Interim Report II/2010

2010

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights[1]			
January 1 – June 30	2010	2009	+/- %
Electricity sales[2]	481.5 billion kWh	353.5 billion kWh	+36
Gas sales[2]	761.9 billion kWh	568.6 billion kWh	+34
Sales	€44,304 million	€41,520 million	+7
Adjusted EBITDA	€7,870 million	€7,198 million	+9
Adjusted EBIT	€6,076 million	€5,485 million	+11
Net income	€4,169 million	€4,493 million	-7
Net income attributable to shareholders of E.ON AG	€3,911 million	€4,307 million	-9
Adjusted net income	€3,255 million	€3,301 million	-1
Economic investments	€3,818 million	€4,081 million	-6
Cash provided by operating activities of continuing operations	€5,595 million	4,297 million	+30
Economic net debt (June 30 and December 31)	-€47,409 million	-44,665 million	-2,744[3]
Employees (June 30 and December 31)	86,352	85,108	+1
Earnings per share attributable to shareholders of E.ON AG	€2.05	€2.26	-9
Weighted-average shares outstanding (in millions)	1,905	1,905	–

[1]Adjusted for discontinued operations (U.S. Midwest market unit).
[2]In late 2009, we deployed a new IT system across our company for gathering energy-related data and also modified our classification methods. We adjusted the figures for the first three quarters of 2009 accordingly.
[3]Change in absolute terms.

Glossary of Selected Financial Terms

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

Adjusted EBITDA Adjusted earnings before interest, taxes, depreciation, and amortization.

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

Economic investments Cash-effective capital investments plus debt acquired and asset swaps.

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

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January 1 – June 30, 2010

- Adjusted EBIT up 11 percent year on year
- 2,800 MW of new, climate-friendly generating capacity enter service
- 2010 forecast unchanged with adjusted EBIT expected up by 0 to 3 percent and adjusted net income at prior-year level

Contents

Dear Shareholders,

We posted solid results for the first half of 2010. Our sales improved by 7 percent year on year to €44.3 billion. Adjusted EBIT, our main earnings figure, rose by 11 percent to €6.1 billion. Our good first half provides further support for our full-year forecast. We continue to expect our 2010 adjusted EBIT to increase slightly, by 0 to 3 percent, and our adjusted net income to be at the prior-year level.

We've benefited from the implementation of our clear strategy, which has three key components: we continually improve our performance in all areas of our company, we continually reassess which business areas and assets create value for E.ON and its shareholders, and we invest selectively in our operating business. PerformtoWin has enabled us to identify annual cost reductions and operating improvements totaling €1.5 billion by 2011, some of which we've already implemented. At the same time, the sale of E.ON U.S. and our minority stake in BKW of Switzerland further streamlines our portfolio, reduces our debt, and gives us flexibility for organic growth. Three new power plants (Irsching 5, Emile Huchet, and Scandale) and two new offshore wind farms (Robin Rigg and alpha ventus) entered service in the first half of 2010 alone, giving us a total of 2,800 megawatts of new, climate-friendly generating capacity.

This capacity is part of our investments to modernize the energy supply in Europe and Germany. In uncertain economic times, such investments will only remain possible in a stable energy-policy environment. I'd like to state clearly that as E.ON CEO I'm responsible for the company and its employees but also to you, our shareholders. That's why I'm engaged in a dialog with Germany's political leaders and why I make unmistakably clear our profound concerns about the current direction of Germany's energy policy.

The German federal government stated in its coalition agreement that it was committed to a "non-ideological, technologically neutral, and marked-oriented energy policy." It's time for the government to put these words into action. Because ten months after the government's statement—which we thought signaled a new, pragmatic beginning—Germany's future energy-policy course remains unclear. Important decisions need to be made, including a decision about the future of nuclear energy in Germany. I believe there's no doubt that in the medium term Germany can't forego zero-carbon, inexpensive nuclear power if it intends to continue to play a leadership role in Europe's climate-protection effort and if the economic recovery is to continue. The recent crisis made abundantly clear to what degree Germany's economic success depends on the competitiveness of its industry, for which a secure, economically priced energy supply is a decisive factor. Nuclear energy is a key component of this energy supply. In this context, we're quite willing to share the advantages of extending the operating lives of nuclear power stations as long as the state's share is reasonable in comparison with the additional revenues. But we also warn against the creation of additional financial burdens that would render the operation of nuclear power stations uneconomic and that could even result in urgently necessary investment funds not being available for the environmental transformation of the energy supply. I've made it unmistakably clear to policymakers that we consider such a course to be a mistake, both economically and environmentally.

We're in talks with political leaders about these important issues, issues that will help determine in which direction Germany develops in the coming years and decades. That's part of our responsibility and obligation to our stakeholders and shareholders. Throughout this process we always keep one thing firmly in view: making the right decisions so that E.ON will remain successful even in an increasingly difficult economic and policy environment.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

E.ON stock (factoring in the reinvestment of dividends) finished the first half of 2010 20 percent below its year-end closing price for 2009, thereby underperforming its peer index, the STOXX Utilities, which declined by 13 percent during the same period. The EURO STOXX 50 index was also lower (-11 percent).

In the first half of 2010, the stock-exchange trading volume of E.ON stock increased by 21 percent year on year to €35.4 billion. The number of shares traded was also higher, rising 7 percent.

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

E.ON Stock

	June 30, 2010	Dec. 30, 2009
Shares outstanding (in millions)	1,905	1,905
Closing price (€)	22.18	29.23
Market capitalization (€ in billions)[1]	42.3	55.7

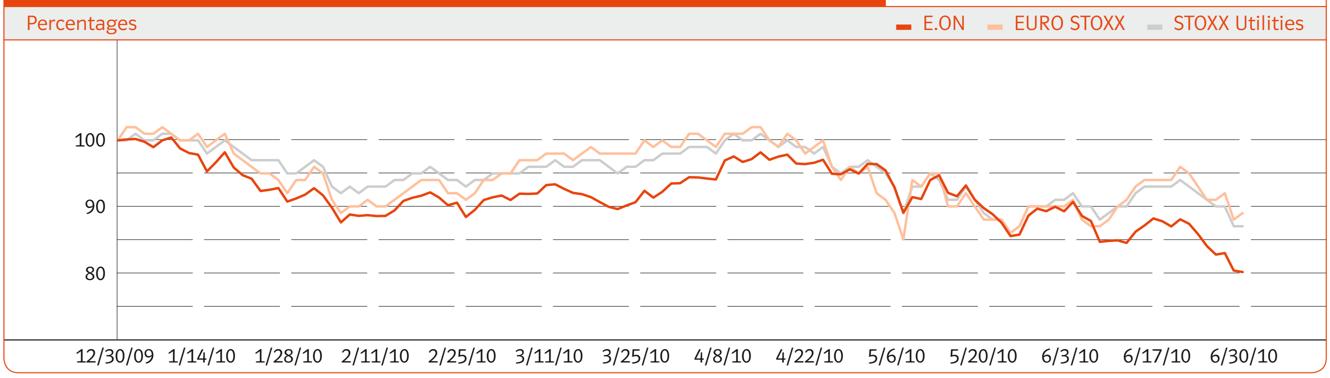
[1]Based on shares outstanding.

Performance and Trading Volume

January 1 – June 30	2010	2009
High (€)[1]	29.36	30.47
Low (€)[1]	22.18	18.19
Trading volume[2]		
Millions of shares	*1,348.1*	*1,257.3*
€ in billions	*35.4*	*29.3*

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

E.ON Stock Performance



Interim Group Management Report

Business and Operating Environment

Corporate Structure and Operations

E.ON is one of the world's largest investor-owned energy companies. Our business extends along the entire value chain in power and gas and is segmented geographically or functionally into market units. The lead company of each market unit is responsible for integrating and coordinating operations across its target market. Business units manage day-to-day operations.

For reasons of materiality, we combine our Climate & Renewables, Russia, Italy, and Spain market units in a single reporting segment called New Markets.

Following the successful conclusion of sales negotiations for our U.S. Midwest market unit, pursuant to IFRS 5 this segment is classified as a discontinued operation effective the second quarter of 2010. We have therefore adjusted the relevant figures for 2010 and 2009 accordingly and no longer provide commentary on this market unit.

Central Europe

E.ON Energie is one of Europe's largest energy companies and has operations in many countries in Central Europe, including Germany, the Benelux states, France, Hungary, Slovakia, the Czech Republic, Bulgaria, and Romania. The Central Europe West Regulated and Non-regulated reporting units consist of the operation of conventional and nuclear power stations as well as renewable-source and waste-incineration power generation, electric transmission via high-voltage wires networks, regional distribution (electricity, gas, and heat), and electricity, gas, and heat sales. The Central Europe East reporting unit consists of our shareholdings in regional electric and gas distributors in this region.

Pan-European Gas

E.ON Ruhrgas is one of Europe's leading gas companies and one of the world's largest investor-owned gas importers. Its customers are regional and municipal energy companies as well as industrial enterprises in and outside Germany. The Regulated reporting unit consists of ownership interests in energy companies in European countries other than Germany (E.ON Ruhrgas International) and the regulated transport business. The Non-regulated reporting unit consists of the gas wholesale business, the exploration and production business, and the gas storage business. Thüga, which has minority ownership interests in municipal gas and electric utilities in Germany, was sold to a consortium of municipal utilities effective December 1, 2009. Other/Consolidation now therefore only includes consolidation effects.

U.K.

E.ON UK runs our energy business in the United Kingdom. The Regulated reporting unit consists of Central Networks, which operates an electricity distribution business in central England. The Non-regulated reporting unit includes the generation, retail, and energy-services businesses. The generation business covers activities including power generation, operation and maintenance of combined heat and power plants, and power station development and operation. The retail business encompasses the sale of electricity and gas services to residential, business, and industrial customers.

Nordic

E.ON Sverige manages our energy operations in Northern Europe. The Regulated reporting unit consists of power and gas distribution. The Non-regulated reporting unit consists mainly of power generation, heat production, sales (power, gas, and heat), and energy services.

Energy Trading

Energy Trading combines our risk-management activities, mainly for power, gas, coal, oil, and carbon allowances. These activities consist of Optimization and Proprietary Trading. Both are conducted in accordance with our risk-management systems as well as trading limits and can involve intentionally utilizing changes in market prices and risk positions. Energy Trading also includes the financial results of Italy-based E.ON Energy Trading S.p.A., whose operations it has managed centrally since January 1, 2009.

New Markets

E.ON Climate & Renewables is responsible for managing and expanding E.ON's global renewables operations (with the exception of large-scale hydroelectricity) and climate-protection projects.

E.ON Russia Power is responsible for the E.ON Group's electricity operations in Russia. Our Russian business focuses on the operation of thermal power stations in Central Russia, Ural, and Siberia, predominantly fast-growing, industrialized regions of the country.

E.ON Italia manages our power and gas business in Italy. Its operations consist of power generation, power and gas sales, and gas distribution.

E.ON España runs our integrated energy business in Spain.

Corporate Center

The Corporate Center segment consists of E.ON AG, Düsseldorf, and the ownership interests managed directly by E.ON AG. We also allocate consolidation effects at the Group level to this segment.

Energy Industry

According to figures from AGEB, an energy industry working group, the economic recovery and a very cold winter resulted in Germany consuming 5 percent more primary energy in the first half of 2010 than in the same period in 2009. Germany's natural-gas consumption rose by 14 percent due to increased demand from industry and significantly higher demand from power stations. Residential gas consumption was also higher due to colder weather.

Electricity consumption in England, Scotland, and Wales was 162 billion kWh in the first half of 2010 compared with 160 billion kWh in the first half of 2009. Gas consumption (excluding power stations) was 355 billion kWh, up from 334 billion kWh. The increases were largely due to very cold weather in January and February partially offset by continuing energy-efficiency improvements.

The Nordic region consumed 202 billion kWh of electricity, about 10 billion kWh more than in the prior-year period. Consumption in the first quarter was driven by very cold weather; the increase in the second quarter resulted mainly from a slight recovery in Finnish industrial demand. Net electricity imports to the Nordic region from surrounding countries were around 10 billion kWh, about 6 billion kWh higher than in the prior-year period. Net imports from Germany were 2.7 billion kWh (prior year: net exports of 2.2 billion kWh).

The Russian Federation generated 520 billion kWh of electricity, up 5.2 percent from the prior-year figure.

Italy consumed 158.5 billion kWh of electricity, an increase of 1.8 percent from the prior-year figure (1.9 percent if adjusted for differences in temperature and number of working days). Driven by the increase in consumption, domestic power production rose by 2.6 percent to 138.2 billion kWh. Italy's gas consumption rose by 10.6 percent year on year to 466.2 billion kWh; consumption was higher in all customer segments.

Peninsular electricity consumption in Spain was 129 billion kWh, 4.3 percent higher than in the prior-year period (3.6 percent higher if adjusted for differences in temperature and the number of working days). Retail gas consumption rose by 10.5 percent to 139 billion kWh.

