split divided by

E.ON Stock		
	June 30, 2008	Dec. 28, 2007
Shares outstanding (millions)	621	632
Closing price (€)	128.15	145.59
Market capitalization (€ in billions) <sup>1</sup>	79.6	92.0

<sup>1</sup>Based on shares outstanding.

Performance and Trading Volume		
January 1 - June 30	2008	2007
High (€) <sup>1</sup>	152.80	124.29
Low (€) <sup>1</sup>	117.26	96.05
Trading volume <sup>2</sup>		
Millions of shares	508.2	651.5
€ in billions	65.7	70.3

<sup>1</sup>Xetra.

<sup>2</sup>Source: Bloomberg (all German stock exchanges).

three the price of E.ON stock at the time of the split, as well as any future per-share dividend. The split is intended to make E.ON stock more attractive. The purpose of the conversion from bearer shares to registered shares is to support direct communications with our shareholders and our ability to custom-tailor our investor relations.

Visit [eon.com](http://eon.com) for the latest information about E.ON stock.



<sup>1</sup>All figures are prior to the stock split.

## 6 Interim Group Management Report

### Business and Operating Environment

#### New Organizational Structure

In 2008, our market unit structure of 2007 (Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest) has been supplemented by three geographically segmented market units (Russia, Italy, and Spain) and two functionally segmented market units (Climate & Renewables and Energy Trading).

At the start of 2008, we centralized all our European trading activities in power, gas, coal, oil, and CO<sub>2</sub> emission allowances. The Energy Trading market unit, whose lead company is E.ON Energy Trading AG, combines the E.ON Group's European trading activities, enabling it to seize new opportunities created by the ongoing integration of European energy markets. It aims to achieve a leading market position in the international energy trading business.

We also combined our renewables operations (with the exception of hydroelectricity) and our climate-protection operations and plan to expand this business globally. We acquired a majority stake in OGK-4, a Russian power producer, in October 2007. Pursuant to the agreement we concluded with Enel and Acciona in April 2007, we acquired a substantial portfolio of assets in late June 2008, with operations primarily in Italy, Spain, and France.

Among the new market units, only Energy Trading will be disclosed as a separate reporting segment in the 2008 financial year. We have changed E.ON's organizational structure considerably, particularly through the centralization of our European trading operations. We therefore will not show prior-year figures for Energy Trading. We have not adjusted the prior-year figures of the market units affected by the organizational changes. Consequently, a segmented comparison with prior-year figures would have limited informational value. Our other new market units are combined in the Corporate Center/ New Markets segment. During the course of the year, we will decide on the future form of our segment reporting based on the new market units' respective business development, volume, and significance.

#### Energy Price Developments

European power and natural gas markets were driven by three main factors in the first half of 2008:

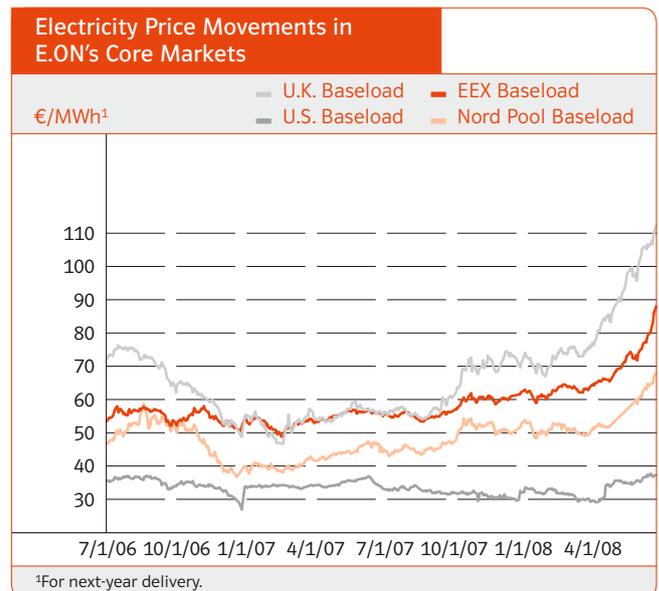
- international commodity prices, especially oil, coal, and carbon prices
- relatively mild weather
- the hydrological balance in the Nordic region.

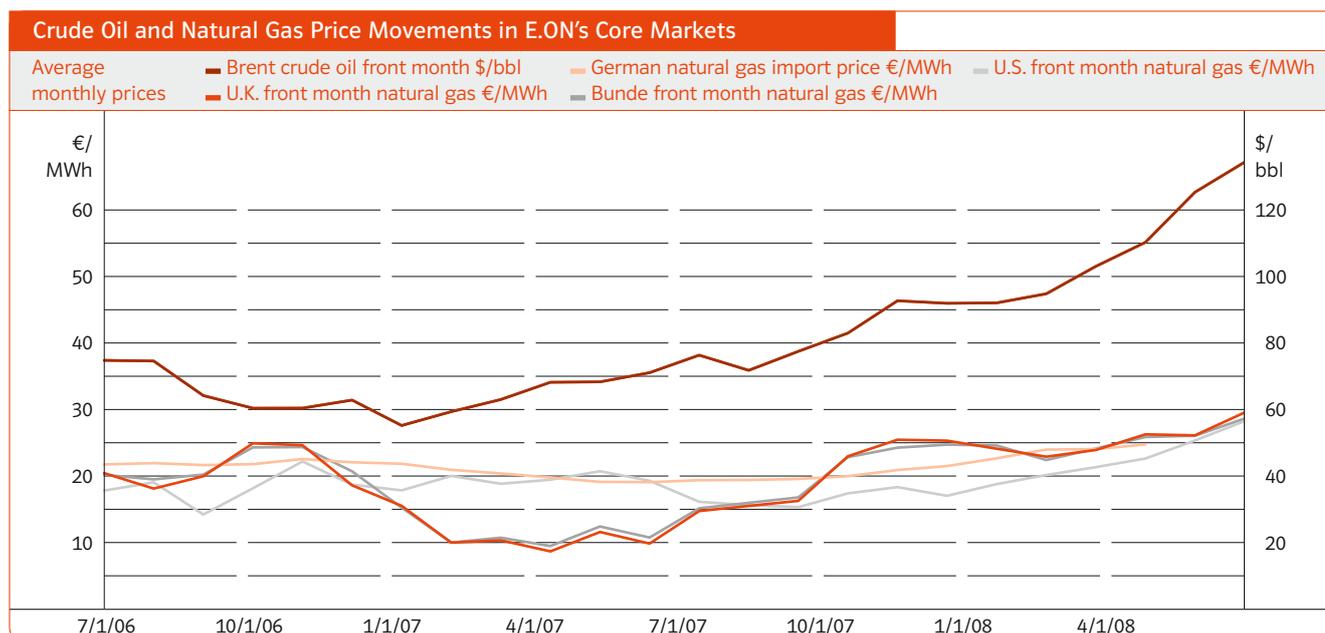
Prices on most European power and natural gas markets have been trending upward as they track rising commodity prices worldwide, especially coal and oil. It is uncertain at this time whether prices will remain at these higher levels.

Continual increases in coal and oil prices sent German power prices to new highs. The price for baseload electricity in Germany finished June at €88 per megawatt-hour, a record high, before falling back below €80 per megawatt-hour in July.

Nordic power prices were also influenced by rising fuel prices, although the increase was moderated by the hydrological balance, which remained above normal in both the first and second quarters of 2008, despite weather-driven fluctuations. After moving sideways in the first quarter, Nordic power prices increased to about €68 per megawatt-hour in the second quarter driven by rising fuel prices.

U.K. power prices tracked coal, natural gas, and carbon prices. After a slight drop at the beginning of the year, they recovered again and rose to a new all-time high. Power prices in the United States increased slightly in line with natural gas prices.

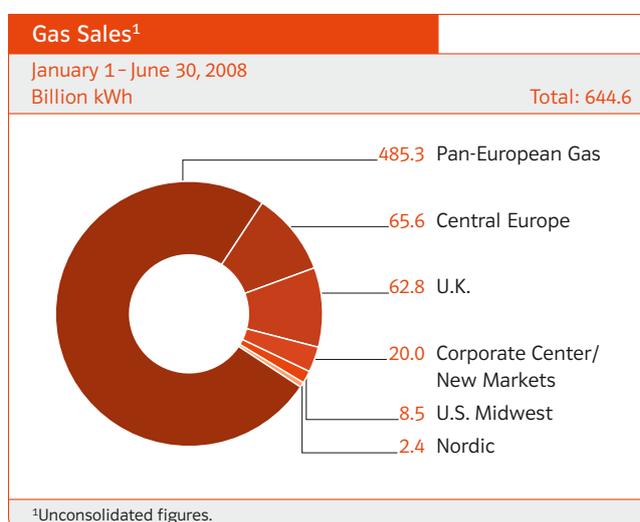
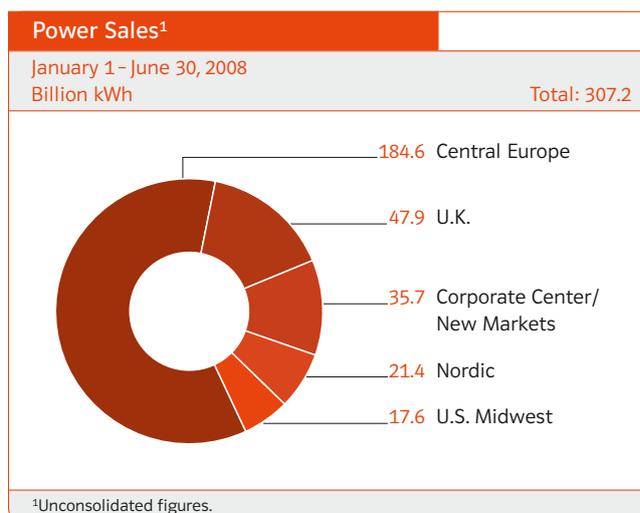




### Power and Gas Sales

On an unconsolidated basis, the E.ON Group increased its power sales volume from 241.1 billion kWh in the first half of 2007 to 307.2 billion kWh in the first half of 2008. Central Europe sold 24.8 billion kWh more electricity, and U.K. sold 8.6 billion kWh more. These increases are attributable to the fact that effective January 1, 2008, electricity that Central Europe and U.K. sell to the Energy Trading and Italy market units is recorded as external sales volume, whereas in the prior year it was intrasegment sales volume. OGK-4, our Russian power producer, was mainly responsible for the 35.7 billion kWh of electricity sold in the Corporate Center/New Markets segment. Nordic sold 2.9 billion kWh less electricity due primarily to a decline in sales volume to business customers resulting from increasing competitive pressure. U.S. Midwest sold 17.6 billion kWh of electricity, nearly as much as in the prior-year period.

Natural gas sales volume rose by 26.2 billion kWh year on year, from 618.4 billion kWh to 644.6 billion kWh, mainly due to lower temperatures in Europe compared with the prior-year period, enabling Pan-European Gas to sell 35.4 billion kWh more natural gas. Cold weather in the first quarter of 2008 was responsible for the 0.3 billion kWh increase in gas sales recorded by U.S. Midwest. Together, Central Europe, U.K., and Nordic sold 29.5 billion kWh less natural gas, mainly due to the changes in the E.ON Group's organizational structure. The Italy market unit is responsible for the 20 billion kWh shown under Corporate Center/New Markets.



## 8 Interim Group Management Report

### Earnings Situation

#### Sales 16 Percent Higher

In the first half of 2008, the E.ON Group increased its sales by about €5.7 billion compared with the prior-year figure.

Sales			
January 1 - June 30			
€ in millions	2008	2007	+/- %
Central Europe	20,080	16,603	+21
Pan-European Gas	13,679	11,724	+17
U.K.	5,778	6,717	-14
Nordic	2,088	1,774	+18
U.S. Midwest	873	912	-4
Energy Trading	14,655	-	-
Corporate Center/New Markets	-15,935	-2,171	-
<b>Total</b>	<b>41,218</b>	<b>35,559</b>	<b>+16</b>

Central Europe grew sales by about €3.5 billion compared with the year-earlier period. Central Europe West Non-regulated increased sales by just over €2.5 billion. About €1.6 billion of the increase resulted from the transfer of trading, renewables, and Italian operations to the E.ON Group's new market units. Under the old organizational structure, these were intrasegment sales and consequently netted out. The remaining increase resulted from positive price effects and the passthrough of higher fuel costs at E.ON-managed power plants. Sales at Central Europe West Regulated increased by about €210 million to €6.2 billion. There was a price-driven increase in electricity network sales due to the passthrough of the costs of more green electricity being delivered onto our networks in Germany pursuant to the Renewable Energy Law. The increase in electricity network sales was moderated by regulatory effects. There was a volume-driven increase in gas network sales. Central Europe East's sales rose by about €430 million to €2.5 billion. Higher electricity prices in Hungary and the Czech Republic constituted the key factor. Sales recorded under Other/Consolidation declined by about €320 million to -€553 million, mainly as a result of the changes in Central Europe's organizational structure.

Pan-European Gas increased sales by 17 percent to €13,679 million (prior year: €11,724 million). Sales at Up-/Midstream were up 23 percent to €11,000 million from €8,971 million a year ago, with the midstream and the upstream businesses both contributing to the increase. Midstream sales rose on a weather-driven increase in volume and on energy price movements,

effects that were partially mitigated by competitive pressure on sales prices. The expansion of production and higher energy prices were responsible for the increase in upstream sales. Downstream sales rose by €76 million, or 2 percent, from €3,056 million in the prior-year period to €3,132 million this year. The main positive factor was a volume- and price-driven increase in sales at E.ON Földgáz Trade. The main negative factor was the transfer of Thüga Italia's operations to the Italy market unit.

U.K.'s sales in reporting currency were impacted significantly by the appreciation of the euro. Sales decreased by €939 million in the first six months of 2008 compared with the prior year. Sales at the non-regulated business fell by €928 million to €5,548 million, primarily due to these currency movements (€827 million) and to the transfer of the trading and renewables activities to the Energy Trading and Climate & Renewables market units. Sales at the regulated business declined by €38 million to €402 million, primarily due to currency movements.

Nordic's sales increased by €314 million, or 18 percent, compared with the prior year. Sales in the non-regulated business increased by €244 million to €1,792 million, primarily as a result of rising market-based transfer prices between Energy Trading and Nordic's generation business. Sales in the regulated business increased by €24 million to €389 million due to higher network tariffs on local grids mainly based on increased cost recovery for line losses in 2007.

U.S. Midwest's sales in the first six months of 2008 were lower compared with last year primarily due to the stronger euro. Sales in U.S. dollars were higher largely due to increased fuel and gas cost recoveries from customers.

Energy Trading recorded sales of €14.7 billion in the first half of 2008. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income.

The figure recorded under Corporate Center/New Markets reflects, in particular, the intragroup offsetting of sales between our European market units and Energy Trading. Sales at the Climate & Renewables, Italy, and Russia market units were €184 million, €1,190 million, and €484 million, respectively.

### Development of Other Significant Line Items of the Consolidated Statements of Income

Own work capitalized increased by 23 percent, or €41 million, to €220 million (prior year: €179 million).

Other operating income increased by 57 percent to €6,136 million (prior year: €3,914 million). Income from exchange-rate differences of €3,139 million (prior year: €1,340 million) and gains on derivative financial instruments of €1,890 million (prior year: €901 million) were the main positive factors. Gains on the disposal of securities and shareholdings amounted to €546 million (prior year: €1,129 million). Miscellaneous other operating income consisted primarily of reductions of valuation allowances, rental and leasing income, the sale of scrap metal and materials, and compensation payments received for damages.

Costs of materials rose by €5,120 million to €30,856 million (prior year: €25,736 million), mainly due to higher commodity costs and increased business volume.

Personnel costs increased slightly, rising by €123 million to €2,442 million in the first half of 2008. The increase results mainly from the inclusion of the Russia and Climate & Renewables market units.

Depreciation, amortization, and impairment charges of €1,601 million were above the prior-year figure of €1,510 million. The increase is principally attributable to higher depreciation and amortization at Russia and Climate & Renewables, which were not included in our Consolidated Financial Statements in the first half of 2007.

Other operating expenses rose by 81 percent, or €3,726 million, to €8,303 million (prior year: €4,577 million). This is mainly attributable to higher realized losses on currency differences of €2,842 million (prior year: €1,404 million) and to higher losses on derivative financial instruments of €2,830 million (prior year: €642 million).

Income from companies accounted for under the equity method was €452 million compared with €475 million in the year-earlier period. The 5-percent decline resulted principally from lower equity earnings at Pan-European Gas.

### Adjusted EBIT up 6 Percent

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss from continuing operations before interest and taxes and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals and other non-operating income and expenses of a non-recurring or rare nature (see commentary on page 44). Adjusted EBIT for the first half of 2008 was €334 million higher than the prior-year figure.

Adjusted EBIT			
January 1 - June 30 € in millions	2008	2007	+/- %
Central Europe	2,713	2,544	+7
Pan-European Gas	1,679	1,631	+3
U.K.	563	741	-24
Nordic	517	475	+9
U.S. Midwest	150	176	-15
Energy Trading	99	-	-
Corporate Center/New Markets	39	-141	-
<b>Total</b>	<b>5,760</b>	<b>5,426</b>	<b>+6</b>

Central Europe's adjusted EBIT surpassed the prior-year figure by €169 million. Central Europe West Non-regulated increased its adjusted EBIT by €220 million to €2,059 million. Higher price effects and positive effects from the E.ON Group's new organizational structure were partially mitigated by the substantial adverse effects of the shutdowns at Krümmel and Brunsbüttel nuclear power stations (which have been offline since July 2007) and higher fuel and electricity procurement costs. Adjusted EBIT at Central Europe West Regulated declined by €89 million to €460 million. The negative effects of regulation were only partially counteracted by weather-driven increases in volume in the natural gas network and by lower other expenditures. Central Europe East's adjusted EBIT rose by €34 million year on year to €208 million. Positive price effects in Hungary were a key factor. Adjusted EBIT recorded under Other/Consolidation was on par with the prior-year figure.

## 10 Interim Group Management Report

Pan-European Gas's adjusted EBIT rose by €48 million, or 3 percent, to €1,679 million. Up-/Midstream's adjusted EBIT contributed to the improvement, increasing by 8 percent, from €1,097 million to €1,189 million. Midstream's adjusted EBIT declined despite a weather-driven increase in sales volume and higher earnings from storage valuations. Gas procurement costs rose significantly due to the indexing of gas prices to heating oil prices. This adversely affected midstream's adjusted EBIT because procurement prices reflect changes in heating oil prices faster than sales prices do. Competitive pressure on sales prices was another negative factor. In addition, price factors prevented us from recording earnings on portfolio optimization between Continental European and U.K. gas markets, as was done in the prior-year period. By contrast, upstream's adjusted EBIT was higher year on year, mainly because of higher energy prices and increased production of oil and natural gas. The increase in gas production is primarily attributable to the fact that Njord field started production in December 2007. Downstream Shareholdings' adjusted EBIT fell by €35 million, or 7 percent, from €522 million to €487 million. The main negative factors were lower equity earnings at E.ON Ruhrgas International, the transfer of Thüga Italia to the Italy market unit, and the absence of income from disposals recorded in the year-earlier period. Higher earnings at the E.ON Földgáz Group did not fully offset these negative effects.

U.K. delivered an adjusted EBIT of €563 million in the first six months of 2008, of which €230 million (prior year: €266 million) was in the regulated business and €370 million (prior year: €535 million) in the non-regulated business. Adjusted EBIT at the regulated business was stable in local currency and consistent with the prior year. Adjusted EBIT at the non-regulated business decreased by €165 million to €370 million. The key features were currency effects (€55 million) and lower retail margins (€168 million), offset by improvements at the generation business. Adjusted EBIT of -€37 million recorded under Other/Consolidation was €23 million higher, mainly as a result of the transfer of the trading business.

Nordic's adjusted EBIT increased by €42 million year on year to €517 million. Adjusted EBIT at the non-regulated business increased by €16 million to €394 million. It was positively impacted by rising market-based transfer prices between Energy Trading and Nordic's generation business, partly offset by a decrease in available generation volumes, mainly

due to lower hydro production. The retail business performed in line with last year, whereas the heat business reported a lower result due to the absence of a book gain on an asset sale recorded last year and to slightly higher production costs in the first six months of 2008. Adjusted EBIT at the regulated business amounted to €118 million and was above the prior-year level (€113 million) due to higher network tariffs and a favorable tariff mix. These effects were partly offset by higher costs for line loss and increased depreciation following Nordic's substantial investment program for its power distribution business.

U.S. Midwest's adjusted EBIT decreased by 15 percent compared with 2007 primarily due to the strong euro. In U.S. dollars, adjusted EBIT was in line with the prior year.

Energy Trading recorded an adjusted EBIT of €99 million, of which €42 million is attributable to the optimization segment. The substantial improvement from the first-quarter figure reflects anticipated seasonal fluctuation. In the winter, Energy Trading procures electricity from E.ON generation companies at the higher market prices typical of this season, whereas sales prices are based on yearly products with an average price. Earnings will improve during the course of the year when procurement prices are lower. The proprietary trading segment posted an adjusted EBIT of €57 million.

Adjusted EBIT shown under Corporate Center/New Markets amounted to €39 million. Adjusted EBIT at the Climate & Renewables, Italy, and Russia market units was €29 million, €75 million, and -€37 million, respectively.

### Net Income Lower

Net income attributable to shareholders of E.ON AG of €3 billion and corresponding earnings per share of €4.73 were down by 25 percent and 21 percent, respectively.

Net Income			
January 1 - June 30			
€ in millions	2008	2007	+/- %
<b>Adjusted EBIT</b>	<b>5,760</b>	<b>5,426</b>	<b>+6</b>
Adjusted interest expense (net)	-811	-460	-
Net book gains	266	963	-
Restructuring and cost-management expenses	-167	-	-
Other non-operating earnings	-922	-174	-
<b>Income/loss from continuing operations before income taxes</b>	<b>4,126</b>	<b>5,755</b>	<b>-28</b>
Income taxes	-903	-1,342	-
<b>Income/loss from continuing operations</b>	<b>3,223</b>	<b>4,413</b>	<b>-27</b>
Income/loss from discontinued operations, net	-120	-93	-
<b>Net income</b>	<b>3,103</b>	<b>4,320</b>	<b>-28</b>
Shareholders of E.ON AG	2,961	3,968	-25
Minority interests	142	352	-60

Compared with the prior-year figure, adjusted interest expense (net) declined by €351 million, due mainly to the development of our net financial position.

Adjusted Interest Expense (Net)		
January 1 - June 30		
€ in millions	2008	2007
Interest expense shown in Consolidated Statements of Income	-832	-467
Interest income (-)/expense (+) not affecting net income	21	7
<b>Total</b>	<b>-811</b>	<b>-460</b>

Net book gains in the first half of 2008 were €697 million below the prior-year level. As in the first half of 2007, net book gains were generated primarily from the sale of securities at Central Europe.

In the first six months of 2008, restructuring and cost-management expenses arose in connection with various restructuring and integration projects. There were no restructuring and cost-management expenses in the year-earlier period.

Other non-operating earnings primarily reflect a negative effect from the marking to market of derivatives (-€809 million) used to protect our operating business from fluctuations in prices. At June 30, 2007, the marking to market of derivatives resulted in a positive effect in the amount of €245 million. The prior-year figure was adversely affected by costs relating to the plan to acquire Endesa and to a storm in Sweden.

Income/loss from continuing operations before income taxes declined substantially relative to the prior-year figure, primarily due to the effects of the marking to market of derivatives and to lower net book gains.

Our continuing operations recorded a tax expense of €0.9 billion in the first half of 2008. This represents a tax rate of 22 percent compared with 23 percent in the prior-year period.

As in the prior year, income/loss from discontinued operations, net, consists of Western Kentucky Energy, which is held for sale. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see commentary on page 38).

The change in minority interests is mainly attributable to effects relating to our agreement with Statkraft. After the details of the agreement were worked out in late June 2008, a significantly larger number of derivatives had to be marked to market on the balance-sheet date. Substantial electricity price movements resulted in negative effects that also impacted, on a prorated basis, minority interests.

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### Adjusted Net Income 8 Percent Higher

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, incomes 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 minority interests) of a special or rare nature. Adjusted net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and minority interests), as well as special tax effects.

Adjusted Net Income			
January 1 - June 30 € in millions	2008	2007	+/- %
Net income attributable to shareholders of E.ON AG	2,961	3,968	-25
Net book gains	-266	-963	-
Restructuring and cost-management expenses	167	-	-
Other non-operating earnings	922	174	-
Taxes and minority interests on non-operating earnings	-554	-57	-
Special tax effects	-19	-128	-
Income/loss from discontinued operations, net	120	93	-
<b>Total</b>	<b>3,331</b>	<b>3,087</b>	<b>+8</b>

### Financial Condition

#### Investments Significantly Higher

We continued to make progress implementing our extensive investment program which totals €63 billion for the period 2007-2010. We invested €9.7 billion more in the first half of 2008 than in the same period last year. We invested €3,343 million in property, plant, and equipment and intangible assets compared with €2,552 million a year ago. Share investments totaled €9,019 million versus €132 million in the prior year.

In the calculation of the economic investments, the figure shown for debt acquired relates almost entirely to the portfolio of assets acquired under our agreement with Enel and Acciona.