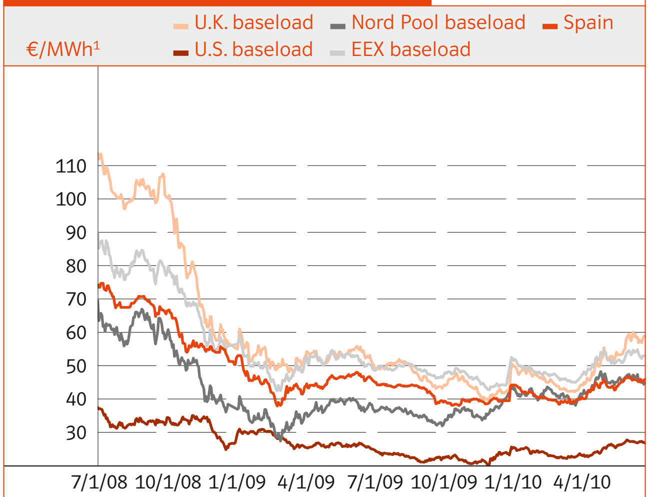
Energy Prices

Four main factors drove electricity and natural gas markets in Europe and Russia in the first half of 2010:

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

After moving lower in the first quarter, prices for commodities and electricity (except for Brent crude oil and electricity in Russia) recovered during the second quarter.

Wholesale Electricity Price Movements in E.ON's Core Markets



[1]For next-year delivery.

After a decline in February, Brent crude rallied until April to roughly $89 per barrel for next-month delivery but then fell sharply to below $80 triggered by concerns about eurozone sovereign debt. Weak near-term fundamentals (high oil inventories and spare production capacity), disappointing economic data mainly in the United States (consumer confidence and unemployment), and lower interest from financial players kept oil prices under pressure throughout the second quarter. Supported by cold weather and higher gas prices, prices for API#2 coal in Europe began 2010 at around $100 per metric ton for next-year delivery but retreated to around $85 in February and March due to high coal stocks and weaker gas prices. New arbitrage flows (such as from Columbia to China) constituted another factor, resulting in a discount for European coal compared with the Asian and Pacific markets. Gas prices

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rose sharply starting in late April, helping to push API#2 prices back above $100 in June. The freight market was generally subdued due to vessel oversupply on the route from South Africa to Rotterdam. European gas prices, which in the first quarter had remained under pressure from global oversupply and a recession-driven decline in demand, rose steadily in the second quarter. The key drivers were stronger gas-to-power demand, continued Norwegian supply outages, a tighter-than-expected LNG market, and low storage levels. Gas at European virtual trading points traded with a small discount to oil-indexed contracts for the coming winter season and no longer tracked U.S. gas prices.

German prices for baseload electricity for next-year delivery finished the first half at about €53 per MWh, roughly the same as at the start of the year. German electricity prices tracked coal and gas prices, declining to €45 in the first quarter and rising from April onwards. U.K. electricity prices moved in a similar pattern but rose more steeply, finishing June at €60, pushed up by a steady rise in gas prices. Nordic electricity prices were mainly influenced by a consistently low hydrological balance (the hydrological balance was 30 billion kWh below normal at the end of June) brought on by cold and dry weather in the first quarter. Nordic spot prices in the second quarter were mainly influenced by the weather, resulting in generally higher spot prices (as well as price spikes) and in higher prices for near-term forward products. Like prices in other European markets, Nordic prices for next-year delivery rose significantly and finished June at around €45.

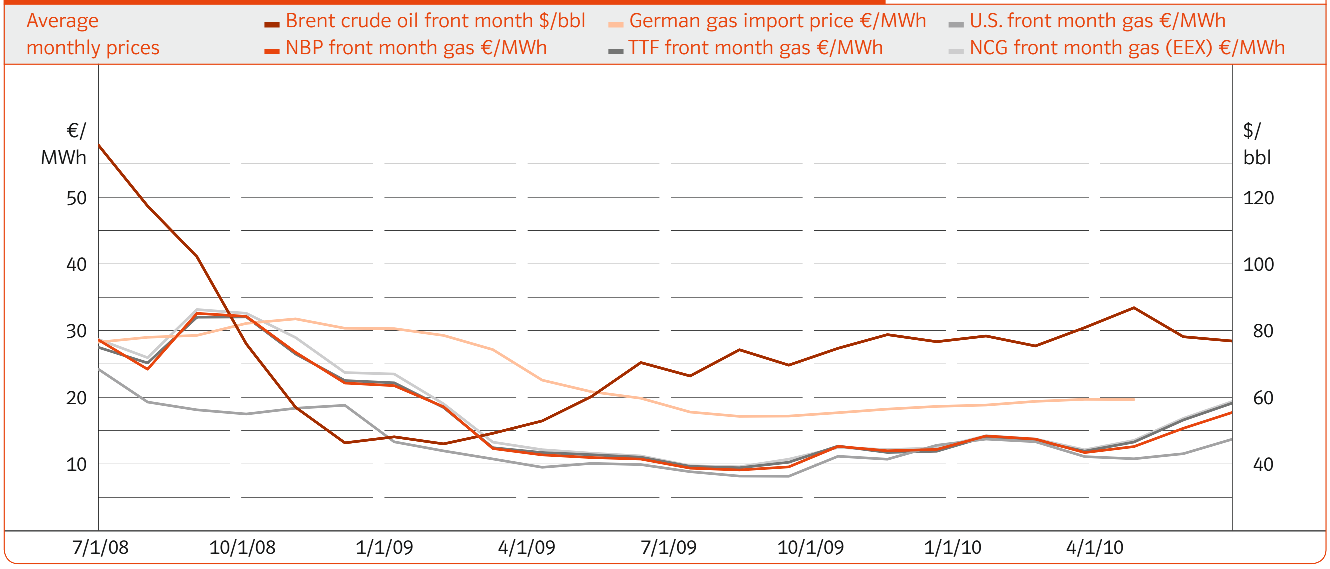
Forward electricity prices in Spain and Italy moved in a pattern similar to prices in Northwestern Europe, although with lower (but improving) liquidity and less volatility, particularly in Spain. After declining to €40 per MWh in the first quarter, Spanish prices for next-year delivery rose to about €46 at the end of June. Italian prices rose (mainly in the second quarter) on higher gas and coal prices, finishing June at €72.

The December 2010 carbon contract under the European Emissions Trading Scheme traded at around €13 per metric ton during the first quarter. Following the release of verified 2009 emissions numbers, carbon prices rose even though 2009 emissions had declined by 11.2 percent. The policy debate (the possibility of tighter requirements starting in 2012), further delays in the passage of new EU regulations on auctioning, and higher commodity prices resulted in a new, higher trading range (between €15 and €16 per metric ton).

Carbon Allowance Price Movements in Europe

In the first half of 2010, demand for electricity in Russia rose by 5 percent year on year, supported by lower temperatures and signs of economic recovery. Hydro production improved slightly. In the second quarter, the weighted-average price of electricity was RUB 762 (around €19.80) per MWh in the Europe price zone and RUB 466 (around €12.10) in the Siberian price zone. The liberalization of the Russian electricity market remains on schedule. In July, the share of the market open to free pricing increased to 80 percent.

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



Power Procurement

The E.ON Group's owned generation rose by 3 percent, from 132.8 billion kWh in the first half of 2009 to 136.5 billion kWh in 2010. Power procured increased by 54 percent to 356.8 billion kWh.

The increase in Central Europe's owned generation is attributable to the commissioning of gas-fired generating units, particularly at sites in Germany (Irsching and Plattling) and France (Emile Huchet). The addition of these generating units for the first time more than offset the reduction in Central Europe's power capacity in line with E.ON's commitment to the European Commission.

U.K. generated 15.6 billion kWh of electricity at its own power plants in the first half of 2010, about 12 percent less than in the first half of 2009 (17.7 billion kWh). The reduction is mainly attributable to lower market spreads which made our U.K. fleet less economic to operate.

Nordic's owned generation increased by 3.1 billion kWh, mainly due to higher output from the new CHP unit in Malmö (+1.3 billion kWh) and from nuclear assets (+1.3 billion kWh). Hydro generation rose by 0.4 billion kWh.

The New Markets segment had owned generation of 42.3 billion kWh (prior year: 42.1 billion kWh). The breakdown is:

- Climate & Renewables 3.8 billion kWh (2.5 billion kWh)
- Russia 27.7 billion kWh (26.1 billion kWh)
- Italy 6.2 billion kWh (8.1 billion kWh)
- Spain 4.6 billion kWh (5.4 billion kWh).

Climate & Renewables' owned generation was 52 percent higher. Wind farms accounted for 97 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Power Procurement[1]

Jan. 1 – June 30	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Owned generation	65.0	62.5	15.6	17.7	13.6	10.5	–	–	42.3	42.1	–	–	136.5	132.8
Purchases	136.6	130.6	26.2	24.3	15.5	15.4	372.3	254.5	12.2	20.2	-206.0	-212.9	356.8	232.1
jointly owned power plants	*1.5*	*2.7*	*0.6*	*0.7*	*4.7*	*4.7*	–	–	–	–	–	–	*6.8*	*8.1*
Energy Trading/ outside sources	*135.1*	*127.9*	*25.6*	*23.6*	*10.8*	*10.7*	*372.3*	*254.5*	*12.2*	*20.2*	*-206.0*	*-212.9*	*350.0*	*224.0*
Total	**201.6**	**193.1**	**41.8**	**42.0**	**29.1**	**25.9**	**372.3**	**254.5**	**54.5**	**62.3**	**-206.0**	**-212.9**	**493.3**	**364.9**
Station use, line loss, etc.	-6.4	-6.4	-2.0	-1.8	-1.0	-1.0	–	–	-2.4	-2.2	–	–	-11.8	-11.4
Power sales	**195.2**	**186.7**	**39.8**	**40.2**	**28.1**	**24.9**	**372.3**	**254.5**	**52.1**	**60.1**	**-206.0**	**-212.9**	**481.5**	**353.5**

[1]In late 2009, we deployed a new IT system across our company for gathering energy-related data and also modified our classification methods. We adjusted the figures for the first three quarters of 2009 accordingly.

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Owned Generation by Energy Source	Central Europe		U.K.		Nordic		New Markets		E.ON Group	
Jan. 1 – June 30, 2010	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	28.6	44	–	–	7.0	52	–	–	35.6	26
Lignite	2.6	4	–	–	–	–	4.8	11	7.4	5
Hard coal	19.3	30	6.5	42	–	–	3.0	7	28.8	21
Natural gas, oil	9.2	14	9.1	58	1.8	13	28.7	68	48.8	36
Hydro	2.8	4	–	–	4.2	31	2.0	5	9.0	7
Wind	–	–	–	–	–	–	3.7	9	3.7	3
Other	2.5	4	–	–	0.6	4	0.1	–	3.2	2
Total	**65.0**	**100**	**15.6**	**100**	**13.6**	**100**	**42.3**	**100**	**136.5**	**100**

The Russia market unit generated 27.7 billion kWh (about 93 percent of its total needs of 29.7 billion kWh) at its own power stations and procured 2 billion kWh from outside sources.

The Italy market unit met 6.2 billion kWh, or 47 percent, of its total needs of 13.1 billion kWh from its own power plants. The prior-year figure includes 1.8 billion kWh of generation from assets carved out to A2A effective at the end of June 2009. Italy procured 6.1 billion kWh of power on the market. It purchased 0.8 billion kWh from E.ON Energy Trading S.p.A., mainly for sales activities.

The Spain market unit generated 63 percent of its total needs of 7.3 billion kWh with electricity from its own power plants. Owned generation declined by 0.8 billion kWh relative to the prior-year period; the decline was offset by an increase in power purchases.

Gas Procurement

E.ON Ruhrgas procured about 368.5 billion kWh of natural gas from producers in and outside Germany in the first half of 2010, about 28 percent more than in the prior-year period. The biggest suppliers were Russia (which accounted for 29 percent), Norway (27 percent), Germany (22 percent), and the Netherlands (16 percent).

Upstream Production January 1 – June 30	2010	2009	+/- %
Liquids/oil (million barrels)	2.7	2.9	-9
Gas (million standard cubic meters)	740	726	+2
Total (million barrels of oil equivalent)	**7.3**	**7.5**	**-3**

Pan-European Gas's gas production in the North Sea rose by about 2 percent year on year to 740 million cubic meters, primarily due to output from Rita field, which recently entered production. Liquid and condensates production of 2.7 million barrels was slightly lower, mainly because of a natural production decline at older fields. In addition to its North Sea production, Pan-European Gas had 2.9 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. Pan-European Gas's own gas production thus increased by more than 400 percent relative to the prior-year period.

Trading Volume

To execute its optimization and risk-management mission for the E.ON Group, Energy Trading traded the following financial and physical quantities:

Trading Volume January 1 – June 30	2010	2009
Power (billion kWh)	820	580
Gas (billion kWh)	951	691
Carbon allowances (million metric tons)	393	253
Oil (million metric tons)	51	16
Coal (million metric tons)	130	110

Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 36 percent, from 353.5 billion kWh in the first half of 2009 to 481.5 billion kWh in 2010. We supplied 166.1 billion kWh (+6 percent) electricity to end-customers and resellers.

Central Europe's power sales rose mainly due to procurement rights from power stations outside Germany obtained through asset swaps in line with E.ON's commitment to the European Commission. In addition, the nascent economic recovery had a positive impact on demand from industrial customers.

U.K. sales to residential and small and medium-sized ("SME") customers increased by 2 percent. The increase in sales due to cold weather was largely offset by reduced customer numbers and energy-efficiency measures. Electricity sales to industrial and commercial ("I&C") customers rose significantly, largely as a result of successful sales rounds.