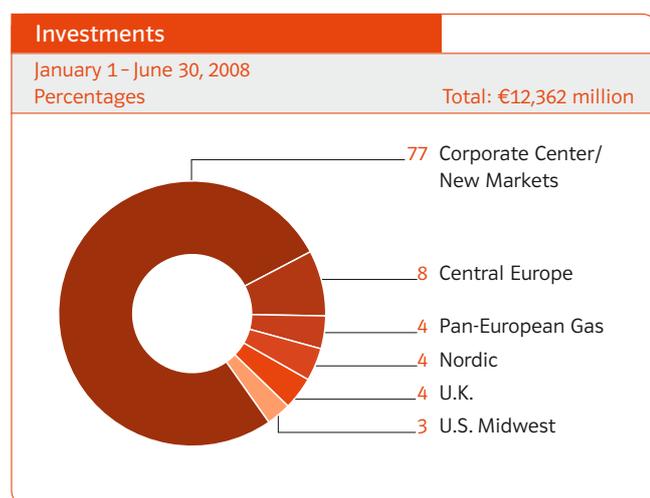
Investments			
January 1 - June 30 € in millions	2008	2007	+/- %
Central Europe	1,033	1,047	-1
Pan-European Gas	547	1,174	-53
U.K.	474	624	-24
Nordic	459	398	+15
U.S. Midwest	312	307	+2
Energy Trading	2	-	-
Corporate Center/New Markets	9,535	-866	-
<b>Total</b>	<b>12,362</b>	<b>2,684</b>	<b>+361</b>

Economic Investments		
January 1 - June 30 € in millions	2008	2007
<b>Cash-effective investments</b>	<b>12,362</b>	<b>2,684</b>
Debt acquired	3,464	-
Asset swaps	8	-
<b>Total</b>	<b>15,834</b>	<b>2,684</b>

Central Europe invested €14 million less in the first half of 2008 than in the prior-year period. Investments in property, plant, and equipment and intangible assets of €931 million were about on par with the prior-year figure (€943 million). Central Europe invested €502 million in power generation assets and €349 million in network assets. Share investments were €102 million (prior year: €104 million) and related primarily to the acquisition of shares in SOTEC, a waste incineration company.

Pan-European Gas invested €547 million. Of this figure, €410 million (prior year: €288 million) went towards property, plant, and equipment and intangible assets, mainly towards gas

infrastructure and the development of the exploration business. Share investments of €137 million related mainly to capital increases at Nord Stream AG, an associated company. The high prior-year figure of €886 million mainly reflects the acquisition of Contigas Deutsche Energie-AG from the Central Europe market unit.



U.K.'s investments in the first half of 2008 were €474 million, of which €440 million relates to property, plant, and equipment and €34 million to share investments. Investments were €150 million lower than in the prior year primarily due to the transfer of renewables operations to the Climate & Renewables market unit. Investments in the regulated business increased in line with the allowance granted under the five-year regulation review.

At €459 million, Nordic invested about €61 million more in the first six months of 2008 than in the prior-year period. Nordic invested €446 million (prior year: €393 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize the distribution network. Share investments totaled €13 million compared with €5 million in the first six months of 2007.

U.S. Midwest's investments increased by €5 million compared with the prior year primarily due to higher spending for the new baseload unit under construction at the Trimble County plant. This unit is expected to enter service in 2010.

Investments recorded under Corporate Center/New Markets are mainly attributable to the acquisition of an extensive portfolio of assets from Enel and Acciona with operations mainly in Italy, Spain, and France. Climate & Renewables invested €576 million (mainly in wind-power projects), Italy €414 million (mainly in operations transferred from other market units), and Russia €367 million (mainly to acquire a further 3.4 percent of OGK-4).

### Cash Flow and Financial Condition

E.ON presents its financial condition using, among other financial measures, cash provided by operating activities of continuing operations (refer also to the Consolidated Statements of Cash Flows on page 33) and economic net debt.

The E.ON Group's cash provided by operating activities in the first six months of 2008 was 1 percent higher than in the prior-year period.

Cash Provided by Operating Activities of Continuing Operations			
January 1 - June 30	2008	2007	+/-
€ in millions			
Central Europe	2,495	1,787	+708
Pan-European Gas	1,369	2,119	-750
U.K.	1,049	655	+394
Nordic	622	550	+72
U.S. Midwest	194	121	+73
Energy Trading	-781	-	-781
Corporate Center/New Markets	-118	-473	+355
<b>Cash provided by operating activities of continuing operations</b>	<b>4,830</b>	<b>4,759</b>	<b>+71</b>
Maintenance investments	650	853	-203
Growth and replacement investments, acquisitions, other	11,712	1,831	+9,881
Cash-effective effects from disposals	243	609	-366

Central Europe's cash provided by operating activities increased further compared with the prior-year level, mainly because of a higher cash-effective electricity margin, improvements in working capital (which are partially attributable to an increase in liabilities, particularly to Energy Trading), and a lower contribution to the Contractual Trust Arrangement than in the prior-year period. It was adversely affected by the shut-downs at Krümmel and Brunsbüttel nuclear power stations, higher cash outflows for electricity procurement and fuel, and the regulation of network charges.

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Pan-European Gas's cash provided by operating activities declined significantly compared with the prior-year period. There were negative effects at E.ON Ruhrgas, primarily from gas storage usage. In the first half of 2007, price factors led to storage facilities being used at high capacity, whereas in the current-year period storage usage was significantly lower. Other negative factors included lower cash flow from E.ON Földgáz's gas business and non-recurring effects relating to the acquisition of the E.ON Földgáz companies. These negative effects were only partially offset by upstream's positive performance.

U.K.'s cash provided by operating activities was significantly higher year on year. One significant factor was reduced carbon payments (€103 million) compared with the prior year. The remainder was primarily driven by the retail business, reflecting increased prices from February 2008 and improvements in operational efficiency combined with the timing of commodity purchases from the trading business.

Nordic's cash provided by operating activities followed Nordic's favorable operating development. Additionally, it increased on the back of lower storm-related costs and lower tax payments. The positive effects were partly offset by an increase in working capital.

Cash provided by operating activities at U.S. Midwest was higher mainly due to pension contributions made in 2007.

Energy Trading recorded -€781 million in cash provided by operating activities. Because of Energy Trading's central position in the E.ON Group's energy procurement and sales operations, its cash flow is considerably affected by intragroup settlement processes. The high negative figure is mostly attributable to time lags in these processes.

The Corporate Center/New Markets segment's cash provided by operating activities was considerably above the prior-year level, due mainly to higher intragroup tax offsets at the Corporate Center and the inclusion of the Russia and Climate & Renewables market units. Higher interest payments constituted the main negative factor.

Cash provided by investing activities in the first half of 2008 was -€10,993 million (prior year: €231 million) and reflected the acquisition of an extensive portfolio of assets as part of our agreement with Enel and Acciona. The operations acquired are mainly in Italy, Spain, and France.

Cash provided by financing activities of €5,657 million (prior year: -€1,535 million) was positive and was primarily due to the issuance of new bonds. Additional share repurchases and E.ON AG's dividend payout were negative factors.

Net financial position equals the difference between our total financial liabilities and our total liquid funds and non-current securities. Our net financial position of -€23,618 million was €16,124 million below the figure reported as of December 31, 2007 (-€7,494 million). The main reason for the change in our net financial position was the acquisition of an extensive portfolio of assets from Enel and Acciona. Other negative factors included higher investments in property, plant, and equipment as well as E.ON AG's dividend payout and cash outflow for the share buyback program. Strong cash flow from operating activities was a positive factor. The factors that led to the reduction in our net financial position also led to the significant increase in our economic net debt.

Economic Net Debt		
€ in millions	June 30, 2008	Dec. 31, 2007
Liquid funds	5,739	7,075
Non-current securities	5,165	6,895
<b>Total liquid funds and non-current securities</b>	<b>10,904</b>	<b>13,970</b>
Financial liabilities to banks and third parties	-32,276	-19,357
Financial liabilities to group companies	-2,246	-2,107
<b>Total financial liabilities</b>	<b>-34,522</b>	<b>-21,464</b>
<b>Net financial position</b>	<b>-23,618</b>	<b>-7,494</b>
Provisions for pensions	-2,402	-2,890
Asset retirement obligations	-14,934	-15,034
Less prepayments to Swedish nuclear fund	1,287	1,280
<b>Total</b>	<b>-39,667</b>	<b>-24,138</b>

## Asset Situation

Non-current assets as of June 30, 2008, rose by 13 percent compared with the figure at year end 2007, mainly due to the acquisition and inclusion, for the first time, of operations from the portfolio of assets acquired under our agreement with Enel and Acciona.

Current assets increased by 46 percent compared with year end 2007. The main factors were higher receivables from derivative transactions as of the balance-sheet date (which were offset by liabilities from derivative transactions of the same magnitude) and higher current assets resulting from the inclusion of operations acquired in the first half of 2008 under our agreement with Enel and Acciona.

Our equity ratio was about 8 percentage points below the figure of 40 percent recorded at year end 2007, in particular because our total assets increased by 21 percent. This is because our acquisition of a portfolio of assets from Enel and Acciona was in part debt financed, because the dividend payout in the second quarter of 2008 reduced our equity, and because we continued our share buyback program.

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 44 percent (year end 2007: 52 percent).
- Non-current assets are covered by long-term capital at 92 percent (year end 2007: 102 percent).

Consolidated Assets, Liabilities, and Equity				
€ in millions	June 30, 2008	%	Dec. 31, 2007	%
Non-current assets	119,546	72	105,804	77
Current assets	46,032	28	31,490	23
<b>Total assets</b>	<b>165,578</b>	<b>100</b>	<b>137,294</b>	<b>100</b>
Equity	52,745	32	55,130	40
Non-current liabilities	57,773	35	52,402	38
Current liabilities	55,060	33	29,762	22
<b>Total equity and liabilities</b>	<b>165,578</b>	<b>100</b>	<b>137,294</b>	<b>100</b>

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### Employees

As of June 30, 2008, the E.ON Group had 89,718 employees worldwide, about 2 percent more than at year end 2007. E.ON also had 2,059 apprentices and 284 board members and managing directors.

As of the same date, 53,885 employees, or 60 percent of all staff, were working outside Germany, essentially unchanged from year end 2007.

Employees <sup>1</sup>			
	June 30, 2008	Dec. 31, 2007	+/- %
Central Europe	42,436	44,051	-4
Pan-European Gas	10,233	12,214	-16
U.K.	17,669	16,786	+5
Nordic	6,187	5,804	+7
U.S. Midwest	3,062	2,977	+3
Energy Trading	816	-	-
Corporate Center/ New Markets <sup>2</sup>	9,315	5,983	+56
<b>Total</b>	<b>89,718</b>	<b>87,815</b>	<b>+2</b>
Discontinued operations <sup>3</sup>	475	474	-

<sup>1</sup>Figures do not include apprentices, managing directors, or board members.  
<sup>2</sup>Includes the Russia, Italy, and Climate & Renewables market units and E.ON IS.  
Excludes employees from the acquisition of Endesa operations.  
<sup>3</sup>Consists of WKE.

E.ON's new organizational structure is responsible for most of the changes in employee numbers at the market units. Energy Trading combines the group's European trading operations. Central Europe and Pan-European Gas's operations in Italy were transferred to the Italy market unit. The same applies to the new Climate & Renewables market unit which manages our renewables business. The latter two market units are shown under Corporate Center/New Markets. The acquisition of

operations in late June under our agreement with Enel and Acciona added about 3,500 employees, mainly in Italy, Spain, and France. Because the acquisition was so close to the end of the reporting period, these employees will not be included in our workforce figures until the third quarter.

The transfer of operations to the new market units was solely responsible for reducing Central Europe's workforce by 1,615 employees. Central Europe added about 1,100 employees due to acquisitions of waste-incineration and power and gas utility assets in Germany and to the hiring of former apprentices who had completed their training.

The number of employees at Pan-European Gas declined due mainly to efficiency-enhancement measures at E.ON Gaz Distribuție in Romania. The transfer of 350 employees to a non-consolidated E.ON company also contributed to the reduction.

Despite the above-mentioned restructuring, U.K.'s workforce increased by about 5 percent due to an increase in business at Energy Services.

The hiring of seasonal staff for the summer months increased the workforce at Nordic, while the construction of Trimble County 2 generating unit increased the workforce at U.S. Midwest.

### 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.

Our market units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, our energy business in and outside

Germany faces increasingly intense competition which could reduce our margins. We use a comprehensive sales management system and intensive customer management to minimize these risks.

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we pursue systematic risk management. The key elements of our risk management are, in addition to binding groupwide guidelines and groupwide 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. Proprietary commodity trading is conducted in accordance with detailed guidelines and within narrowly defined limits.

We also use systematic risk management to manage our interest-rate and currency risks. E.ON's operating activities and use of derivative financial instruments expose E.ON to credit default risks. We use a groupwide credit risk management system to systematically monitor the creditworthiness of our business partners and regularly calculate our credit default risk. We review our business partners' credit ratings by means of existing criteria for creditworthiness.

Furthermore, there are potential risks due to possible changes in the value of short-term and long-term securities. These risks are managed by appropriate asset management. We carry out both short-term and long-term financial planning to monitor and manage liquidity risks.

Our business strategy involves acquisitions and investments in our core business. This strategy depends in part on our ability to successfully identify and acquire, on acceptable terms, companies that enhance our energy business. We have comprehensive processes and control mechanisms in place to

manage the potential risks associated with acquisitions and investments. These processes and control mechanisms 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.

Technologically complex production facilities are involved in the production and distribution of energy. Our German or international electricity operations could experience unanticipated operating or other problems, including severe weather, that lead to outages or power plant shutdowns. Operational failures or extended production stoppages of facilities or components of facilities could negatively impact our earnings.

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 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.

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In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning alleged price-fixing agreements and anticompetitive practices. 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 is a party to a number of different arbitration proceedings. These include proceedings in connection with gas delivery contracts entered into with GasTerra B.V. In addition, court actions, governmental investigations, and proceedings, and other claims could be instituted or asserted in the future against companies of the E.ON Group. We attempt to minimize the risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

Increasing competition in the natural gas market and increasing trading volumes at notional trading points and gas exchanges could result in risks for natural gas purchased under long-term take-or-pay contracts. On the other hand, these contracts between producers and importers are subject to periodic adjustments to current market forces.

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

- In December 2007, Germany enacted amendments to its law against restraints on competition that will lead to a considerable broadening of antitrust oversight in Germany's electricity and natural gas markets. The amendments took effect on January 1, 2008. On February 29, 2008, the German Federal Cartel Office ("FCO") instituted anticompetitive practices proceedings against six E.ON Energie regional distribution companies pursuant to Section 29 of the amended law (and Section 19, Paragraph 1) for allegedly excessive prices for gas supplied to customers with a standard load profile.
- As part of an anticompetitive practices case, the FCO is investigating the treatment of CO<sub>2</sub> emission allowances as a cost factor in the price of electricity. In discussions with the FCO, an agreement was reached under which the FCO would drop its case in return for the auctioning of generating capacity and, possibly, the sale of a stake in a power station. We are currently trying to reach an acceptable solution with the FCO in the context of the agreement we reached with the European Commission.
- The European Commission carried out investigations at the premises of several energy companies in Europe, including E.ON AG and some of its affiliates, in May and December 2006. These were followed by requests for information regarding a number of regulatory and energy-market-related issues of E.ON Energie and E.ON Ruhrgas. The two companies have responded to these requests. On July 18, 2007, the Commission initiated formal antitrust proceedings against E.ON Ruhrgas and Gaz de France for alleged infringements of Article 81 of the European Community Treaty. In its Statement of Objections dated June 10, 2008, the Commission alleges that the two companies agreed not to sell natural gas in the other's home market to a significant extent and thus to have illegally divided the market between them. E.ON Ruhrgas will respond to the Commission and defend itself against the Commission's accusations. In connection with the investigations in the electricity sector, E.ON has proposed to the Commission that it divest its transmission system and a certain amount of generating capacity. After conducting a market test, the Commission will make a legally binding decision and not continue any antitrust proceedings relating to the electricity sector.

- E.ON Ruhrgas filed a complaint with the State Superior Court in Düsseldorf against the FCO's decision of January 13, 2006, relating to long-term gas supply contracts; the complaint related mainly to the competitive injunction contained in the FCO's order. The court dismissed this complaint on October 4, 2007. E.ON Ruhrgas has appealed the court's decision to the Federal Supreme Court of Justice, Germany's highest appellate court for civil and criminal cases.
  - In September 2007, the European Commission published draft versions of a third package of energy legislation designed to establish a competitive, non-discriminatory, and transparent EU internal energy market. E.ON expressly supports these objectives. In our view, however, some of the proposed measures and mechanisms will not serve to promote competition or the development of cross-border regional markets. In particular, this applies to regulatory oversight over power and gas trading and to the ownership unbundling of electricity and gas transmission systems.
  - Incentive regulation, which replaces the current cost-based, rate-of-return model for network charges, is scheduled to start on January 1, 2009. We cannot at this time reliably assess its effects because the individual efficiency targets and major parameters (such as the exact design of the investment budgets) have not yet been determined.
  - Currently, E.ON Gastransport's network charges are market based. We cannot rule out the possibility that the Federal Network Agency will rule against market-based network charges during the course of 2008. In this case, E.ON Gastransport would have to apply for cost-based network charges and would be migrated to the incentive system effective January 1, 2010.
  - In late May 2008, the German Federal Network Agency completed the process of establishing the rules for a new balancing regime for the German natural gas sector, resulting in many changes. The new rules create numerous risks for all market participants due to the short implementation period and the possibility of insufficient data provision from network operators to market participants.
  - At the request of the Federal Association of New Energy Suppliers (known by its German abbreviation, "bne") and LichtBlick, the German Federal Network Agency has instituted regulatory proceedings against Germany's four transmission system operators ("TSOs"), including E.ON Netz. Lichtblick and the bne are demanding that the agency require the four TSOs to jointly net out their balancing zones and to disgorge any additional earnings that have been received by the suppliers of balancing energy. There appears to be no legal basis for this demand.
  - Legal uncertainty surrounding the implementation of national allocation plans in certain EU member states could result in some installations in the energy industry affected by emission-allowance trading having difficulties with the allocation of CO<sub>2</sub> emission allowances.
  - In January 2008, the European Commission presented a package of legislative proposals on the implementation of EU climate-protection targets, the continuation of emission-allowance trading, carbon storage, and support for renewable-source electricity. The environmentally motivated reorganization of Europe's energy supply system will affect energy companies but also create new lines of business.
- We try to manage these risks by engaging in an intensive and constructive dialog with government agencies and policymakers.

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

E.ON Ruhrgas currently obtains approximately 26 percent 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 the most diversified gas procurement portfolios in Europe. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control.

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 Nordic market unit also could be negatively affected by a lack of precipitation, which could lead to a decline in hydroelectric generation. Our European energy operations could also be negatively affected

by a summer with higher-than-average temperatures to the extent our plants would be required to reduce or shut down operations due to a reduction in the availability of cooling water. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

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

During the period under review, the E.ON Group's risk situation did not change substantially compared with year end 2007.

## Subsequent Events

In late July 2008, E.ON finalized the agreement it reached last year with Statkraft. Under the agreement, E.ON acquires Statkraft's 44.6-percent stake in E.ON Sverige and a hydro-electric plant in Sweden for a total of about €4.5 billion. In return, Statkraft acquires about €2.2 billion in E.ON stock as well as power plants with an aggregate value of €2.3 billion in Sweden, Germany, and the United Kingdom. Subject to antitrust approval, E.ON and Statkraft intend to complete the asset swap at the end of this year.

## Forecast

### Earnings

In 2008, we have made substantial changes to our organizational structure, in particular the centralization of our European trading operations. Consequently, a segmented comparison with prior-year figures would have limited informational value. Therefore, for 2008 we will issue earnings forecasts for the E.ON Group only, not for our individual market units.

For 2008, we continue to expect the E.ON Group's adjusted EBIT to again surpass the high prior-year figure and to increase by 5 to 10 percent. In addition to acquisitions, improvements in our electricity business will be the main earnings driver.

We also expect adjusted net income for 2008 to surpass the prior-year figure by 5 to 10 percent.

### Opportunities

Positive developments in foreign-currency rates and market prices for commodities such as electricity, natural gas, coal, oil, and carbon dioxide can create opportunities for our operations.

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

## 22 Market Unit Highlights

### Central Europe

#### Power and Gas Sales

Central Europe's power sales increased by 24.8 billion kWh to 184.6 billion kWh due mainly to the transfer of some operations to the E.ON Group's new market units.

Power and Gas Sales			
January 1 - June 30	2008	2007	+/- %
Billion kWh			
Residential and small commercial	23.8	24.2	-2
Industrial and large commercial	33.4	41.4	-19
Sales partners	127.4	94.2	+35
<b>Power sales<sup>1</sup></b>	<b>184.6</b>	<b>159.8</b>	<b>+16</b>
Residential and small commercial	25.4	24.1	+5
Industrial and large commercial	26.5	31.8	-17
Sales partners	13.7	16.4	-16
<b>Gas sales</b>	<b>65.6</b>	<b>72.3</b>	<b>-9</b>

<sup>1</sup>Excludes trading activities.

The transfer of gas operations to new E.ON Group market units was the main reason for the 6.7 billion kWh decline in gas sales volume. Adjusted for these effects, gas sales declined by 0.7 billion kWh compared with the prior year.

#### Power Generation and Procurement

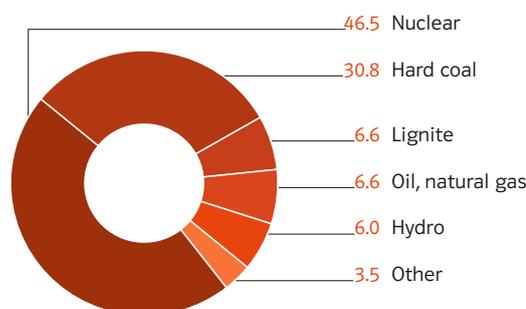
Central Europe utilized its flexible mix of generation assets to meet about 35 percent of its electricity requirements compared with 41 percent in the prior-year period. The increased procurement from outside sources and the corresponding decline in owned generation are predominantly attributable to the E.ON Group's new organizational structure. Procurement from outside sources also includes procurement from the new Energy Trading market unit.

Power Generation and Procurement <sup>1</sup>			
January 1 - June 30	2008	2007	+/- %
Billion kWh			
Owned generation	66.6	67.8	-2
Purchases	124.8	99.0	+26
<i>from jointly owned power plants</i>	2.2	5.9	-63
<i>from outside sources</i>	122.6	93.1	+32
<b>Power procured</b>	<b>191.4</b>	<b>166.8</b>	<b>+15</b>
Station use, line loss, pumped-storage hydro	-6.8	-7.0	-
<b>Power sales</b>	<b>184.6</b>	<b>159.8</b>	<b>+16</b>

<sup>1</sup>Excludes trading activities.

#### Sources of Owned Generation

January 1 - June 30, 2008  
Percentages



#### Financial Highlights by Business

January 1 - June 30 € in millions	Central Europe West				Central Europe East		Other/ Consolidation		Central Europe	
	Non-regulated		Regulated		2008	2007	2008	2007	2008	2007
	2008	2007	2008	2007						
Sales <sup>1</sup>	11,971	9,457	6,200	5,987	2,462	2,030	-553	-871	20,080	16,603
Adjusted EBITDA	2,263	2,073	792	883	324	288	23	36	3,402	3,280
Adjusted EBIT	2,059	1,839	460	549	208	174	-14	-18	2,713	2,544

<sup>1</sup>Trading activities are recognized net.

## Pan-European Gas

### Market Development

Temperatures in Germany in the first half of 2008 averaged 1.2 degrees Centigrade below the prior-year figures. This was the main reason why natural gas consumption in Germany rose by about 9.5 percent to 520 billion kWh.

### Gas Sales

E.ON Ruhrgas sold 152 billion kWh of natural gas in the second quarter of 2008, 16 percent more than a year ago. Gas sales for the entire first half rose by 10 to 380 billion kWh, with 39 percent going to regional gas companies, 24 percent to municipal utilities, 12 percent to industrial customers, and 25 percent to customers outside Germany.

Gas Sales by Period <sup>1</sup>			
January 1 - June 30 Billion kWh	2008	2007	+/- %
<b>January 1 - March 31</b>	<b>227.4</b>	<b>213.4</b>	<b>+7</b>
April	64.6	48.0	+35
May	43.5	44.3	-2
June	44.2	38.8	+14
<b>April 1 - June 30</b>	<b>152.3</b>	<b>131.1</b>	<b>+16</b>
<b>Total</b>	<b>379.7</b>	<b>344.5</b>	<b>+10</b>

<sup>1</sup>Gas sales of E.ON Ruhrgas AG.

Higher sales volume in Germany resulted mainly from weather-driven increases in deliveries to power stations, industrial customers, and municipal utilities. Deliveries to regional gas companies were slightly lower. E.ON Ruhrgas increased sales volume outside Germany by 15 percent. Its existing supply contract with a Danish regional utility was increased by 2.5 billion kWh per year and extended by five years to the end of 2014. It concluded a new contract to supply about 3.7 billion kWh of gas per year to Gas Intensive, an Italian industrial association. Deliveries under the five-year contract begin on October 1, 2008.

### Gas Release Program ("GRP")

On May 7, 2008, E.ON Ruhrgas held the sixth auction of natural gas from its long-term import contracts. Seven bidders were awarded a total of about 33 billion kWh of natural gas. The contracts awarded in the Internet-based auction have a three-year term. During the course of the GRP, E.ON Ruhrgas offered a total 200 billion kWh of the natural gas from its long-term import contracts, thus fulfilling this requirement of the ministerial approval of E.ON's acquisition of Ruhrgas.

### Downstream Shareholdings' Gas Sales Volume

The majority-owned shareholdings at Downstream Shareholdings sold 105.6 billion kWh of natural gas, about the same as the prior-year figure (105.4 billion kWh). The absence of the sales volume from Thüga Italia's operations, which were transferred to the Italy market unit, was offset by volume growth at E.ON Földgáz Trade.

### Upstream Production Higher

Gas production from E.ON Ruhrgas's stakes in gas fields rose to 746 million cubic meters, nearly double the prior-year figure. The increase is primarily attributable to the start of production in Njord field in December 2007. Johnson and Caister fields also contributed to the increase. Liquid production for the first half of 2008 was also above the prior-year figure, rising by 0.2 million barrels. Njord and Merganser fields were mainly responsible for the increase.