Nordic sold 3.2 billion kWh more electricity, mainly due to colder weather in 2010 and higher production volumes. Sales to retail customers, sales partners (including minority shareholders of nuclear power plants), and Energy Trading increased by 4.4 billion kWh, while sales to I&C customers declined by 1.2 billion kWh.

The New Markets segment sold 52.1 billion kWh (prior year: 60.1 billion kWh) of electricity. The breakdown is:
- Climate & Renewables 4.4 billion kWh (3.1 billion kWh)
- Russia 28.7 billion kWh (27.3 billion kWh)
- Italy 12.8 billion kWh (23.1 billion kWh)
- Spain 6.2 billion kWh (6.6 billion kWh).

Power Sales[1]

Jan. 1 – June 30	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Residential and SME	24.0	24.2	14.4	14.1	4.5	3.1	–	–	3.6	2.4	–	–	46.5	43.8
I&C	38.5	35.9	9.2	7.8	5.6	6.8	–	–	5.4	6.5	–	–	58.7	57.0
Sales partners	56.3	51.6	–	–	3.2	2.9	–	–	1.4	1.0	–	–	60.9	55.5
Customer segments	**118.8**	**111.7**	**23.6**	**21.9**	**13.3**	**12.8**	**–**	**–**	**10.4**	**9.9**	**–**	**–**	**166.1**	**156.3**
Wholesale market/ Energy Trading	76.4	75.0	16.2	18.3	14.8	12.1	372.3	254.5	41.7	50.2	-206.0	-212.9	315.4	197.2
Total	**195.2**	**186.7**	**39.8**	**40.2**	**28.1**	**24.9**	**372.3**	**254.5**	**52.1**	**60.1**	**-206.0**	**-212.9**	**481.5**	**353.5**

[1]In late 2009, we deployed a new IT system across our company for gathering energy-related data and also modified our classification methods. We adjusted the figures for the first three quarters of 2009 accordingly.

Climate & Renewables sold its power exclusively in non-regulated markets. Its power sales rose by 42 percent, mainly due to an increase in owned generation. Its prorated attributable generating capacity at the end of June 2010 was 3,192 MW compared with 2,385 MW at the end of June 2009 due to the commissioning of wind farms in the U.S. and U.K.

The Russia market unit sold 28.7 billion kWh on the wholesale market, about 5 percent more than in the prior-year period. The main factors were very cold temperatures in the first quarter of 2010 and higher output at Surgutskaya power station due to maintenance rescheduling.

Lower sales to Energy Trading and the carve-out of assets to A2A were the main reasons for the decline in Italy's power sales, which had the following breakdown by customer segment: 2.3 billion kWh to residential and SME customers, 3.4 billion kWh to I&C customers, 0.9 billion kWh to sales partners, 5.8 billion kWh to the wholesale market, and 0.4 billion kWh to E.ON Energy Trading S.p.A.

Spain's power sales declined by 0.4 billion kWh compared with the prior-year period, mainly due to lower sales to the wholesale market.

Gas Sales

On a consolidated basis, the E.ON Group's natural gas sales rose by 193.3 billion kWh relative to the prior-year figure.

Gas Sales[1]

January 1 – June 30 Billion kWh	2010	2009	+/- %
Regional/municipal gas companies	224.1	197.5	+13
Industrial customers	50.4	33.5	+50
Outside Germany	90.1	68.0	+33
E.ON Ruhrgas AG sales	**364.6**	**299.0**	**+22**
Sales of other shareholdings	71.2	83.9	-15
Pan-European Gas internal sales	-34.6	-25.5	–
Pan-European Gas sales	**401.2**	**357.4**	**+12**
thereof intragroup sales	*-124.3*	*-91.5*	–
Other market units	485.0	302.7	+60
E.ON Group	**761.9**	**568.6**	**+34**

[1]In late 2009, we deployed a new IT system across our company for gathering energy-related data and also modified our classification methods. We adjusted the figures for the first three quarters of 2009 accordingly.

The increase in Central Europe's gas sales volume is mainly attributable to the inclusion, effective January 1, 2010, of companies in the Central Europe East reporting unit.

Interim Group Management Report

Pan-European Gas sold 44 billion kWh, or about 12 percent, more natural gas than in the prior-year period. E.ON Ruhrgas sold about 66 billion kWh more gas. The volume increase had the following main drivers. Cold weather, particularly in the first quarter, had a positive impact on sales volume to resellers (regional gas companies and municipal utilities). In addition, the onset of economic recovery had a positive effect on gas demand from industrial customers that E.ON Ruhrgas supplies indirectly through resellers. Economic recovery also led to an increase in sales to industrial customers supplied directly by E.ON Ruhrgas. Higher sales to customers outside Germany accounted for about 22 billion kWh of E.ON Ruhrgas's total volume growth, with additional amounts being supplied mainly to customers in Sweden, Austria, and Switzerland. An increase in short-term trading with Energy Trading was a further positive factor. Gas sales of other shareholdings were lower primarily due to a competition-driven decline in sales volume at E.ON Földgáz Trade in Hungary and from the absence of sales by the Thüga Group, which was sold in the fourth quarter of 2009.

U.K.'s gas sales to residential and SME customers increased by 9 percent. Most of this was due to very cold weather in January and February 2010. The remainder of the change is explained by increased customer numbers partially offset by continuing energy-efficiency measures. Sales of gas to I&C customers declined significantly due to changes in the customer portfolio. This was slightly offset by the positive effect of the colder weather.

Nordic's gas sales were on the same level as in the prior year. Heat sales of 5.1 billion kWh were up 13 percent from the prior-year figure of 4.5 billion kWh, mainly due to colder weather.

Gas Sales (Excluding Pan-European Gas)[1]

Jan. 1 – June 30 Billion kWh	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Residential and SME	39.3	34.9	33.3	30.6	0.1	0.1	–	–	6.8	6.0	–	–	79.5	71.6
I&C	36.7	32.6	8.6	10.7	2.0	2.0	–	–	2.6	5.1	–	–	49.9	50.4
Sales partners	14.0	11.9	–	–	–	–	–	–	–	2.6	–	–	14.0	14.5
Customer segments	**90.0**	**79.4**	**41.9**	**41.3**	**2.1**	**2.1**	**–**	**–**	**9.4**	**13.7**	**–**	**–**	**143.4**	**136.5**
Wholesale market/ Energy Trading	2.7	3.3	–	–	0.2	0.2	479.5	370.3	1.6	2.9	-142.4	-210.5	341.6	166.2
Total	**92.7**	**82.7**	**41.9**	**41.3**	**2.3**	**2.3**	**479.5**	**370.3**	**11.0**	**16.6**	**-142.4**	**-210.5**	**485.0**	**302.7**

[1]In late 2009, we deployed a new IT system across our company for gathering energy-related data and also modified our classification methods. We adjusted the figures for the first three quarters of 2009 accordingly.

In the New Markets segment, Italy sold a total of 11 billion kWh (prior year: 16.6 billion kWh) of natural gas: 6.8 billion kWh to residential customers and SME, 2.6 billion kWh to I&C customers and 1.6 billion kWh to the wholesale market. The decline mainly reflects a lower I&C customer base and the fact that gas sales to sales partners are zero in 2010.

Earnings Situation

Sales

Our first-half sales were up year on year, mainly because Energy Trading recorded higher external sales as a result of an increase in its optimization activities. Currency-translation effects and higher prices at Nordic also had a positive effect.

Sales January 1 – June 30 € in millions	2010	2009	+/- %
Central Europe	21,440	21,130	+1
Pan-European Gas	10,636	12,095	-12
U.K.	5,359	5,470	-2
Nordic	2,325	1,759	+32
Energy Trading	21,326	21,907	-3
New Markets	3,134	3,848	-19
Corporate Center	-19,916	-24,689	–
Total	**44,304**	**41,520**	**+7**

Central Europe

Central Europe's sales rose by €0.3 billion relative to the prior-year period.

Sales January 1 – June 30 € in millions	2010	2009	+/- %
Central Europe West	19,611	20,212	-3
Regulated	*5,833*	*6,087*	*-4*
Non-regulated	*13,778*	*14,125*	*-2*
Central Europe East	2,979	2,778	+7
Other/Consolidation	-1,150	-1,860	+38
Central Europe	**21,440**	**21,130**	**+1**

Central Europe West Regulated's sales were down by €0.3 billion. A primarily regulation-driven increase in network charges in the distribution network was not sufficient to offset the reduction in sales resulting from the disposal of our ultrahigh-voltage transmission system in late February 2010.

Central Europe West Non-regulated's sales declined by €0.3 billion, primarily due to lower gas prices and to the disposal of power capacity in line with E.ON's commitment to the European Commission. These effects were partially offset by the additional marketing of electricity from procurement rights from nuclear power stations outside Germany obtained in these transactions and by the commissioning of new generating units.

Central Europe East's sales rose by €0.2 billion to €3 billion, mainly due to the addition of new gas companies in this reporting unit.

Sales reported under Other/Consolidation increased by €0.7 billion, primarily due to a reduction in intrasegment consolidation effects.

Pan-European Gas

Pan-European Gas's sales declined by 12 percent to €10.6 billion (prior year: €12.1 billion).

Sales January 1 – June 30 € in millions	2010	2009	+/- %
Regulated	2,235	2,812	-21
Non-regulated	9,559	10,098	-5
Other/Consolidation	-1,158	-815	+42
Pan-European Gas	**10,636**	**12,095**	**-12**

Regulated's sales fell by €577 million, or 21 percent. Volume and price effects in particular reduced sales at E.ON Földgáz Trade. By contrast, the transport business posted higher sales due to an increase in sales of control and balancing energy; this effect was partially mitigated by a reduction in sales for transport services following the introduction of cost-based charges.

Non-regulated's sales declined by €539 million, or 5 percent. Despite higher sales volume, sales at the gas wholesale business were down considerably due to lower prices. Upstream sales were sharply higher owing in particular to the inclusion of Yuzhno Russkoye gas field. Upstream sales from fields in the North Sea rose on higher oil prices.

In the prior-year period, Other/Consolidation included the sales of Thüga, which was sold in late 2009.

Interim Group Management Report

U.K.

U.K.'s sales decreased by €111 million in reporting currency and by 5 percent in local currency.

Sales			
January 1 – June 30 € in millions	2010	2009	+/- %
Regulated	382	355	+8
Non-regulated	5,054	5,191	-3
Other/Consolidation	-77	-76	–
U.K.	**5,359**	**5,470**	**-2**
£ in millions			
Regulated	332	317	+5
Non-regulated	4,397	4,640	-5
Other/Consolidation	-66	-67	–
U.K.	**4,663**	**4,890**	**-5**

Regulated's sales increased by €27 million to €382 million due to higher volumes, increased tariffs, and currency movements (+€10 million).

Non-regulated's sales fell by €137 million to €5,054 million; currency movements had a positive impact of €135 million. Sales in local currency were lower as a result of retail price reductions (which are partially offset by higher revenues relating to the colder weather in the first half of 2010) and lower generation revenues.

Nordic

Nordic's sales increased by €566 million, or 32 percent. In local currency, sales were up by 19 percent.

Sales			
January 1 – June 30 € in millions	2010	2009	+/- %
Regulated	478	365	+31
Non-regulated	1,828	1,378	+33
Other/Consolidation	19	16	+19
Nordic	**2,325**	**1,759**	**+32**
SEK in millions			
Regulated	4,683	3,966	+18
Non-regulated	17,890	14,968	+20
Other/Consolidation	187	170	+10
Nordic	**22,760**	**19,104**	**+19**

Regulated's sales increased by €113 million to €478 million primarily due to higher average tariffs and positive currency-translation effects.

Non-regulated's sales increased by €450 million mainly due to higher retail market prices, higher market-based transfer prices in the generation businesses, and positive currency-translation effects.

Energy Trading

Energy Trading recorded sales of about €21 billion, down slightly from the prior-year figure due to lower market prices. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. This method resulted in the disclosure of negative sales.

Sales			
January 1 – June 30 € in millions	2010	2009	+/- %
Proprietary Trading	-25	106	–
Optimization	21,351	21,801	-2
Energy Trading	**21,326**	**21,907**	**-3**

New Markets

Sales in this segment declined by 19 percent to €3.1 billion.

Sales January 1 – June 30 € in millions	2010	2009	+/- %
Climate & Renewables	282	215	+31
Russia	630	450	+40
RUB in millions	*25,034*	*19,841*	*+26*
Italy	1,654	2,613	-37
Spain	568	570	-
New Markets	**3,134**	**3,848**	**-19**

Climate & Renewables' sales increased by 31 percent. The main factors were a significant increase in installed capacity, predominantly in the United States, and a fully operational portfolio in Italy in the current-year period; these effects were mitigated by lower prices, particularly in Europe.

Russia's sales rose by 40 percent year on year due to higher electricity prices on the liberalized electricity market supported by signs of economic recovery and extremely cold temperatures in the first quarter of 2010. Higher output at Surgutskaya power station also had a positive impact on sales. The ruble's appreciation against the euro was another favorable factor.

Italy's sales declined due to lower sales volumes to Energy Trading. Another factor was that the prior-year figure included €137 million in sales from assets carved out to A2A at the end of June 2009.

Spain's sales were in line with the prior-year figure.

Corporate Center

The figure recorded under Corporate Center reflects, in particular, the intragroup offsetting of sales between our European market units and Energy Trading.

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

Own work capitalized increased by 38 percent, or €71 million, to €257 million (prior year: €186 million).