Upstream Production			
January 1 - June 30	2008	2007	+/- %
Liquids/oil (million barrels)	2.9	2.7	+7
Gas (million standard cubic meters)	746	376	+98
<b>Hydrocarbons (million barrels of oil equivalent)</b>	<b>7.6</b>	<b>5.1</b>	<b>+49</b>

Financial Highlights by Business								
January 1 - June 30 € in millions	Up-/Midstream		Downstream Shareholdings		Other/ Consolidation		Pan-European Gas	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	11,000	8,971	3,132	3,056	-453	-303	13,679	11,724
Adjusted EBITDA	1,385	1,287	554	602	2	12	1,941	1,901
Adjusted EBIT	1,189	1,097	487	522	3	12	1,679	1,631

## 24 Market Unit Highlights

### U.K.

#### Market Development

Electricity consumption in England, Wales, and Scotland was 174 billion kWh for the first six months of 2008, 3 billion kWh higher than in the equivalent period in 2007. The increase in demand was mainly due to the impact of colder temperatures in the first three months of the year; second-quarter demand in 2008 was in line with that of 2007. Gas consumption for the first six months of 2008 was 598 billion kWh compared with 574 billion kWh in 2007. The increase is attributable to a weather-driven increase in heating demand and slightly higher demand from gas-fired power stations.

#### Power and Gas Sales

Sales of power to residential and small and medium enterprise ("SME") customers declined due to lower customer numbers and changing customer behavior as a result of climate-change awareness. Sales to industrial and commercial ("I&C") electricity customers increased due to portfolio changes. Sales of gas to residential and SME customers increased slightly due to a return to near-normal weather in contrast to the mild conditions in 2007. Sales to I&C gas customers declined due to reductions in consumption caused by price sensitivity and energy-efficiency measures.

Sales by Customer Segment <sup>1</sup>			
January 1 - June 30 Billion kWh	2008	2007	+/- %
Residential and SME	16.8	17.7	-5
I&C	9.7	9.2	+5
Energy Trading/other	21.4	12.4	+73
<b>Power sales</b>	<b>47.9</b>	<b>39.3</b>	<b>+22</b>
Residential and SME	31.7	31.3	+1
I&C	11.9	12.6	-6
Energy Trading/other	19.2	41.6	-54
<b>Gas sales</b>	<b>62.8</b>	<b>85.5</b>	<b>-27</b>

<sup>1</sup>Excludes trading activities.

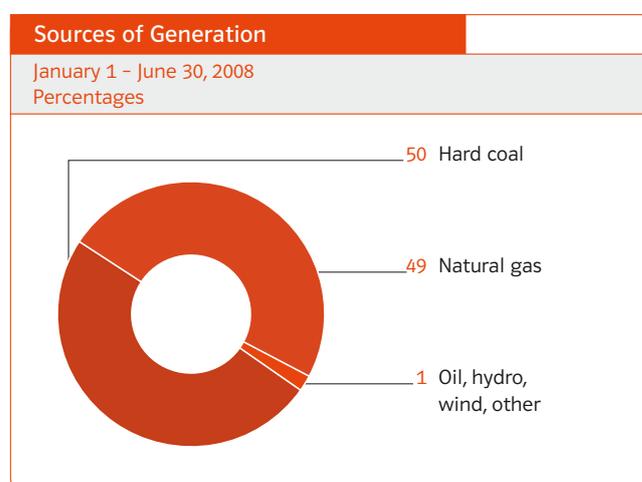
#### Power Generation and Procurement

New rules governing the generation of fossil-fired power stations came into effect in 2008 (the Large Combustion Plant Directive). This has caused a shift in generation away from coal towards natural gas.

Power Generation and Procurement <sup>1</sup>			
January 1 - June 30 Billion kWh	2008	2007	+/- %
Owned generation	21.0	22.1	-5
Purchases	26.9	17.3	+55
<i>from jointly owned power plants</i>	0.4	0.7	-43
<i>from E.ON Energy Trading</i>	26.5	16.6	+60
<b>Power procured</b>	<b>47.9</b>	<b>39.4</b>	<b>+22</b>
Station use, line loss, pumped-storage hydro	-	-0.1	-
<b>Power sales</b>	<b>47.9</b>	<b>39.3</b>	<b>+22</b>

<sup>1</sup>Excludes non-merchant CHP and non-wholly owned plants.

Attributable gas-fired generating capacity increased by 16 MW from the figure for June 2007 because a compressor was upgraded at Enfield power station.



The reduction in the percentage of generation from coal (and the increase in the percentage of generation from gas) reflects the impact of the Large Combustion Plant Directive.

Financial Highlights by Business								
January 1 - June 30 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		U.K.	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	402	440	5,548	6,476	-172	-199	5,778	6,717
Adjusted EBITDA	298	333	548	729	-39	-58	807	1,004
Adjusted EBIT	230	266	370	535	-37	-60	563	741

## Nordic

### Market Development

The Nordic region consumed about 204 billion kWh of electricity during the first six months of 2008, in line with the prior year.

### Power Sales

Nordic sold 2.9 billion kWh less electricity than in the first six months of 2007 mainly due to increased competition in the commercial segment and decreased net sales to Energy Trading and the market.

Power Sales			
January 1 - June 30 Billion kWh	2008	2007	+/- %
Residential	3.4	3.4	-
Commercial	5.3	6.3	-16
Sales partners	4.0	4.1	-2
Energy Trading/other (net)	8.7	10.5 <sup>1</sup>	-17
<b>Total</b>	<b>21.4</b>	<b>24.3</b>	<b>-12</b>

<sup>1</sup>Includes net sales to Nord Pool.

### Power Generation and Procurement

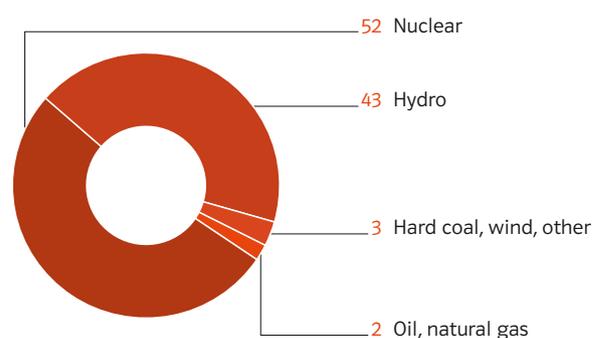
Nordic's owned generation decreased by 1.1 billion kWh relative to the prior year. Hydropower production was below last year's figure as a consequence of high reservoir inflow during the first six months of 2007. Nuclear power production was slightly below the prior year; both the first half of 2008 and 2007 were affected by unplanned stoppages and prolonged outages. Power purchases declined, primarily because of the transfer of trading activities to Energy Trading.

Power Generation and Procurement			
January 1 - June 30 Billion kWh	2008	2007	+/- %
Owned generation	16.3	17.4	-6
Purchases <sup>1</sup>	6.2	8.1	-23
<i>from jointly owned power plants</i>	5.2	5.1	+2
<i>from outside sources</i>	1.0	3.0	-67
<b>Power procured</b>	<b>22.5</b>	<b>25.5</b>	<b>-12</b>
Station use, line loss, pumped-storage hydro	-1.1	-1.2	-
<b>Power sales</b>	<b>21.4</b>	<b>24.3</b>	<b>-12</b>

<sup>1</sup>The 2008 figure excludes purchases from Energy Trading.

### Sources of Owned Generation

January 1 - June 30, 2008  
Percentages



### Gas and Heat Sales

Gas sales and heat sales were in line with the prior-year figure. Mild weather affected both years negatively.

Gas and Heat Sales			
January 1 - June 30 Billion kWh	2008	2007	+/- %
Gas sales	2.4	2.5	-4
Heat sales	4.3	4.2	+2

Financial Highlights by Business								
January 1 - June 30 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		Nordic	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	389	365	1,792	1,548	-93	-139	2,088	1,774
Adjusted EBITDA	176	166	500	486	14	-6	690	646
Adjusted EBIT	118	113	394	378	5	-16	517	475

## 26 Market Unit Highlights

### U.S. Midwest

#### Market Development

Electricity consumption in the Midwestern United States increased by approximately 1 percent in the first six months of 2008, as compared with the same period in 2007, due to colder-than-normal weather in the first quarter.

#### Power and Gas Sales

Regulated utility retail power sales were slightly lower for the first six months of 2008 compared with the same period in 2007 due to reduced industrial demand.

Gas sales increased in 2008 compared with 2007, primarily due to colder weather in the first quarter.

Sales by Customer Segment			
January 1 - June 30			
Billion kWh	2008	2007	+/- %
Retail customers	16.5	16.8	-2
Off-system sales	1.1	0.9	+22
<b>Power sales</b>	<b>17.6</b>	<b>17.7</b>	<b>-1</b>
Retail customers	8.2	7.8	+5
Off-system sales	0.3	0.4	-25
<b>Gas sales</b>	<b>8.5</b>	<b>8.2</b>	<b>+4</b>

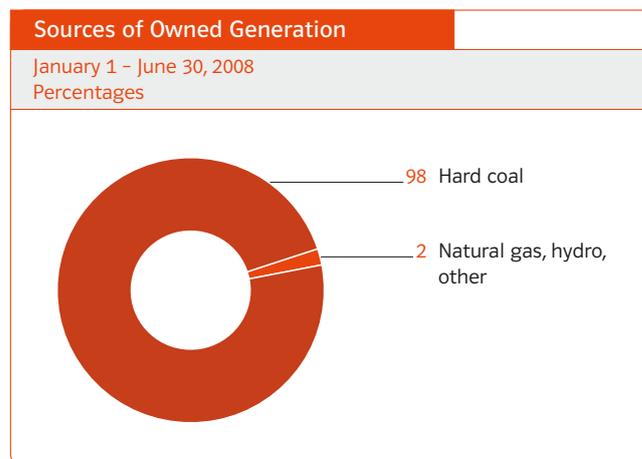
### Power Generation and Procurement

U.S. Midwest generation for the first six months of 2008 was consistent with the same period in 2007.

Power Generation and Procurement			
January 1 - June 30			
Billion kWh	2008	2007	+/- %
Owned generation	17.1	17.2	-1
Purchases	1.4	1.5	-7
<b>Power procured</b>	<b>18.5</b>	<b>18.7</b>	<b>-1</b>
Station use, line loss	-0.9	-1.0	-
<b>Power sales</b>	<b>17.6</b>	<b>17.7</b>	<b>-1</b>

U.S. Midwest's attributable generating capacity was unchanged from 2007.

Coal-fired power plants accounted for 98 percent of U.S. Midwest's owned generation for the first six months of 2008, while gas-fired and hydro generating assets accounted for the remaining 2 percent.



Financial Highlights by Business						
January 1 - June 30	Regulated Business		Non-regulated Business/Other		U.S. Midwest	
	€ in millions					
	2008	2007	2008	2007	2008	2007
Sales	852	888	21	24	873	912
Adjusted EBITDA	224	254	-3	-	221	254
Adjusted EBIT	155	178	-5	-2	150	176

## Energy Trading

### Business Operations

We have managed our European trading operations centrally from Düsseldorf since the start of 2008 and expect most of the positions in the organization to be centralized by the end of the year. E.ON Energy Trading AG brings together our risk-management activities for power, gas, coal, oil, and CO<sub>2</sub> allowances. The new market unit operates across Europe's liquid energy markets and is responsible for managing the E.ON Group's commodity position in these markets. It also conducts both optimization (fuel procurement, generation fleet and gas portfolio management, and sales procurement) and proprietary trading. Transactions between Energy Trading and our other market units are settled at market-based transfer prices. Proprietary trading, which is conducted in accordance with our risk management systems and trading limits, involves intentionally exploiting changes in market prices and risk positions.

### Legal Integration

We will carry out a series of integration measures in 2008 in order to legally merge the trading activities of the Central Europe, Pan-European Gas, U.K., and Nordic market units into E.ON Energy Trading AG. As part of this process, in the first half of 2008, E.ON Energy Trading AG transferred its key account sales operations to E.ON Energy Sales GmbH, which will remain in the Central Europe market unit. E.ON Kraftwerke GmbH's international coal trading business was transferred to E.ON Energy Trading effective January 1, 2008. The trading operations of E.ON Benelux B.V. were transferred to E.ON Energy Trading effective April 1, 2008. Plans call for those of Pan-European Gas, U.K., and Nordic to be transferred during the course of the year. In addition to the legal integration process, we continue to intend to transform E.ON Energy Trading AG into a European stock corporation (SE) in 2008 to reflect the international scope of its operations.

## Commercial Integration

Although the legal integration process is not completed, all European trading operations that will be combined into E.ON Energy Trading AG have been managed centrally since January 1, 2008. This applies to transactions with external trading partners and to all intragroup transactions between Energy Trading und Central Europe, Pan-European Gas, U.K., and Nordic. Consequently, Energy Trading's executive team has been responsible for E.ON's entire European energy trading business since January 1, 2008.

### Trading Volume

To execute its procurement and sales mission for the E.ON Group, Energy Trading traded the following financial and physical quantities in the first half of 2008:

Trading Volume	
January 1 - June 30	2008
Power sales	197.74 billion kWh
Power purchases	193.35 billion kWh
Gas sales	205.64 billion kWh
Gas purchases	193.21 billion kWh
CO <sub>2</sub> allowance sales	29.52 million metric tons
CO <sub>2</sub> allowance purchases	28.76 million metric tons
Oil sales	12.31 million metric tons
Oil purchases	11.42 million metric tons
Coal sales	24.60 million metric tons
Coal purchases	32.76 million metric tons

Financial Highlights by Business						
January 1 - June 30 € in millions	Proprietary Trading		Optimization		Energy Trading	
	2008	2007	2008	2007	2008	2007
Sales <sup>1</sup>	78	-	14,577	-	14,655	-
Adjusted EBITDA	57	-	43	-	100	-
Adjusted EBIT	57	-	42	-	99	-

<sup>1</sup>Proprietary trading activities are recognized net.

## 28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, condensed cash flow statement, statement of recognised income and expense and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to June 30, 2008, which are part of the half-year financial report pursuant to § (Article) 37w 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, August 12, 2008

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Vogelpoth  
Wirtschaftsprüfer  
(German Public Auditor)

Dr. Norbert Schwieters  
Wirtschaftsprüfer  
(German Public Auditor)

## Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income					
€ in millions	Notes	April 1 - June 30		January 1 - June 30	
		2008	2007	2008	2007
Sales including electricity and energy taxes		18,865	14,970	42,376	36,659
Electricity and energy taxes		-486	-481	-1,158	-1,100
<b>Sales</b>	(14)	<b>18,379</b>	<b>14,489</b>	<b>41,218</b>	<b>35,559</b>
Changes in inventories (finished goods and work in progress)		10	41	26	66
Own work capitalized		132	126	220	179
Other operating income		2,977	943	6,136	3,914
Cost of materials		-13,694	-10,231	-30,856	-25,736
Personnel costs		-1,287	-1,210	-2,442	-2,319
Depreciation, amortization and impairment charges		-798	-748	-1,601	-1,510
Other operating expenses		-4,715	-2,242	-8,303	-4,577
Income/Loss (-) from companies accounted for under the equity method		219	215	452	475
<b>Income/Loss (-) from continuing operations before financial results and income taxes</b>		<b>1,223</b>	<b>1,383</b>	<b>4,850</b>	<b>6,051</b>
Financial results	(7)	-302	-20	-724	-296
<i>Income from equity investments</i>		106	166	108	171
<i>Income from other securities, interest and similar income</i>		322	286	541	468
<i>Interest and similar expenses</i>		-730	-472	-1,373	-935
Income taxes		-110	-315	-903	-1,342
<b>Income/Loss (-) from continuing operations</b>		<b>811</b>	<b>1,048</b>	<b>3,223</b>	<b>4,413</b>
Income/Loss (-) from discontinued operations, net	(5)	-55	-20	-120	-93
<b>Net income</b>		<b>756</b>	<b>1,028</b>	<b>3,103</b>	<b>4,320</b>
<i>Attributable to shareholders of E.ON AG</i>		882	901	2,961	3,968
<i>Attributable to minority interests</i>		-126	127	142	352
<b>in €</b>					
<b>Earnings per share</b>					
<b>(attributable to shareholders of E.ON AG)—basic and diluted</b>	(8)				
from continuing operations		1.52	1.40	4.92	6.16
from discontinued operations		-0.09	-0.03	-0.19	-0.14
<b>from net income</b>		<b>1.43</b>	<b>1.37</b>	<b>4.73</b>	<b>6.02</b>

## 30 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets			
€ in millions	Notes	June 30, 2008	Dec. 31, 2007
Goodwill		23,648	16,761
Intangible assets		4,926	4,284
Property, plant and equipment		55,367	48,552
Companies accounted for under the equity method	(9)	8,547	8,411
Other financial assets	(9)	19,335	21,478
<i>Equity investments</i>		14,170	14,583
<i>Non-current securities</i>		5,165	6,895
Financial receivables and other financial assets		2,698	2,449
Operating receivables and other operating assets		1,058	680
Income tax assets		2,137	2,034
Deferred tax assets		1,830	1,155
<b>Non-current assets</b>		<b>119,546</b>	<b>105,804</b>
Inventories		4,560	3,811
Financial receivables and other financial assets		2,146	1,515
Trade receivables and other operating assets		30,719	17,973
Income tax assets		1,186	539
Liquid funds		5,739	7,075
<i>Securities and fixed-term deposits</i>		2,908	3,888
<i>Restricted cash</i>		455	300
<i>Cash and cash equivalents</i>		2,376	2,887
Assets held for sale	(5)	1,682	577
<b>Current assets</b>		<b>46,032</b>	<b>31,490</b>
<b>Total assets</b>		<b>165,578</b>	<b>137,294</b>

E.ON AG and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities			
€ in millions	Notes	June 30, 2008	Dec. 31, 2007
Capital stock		1,734	1,734
Additional paid-in capital		11,825	11,825
Retained earnings		27,526	26,828
Accumulated other comprehensive income		9,301	10,656
Treasury shares	(10)	-1,985	-616
Reclassification related to put options on treasury shares	(10)	-1,420	-1,053
<b>Equity attributable to shareholders of E.ON AG</b>		<b>46,981</b>	<b>49,374</b>
Minority interests (before reclassification)		6,346	6,281
Reclassification related to put options		-582	-525
<b>Minority interests</b>		<b>5,764</b>	<b>5,756</b>
<b>Equity</b>		<b>52,745</b>	<b>55,130</b>
Financial liabilities		19,962	15,915
Operating liabilities		6,500	5,432
Income taxes		2,367	2,537
Provisions for pensions and similar obligations	(12)	2,402	2,890
Miscellaneous provisions		18,250	18,073
Deferred tax liabilities		8,292	7,555
<b>Non-current liabilities</b>		<b>57,773</b>	<b>52,402</b>
Financial liabilities		14,560	5,549
Trade payables and other operating liabilities		33,132	18,254
Income taxes		2,337	1,354
Miscellaneous provisions		4,202	3,992
Liabilities associated with assets held for sale	(5)	829	613
<b>Current liabilities</b>		<b>55,060</b>	<b>29,762</b>
<b>Total equity and liabilities</b>		<b>165,578</b>	<b>137,294</b>

## 32 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses		
January 1 - June 30 € in millions	2008	2007
<b>Net income</b>	<b>3,103</b>	<b>4,320</b>
Cash flow hedges	-213	103
<i>Unrealized changes</i>	-85	-106
<i>Reclassification adjustments recognized in income</i>	-128	209
Available-for-sale securities	-1,220	-2,185
<i>Unrealized changes</i>	-854	-1,307
<i>Reclassification adjustments recognized in income</i>	-366	-878
Currency translation adjustments	-47	-69
<i>Unrealized changes</i>	-47	-96
<i>Reclassification adjustments recognized in income</i>	0	27
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	621	1,113
Income taxes	-98	-211
<b>Total income and expenses recognized directly in equity</b>	<b>-957</b>	<b>-1,249</b>
<b>Total recognized income and expenses (total comprehensive income)</b>	<b>2,146</b>	<b>3,071</b>
<i>Attributable to shareholders of E.ON AG</i>	1,983	2,728
<i>Attributable to minority interests</i>	163	343

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1 - June 30 € in millions	2008	2007
Net income	3,103	4,320
Income from discontinued operations, net	120	93
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,601	1,510
Changes in provisions	195	-117
Changes in deferred taxes	-80	-56
Other non-cash income and expenses	73	189
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (=3 months)	-334	-1,082
Changes in operating assets and liabilities and in income taxes	152	-98
<b>Cash provided by operating activities of continuing operations (operating cash flow)</b>	<b>4,830</b>	<b>4,759</b>
Proceeds from disposal of	243	609
<i>Intangible assets and property, plant and equipment</i>	79	145
<i>Equity investments</i>	164	464
Purchase of investments in	-12,362	-2,684
<i>Intangible assets and property, plant and equipment</i>	-3,343	-2,552
<i>Equity investments</i>	-9,019	-132
Changes in securities and fixed-term deposits	1,223	2,142
Changes in restricted cash	-97	164
<b>Cash used for investing activities of continuing operations</b>	<b>-10,993</b>	<b>231</b>
Payments received/made from changes in capital	24	13
Payments for treasury shares, net	-1,369	-36
Premiums received for put options on treasury shares	22	0
Cash dividends paid to shareholders of E.ON AG	-2,560	-2,210
Cash dividends paid to minority shareholders	-365	-223
Changes of financial liabilities	9,905	921
<b>Cash provided by (used for) financing activities of continuing operations</b>	<b>5,657</b>	<b>-1,535</b>
<b>Net increase (decrease) in cash and cash equivalents from continuing operations</b>	<b>-506</b>	<b>3,455</b>
Cash provided by operating activities of discontinued operations	5	8
Cash used for investing activities of discontinued operations	-5	-8
Cash provided by financing activities of discontinued operations	0	0
<b>Net increase (decrease) in cash and cash equivalents from discontinued operations</b>	<b>0</b>	<b>0</b>
Effect of foreign exchange rates on cash and cash equivalents	-5	2
Cash and cash equivalents at the beginning of the year	2,887	1,154
<b>Cash and cash equivalents at the end of the quarter</b>	<b>2,376</b>	<b>4,611</b>

## 34 Notes to the Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
<b>Balance as of January 1, 2007</b>	<b>1,799</b>	<b>11,760</b>	<b>24,350</b>	<b>632</b>	<b>10,491</b>	<b>-90</b>
Changes in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,210			
Other changes						
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			4,609	-64	-1,897	80
<i>Net income</i>			3,968			
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			641			
<i>Other comprehensive income</i>				-64	-1,897	80
<b>Balance as of June 30, 2007</b>	<b>1,799</b>	<b>11,760</b>	<b>26,749</b>	<b>568</b>	<b>8,594</b>	<b>-10</b>
<b>Balance as of January 1, 2008</b>	<b>1,734</b>	<b>11,825</b>	<b>26,828</b>	<b>-318</b>	<b>11,081</b>	<b>-107</b>
Changes in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,560			
Other changes						
Share additions			-80			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			3,338	-71	-1,098	-186
<i>Net income</i>			2,961			
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			377			
<i>Other comprehensive income</i>				-71	-1,098	-186
<b>Balance as of June 30, 2008</b>	<b>1,734</b>	<b>11,825</b>	<b>27,526</b>	<b>-389</b>	<b>9,983</b>	<b>-293</b>

Treasury shares	Put options on treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-230	0	48,712	4,994	-2,461	2,533	51,245
-36		-36				-36
			85		85	85
			-63		-63	-63
		-2,210	-228		-228	-2,438
			-15		-15	-15
				7	7	7
		2,728	343		343	3,071
		3,968	352		352	4,320
		641	46		46	687
		-1,881	-55		-55	-1,936
-266	0	49,194	5,116	-2,454	2,662	51,856
-616	-1,053	49,374	6,281	-525	5,756	55,130
			245		245	245
-1,369		-1,369				-1,369
			63		63	63
			-5		-5	-5
		-2,560	-401		-401	-2,961
		-80				-80
	-367	-367		-57	-57	-424
		1,983	163		163	2,146
		2,961	142		142	3,103
		377	40		40	417
		-1,355	-19		-19	-1,374
-1,985	-1,420	46,981	6,346	-582	5,764	52,745

## 36 Notes to the Condensed Consolidated Interim Financial Statements

### (1) Basis of Presentation

Based in Germany, the E.ON Group ("E.ON" or the "Group") is an international group of companies with integrated electricity and gas operations. E.ON's segment reporting in accordance with International Financial Reporting Standard ("IFRS") 8, "Operating Segments" ("IFRS 8"), follows the Group's internal organization and reporting structure:

- The Central Europe market unit, led by E.ON Energie AG ("E.ON Energie"), Munich, Germany, operates E.ON's integrated electricity business and the downstream gas business in Central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business. This market unit is led by E.ON Ruhrgas AG ("E.ON Ruhrgas"), Essen, Germany.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom. This market unit is led by E.ON UK plc ("E.ON UK"), Coventry, U.K.
- The Nordic market unit, which is led by E.ON Nordic AB ("E.ON Nordic"), Malmö, Sweden, focuses on the integrated energy business in Northern Europe. It operates through the integrated energy company E.ON Sverige AB ("E.ON Sverige"), Malmö, Sweden.
- The U.S. Midwest market unit, led by E.ON U.S. LLC ("E.ON U.S."), Louisville, Kentucky, USA, is primarily active in the regulated energy market in the U.S. state of Kentucky.
- The Energy Trading market unit, which is led by E.ON Energy Trading AG ("E.ON Energy Trading"), Düsseldorf, Germany, began operations on January 1, 2008. By centralizing trading activities formerly managed by the Central Europe, Pan-European Gas, Nordic, and U.K. market units, Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil, and CO<sub>2</sub> allowances.
- Corporate Center/New Markets contains those interests held directly by E.ON AG ("E.ON" or the "Company"), E.ON AG itself, consolidation effects at the Group level, and the activities of the new Climate & Renewables,

Italy, and Russia market units. These market units began operations on January 1, 2008. In addition, this segment includes for the first time as of June 30, 2008 the consolidated operations, acquired in the wake of the agreement between Enel S.p.A. ("Enel"), Rome, Italy and Acciona, S.A. ("Acciona"), Madrid, Spain on the one hand and Endesa, S.A. ("Endesa"), Madrid, Spain on the other hand.