Other operating income declined by 41 percent to €8,567 million (prior year: €14,522 million). Lower income from exchange-rate differences of €3,610 million (prior year: €5,987 million) and on derivative financial instruments of €3,364 million (prior year: €6,296 million) were the main negative factors. In derivative financial instruments, there were significant effects from commodity derivatives in the prior-year period. These principally affected our coal, oil, and natural gas positions. Countervailing effects were recorded under other operating expenses. Gains on the disposal of securities, shareholdings, and fixed assets—primarily through the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission—amounted to €1,054 million (prior year: €1,698 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 €1,825 million to €33,532 million (prior year: €31,707 million), in particular due to an increase in business volume.

Personnel costs increased by €68 million to €2,603 million.

Depreciation charges rose by 5 percent to €1,797 million (prior year: €1,716 million), primarily because of higher depreciation on intangible assets. The purchase-price allocation following our acquisition of a stake in Yuzhno Russkoye, a gas field in Russia, resulted in favorable gas supply contracts being capitalized as intangible assets of the project company, ZAO Gazprom YRGM. The favorable gas contracts are being amortized like a gas production asset.

Other operating expenses declined by 43 percent, or €5,906 million, to €7,768 million (prior year: €13,674 million). This is mainly attributable to lower expenses relating to currency differences of €3,420 million (prior year: €6,135 million) and lower expenses relating to derivative financial instruments of €2,207 million (prior year: €4,572 million).

Income from companies accounted for under the equity method was €343 million compared with €594 million in the year-earlier period. The decline is primarily attributable to the absence of income from Thüga shareholdings that we sold in the fourth quarter of 2009.

Adjusted EBIT

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 in Note 13 to the Condensed Consolidated Interim Financial Statements).

Our adjusted EBIT in the first half of 2010 was €591 million above the prior-year figure despite the loss of earnings streams due to disposal of power capacity, the ultrahigh-voltage transmission system, and Thüga shareholdings. The main drivers were:

- higher sales volume, successful price negotiations, and the inclusion of Yuzhno Russkoye at Pan-European Gas
- better retail margins, colder weather in the first quarter of 2010, and operating improvements at U.K.
- higher sales volume and higher tariffs at Nordic
- improved margins at Energy Trading
- an increase in generating capacity at Climate & Renewables and wider margins at Russia and Spain.

Adjusted EBIT

January 1 – June 30 € in millions	2010	2009	+/- %
Central Europe	2,493	2,795	-11
Pan-European Gas	1,257	1,073	+17
U.K.	663	238	+179
Nordic	474	341	+39
Energy Trading	826	520	+59
New Markets	429	538	-20
Corporate Center	-66	-20	–
Total	**6,076**	**5,485**	**+11**

Central Europe

Central Europe's adjusted EBIT declined by €302 million.

Central Europe

January 1 – June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Central Europe West	2,680	3,212	2,128	2,674
Regulated	*1,069*	*874*	*766*	*557*
Non-regulated	*1,611*	*2,338*	*1,362*	*2,117*
Central Europe East	547	337	407	210
Other/Consolidation	27	10	-42	-89
Total	**3,254**	**3,559**	**2,493**	**2,795**

Central Europe West Regulated's adjusted EBIT was adversely affected by the disposal of our ultrahigh-voltage transmission system in late February 2010. This was more than offset, in particular by a regulation-driven increase in power and gas network charges. Adjusted EBIT rose by €209 million from the prior-year figure (€557 million).

Central Europe West Non-regulated's adjusted EBIT declined by €755 million. The absence of earnings streams due in part to the disposal of power capacity along with narrower margins in the gas business were not entirely offset by efficiency improvements and the commissioning of new generating units.

Central Europe East's adjusted EBIT rose by €197 million. The increase resulted from a positive earnings performance (primarily in Hungary), the inclusion of new gas companies, less adverse impact from the recession, and positive currency-translation effects.

Adjusted EBIT recorded under Other/Consolidation increased to -€42 million, mainly due to the absence of adverse earnings effects recorded in the prior-year period in conjunction with the economic and financial crisis.

Pan-European Gas

Pan-European Gas's adjusted EBIT rose by €184 million, or 17 percent, to €1,257 million.

Pan-European Gas

January 1 – June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Regulated	386	529	317	455
Non-regulated	1,123	576	932	440
Other/Consolidation	7	198	8	178
Total	**1,516**	**1,303**	**1,257**	**1,073**

Regulated's adjusted EBIT declined by €138 million, or 30 percent, to €317 million. Earnings at the transport business were down, mainly due to the application of cost-based charges effective October 1, 2009, and to lower equity earnings from associated companies. E.ON Ruhrgas International's earnings were slightly higher, primarily because of improved earnings at E.ON Földgáz Trade. In the prior-year period, an increase in procurement prices resulting from higher oil prices and a weak Hungarian forint could not be fully passed through to sales markets. Furthermore, regulatory compensation payments in 2010 for losses in earlier periods had a positive impact on earnings. On the negative side, E.ON Ruhrgas International recorded lower equity earnings from associated companies.

Non-regulated's adjusted EBIT improved by €492 million. E.ON Ruhrgas's gas wholesale business and the upstream business contributed to the increase. The improved performance of E.ON Ruhrgas's gas wholesale business is mainly attributable to higher gas sales volume and to the positive impact of price negotiations in the prior year. In addition, the dividend on our Gazprom stake was higher than in the prior year. Upstream adjusted EBIT was higher, mainly due to the inclusion of Yuzhno Russkoye gas field and higher oil prices.

In the prior-year period, Other/Consolidation included the earnings of Thüga, which was sold in late 2009.

U.K.

U.K.'s adjusted EBIT increased by €425 million.

U.K.				
January 1 – June 30	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	286	264	222	203
Non-regulated	635	216	483	53
Other/Consolidation	-39	-14	-42	-18
Total	**882**	**466**	**663**	**238**
£ in millions				
Regulated	248	236	194	181
Non-regulated	552	193	420	47
Other/Consolidation	-32	-12	-37	-15
Total	**768**	**417**	**577**	**213**

Regulated's adjusted EBIT increased by €19 million due to higher volumes and tariffs.

Non-regulated's adjusted EBIT increased by €430 million, predominantly due to significantly improved margins in the retail business compared with the exceptionally narrow margins of the prior-year period, efficiency improvements, and the impact of the colder weather. We do not expect the earnings increase to continue at this magnitude for the rest of the year due to rising wholesale prices and the customer price reduction in the first quarter.

Nordic

Nordic's adjusted EBIT in reporting currency increased by €133 million, or 39 percent. In local currency, it was up by 25 percent.

Nordic				
January 1 – June 30	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	230	176	166	121
Non-regulated	404	303	296	226
Other/Consolidation	26	8	12	-6
Total	**660**	**487**	**474**	**341**
SEK in millions				
Regulated	2,249	1,914	1,626	1,315
Non-regulated	3,951	3,288	2,899	2,458
Other/Consolidation	260	87	112	-69
Total	**6,460**	**5,289**	**4,637**	**3,704**

Regulated's adjusted EBIT rose by €45 million, or 37 percent, due primarily to a weather-driven increase in sales volume and higher tariffs. Power distribution tariffs were increased effective January 1 to cover the higher costs of other system operators (particularly Svenska Kraftnät) and substantial investments in supply security. Currency-translation effects constituted another positive factor.

Non-regulated's adjusted EBIT increased by €70 million, or 31 percent, mainly due to higher production and higher market-based transfer prices and volumes in the hydro business.

Energy Trading

Energy Trading recorded an adjusted EBIT of €826 million. Optimization, whose main purpose is to limit risks and optimize the deployment of the E.ON Group's generation and production assets, contributed €891 million, mainly due to higher margins in the power and gas portfolio. Proprietary Trading, which recorded a loss of €65 million, was adversely affected by a volatile and challenging market environment.

Energy Trading

January 1 – June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Proprietary Trading	-64	75	-65	75
Optimization	894	450	891	445
Total	**830**	**525**	**826**	**520**

New Markets

Adjusted EBIT in this segment declined by 20 percent to €429 million.

New Markets

January 1 – June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Climate & Renewables	209	122	112	52
Russia	172	87	118	34
RUB in millions	*6,842*	*3,833*	*4,706*	*1,511*
Italy	239	524	121	394
Spain	135	104	78	58
Total	**755**	**837**	**429**	**538**

Climate & Renewables' adjusted EBIT was considerably higher, mainly due to a significant increase in installed generating capacity.

Russia's adjusted EBIT rose by €84 million, mainly due to an improved energy margin.

Italy posted an adjusted EBIT of €121 million. The decline is primarily attributable to a one-off effect in the prior year relating to the renegotiation of power contracts and to the carve-out of assets to A2A in June 2009.

Spain posted an adjusted EBIT of €78 million, of which €41 million came from its generation business and €34 million from its distribution-network business, respectively. Wider margins constituted the main positive factor in both businesses.

Net Income

Net income attributable to shareholders of E.ON AG of €3.9 billion and corresponding earnings per share of €2.05 were both down by 9 percent (prior year: €4.3 billion and €2.26).

Net Income

January 1 – June 30 € in millions	2010	2009	+/- %
Adjusted EBIT	**6,076**	**5,485**	**+11**
Adjusted interest expense (net)	-1,171	-1,025	–
Net book gains/losses	721	750	–
Restructuring and cost-management expenses	-233	-172	–
Other non-operating earnings	1,380	994	–
Income/Loss from continuing operations before income taxes	**6,773**	**6,032**	**+12**
Income taxes	-1,846	-1,493	–
Income/Loss from continuing operations	**4,927**	**4,539**	**+9**
Income/Loss from discontinued operations, net	-758	-46	–
Net income	**4,169**	**4,493**	**-7**
Shareholders of E.ON AG	*3,911*	*4,307*	*-9*
Minority interests	*258*	*186*	*+39*

Compared with the prior-year figure, our adjusted interest expense (net) declined by €146 million to -€1.2 billion. The main factor was an increase in the interest expense on provisions.

Adjusted Interest Expense (Net)

January 1 – June 30 € in millions	2010	2009
Interest expense shown in Consolidated Statements of Income	-1,136	-1,072
Interest income (-)/expense (+) not affecting net income	-35	47
Total	**-1,171**	**-1,025**

Net book gains in the first half of 2010 were €29 million below the prior-year level. This is mainly attributable to the sale of power capacity in line with our commitment to the European Commission. The resulting book gains were higher in the first half of 2009 than in 2010. The current-year figure also includes the book gain on the sale of our ultrahigh-voltage transmission system (transpower).

Restructuring and cost-management expenses rose by about €61 million. As in the prior-year period, a significant portion of these expenses resulted from restructuring measures at our regional utilities in Germany and from the continued implementation of the changes to the E.ON Group's organizational structure decided on in 2008. In addition, our PerformtoWin project led to higher expenses than in the prior-year period.

Other non-operating earnings primarily reflect the marking to market of derivatives used to protect our operating business from price fluctuations. At June 30, 2010, the marking to market of derivatives resulted in a positive effect of about €1.4 billion compared with about €1.2 billion at June 30, 2009. In addition, we recorded lower writedowns on securities in the current-year period.

Our continuing operations recorded a tax expense of €1.8 billion in the first half of 2010. Our effective tax rate was 27 percent compared with 25 percent in the prior-year period.

Following the successful conclusion of sales negotiations, income/loss from discontinued operations, net, consists mainly of our U.S. Midwest market unit. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see Note 5 to the Consolidated Financial Statements). The high negative figure reflects an impairment charge of €0.9 billion on goodwill at the U.S. Midwest market unit in conjunction with the disposal of our U.S. power and gas business.

Adjusted Net Income

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and 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	2010	2009	+/- %
Net income attributable to shareholders of E.ON AG	3,911	4,307	-9
Net book gains/losses	-721	-750	–
Restructuring and cost-management expenses	233	172	–
Other non-operating earnings	-1,380	-994	–
Taxes and minority interests on non-operating earnings	471	539	–
Special tax effects	-17	-20	–
Income/Loss from discontinued operations, net	758	47	–
Total	**3,255**	**3,301**	**-1**

Financial Condition

Cash-Effective and Economic Investments

Our cash-effective investments declined to €3.7 billion in the first half of 2010. We invested about €3.4 billion in property, plant, and equipment and in intangible assets (prior year: €3.6 billion). Share investments totaled €263 million versus €464 million in the prior-year period.

Cash-Effective Investments January 1 – June 30 € in millions	2010	2009	+/- %
Central Europe	1,463	1,339	+9
Pan-European Gas	468	903	-48
U.K.	429	413	+4
Nordic	293	660	-56
Energy Trading	5	13	-62
New Markets	963	958	+1
Corporate Center	48	-208	–
Total	**3,669**	**4,078**	**-10**

Our economic investments are equal to our cash-effective investments plus the value of debt acquired and asset swaps.

Economic Investments January 1 – June 30 € in millions	2010	2009
Cash-effective investments	3,669	4,078
Debt acquired	–	–
Asset swaps	149	3
Total	**3,818**	**4,081**

Central Europe invested €124 million more in the first half of 2010 than in the prior-year period. Investments in property, plant, and equipment and in intangible assets rose by €72 million to €1,352 million. Central Europe's investments included €917 million for power generation assets. The increase of €162 million relative to the prior-year period resulted primarily from higher expenditures for the Malzenice, Gönyü, and Maasvlakte power-plant projects. Investments in network assets of €335 million were €100 million lower, mainly due to the sale of the ultrahigh-voltage transmission system; investments for this voltage level were included for the entire prior year and reflected in particular connections for offshore wind farms. Share investments of €111 million were €52 million above the prior-year figure.

Pan-European Gas invested €468 million. Of this figure, €407 million (prior year: €564 million) went towards property, plant, and equipment and in intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €61 million were lower than the high prior-year level (€339 million).

U.K. invested €429 million (prior year: €413 million) in property, plant, and equipment and intangible assets. U.K.'s expenditure mainly related to investments in its generation fleet (including the construction of Grain gas-fired CHP plant) and in its distribution network.

Nordic invested €367 million less than last year. It invested €290 million (prior year: €370 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize its distribution network. Share investments were €3 million (prior-year: €290 million). The high prior-year figure contains a compensation payment to Statkraft.

The New Markets segment invested €963 million (prior-year: €958 million). Climate & Renewables invested €491 million, less than in the prior-year period (€562 million). The decline is due to timing effects relating to large payments for U.S. projects in the first quarter of 2009. Russia invested €252 million (€170 million), mainly in its new-build program. Italy's investments of €51 million (€91 million) went mainly towards the retrofit of Terni hydroelectric station and the distribution grid. Spain's investments of €169 million (€135 million) mainly reflect expenditure on the CCGT under construction in Algeciras.

Cash Flow and Financial Condition

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

Our cash provided by operating activities of continuing operations rose by 30 percent, from €4.3 billion in the prior-year period to €5.6 billion. The main positive factors were the significant increase in adjusted EBITDA and positive working capital effects at Central Europe and Energy Trading. In addition, our prior-year adjusted EBITDA included a number of non-recurring non-cash-effective items, such as the renegotiation of power supply contracts at Italy. The main negative factors were effects from gas storage usage, less income from the sale of carbon allowances, and higher interest payments relating to the financing of our investment program.

Consolidated Statements of Cash Flows (Extract)

January 1 – June 30 € in millions	2010	2009	+/-
Cash provided by operating activities of continuing operations	5,595	4,297	+1,298
Cash provided by (used for) investing activities of continuing operations	-2,690	-2,778	+88
Maintenance investments	*-381*	*-434*	*+53*
Growth and replacement investments, acquisitions, other	*-3,288*	*-3,644*	*+356*
Cash-effective effects from disposals	*1,121*	*1,068*	*+53*
Cash provided by (used for) financing activities of continuing operations	-5,733	-1,223	-4,510

Cash provided by investing activities of continuing operations amounted to -€2.7 billion in the first half of 2010 (prior year: -€2.8 billion). Compared with the prior-year period, positive effects came from lower investments in property, plant, and equipment and lower share investments. These were partially offset by an increase in restricted cash and cash equivalents.

Cash provided by financing activities of continuing operations of -€5.7 billion (prior year: -€1.2 billion) in the first half of 2010 primarily reflects the repayment of bonds and payments to minority shareholders. Net cash inflows from bonds had a slight positive effect in the prior-year period.

Our economic net debt at June 30, 2010, of -€47,409 million was €2,744 million higher than the figure at December 31, 2009 (-€44,665 million). Negative currency-translation effects, significant investments in property, plant, and equipment, and E.ON AG's dividend payout were the main reasons for the change. Our strong cash provided by operating activities had a positive effect.

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

Economic Net Debt

€ in millions	June 30, 2010	Dec. 31, 2009
Liquid funds	3,411	6,116
Non-current securities	3,787	3,670
Total liquid funds and non-current securities	**7,198**	**9,786**
Financial liabilities to banks and third parties	-35,104	-35,579
Financial liabilities resulting from interests in associated companies and other shareholdings	-2,374	-2,198
Total financial liabilities	**-37,478**	**-37,777**
Net financial position	**-30,280**	**-27,991**
Fair value (net) of currency derivatives used for financing transactions[1]	-32	-6
Provisions for pensions	-3,254	-2,884
Asset retirement obligations	-15,225	-15,050
Less prepayments to Swedish nuclear fund	1,382	1,266
Economic net debt	**-47,409**	**-44,665**

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

E.ON did not issue new bonds in the first half of 2010.

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A2. The short-term ratings are A-1 (S&P) and P-1 (Moody's). The ratings assigned by both agencies correspond to E.ON's target rating. Both Moody's and S&P confirmed their long-term and short-term ratings for E.ON, all with a stable outlook, in April and May 2010, respectively.

Asset Situation

Non-current assets as of June 30, 2010, declined by 2 percent compared with the figure at year-end 2009, mainly due to the reclassification of U.S. Midwest's assets as discontinued operations. Investments in property, plant, and equipment constituted the main countervailing factor.

Current assets rose by 9 percent from year-end 2009. The main factor was the reclassification of U.S. Midwest's non-current assets as discontinued operations. There was also an increase in current receivables. These factors were partially mitigated by a decrease in receivables from derivatives.

Our equity ratio of 29 percent is on par with the figure recorded at year-end 2009.

Non-current liabilities increased by about €1.4 billion, or 2 percent, to about €72 billion, primarily due to higher deferred taxes and additions to non-current provisions.

Current liabilities declined by 3 percent from year-end 2009, chiefly due to a decrease in derivative liabilities.

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

- Non-current assets are covered by equity at 41 percent (December 31, 2009: 39 percent).
- Non-current assets are covered by long-term capital at 106 percent (December 31, 2009: 102 percent).

Additional information is contained in Notes 3 and 5 to the Condensed Consolidated Interim Financial Statements.

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2010	%	Dec. 31, 2009	%
Non-current assets	110,759	72	113,046	74
Current assets	43,275	28	39,568	26
Total assets	**154,034**	**100**	**152,614**	**100**
Equity	45,242	29	43,986	29
Non-current liabilities	72,182	47	70,775	46
Current liabilities	36,610	24	37,853	25
Total equity and liabilities	**154,034**	**100**	**152,614**	**100**

Employees

As of June 30, 2010, the E.ON Group had 86,352 employees worldwide, a slight increase of 1 percent compared with year-end 2009. E.ON also had 1,957 apprentices and 309 board members and managing directors.

As of the same date, 50,997 employees, or 59 percent of all staff, were working outside Germany, nearly unchanged from year-end 2009.

Central Europe gained employees due to the inclusion of new subsidiaries in the Central Europe East reporting unit. Its workforce in Germany shrank due to the sale of its ultrahigh-voltage transmission system.

Employees[1]

	June 30, 2010	Dec. 31, 2009	+/- %
Central Europe	49,310	48,126	+2
Pan-European Gas	3,176	3,143	+1
U.K.	15,627	16,098	-3
Nordic	5,734	5,570	+3
Energy Trading	1,090	1,075	+1
New Markets	8,364	7,976	+5
Corporate Center[2]	3,051	3,120	-2
Total	**86,352**	**85,108**	**+1**
Discontinued operations[3]	3,141	3,119	+1

[1]Figures do not include board members, managing directors, or apprentices.
[2]Includes E.ON IT.
[3]U.S. Midwest market unit.

U.K.'s headcount declined by about 3 percent, mainly due to a divestment in the energy-services business.

The hiring of seasonal staff for the summer months increased Nordic's workforce by nearly 3 percent.

The inclusion of a new gas company at Spain was the main factor in the 5-percent increase in New Markets' workforce.

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 connection with the current economic crisis, E.ON faces risks from declining demand, primarily from industrial and commercial customers who, increasingly, are cutting their production and may cut it further. This could result in us being unable to sell energy we have already procured. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. E.ON Ruhrgas also faces risks associated with increased competitive pressure in the gas sector. Increasing competition in the natural gas market and increasing trading volumes at virtual trading points and gas exchanges could result in risks for natural gas purchased under long-term take-or-pay contracts. Other price risks result from the fact that gas procurement prices are predominantly indexed to oil prices whereas sales prices are increasingly guided by spot-market prices. Generally, contracts between producers and importers are subject to adjustments to reflect the current market situation.

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. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

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

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to the above-mentioned binding Group-wide guidelines and Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. We also utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The creation of E.ON Energy Trading has enabled us to systematically combine and consistently manage price risks on Europe's liquid commodity markets. 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 use of derivative financial instruments and its operating activities expose E.ON to credit risks. We use a Group-wide credit risk management system to systematically monitor the creditworthiness of our business partners and regularly monitor our credit risk. Furthermore, there are potential risks due to possible changes in the value of current and non-current securities; we manage these risks by means of E.ON AG's asset management.

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

A further risk could result from the European Commission's planned regulations for derivatives traded over the counter ("OTC"). The Commission is considering introducing mandatory clearing for energy OTC trades whose monetary value exceeds a certain amount. This would increase the margin requirements for such transactions, which could have a negative impact on our economic net debt. The Commission is not expected to complete draft regulations before the end of September 2010; as such, a final decision is not anticipated until some time in 2011.

Even E.ON is affected by the current financial environment. As mentioned above, production declines in cyclical industries due to the financial and economic crisis could, despite the largely non-cyclical nature of the energy industry, over time have a negative impact on our business. In addition, declining valuations and increased volatility could require us to write down the value of some of our financial assets. Furthermore, some of our business partners and end-customers could default on their payments to us. We are addressing this increase in credit default risk by stepping up our risk-management efforts, particularly with regard to financial institutions.

Thanks to its very good creditworthiness, E.ON has up to now had no trouble accessing debt markets. 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 as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance our energy business on acceptable terms. We have comprehensive preventive measures in place to manage the potential risks associated with acquisitions and investments. In addition to the relevant company guidelines and manuals, these include, to the degree possible, comprehensive due diligence, legally binding contracts, a multistage approvals process, and shareholding and/or project controlling. Comprehensive post-acquisition integration projects also contribute to successful integration. In the case of planned disposals, E.ON faces the non-assessable risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible at this time to determine the likelihood of these risks. If planned disposals do not take place or are significantly delayed, this would have a negative impact on the planned development of our debt factor.

Technologically complex production facilities are involved in the production and distribution of energy. Our electricity operations in and outside Germany 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.

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.

The following are among the comprehensive measures we take to address these risks:
- systematic employee training, advanced training, and qualification programs
- further refinement and optimization 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.

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

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

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's Development Plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the Development Plan did not sufficiently take into consideration binding rules contained in North Rhine-Westphalia's State Development Plan and State Development Program. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, which is now legally binding. On March 17, 2010, the Datteln City Council passed a resolution to institute a new development plan process relating to the hard-coal-fired power plant in Datteln. In December 2009, the North Rhine-Westphalia state legislature eliminated from the State Development Program the priority formerly given to domestic energy sources in the state's energy production. In early February 2010, the North Rhine-Westphalia state cabinet took action to deal with the energy section of the new State Development Program. In general, these measures were designed to offer greater certainty with regard to planning for projects to build new power plants in North Rhine-Westphalia, including for our hard-coal-fired power plant in Datteln. If North Rhine-Westphalia's new minority government consisting of the SPD and Bündnis 90/the Green Party does not pursue these measures, the planning process can still be continued under the 1995 State Development Plan or, if necessary, by conducting proceedings to obtain permission to deviate from a planning objective. In view of these matters, however, we cannot rule out the possibility that the Datteln power plant will enter service at a later date (presumably in 2012) than originally planned.In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by monitoring planning and consents processes.

In early 2009, the German Federal Cartel Office ("FCO"), as part of a sector inquiry, sent a number of E.ON companies a demand for information regarding the capacity situation in Germany's gas transport pipeline system. The E.ON companies in question submitted their responses to the FCO. The sector inquiry was concluded on December 15, 2009, with the publication of a final report. The FCO's report did not announce any proceedings against E.ON companies.

In 2009 and 2010, the European Commission conducted an antitrust investigation of E.ON companies for alleged gas-capacity hording. The Commission had expressed the suspicion that E.ON Ruhrgas, by booking long-term capacity in the gas transmission system of E.ON Gastransport ("EGT"), may have been preventing competitors from gaining access to gas supply markets and consequently may have violated laws against anticompetitive practices. In negotiations with the Commission in 2009, we reached an agreement in principle that the Commission would terminate the investigation by means of a commitment decision pursuant to Article 9, Council Regulation 1/2003, under which E.ON Ruhrgas would relinquish a portion of its long-term capacity bookings in EGT's system. On March 26, 2010, E.ON formally made these commitments which had been negotiated with the Commission. On May 4, 2010, the Commission issued a binding commitment decision and terminated its investigation.

There are also lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000. In addition, court actions, governmental investigations, and proceedings, and other claims could be instituted or asserted in the future against companies of the E.ON Group. We attempt to minimize the risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

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

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

In its October 2009 coalition agreement, the German federal government agreed in principle to extend the operating lives of nuclear power plants ("NPPs") in Germany. We are prepared, on the basis of the coalition agreement, to work towards a joint solution for extending NPP operating lives. On June 7, 2010, the federal government passed a cabinet resolution for a tax on the nuclear energy industry. Its purpose is to generate €2.3 billion in tax revenues between now and 2014 to help consolidate the federal budget as part of the government's deficit-reduction plan. The draft law prepared by the Federal Finance Ministry calls for a nuclear fuel tax and defines the resulting tax revenues as a net gain for the federal budget. We currently estimate that this tax would cost the industry a total of more than €3 billion. We must assume that it would adversely impact our pretax earnings by about €1.3 to €1.5 billion annually. The introduction of a tax of this size would lead to a marked deterioration of E.ON's debt figures, which may result in significant reductions in our investments. It is unclear at this time whether the tax will be introduced independently of, or in parallel with, the extension of NPP operating lives. Depending on how some of the open issues in the energy plan and tax are resolved, individual NPPs could be rendered uneconomic. Industry companies are currently conducting intensive negotiations with the federal government to design an alternative solution that, in the industry's estimation, would not render individual NPPs uneconomic and would have less of an adverse impact on debt figures.