Note 14 provides additional information about the market units.

### (2) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2008, 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"). In addition, E.ON has opted for the voluntary early adoption of IFRS 8. IFRIC 12, "Service Concession Arrangements" ("IFRIC 12"), was supposed to be applied beginning on January 1, 2008. E.ON has not adopted IFRIC 12 because this interpretation has not yet been transferred into European law. If IFRIC 12 is endorsed by the EU in the future, its initial application will not have a material impact on E.ON's Consolidated Financial Statements.

With the exception of the new interpretation described in Note 3, this Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2007 financial year. In addition, income tax expense for the interim period is recognized based on the effective tax rate expected for the full financial year in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). Taxes relating to certain special items are reflected in the quarter in which they occur.

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, 2007, which provide the basis for this Interim Report.

Unlike the previous year, contributions to the operating income from certain derivative instruments will be reported on a netted basis. The comparative figures will be adjusted accordingly.

### (3) Newly Adopted Standards and Interpretations

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

IFRIC 11, "IFRS 2—Group and Treasury Share Transactions" ("IFRIC 11"), addresses how to apply IFRS 2 to share-based payment arrangements in which an entity's own equity instruments or equity instruments of another company in the same group are granted. IFRIC 11 requires share-based compensation systems in which a company receives goods or services as consideration for its own equity instruments to be accounted for as equity-settled share-based payment transactions. IFRIC 11 further provides guidance on how share-based compensation systems in which a parent company's equity instruments are granted should be accounted for at a member of a group of companies. IFRIC 11 is to be applied for fiscal years beginning on or after March 1, 2007. The adoption of IFRIC 11 had no effect on E.ON's Consolidated Financial Statements.

### (4) Scope of Consolidation

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

Scope of Consolidation			
	Domestic	Foreign	Total
Consolidated companies as of December 31, 2007	153	438	591
Additions	8	52	60
Disposals/Mergers	-4	-8	-12
<b>Consolidated companies as of June 30, 2008</b>	<b>157</b>	<b>482</b>	<b>639</b>

The scope of consolidation has changed mainly due to the acquisition of the Endesa Europa/Viesgo activities.

In addition, 190 companies were accounted for under the equity method as of June 30, 2008 (December 31, 2007: 185).

### (5) Acquisitions, Disposals and Discontinued Operations

#### Acquisitions in 2008

##### Endesa Europa/Viesgo

In the context of the bidding contest between Enel/Acciona and E.ON for the Spanish Endesa group in April 2007, E.ON, in return for withdrawing its cash takeover offer seeking to acquire a majority interest in Endesa, secured for itself a substantial number of strategic holdings, mostly in Italy, Spain and France, for a purchase price of €8.6 billion in cash. Upon completion of the takeover of Endesa by Enel/Acciona on June 26, 2008, all of the shares of the following companies were acquired from Enel:

- Electra de Viesgo Distribución S.L., Santander, Spain
- Enel Viesgo Generación S.L., Santander, Spain
- Enel Viesgo Servicios S.L., Santander, Spain

and all of the shares of Endesa Europa S.L. ("Endesa Europa"), Madrid, Spain, were acquired simultaneously from Endesa.

Viesgo's operations encompass a total of 1,500 MW in conventional power generation capacities at a number of different sites in Spain; additional projects with a capacity of 2,000 MW are currently under construction. Viesgo supplies electric power to about 650,000 customers in the Spanish provinces of Cantabria and Asturias. In the context of the transaction between E.ON and Enel/Acciona, Endesa also sold to Viesgo two further power plants in Spain with an approximate combined capacity of 1,000 MW, which means that Viesgo will have a total power generation capacity of about 4,500 MW in the Spanish market.

Endesa Europa operates power generation capacities of about 7,000 MW and 2,500 MW, respectively, through subsidiaries in Italy and France. Additional power generation assets are held in Poland and in Turkey. The interest in Endesa Italia S.p.A. ("Endesa Italia"), Rome, Italy, acquired via Endesa Europa is 80 percent, and the interest in Société Nationale d'Electricité et de Thermique, S.A. ("SNET France"), Paris, France, is 65 percent.

An agreement had already been reached in June 2008 with the 20 percent minority shareholder of Endesa Italia, A2A S.p.A. ("A2A"), Milan, Italy, to acquire that minority interest primarily in return for internally-owned power generation capacities in Italy valued at approximately €1.5 billion. The understanding on the approximately 1,500 MW in power generation capacities to be transferred was reached in July 2008; the legal transfer of the minority interest and of the power generation capacities is to take place in the fourth quarter of 2008. However, the full 100 percent of Endesa Italia must still be included in the consolidated financial statements effective June 30, 2008.

## 38 Notes to the Condensed Consolidated Interim Financial Statements

Major Balance Sheet Line Items—Endesa Europa/Viesgo Activities			
€ in millions	Carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets	477		477
Property, plant and equipment	6,754		6,754
Other assets	2,655		2,655
<b>Total assets</b>	<b>9,886</b>	<b>0</b>	<b>9,886</b>
Non-current liabilities	2,440		2,440
Current liabilities	4,587		4,587
<b>Total liabilities</b>	<b>7,027</b>	<b>0</b>	<b>7,027</b>
<b>Net assets</b>	<b>2,859</b>	<b>0</b>	<b>2,859</b>
<i>Attributable to shareholders of E.ON AG</i>	2,472		2,472
<i>Attributable to minority interests</i>	387		387
Acquisition cost paid in cash		8,607	
Non-monetary consideration for minority interest		1,483	
<b>Goodwill (preliminary)</b>		<b>7,618</b>	<b>7,618</b>

Initial recognition of the operations took place in the second quarter of 2008. In the first half of 2008, the Viesgo entities recorded revenues of €539 million and a loss of €5 million. During this period, Endesa Europa recorded revenues of €2,171 million and earnings of €197 million. A cash amount of €123.7 million was acquired. In the E.ON consolidated financial statements for the first half of 2008, due to the proximity of the acquisition date to the reporting date, no revenue or earnings contributions have been recognized, as these would be of little significance for the E.ON consolidated financial statements. Accordingly, only the assets and liabilities measured pursuant to the accounting policies that had been applied previously by the acquired companies have been recognized on the balance sheet. An adjustment to the E.ON Group's accounting policies could not be performed due to the proximity to the balance sheet date. Similarly, no purchase price allocation was carried out. The entire differential amount has therefore been reported as goodwill in these financial statements.

### Discontinued Operations in 2008

#### WKE

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

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

The closing of the agreement is subject to a number of conditions, including review and approval by various regulatory agencies and acquisition of certain consents by other interested parties. Subject to such contingencies, the parties are working on completing the termination transaction during 2008. WKE therefore continues to be classified as a discontinued operation, as in 2007.

The tables below provide selected financial information and major balance sheet line items from the discontinued WKE operations in the U.S. Midwest segment for the periods indicated:

Selected Financial Information—WKE (Summary)		
January 1 - June 30	2008	2007
€ in millions		
Sales	95	99
Other income/(expenses), net	-290	-239
<b>Income from continuing operations before income taxes and minority interests</b>	<b>-195</b>	<b>-140</b>
Income taxes	75	54
<b>Income from discontinued operations</b>	<b>-120</b>	<b>-86</b>

Major Balance Sheet Line Items—WKE (Summary)		
€ in millions	June 30, 2008	Dec. 31, 2007
Intangible assets and property, plant and equipment	197	202
Other assets	370	362
<b>Total assets</b>	<b>567</b>	<b>564</b>
Total liabilities	717	613

## Disposals in 2008

### Statkraft/E.ON Sverige

Based on the letter of intent signed in October 2007 concerning the virtually full acquisition from Statkraft AB ("Statkraft"), Oslo, Norway, of its 44.6 percent minority interest in E.ON Sverige in exchange for a variety of power plant units and shares of E.ON, the conditions for reporting as a disposal group the assets to be sold, and in particular the associated personnel related liabilities, were fulfilled in the second quarter of 2008. Disposal is planned for the end of December 2008. Recognition of expenses from write-downs to lower fair values was not necessary.

The net carrying amounts of the disposal groups are allocated to the Nordic (€997.4 million), U.K. (€3.8 million) and Central Europe (€1.9 million) market units.

## Acquisitions in 2007

### OGK-4

On October 12, 2007, E.ON acquired from the Russian government's energy holding company RAO UES a majority stake in the Russian power-plant company OAO OGK-4 ("OGK-4"), Surgut, Tyumenskaya Oblast, Russian Federation. After the acquisition of additional smaller tranches following the purchase of the majority stake, E.ON holds 72.7 percent of OGK-4 as of the balance sheet date. The total expense incurred for this acquisition, which includes a contractually agreed capital increase of €1.3 billion to finance the investment program planned for the coming years, was approximately €4.4 billion.

Under Russian capital-markets legislation, E.ON was required to make a public offer to purchase the remainder of the shares held by the minority shareholders of OGK-4, and this offer, at a price of 3.3503 rubles per share, was made public on November 15, 2007. The acceptance period ended on February 4, 2008. E.ON was thus able to acquire additional shares equivalent to approximately 3.4 percent of OGK-4 and increase its total ownership stake to 76.1 percent.

The initial recognition of the company in the E.ON Consolidated Financial Statements took place in the fourth quarter of 2007.

The purchase price allocation for OGK-4 is still preliminary as of June 30, 2008, primarily because effects from potential obligations remain to be evaluated. The main changes from year-end 2007 were minor changes to property, plant and equipment.

Major Balance Sheet Line Items—OGK-4			
€ in millions	IFRS carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets	11	0	11
Property, plant and equipment	738	2,171	2,909
Other assets	1,497	5	1,502
<b>Total assets</b>	<b>2,246</b>	<b>2,176</b>	<b>4,422</b>
Non-current liabilities	210	519	729
Current liabilities	124	0	124
<b>Total liabilities</b>	<b>334</b>	<b>519</b>	<b>853</b>
<b>Net assets</b>	<b>1,912</b>	<b>1,657</b>	<b>3,569</b>
Attributable to shareholders of E.ON AG	1,390	-1,390	0
Attributable to minority interests	522	451	973
<b>Total acquisition costs</b>		<b>4,350</b>	
<b>Goodwill (preliminary)</b>		<b>1,754</b>	<b>1,754</b>

## 40 Notes to the Condensed Consolidated Interim Financial Statements

### ENERGI E2 Renovables Ibéricas

On August 13, 2007, E.ON Climate & Renewables GmbH acquired a 100-percent stake in ENERGI E2 Renovables Ibéricas S.L.U. ("E2-I"), Madrid, Spain. The purchase price totaled roughly €481 million. E2-I and its affiliated companies were fully consolidated as of August 31, 2007. The purchase price allocation will remain preliminary until certain technical issues are definitively clarified. There were no significant changes in the reporting period. Starting in the first quarter of 2008, the company operates as E.ON Renovables Iberia S.L.U.

### Airtricity

On December 18, 2007, E.ON North America Holdings LLC acquired all the shares of Airtricity Inc., Chicago, Illinois, USA, and all the shares of Airtricity Holdings (Canada) Ltd., Toronto,

Ontario, Canada, for a purchase price of approximately €580 million. Because the date of consolidation was so close to the preparation of E.ON's Consolidated Financial Statements, the entire difference between the purchase price and Airtricity's equity was recorded as goodwill as of December 31, 2007. In the first quarter of 2008, fair value adjustments relating to intangible assets (€329 million) and to property, plant and equipment (€60 million) as well as deferred tax liabilities (€137 million) were recorded. These changes reduced goodwill by €252 million. The purchase price allocation will be preliminary until certain issues concerning non-current assets are finally clarified. Starting in the first quarter of 2008, these companies operate as E.ON Climate & Renewables North America Inc. and EC&R Canada Ltd., respectively.

Major Balance Sheet Line Items—E.ON Climate & Renewables (E2-I and Airtricity)			
€ in millions	IFRS carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets and acquired goodwill	74	560	634
Property, plant and equipment	934	91	1,025
Other assets	202	218	420
<b>Total assets</b>	<b>1,210</b>	<b>869</b>	<b>2,079</b>
Non-current liabilities	335	280	615
Current liabilities	828	5	833
<b>Total liabilities</b>	<b>1,163</b>	<b>285</b>	<b>1,448</b>
<b>Net assets</b>	<b>47</b>	<b>584</b>	<b>631</b>
<i>Attributable to shareholders of E.ON AG</i>	43	-43	0
<i>Attributable to minority interests</i>	4	22	26
<b>Total acquisition costs</b>		<b>1,061</b>	
<b>Goodwill (preliminary)</b>		<b>456</b>	<b>456</b>

### (6) Research and Development Costs

The E.ON Group's research and development costs amounted to €19 million in the first six months of 2008 (first six months of 2007: €12 million).