European regulatory agencies have been putting together recommendations for a legally binding set of rules on how gas transmission system operators ("TSOs") manage gas capacity and bottlenecks in their systems. The rules will apply to cross-border transfer points between member states and to transfer points between different gas TSOs within a single member state. Market participants had an opportunity to take part in an official consultation concerning the recommendations, which may create risks for existing supply contracts and for intraday flexibility. In parallel, the Federal Network Agency (known by its German acronym, "BNetzA") is planning to issue rules for capacity allocation procedures on gas transmission pipelines in Germany. These changes could affect our existing gas operations.

Draft amendments are currently under consideration for several German regulatory ordinances relating to gas network access and network charges for power and gas (the ordinances are known by their German acronyms: GasNZV, StromNEV, GasNEV, and ARegV). It is anticipated that the federal cabinet will ratify these amendments in the third quarter of 2010. How these amendments affect gas network access and network revenues will depend to a large degree on how they are applied in practice. As established in its coalition agreement, the German federal government began the process of lifting the Gorleben moratorium. The study of Gorleben will now continue in a multistage, open-ended process. The Federal Ministry of the Environment does not expect the preparatory phase (which will determine whether Gorleben is suitable and end, if such a determination is made, with the drafting of new nuclear-energy legislation) to be completed before the end of the next legislative period.

In late 2009, the BNetzA instituted formal proceedings against all E.ON Energie regional distribution companies ("RDCs") in Germany that have implemented the new regional structure and against E.ON Energie for allegedly not complying with unbundling requirements. The BNetzA plans to treat the proceedings against E.ON Bayern and E.ON Energie as model-case proceedings and to suspend the proceedings against the other RDCs. E.ON Energie along with E.ON Bayern and E.ON edis (which is an RDC with minority municipal shareholders) have filed a detailed response to the formal proceedings initiated against them.

E.ON Gastransport's supraregional transport business will be migrated to incentive-based regulation in 2010. Prior to migration, the BNetzA will conduct a benchmarking of Germany's small and very heterogeneous group of supraregional gas TSOs. The preliminary individual efficiency factor was communicated to companies in late March 2010. A decision about the final efficiency factors is not expected before August or September. The individual efficiency factor will have an impact on the revenue cap. We cannot rule out the possibility of additional risks arising from the regulation of transport charges.

The Netherlands is currently drafting legislation that would require the country's TSOs to give preferential treatment to renewable-source electricity and define rules for managing any resulting bottlenecks. If the proposed legislation is enacted, it and the actual occurrence of bottlenecks could adversely affect our power stations in the Netherlands.

In August 2009, the European Commission, the European Parliament, and the member states approved the third internal-market package. In addition to the complete legal unbundling of electricity and gas TSOs, the third internal-market package allows the establishment of an independent transmission operator ("ITO") or an independent system operator ("ISO"). The third legislative package will affect the entire value chain and will grant national and European regulatory agencies far-reaching new authority to intervene in markets. Risks result not only from the increased scope of intervention options, but also from the legislation that the member states enact to transpose the third legislative package into national law, which could go beyond the guidelines of the electricity and gas directives. The two directives must be transposed into national law by March 2011. The member states began drafting such national laws earlier this year.

In addition, the European Commission, the European Parliament, and the Council passed the green legislative package whose purpose is to enable the EU to achieve its climate targets. By 2020, renewables are supposed to meet 20 percent of the EU's energy consumption, while greenhouse-gas emissions are to be reduced by 20 percent (and possibly by 30 percent) from 1990 levels. ETS emission allowances have so far been allocated at no cost. No-cost allocation will gradually be replaced by the auctioning of allowances. Starting in 2013, power producers will have to acquire all of their allowances through auctions. The number of allowances will be reduced each year. Industries not subject to the ETS will also have to reduce their emissions in accordance with national targets. A portion of the fuels for private users (heating, transport) must come from renewable sources. The EU will provide financial support for the development of carbon-capture-and-storage technology. The green package will have a profound impact on the future generation mix, network infrastructure, and market rules.

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

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 risk situation of the E.ON Group's operating business deteriorated compared with year-end 2009. Sustained low price levels in commodity markets and a lasting and significant reduction in demand, particularly from industrial customers, continue to be the main factors that could have a substantial impact on the E.ON Group's earnings situation over the medium term. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual market units.

Forecast

Discontinued Operations
Following the successful conclusion of sales negotiations for our U.S. Midwest market unit, pursuant to IFRS 5 this segment is classified as a discontinued operation effective the second quarter of 2010. U.S. Midwest's results are therefore not shown in our adjusted EBIT or adjusted net income for the entire 2010 financial year; the 2009 figures were also adjusted.

Earnings
As in the prior year, the forecast for the E.ON Group's earnings development is subject to significant uncertainty due to the global financial and economic crisis. From today's perspective, it is difficult to predict the pace of economic recovery; in particular, the market environment of our gas business is adversely affected by overcapacity. Under our PerformtoWin program, we have already initiated a variety of measures to reduce our costs and improve our efficiency and productivity. Despite the portfolio changes completed in 2009, we therefore expect our 2010 adjusted EBIT to be 0 to 3 percent above the prior-year figure. We anticipate that 2010 adjusted net income will be in line with 2009. We expect to record slightly higher interest and tax expenditures. We stand by our dividend payout ratio of 50 to 60 percent of adjusted net income.

Our forecast by market unit:

We expect Central Europe's 2010 adjusted EBIT to be below the 2009 figure. Its underlying business will benefit from positive effects that include the commissioning of new generating units and a reduced impact from the recession. However, earnings will be adversely affected by the disposal of power capacity and the ultrahigh-voltage transmission system.

We anticipate that Pan-European Gas's 2010 adjusted EBIT will be below the 2009 figure. The absence of earnings streams from Thüga is the main negative factor. Another is cost-based regulation which will impact the gas transport business in Germany for the entire year. The positive earnings development in the gas wholesale business in the first half of the year will be largely counteracted by a competition-driven narrowing of margins in the fourth quarter. These factors will be partially offset by higher upstream earnings due to the inclusion of Yuzhno Russkoye gas field for the entire year.

We expect U.K.'s 2010 adjusted EBIT to be higher than in 2009, due primarily to benefits from efficiency improvements. The key challenges are an increasingly competitive marketplace and the residual impact of the recession.

We expect Nordic's 2010 adjusted EBIT to surpass the 2009 figure. Nuclear outages for upgrades and modernization measures were the main negative factors in 2009, whereas 2010 earnings will benefit primarily from positive transfer-price effects.

We expect Energy Trading's 2010 adjusted EBIT to be above the 2009 number, mainly due to the positive performance of optimization activities.

We anticipate that New Markets' 2010 adjusted EBIT will be below the prior-year figure. Italy's earnings will be adversely affected by the absence of a positive one-off effect recorded in 2009 and by the carve-out of significant generation activities to Italian energy utility A2A. We expect a positive contribution from Spain due to the optimization of power plants. Climate & Renewables will benefit from a significant increase in its generating capacity. Russia will benefit from the positive impact of ongoing market liberalization and from a capacity increase at Shaturskaya power station.

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.

Opportunities will also be created in the years ahead by the establishment of the Agency for the Cooperation of Energy Regulators ("ACER"), whose independence from purely national considerations will enable it to do more to promote European market integration. This will lead to the harmonization of market structures, making it easier to enter, and achieve growth in, other markets.

In principle, the new German federal government's potential willingness to repeal the caps for NPP operating lives creates an opportunity for E.ON, depending on how the legislation is amended. The government's energy plan is expected to be finalized by fall 2010. Government experts are considering extending NPP operating lives by 4, 12, 20, or 28 years. At the same time, the relevant ministries are examining retrofitting requirements for NPPs.

In the period under review, our opportunities did not change significantly relative to those described in our 2009 Financial Report.

Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements - comprising the balance sheet, income statement, statement of recognised income and expenses, condensed cash flow statement, statement of changes in equity and selected explanatory notes - and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to June 30, 2010, 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 10, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Vogelpoth	Dr. Norbert Schwieters
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income

€ in millions	Notes	April 1–June 30 2010	April 1–June 30 2009	January 1–June 30 2010	January 1–June 30 2009
Sales including electricity and energy taxes		19,066	16,561	45,391	42,544
Electricity and energy taxes		-446	-390	-1,087	-1,024
Sales	(13)	**18,620**	**16,171**	**44,304**	**41,520**
Changes in inventories (finished goods and work in progress)		31	26	46	41
Own work capitalized		160	110	257	186
Other operating income		3,325	7,780	8,567	14,522
Cost of materials		-13,864	-12,054	-33,532	-31,707
Personnel costs		-1,302	-1,324	-2,603	-2,535
Depreciation, amortization and impairment charges	(5)	-901	-885	-1,797	-1,716
Other operating expenses		-3,310	-7,135	-7,768	-13,674
Income/Loss (–) from companies accounted for under the equity method		162	326	343	594
Income/Loss (–) from continuing operations before financial results and income taxes		**2,921**	**3,015**	**7,817**	**7,231**
Financial results	(7)	-513	-433	-1,044	-1,199
Income from equity investments		*93*	*18*	*92*	*-127*
Income from other securities, interest and similar income		*185*	*231*	*309*	*398*
Interest and similar expenses		*-791*	*-682*	*-1,445*	*-1,470*
Income taxes		-725	-630	-1,846	-1,493
Income/Loss (–) from continuing operations		**1,683**	**1,952**	**4,927**	**4,539**
Income/Loss (–) from discontinued operations, net	(5)	41	-56	-758	-46
Net income		**1,724**	**1,896**	**4,169**	**4,493**
Attributable to shareholders of E.ON AG		*1,633*	*1,850*	*3,911*	*4,307*
Attributable to minority interests		*91*	*46*	*258*	*186*
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(8)				
from continuing operations		0.83	1.00	2.45	2.29
from discontinued operations		0.02	-0.03	-0.40	-0.03
from net income		**0.85**	**0.97**	**2.05**	**2.26**

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

January 1–June 30 € in millions	2010	2009
Net income	**4.169**	**4.493**
Cash flow hedges	-68	153
Unrealized changes	*142*	*41*
Reclassification adjustments recognized in income	*-210*	*112*
Available-for-sale securities	-524	1,502
Unrealized changes	*-446*	*1,508*
Reclassification adjustments recognized in income	*-78*	*-6*
Currency translation adjustments	882	-563
Unrealized changes	*1,101*	*202*
Reclassification adjustments recognized in income	*-219*	*-765*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-700	-458
Companies accounted for under the equity method	46	12
Unrealized changes	*46*	*12*
Reclassification adjustments recognized in income	*–*	*–*
Income taxes	467	377
Total income and expenses recognized directly in equity	**103**	**1,023**
Total recognized income and expenses (total comprehensive income)	**4,272**	**5,516**
Attributable to shareholders of E.ON AG	*3,913*	*5,355*
Attributable to minority interests	*359*	*161*

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Notes	June 30, 2010	Dec. 31, 2009
Assets			
Goodwill		16,053	16,901
Intangible assets		8,770	8,665
Property, plant and equipment		59,346	60,327
Companies accounted for under the equity method	(9)	6,558	7,342
Other financial assets	(9)	8,837	9,131
Equity investments		*5,050*	*5,461*
Non-current securities		*3,787*	*3,670*
Financial receivables and other financial assets		3,089	2,652
Operating receivables and other operating assets		3,598	3,388
Income tax assets		1,588	1,549
Deferred tax assets		2,920	3,091
Non-current assets		**110,759**	**113,046**
Inventories		4,296	4,518
Financial receivables and other financial assets		1,751	1,729
Trade receivables and other operating assets		22,756	23,007
Income tax assets		2,774	1,925
Liquid funds		3,411	6,116
Securities and fixed-term deposits		*1,550*	*1,722*
Restricted cash and cash equivalents		*414*	*184*
Cash and cash equivalents		*1,447*	*4,210*
Assets held for sale	(5)	8,287	2,273
Current assets		**43,275**	**39,568**
Total assets		**154,034**	**152,614**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		27,109	26,609
Accumulated other comprehensive income		1,989	1,552
Treasury shares	(10)	-3,530	-3,530
Equity attributable to shareholders of E.ON AG		**41,316**	**40,379**
Minority interests (before reclassification)		4,472	4,157
Reclassification related to put options		-546	-550
Minority interests		**3,926**	**3,607**
Equity		**45,242**	**43,986**
Financial liabilities		31,156	30,657
Operating liabilities		7,814	7,773
Income taxes		3,027	3,124
Provisions for pensions and similar obligations	(12)	3,254	2,884
Miscellaneous provisions		18,912	18,808
Deferred tax liabilities		8,019	7,529
Non-current liabilities		**72,182**	**70,775**
Financial liabilities		6,322	7,120
Trade payables and other operating liabilities		20,868	23,099
Income taxes		2,651	1,643
Miscellaneous provisions		4,783	4,715
Liabilities associated with assets held for sale	(5)	1,986	1,276
Current liabilities		**36,610**	**37,853**
Total equity and liabilities		**154,034**	**152,614**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

January 1–June 30 € in millions	2010	2009
Net income	4,169	4,493
Income from discontinued operations, net	758	46
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,797	1,716
Changes in provisions	155	-1,000
Changes in deferred taxes	787	677
Other non-cash income and expenses	358	394
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-1,004	-1,586
Changes in operating assets and liabilities and in income taxes	-1,425	-443
Cash provided by operating activities of continuing operations (operating cash flow)	**5,595**	**4,297**
Cash provided by operating activities of discontinued operations	247	240
Cash provided by operating activities	**5,842**	**4,537**
Proceeds from disposal of	1,121	1,068
Intangible assets and property, plant and equipment	*73*	*128*
Equity investments	*1,048*	*940*
Purchase of investments in	-3,669	-4,078
Intangible assets and property, plant and equipment	*-3,406*	*-3,614*
Equity investments	*-263*	*-464*
Changes in securities and fixed-term deposits	93	127
Changes in restricted cash and cash equivalents	-235	105
Cash used for investing activities of continuing operations	**-2,690**	**-2,778**
Cash used for investing activities of discontinued operations	-208	-296
Cash used for investing activities	**-2,898**	**-3,074**
Payments received/made from changes in capital	-350	-1
Payments for treasury shares, net	–	–
Cash dividends paid to shareholders of E.ON AG	-2,858	-2,857
Cash dividends paid to minority shareholders	-188	-260
Changes of financial liabilities	-2,337	1,895
Cash used for financing activities of continuing operations	**-5,733**	**-1,223**
Cash provided by (used for) financing activities of discontinued operations	10	–
Cash used for financing activities	**-5,723**	**-1,223**
Net increase/decrease in cash and cash equivalents	**-2,779**	**240**
Effect of foreign exchange rates on cash and cash equivalents	24	14
Cash and cash equivalents at the beginning of the year	4,210	3,671
Cash and cash equivalents at the end of the quarter	**1,455**	**3,925**
less: Cash and cash equivalents of discontinued operations at the end of the quarter	**8**	**18**
Cash and cash equivalents of continuing operations at the end of the quarter	**1,447**	**3,907**

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
Balance as of January 1, 2009	**2,001**	**13,741**	**22,181**	**-2,547**	**2,676**	**-19**
Changes in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,857			
Share additions			18			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			3,949	-115	1,439	82
Net income			*4,307*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-358*			
Other comprehensive income				*-115*	*1,439*	*82*
Balance as of June 30, 2009	**2,001**	**13,741**	**23,291**	**-2,662**	**4,115**	**63**
Balance as of January 1, 2010	**2,001**	**13,747**	**26,609**	**-2,005**	**3,511**	**46**
Changes in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			-118			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			3,476	1,041	-544	-60
Net income			*3,911*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-435*			
Other comprehensive income				*1,041*	*-544*	*-60*
Balance as of June 30, 2010	**2,001**	**13,747**	**27,109**	**-964**	**2,967**	**-14**

Treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-3,549	**34,484**	**4,538**	**-578**	**3,960**	**38,444**
		4		4	4
		11		11	11
		-38		-38	-38
	-2,857	-239		-239	-3,096
	18				18
			1	1	1
	5,355	161		161	5,516
	4,307	*186*		*186*	*4,493*
	-358	*11*		*11*	*-347*
	1,406	*-36*		*-36*	*1,370*
-3,549	**37,000**	**4,437**	**-577**	**3,860**	**40,860**
-3,530	**40,379**	**4,157**	**-550**	**3,607**	**43,986**
		110		110	110
		56		56	56
		-39		-39	-39
	-2,858	-171		-171	-3,029
	-118				-118
			4	4	4
	3,913	359		359	4,272
	3,911	*258*		*258*	*4,169*
	-435	*-36*		*-36*	*-471*
	437	*137*		*137*	*574*
-3,530	**41,316**	**4,472**	**-546**	**3,926**	**45,242**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Basis of Presentation

Based in Germany, the E.ON Group ("E.ON" or the "Group") is an international group of companies with integrated electricity and gas operations. The E.ON Group's reportable segments are presented in line with the Group's internal organizational and reporting structure, as defined by International Financial Reporting Standard ("IFRS") 8, "Operating Segments" ("IFRS 8"):

- The Central Europe market unit, led by E.ON Energie AG ("E.ON Energie"), Munich, Germany, operates E.ON's electricity business and the downstream gas business in Central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. This market unit additionally holds interests predominantly in energy businesses in Europe outside of Germany. It is led by E.ON Ruhrgas AG ("E.ON Ruhrgas"), Essen, Germany.
- The U.K. market unit encompasses the 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 the integrated energy company E.ON Sverige AB ("E.ON Sverige"), Malmö, Sweden, is concentrated on the energy business in Northern Europe.
- The Energy Trading market unit, led by E.ON Energy Trading SE ("E.ON Energy Trading"), Düsseldorf, Germany, holds the E.ON Group's European trading activities for electricity, gas, coal, oil, and CO_2 allowances.
- All of the remaining operating segments have been combined in accordance with IFRS 8, and are reported as the "New Markets" segment. New Markets contains the activities of the Climate & Renewables, Italy, and Russia market units, as well as the Spain market unit.

Furthermore, Corporate Center/Consolidation contains E.ON AG itself ("E.ON" or the "Company"), the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level. Note 13 provides additional information about the segments.

The U.S. Midwest market unit has been classified as a discontinued operation since April 2010, and as such it is no longer reportable segment.

(2) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2010, has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective and adopted for use in the European Union ("EU").

With the exception of the new 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 2009 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 of 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, 2009, which provide the basis for this Interim Report.

(3) Newly Adopted Standards and Interpretations

IFRS 3, "Business Combinations"

In January 2008, the IASB issued a revised version of IFRS 3 as part of its "Business Combinations II" project. The most significant changes from the previous version relate to the recognition and measurement of assets and liabilities acquired through a business combination, the measurement of non-controlling interests, as well as to the calculation of goodwill and the presentation of transactions with variable purchase prices. The revised standard is to be applied for transactions taking place in fiscal years beginning on or after July 1, 2009. The standard has been transferred by the EU into European law. Given the option in the standard concerning the determination of goodwill, which may be exercised on an individual basis, E.ON is unable to make a general statement at this time on the future impact of IFRS 3 on its Consolidated Financial Statements.

IAS 27, "Consolidated and Separate Financial Statements"

As part of the same "Business Combinations II" project, the IASB also issued a revised version of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), which contains guidance on consolidation, in January 2008. In particular, this standard for the first time deals with transactions in which shares in a company (subsidiary) are bought or sold without resulting in a change of control. Additional significant changes from the previous version relate in particular to the recognition and measurement of the remaining investment in an entity after a loss of control of what had been a subsidiary if the remaining investment has to be accounted for in accordance with IAS 28, "Investments in Associates" ("IAS 28"), or IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and to the recognition of losses attributable to minority interests. The amendments have been transferred into European law and their application is mandatory for fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 may have transaction-related effects on the E.ON Consolidated Financial Statements that cannot be estimated at this time.

IFRIC 12, "Service Concession Arrangements"

IFRIC 12, "Service Concession Arrangements" ("IFRIC 12"), was published in November 2006. The interpretation governs accounting for arrangements in which a public-sector institution grants contracts to private companies for the performance of public services. In performing these services, the private company uses infrastructure that remains under the control of the public-sector institution. The private company is responsible for the construction, operation, and maintenance of the infrastructure. The interpretation has been transferred by the EU into European law and its application is thus mandatory for fiscal years beginning on or after March 29, 2009. The transitional provisions additionally require retrospective application to transactions that took place on or after July 1, 2009. In that context, E.ON has made corresponding reclassifications in the prior-year values shown in these financial statements, consisting primarily of approximately €0.4 billion reclassified from property, plant and equipment to intangible assets in the network operations in Romania.

IFRIC 18, "Transfers of Assets from Customers"

IFRIC 18, "Transfers of Assets from Customers" ("IFRIC 18"), was published in January 2009. IFRIC 18 applies in cases where an entity receives from its customers a non-cash asset, or the funds necessary for the production or acquisition of a non-cash asset, in order to then provide those customers with access to a network, a service or the delivery of goods. The interpretation has been transferred by the EU into European law and its application is thus mandatory, at the latest, for fiscal years beginning after October 31, 2009. There was no material impact on E.ON's Consolidated Financial Statements.

All of the other standards and interpretations whose application was mandatory for fiscal years beginning on or after January 1, 2010, also have no material impact 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, 2009	145	441	586
Additions	7	15	22
Disposals/Mergers	5	33	38
Consolidated companies as of June 30, 2010	**147**	**423**	**570**

As of June 30, 2010, 121 companies were accounted for under the equity method (December 31, 2009: 131).

(5) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations in 2010

U.S. Midwest

At the end of April 2010, E.ON and Pennsylvania Power & Light Corporation ("PPL"), Allentown, Pennsylvania, U.S., signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities is approximately $7.6 billion (equivalent to approximately €6.2 billion as of June 30, 2010). We also transferred pension obligations in the amount of approximately $0.5 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The U.S. Midwest market unit is being classified as a discontinued operation since April, because the criteria for such classification were not met until the disposal process took greater shape in April 2010. The agreed transaction is expected to close by the end of 2010.

Notes to the Condensed Consolidated Interim Financial Statements

The tables below provide selected financial information, including the 2010 goodwill impairment and subsequent effects from the settlement of existing contractual relationships of Western Kentucky Energy Corp. ("WKE"), Henderson, Kentucky, U.S., and major balance sheet line items from the discontinued operations of the entire U.S. Midwest segment. With respect to WKE we refer to the discussion in Note 4 of the 2009 Annual Report.

Major Balance Sheet Line Items—U.S. Midwest (Summary)

€ in millions	June 30, 2010
Intangible assets and property, plant and equipment	6,796
Other assets	642
Total assets	**7,438**
Total liabilities	1,986

Selected Financial Information—U.S. Midwest (Summary)

January 1–June 30 € in millions	2010	2009
Sales	1,013	1,087
Other income/expenses, net	-1,681	-1,169
Loss from continuing operations before income taxes and minority interests	**-668**	**-82**
Income tax benefit	-80	36
Loss from discontinued operations	**-748**	**-46**

Disposal Groups and Assets Held for Sale in 2010

Europgas

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

BKW

Also in the context of portfolio streamlining, E.ON is planning the disposal of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. In the planned disposal, a purchase price of just under €0.4 billion for a roughly 14-percent stake was agreed with BKW itself and with Groupe E SA, Fribourg, Switzerland. The carrying amount of all the shares currently accounted for in the Central Europe market unit using the equity method was approximately €0.6 billion; foreign exchange translation differences recognized in equity amounted to approximately €0.1 billion. As of June 30, 2010, the shareholding was reported as an asset held for sale. The transaction closed in July 2010. A material net book gain was not realized. The remaining approximately 7 percent of the shares, on which BKW has a purchase option until September 2011, are carried at fair value.

Agreement with the European Commission

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

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

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

Acquisitions in 2009

Yuzhno-Russkoye

In October 2008, E.ON and OAO Gazprom ("Gazprom"), Moscow, Russian Federation, reached an understanding on E.ON acquiring an interest in the Yuzhno-Russkoye gas field in Siberia. As consideration for this ownership stake, E.ON delivered to Gazprom the Gazprom shares indirectly held by E.ON, which represent 2.93 percent of the equity of Gazprom and are valued at €2.3 billion, along with a small cash component. The interest in the gas field was purchased by acquiring 25 percent minus three of the shares of OAO Severneftegazprom, Krasnoselkup, Russian Federation, which holds the development license. This interest is accounted for as an associated company, using the equity method, and carried at a prorated acquisition cost of €0.2 billion. There were no significant effects based on the preliminary purchase price allocation for this acquisition. The gas attributable to E.ON's interest is marketed through the project company ZAO Gazprom YRGM Development, Salekhard, Russian Federation, whose earnings are attributable to E.ON in the form of preferred stock. Given that the significant risks and rewards of ownership have been transferred, this company had to be consolidated in full within the E.ON Group since October 2009.

The following data refer to ZAO Gazprom YRGM Development:

Major Balance Sheet Line Items—ZAO Gazprom YRGM Development

€ in millions	Carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets	–	2,564	2,564
Other assets	1	4	5
Total assets	**1**	**2,568**	**2,569**
Non-current liabilities	–	513	513
Total liabilities	**0**	**513**	**513**
Net assets	**1**	**2,055**	**2,056**
Attributable to shareholders of E.ON AG	*–*	*2,055*	*–*
Attributable to minority interests	*1*	*–*	*1*
Acquisition cost		**2,193**	
Remaining goodwill (preliminary)		**138**	**138**

Significant assets in the purchase price allocation include favorable gas supply contracts, which account for the majority of the difference. Non-current liabilities consist exclusively of deferred taxes. The remaining difference at the project company, recognized as preliminary goodwill, is €138 million. The purchase price allocation is preliminary as of June 30, 2010, because the final evaluation of certain details remains outstanding.