## (7) Financial Results

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

Financial Results				
€ in millions	April 1 - June 30		January 1 - June 30	
	2008	2007	2008	2007
Income from companies in which equity investments are held	142	169	162	188
Write-down of share investments	-36	-3	-54	-17
<b>Income from equity investments</b>	<b>106</b>	<b>166</b>	<b>108</b>	<b>171</b>
Income from other securities, interest and similar income	322	286	541	468
Interest and similar expenses	-730	-472	-1,373	-935
<b>Interest and similar expenses (net)</b>	<b>-408</b>	<b>-186</b>	<b>-832</b>	<b>-467</b>
<b>Financial results</b>	<b>-302</b>	<b>-20</b>	<b>-724</b>	<b>-296</b>

## (8) Earnings per Share

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

Earnings per Share				
€ in millions	April 1 - June 30		January 1 - June 30	
	2008	2007	2008	2007
Income/Loss (-) from continuing operations	811	1,048	3,223	4,413
less: Minority interests	126	-127	-142	-352
<b>Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)</b>	<b>937</b>	<b>921</b>	<b>3,081</b>	<b>4,061</b>
<b>Income/Loss (-) from discontinued operations, net</b>	<b>-55</b>	<b>-20</b>	<b>-120</b>	<b>-93</b>
less: Minority interests	0	0	0	0
Income/Loss (-) from discontinued operations, net (attributable to shareholders of E.ON AG)	-55	-20	-120	-93
<b>Net income attributable to shareholders of E.ON AG</b>	<b>882</b>	<b>901</b>	<b>2,961</b>	<b>3,968</b>
<b>in €</b>				
<b>Earnings per share (attributable to shareholders of E.ON AG)</b>				
from continuing operations	1.52	1.40	4.92	6.16
from discontinued operations	-0.09	-0.03	-0.19	-0.14
<b>from net income</b>	<b>1.43</b>	<b>1.37</b>	<b>4.73</b>	<b>6.02</b>
Weighted-average number of shares outstanding (in millions)	624	659	627	659

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

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**(9) 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	June 30, 2008	Dec. 31, 2007
Companies accounted for under the equity method	8,547	8,411
Equity investments	14,170	14,583
<i>Equity investment in OAO Gazprom</i>	12,561	13,061
Non-current securities	5,165	6,895
<b>Total</b>	<b>27,882</b>	<b>29,889</b>

**(10) Treasury Shares**

As of June 30, 2008, E.ON AG held 17,699,725 treasury shares (December 31, 2007: 6,905,024). The increase results from the share buyback program started on June 27, 2007. A further 28,472,194 shares of E.ON AG continue to be held by one of its subsidiaries. E.ON thus held 6.9 percent of its capital stock as treasury shares as of the balance sheet date.

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

In addition, E.ON entered into put option arrangements in the first half of 2008 for further 3,500,000 of its own shares under its share buyback program. Pursuant to IAS 32, the conditional purchase price obligations arising from the put options are recorded under liabilities after reclassification from a separate component of equity.

**(11) Dividends Paid**

At the Annual Shareholders Meeting on April 30, 2008, the shareholders voted to distribute a dividend of €4.10 for each dividend-paying ordinary share, a €0.75 increase from the dividend paid in 2007. The total dividend payout was €2,560 million.

**(12) Provisions for Pensions and Similar Obligations**

Pension provisions decreased compared to year-end 2007 primarily due to actuarial gains resulting mainly from higher discount rates.

Discount Rate		
Percentages	June 30, 2008	Dec. 31, 2007
Germany	6.25	5.50
U.K.	6.60	5.80
USA	7.10	6.65

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

Net Amount Recognized		
€ in millions	June 30, 2008	Dec. 31, 2007
Defined benefit obligation	14,976	15,936
Fair value of plan assets	-12,602	-13,056
<b>Funded status</b>	<b>2,374</b>	<b>2,880</b>
Unrecognized past service cost	-3	-3
<b>Net amount recognized</b>	<b>2,371</b>	<b>2,877</b>
<i>Thereof presented as operating receivables</i>	-31	-13
<i>Thereof presented as provisions for pensions and similar obligations</i>	2,402	2,890

Taking into account the periodic additions and pension payments and the virtually offsetting exchange rate effects in the present value of all defined benefit obligations and in the plan assets, the funded status has decreased by comparison with year-end 2007 primarily due to net actuarial gains. This was partially offset by the integration of the Endesa Europa/Viesgo activities, which had an increasing effect on funded status.

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

Net Periodic Pension Cost for Defined Benefit Plans				
€ in millions	April 1 - June 30		January 1 - June 30	
	2008	2007	2008	2007
Employer service cost	56	63	106	124
Interest cost	212	202	430	408
Expected return on plan assets	-176	-183	-357	-369
Past service cost	5	1	7	3
<b>Total</b>	<b>97</b>	<b>83</b>	<b>186</b>	<b>166</b>

### (13) Other Commitments

On August 7, 2008, the European Commission, in its anti-trust proceedings against E.ON Ruhrgas and Gaz de France concerning suspected market-sharing, transmitted its statement of objections. It is not possible at this time to estimate any possible fine by the Commission. In the event of the Commission ordering a fine, legal action can be taken.

In the first six months of 2008, commitments for various investments increased by approximately €2 billion over year-end 2007.

### (14) Segment Information

E.ON's segment information is presented in line with the Company's internal organizational and reporting structure.

- The Central Europe market unit operates E.ON's integrated electricity business and downstream gas business in Central Europe.
- Pan-European Gas is responsible for the European upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom.
- The Nordic market unit focuses on the integrated energy business in Northern Europe.
- The U.S. Midwest market unit is primarily active in the regulated energy market in the U.S. state of Kentucky.

- The Energy Trading market unit began operations on January 1, 2008. By centralizing trading activities formerly managed by the Central Europe, Pan-European Gas, Nordic, and U.K. market units, Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil, and CO<sub>2</sub> allowances.
- Corporate Center/New Markets contains those interests held directly by E.ON AG, E.ON AG itself, consolidation effects at the Group level, and the activities of the new Climate & Renewables, Italy, and Russia market units. These market units began operations on January 1, 2008. In addition, this segment includes for the first time as of June 30, 2008 the consolidated operations, acquired in the wake of the agreement with Enel/Acciona and Endesa.

E.ON's organizational structure has changed significantly in 2008, particularly through the centralization of European trading operations. Due to this fundamental change, the market units' prior-year figures were not adjusted. Consequently, a segmented comparison of current-year and prior-year figures has limited information value.

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Under IFRS, E.ON is required to report under discontinued operations those operations of a reportable or operating segment, or of a component thereof, which either have been disposed of or are classified as held for sale. In the first six months of 2008 as well as in 2007, this applies to WKE, which is held for sale. Our results for the period ended June 30, 2008, and for the prior-year period do not include the results of our discontinued operations (see page 38).

Adjusted EBIT is used as the key figure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. Adjusted EBIT is derived from income/loss before interest and taxes and adjusted to exclude certain special items. The adjustments include adjusted net interest income, net book gains, cost-management and restructuring expenses, and other non-operating income and expenses.

Adjusted net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding certain special items, i.e., the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses

from disposals, which are included in other operating income and other operating expenses. Cost-management and restructuring expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments. Due to the adjustments made, our financial information by business segment may differ from the corresponding IFRS figures.

### Financial Information by Business Segment

January 1 - June 30 € in millions	Central Europe		Pan-European Gas		U.K.	
	2008	2007	2008	2007	2008	2007
External sales	15,864	16,254	10,873	10,041	4,733	6,628
Intersegment sales	4,216	349	2,806	1,683	1,045	89
<b>Sales</b>	<b>20,080</b>	<b>16,603</b>	<b>13,679</b>	<b>11,724</b>	<b>5,778</b>	<b>6,717</b>
Adjusted EBITDA	3,402	3,280	1,941	1,901	807	1,004
Depreciation and amortization	-682	-721	-259	-250	-244	-263
Impairments <sup>1</sup>	-7	-15	-3	-20	-	-
<b>Adjusted EBIT</b>	<b>2,713</b>	<b>2,544</b>	<b>1,679</b>	<b>1,631</b>	<b>563</b>	<b>741</b>
<i>Earnings from companies accounted for under the equity method<sup>1</sup></i>	148	133	286	307	-6	11
Cash provided by operating activities	2,495	1,787	1,369	2,119	1,049	655
Investments	1,033	1,047	547	1,174	474	624
<i>Intangible assets and property, plant and equipment</i>	931	943	410	288	440	624
<i>Equity investments<sup>2</sup></i>	102	104	137	886	34	-
Total assets (June 30 and December 31)	60,150	63,442	37,702	39,090	16,074	18,170
<i>Intangible assets (June 30 and December 31)</i>	1,923	1,889	943	1,137	398	675
<i>Property, plant and equipment (June 30 and December 31)</i>	18,339	18,375	6,661	6,746	6,793	7,506
<i>Companies accounted for under the equity method (June 30 and December 31)</i>	2,018	2,134	5,712	5,602	-	2

<sup>1</sup>Impairments recognized in adjusted EBIT differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, which under IFRS are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. In the first six months of 2008, differences result primarily from impairment charges recognized on non-current financial assets.

<sup>2</sup>In addition to those accounted for using the equity method, acquisitions of equity investments also include acquisitions of fully consolidated companies and investments in equity holdings that do not need to be consolidated.

The following table provides a reconciliation of adjusted EBIT to net income:

Net Income		
January 1 - June 30		
€ in millions	2008	2007
Adjusted EBIT	5,760	5,426
Adjusted interest income (net)	-811	-460
Net book gains	266	963
Restructuring expenses	-167	0
Other non-operating earnings	-922	-174
<b>Income/Loss (-) from continuing operations before taxes</b>	<b>4,126</b>	<b>5,755</b>
Income taxes	-903	-1,342
<b>Income/Loss (-) from continuing operations</b>	<b>3,223</b>	<b>4,413</b>
Income/Loss (-) from discontinued operations, net	-120	-93
<b>Net income</b>	<b>3,103</b>	<b>4,320</b>
Attributable to shareholders of E.ON AG	2,961	3,968
Attributable to minority interests	142	352

Page 11 in the Interim Group Management Report contains an explanation of the reconciliation of adjusted EBIT to net income.

### (15) Subsequent Events

On July 24, 2008, E.ON and Statkraft signed the agreement on the transfer of Statkraft's almost 44.6 percent minority interest in E.ON Sverige and a Swedish hydro power plant, valued €4.5 billion in total, in exchange for power generating capacity in Sweden, Germany and Britain with a value of approximately €2.3 billion and shares of E.ON with a value of approximately €2.2 billion. The transfers of the minority interest and of the consideration are to take place by the end of 2008.

	Nordic		U.S. Midwest		Energy Trading		Corporate Center/ New Markets		E.ON Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	1,367	1,723	873	912	5,983	-	1,525	1	41,218	35,559
	721	51	-	-	8,672	-	-17,460	-2,172	-	-
	<b>2,088</b>	<b>1,774</b>	<b>873</b>	<b>912</b>	<b>14,655</b>	<b>-</b>	<b>-15,935</b>	<b>-2,171</b>	<b>41,218</b>	<b>35,559</b>
	690	646	221	254	100	-	202	-129	7,363	6,956
	-173	-170	-71	-78	-1	-	-166	-7	-1,596	-1,489
	-	-1	-	-	-	-	3	-5	-7	-41
	<b>517</b>	<b>475</b>	<b>150</b>	<b>176</b>	<b>99</b>	<b>-</b>	<b>39</b>	<b>-141</b>	<b>5,760</b>	<b>5,426</b>
	6	5	10	13	-	-	8	6	452	475
	622	550	194	121	-781	-	-118	-473	4,830	4,759
	459	398	312	307	2	-	9,535	-866	12,362	2,684
	446	393	312	307	2	-	802	-3	3,343	2,552
	13	5	-	-	-	-	8,733	-863	9,019	132
	14,081	11,759	7,783	8,130	24,551	-	5,237	-3,297	165,578	137,294
	206	213	11	13	415	-	1,030	357	4,926	4,284
	6,562	7,429	4,092	4,153	1	-	12,919	4,343	55,367	48,552
	332	357	31	32	-	-	454	284	8,547	8,411

## 46 Responsibility Statement

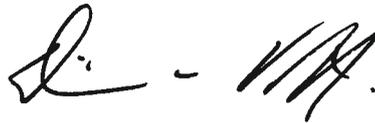
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, August 12, 2008

The Board of Management



Bernotat



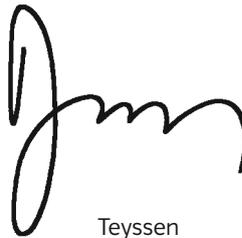
Dänzer-Vanotti



Feldmann



Schenck



Teyssen

## Financial Calendar

September 1, 2008	Capital Market Day
November 12, 2008	Interim Report: January - September 2008
March 10, 2009	Release of 2008 Annual Report
May 6, 2009	2009 Annual Shareholders Meeting
May 7, 2009	Dividend Payout
May 13, 2009	Interim Report: January - March 2009
August 12, 2009	Interim Report: January - June 2009
November 11, 2009	Interim Report: January - September 2009

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

This Interim Report may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group management and other information currently available to E.ON. Various known and unknown risks, uncertainties, and other factors could lead to material differences between the actual future results, financial situation, development, or performance of the company and the estimates given here. E.ON AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.