Langerlo-Vilvoorde NV

In the course of implementing E.ON's commitment to the European Commission to dispose of a variety of generating capacity in Germany, an agreement was made with Electrabel SA/NV ("Electrabel"), Brussels, Belgium, on the economic exchange of a variety of power plant units and electricity supplies in Germany and Belgium.

In this context, E.ON acquired all of the shares of a power plant unit in Belgium, Langerlo-Vilvoorde NV, Vilvoorde, Belgium. The unit operates coal- and gas-fired power plants at the Langerlo and Vilvoorde locations. The acquisition of this unit closed at the beginning of November 2009 in exchange for the power plant units delivered to Electrabel. A small cash component has already been paid by E.ON.

Carrying amounts before initial consolidation are generally determined on the basis of IFRS. Reconciliation adjustments to the accounting policies applied in the E.ON Group are presented together with the adjustments from the purchase price allocation.

The purchase price allocation is preliminary as of June 30, 2010, because the final amount to be paid in cash is yet to be determined.

Major Balance Sheet Line Items—Langerlo-Vilvoorde NV

€ in millions	Carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets	–	12	12
Property, plant and equipment	512	-122	390
Other assets	17	68	85
Total assets	**529**	**-42**	**487**
Non-current liabilities	16	4	20
Current liabilities	25	37	62
Total liabilities	**41**	**41**	**82**
Net assets	**488**	**-83**	**405**
Goodwill (preliminary)		**71**	**71**

Notes to the Condensed Consolidated Interim Financial Statements

Disposal Groups and Assets Held for Sale in 2009

Endesa Europa/Viesgo

As part of the acquisition of the Endesa Europa/Viesgo activities, an agreement was reached with A2A S.p.A. ("A2A"), Milan, Italy, the minority shareholder of E.ON Produzione S.p.A. ("E.ON Produzione"), Sassari, Italy, to acquire the minority interest primarily in return for company-owned generating capacity of the Italy market unit valued at approximately €1.4 billion. The disposal group was reported in the New Markets segment. The agreed transaction closed in July 2009. Accordingly, the assets and liabilities in question were sold in the third quarter of 2009.

Interest in OAO Gazprom

In October 2008, E.ON and Gazprom reached an understanding on E.ON acquiring an interest in the Yuzhno-Russkoye gas field in Siberia. As consideration for this ownership stake, Gazprom received the Gazprom shares indirectly held by E.ON, representing approximately one-half of the approximately 6 percent of the equity of Gazprom held by E.ON. The shares were reported as assets held for sale since October 2008. The relevant contracts were closed in October 2009. Upon disposal of the interest, fair-value adjustments accumulated in other comprehensive income were realized in income, which resulted in a book gain of €1.8 billion.

Thüga

In 2009, E.ON conducted negotiations on a sale of the Thüga group, which was held in the Pan-European Gas market unit, to a consortium of municipal acquirers (Integra/Kom9). The negotiations did not include the interests in GASAG Berliner Gaswerke Aktiengesellschaft, Berlin, Germany, in HEAG Südhessische Energie AG, Darmstadt, Germany, in Stadtwerke Duisburg Aktiengesellschaft, Duisburg, Germany, and in Stadtwerke Karlsruhe GmbH, Karlsruhe, Germany. Given the progress of the negotiations, the Thüga group has been reported as a disposal group since the third quarter of 2009. As of September 30, 2009, the major balance sheet items of the disposal group consisted of financial assets (approximately €2.0 billion) and non-current intangible assets (approximately €0.9 billion) and of provisions and liabilities (approximately €0.6 billion). Binding contracts on a purchase price of approximately €2.9 billion were signed with the acquirer consortium in October 2009. The transaction was completed in December 2009 and resulted in a gain on disposal of approximately €0.3 billion.

VKE Asset Restructuring

In 2009, an amount of €1.7 billion in employer contributions was paid into the existing Contractual Trust Arrangement (CTA) by certain German entities for the external financing of the existing defined benefit obligations. Collateral was transferred to Pensionsabwicklungstrust e.V. (the trustee) through the exclusive and complete use of an institutional fund that until then had been a consolidated entity of the mutual insurance fund Versorgungskasse Energie ("VKE"). The fair-value adjustments recognized in other comprehensive income were reclassified to income in the amount of €0.1 billion.

(6) Research and Development Costs

The E.ON Group's research and development costs amounted to €24 million in the first six months of 2010 (first six months of 2009: €20 million).

(7) Financial Results

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

Financial Results

€ in millions	April 1–June 30 2010	April 1–June 30 2009	January 1–June 30 2010	January 1–June 30 2009
Income from companies in which equity investments are held	101	78	110	89
Impairment charges/reversals on other financial assets	-8	-60	-18	-216
Income from equity investments	**93**	**18**	**92**	**-127**
Income from securities, interest and similar income	185	231	309	398
Interest and similar expenses	-791	-682	-1,445	-1,470
Interest and similar expenses (net)	**-606**	**-451**	**-1,136**	**-1,072**
Financial results	**-513**	**-433**	**-1,044**	**-1,199**

(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 2010	April 1–June 30 2009	January 1–June 30 2010	January 1–June 30 2009
Income/Loss (–) from continuing operations	1,683	1,952	4,927	4,539
less: Minority interests	-91	-45	-258	-185
Income/Loss (–) from continuing operations (attributable to shareholders of E.ON AG)	**1,592**	**1,907**	**4,669**	**4,354**
Income/Loss (–) from discontinued operations, net	41	-56	-758	-46
less: Minority interests	–	-1	–	-1
Net income attributable to shareholders of E.ON AG	**1,633**	**1,850**	**3,911**	**4,307**
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	0.83	1.00	2.45	2.29
from discontinued operations	0.02	-0.03	-0.40	-0.03
from net income	**0.85**	**0.97**	**2.05**	**2.26**
Weighted-average number of shares outstanding (in millions)	1,905	1,905	1,905	1,905

Notes to the Condensed Consolidated Interim Financial Statements

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

Note 10 provides additional information.

(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, 2010	Dec. 31, 2009
Companies accounted for under the equity method	6,558	7,342
Equity investments	5,050	5,461
Non-current securities	3,787	3,670
Total	**15,395**	**16,473**

(10) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a *et seq.* AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of June 30, 2010, was 1,905,457,105 (December 31, 2009: 1,905,456,817).

As of June 30, 2010, E.ON AG and one of its subsidiaries held a total of 95,542,895 treasury shares (December 31, 2009: 95,543,183) having a consolidated book value of €3,530 million (equivalent to 4.77 percent or €95,542,895 of the capital stock).

(11) Dividends Paid

At the Annual Shareholders Meeting on May 6, 2010, the shareholders voted to distribute a dividend of €1.50 for each dividend-paying ordinary share, unchanged from the previous dividend. The total dividend payout was €2,858 million.

(12) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations increased by €370 million over year-end 2009. The change is primarily due to net actuarial losses resulting mainly from lower discount rates. This increase is partially offset by a balance sheet reclassification of provisions for pensions and similar obligations of the U.S. Midwest market unit to the "Liabilities associated with assets held for sale" line item.

Discount Rate Percentages	June 30, 2010	Dec. 31, 2009
Germany	5.00	5.50
U.K.	5.40	5.70

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

Net Amount Recognized € in millions	June 30, 2010	Dec. 31, 2009
Present value of all defined benefit obligations	16,608	16,087
Fair value of plan assets	-13,352	-13,205
Funded status	**3,256**	**2,882**
Unrecognized past service cost	-8	-10
Net amount recognized	**3,248**	**2,872**
Thereof presented as operating receivables	*-6*	*-12*
Thereof presented as provisions for pensions and similar obligations	*3,254*	*2,884*

Taking into account the periodic additions and pension payments in the present value of the defined benefit obligations and in the plan assets, the funded status has increased by €374 million over year-end 2009. While net actuarial losses and exchange-rate effects have the effect of increasing the funded status, the balance sheet reclassification to the "Liabilities associated with assets held for sale" line item of the present value of the defined benefit obligation and of the plan assets of the U.S. Midwest market unit has had an offsetting effect of reducing the funded status.

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

Net Periodic Pension Cost for Defined Benefit Plans

	April 1–June 30		January 1–June 30	
€ in millions	2010	2009	2010	2009
Employer service cost	59	46	116	89
Interest cost	210	199	417	396
Expected return on plan assets	-169	-142	-335	-282
Past service cost	2	4	4	7
Total	**102**	**107**	**202**	**210**

Notes to the Condensed Consolidated Interim Financial Statements

(13) Segment Information

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

- The Central Europe market unit focuses on E.ON's electricity business and downstream gas business in Central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. This market unit additionally holds interests predominantly in energy businesses in Europe outside of Germany.
- The U.K. market unit encompasses the energy business in the United Kingdom.
- The Nordic market unit is concentrated on the energy business in Northern Europe.
- Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil and CO_2 allowances.
- All of the remaining operating segments have been combined in accordance with IFRS 8, and are reported as the "New Markets" segment. New Markets contains the activities of the Climate & Renewables, Italy, and Russia market units, as well as the Spain market unit.

Financial Information by Business Segment

January 1–June 30 € in millions	Central Europe		Pan-European Gas		U.K.	
	2010	2009	2010	2009	2010	2009
External sales	17,689	17,354	7,681	9,024	4,433	4,018
Intersegment sales	3,751	3,776	2,955	3,071	926	1,452
Sales	**21,440**	**21,130**	**10,636**	**12,095**	**5,359**	**5,470**
Adjusted EBITDA	3,254	3,559	1,516	1,303	882	466
Depreciation and amortization	-761	-759	-259	-208	-219	-228
Impairments (–)/Reversals (+)[1]	–	-5	–	-22	–	–
Adjusted EBIT	**2,493**	**2,795**	**1,257**	**1,073**	**663**	**238**
Earnings from companies accounted for under the equity method[1]	*136*	*141*	*211*	*442*	*-6*	*7*
Operating cash flow	3,506	3,093	850	720	558	439
Investments	1,463	1,339	468	903	429	413
Intangible assets and property, plant and equipment	*1,352*	*1,280*	*407*	*564*	*429*	*413*
Equity investments[2]	*111*	*59*	*61*	*339*	–	–

[1]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, and also due to impairments recognized in non-operating earnings. Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets are included in income/loss (–) from companies accounted for under the equity method and financial results, respectively.

[2]In addition to those accounted for under the equity method, acquisitions of equity investments also include acquisitions of fully consolidated companies and investments in equity holdings that need not be consolidated.

Corporate Center/Consolidation contains E.ON AG itself, the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level.

Under IFRS, segments or material business units that have been sold or are held for sale must be reported as discontinued operations. For the first six months of 2010 and the 2009 fiscal year, this concerns the entire U.S. Midwest market unit, which is why that reporting unit is now, for the first time, no longer presented as an operating segment (see explanations in Note 5).

Nordic		Energy Trading		New Markets		Corporate Center/ Consolidation		E.ON Group	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1,639	1,291	9,907	6,832	2,936	2,926	19	75	44,304	41,520
686	468	11,419	15,075	198	922	-19,935	-24,764	–	–
2,325	**1,759**	**21,326**	**21,907**	**3,134**	**3,848**	**-19,916**	**-24,689**	**44,304**	**41,520**
660	487	830	525	755	837	-27	21	7,870	7,198
-186	-146	-4	-3	-326	-299	-37	-42	-1,792	-1,685
–	–	–	-2	–	–	-2	1	-2	-28
474	**341**	**826**	**520**	**429**	**538**	**-66**	**-20**	**6,076**	**5,485**
15	*–*	*–*	*–*	*8*	*3*	*2*	*1*	*366*	*594*
343	245	1,129	495	353	402	-1,144	-1,097	5,595	4,297
293	660	5	13	963	958	48	-208	3,669	4,078
290	*370*	*5*	*2*	*859*	*917*	*64*	*68*	*3,406*	*3,614*
3	*290*	*–*	*11*	*104*	*41*	*-16*	*-276*	*263*	*464*

Notes to the Condensed Consolidated Interim Financial Statements

Adjusted EBIT is the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. Adjusted 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, goodwill impairments, as well as 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, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

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

Net Income January 1–June 30 € in millions	2010	2009
Adjusted EBIT	6,076	5,485
Adjusted interest income (net)	-1,171	-1,025
Net book gains/losses	721	750
Restructuring/Cost management expenses	-233	-172
Other non-operating earnings	1,380	994
Income/Loss (–) from continuing operations before taxes	**6,773**	**6,032**
Income taxes	-1,846	-1,493
Income/Loss (–) from continuing operations	**4,927**	**4,539**
Income/Loss (–) from discontinued operations, net	-758	-46
Net income	**4,169**	**4,493**
Attributable to shareholders of E.ON AG	*3,911*	*4,307*
Attributable to minority interests	*258*	*186*

The goodwill impairment of €0.9 billion recognized at the U.S. Midwest market unit is included in net income/loss from discontinued operations.

Page 18 of the Interim Group Management Report provides a more detailed explanation of the reconciliation of adjusted EBIT to net income.

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 10, 2010

The Board of Management

Teyssen   Kildahl   Maubach

Schenck   Stachelhaus

Financial Calendar

November 10, 2010	Interim Report: January – September 2010
March 9, 2011	Release of 2010 Annual Report
May 5, 2011	2011 Annual Shareholders Meeting
May 6, 2011	Dividend Payout
May 11, 2011	Interim Report: January – March 2011
August 10, 2011	Interim Report: January – June 2011
November 9, 2011	Interim Report: January – September 2011

Further information

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