

2011

January February March

April May June

July August September

October November December

2 E.ON Group Financial Highlights

E.ON Group Financial Highlights ¹			
January 1- June 30	2011	2010	+/- %
Electricity sales ²	576.1 billion kWh	482.5 billion kWh	+19
Gas sales ²	868.2 billion kWh	761.9 billion kWh	+14
Sales	€53,048 million	€44,304 million	+20
Adjusted EBITDA	€4,325 million	€7,870 million	-45
Adjusted EBIT	€2,373 million	€6,076 million	-61
Net income	€948 million	€4,169 million	-77
Net income attributable to shareholders of E.ON AG	€691 million	€3,911 million	-82
Adjusted net income	€933 million	€3,255 million	-71
Investments	€2,467 million	€3,669 million	-33
Cash provided by operating activities of continuing operations	€2,362 million	€5,595 million	-58
Economic net debt (June 30 and December 31)	-€33,556 million	-€37,701 million	+4,145 ³
Employees (June 30 and December 31)	79,158	85,105	-7
Earnings per share attributable to shareholders of E.ON AG	€0.36	€2.05	-82
Weighted-average shares outstanding (in millions)	1,905	1,905	-

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

Glossary of Selected Financial Terms

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

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

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

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

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).

January 1 – June 30, 2011

- Adjusted EBITDA down by 45 percent
- Amendment of Germany's Nuclear Energy Act calling for the early, unplanned shutdown of nuclear power stations has substantial adverse impact on earnings
- 2011 adjusted EBITDA now expected to be between €9.1 and €9.8 billion

Contents

- 4 Letter to Shareholders
- 5 E.ON Stock
- 6 Interim Group Management Report
 - Business and Operating Environment
 - Earnings Situation
 - Financial Condition
 - Asset Situation
 - Employees
 - Risk Situation
 - Forecast
- 28 Review Report
- 29 Condensed Consolidated Interim Financial Statements
 - Consolidated Statements of Income
 - Statements of Recognized Income and Expenses
 - Consolidated Balance Sheets
 - Consolidated Statements of Cash Flows
 - Statement of Changes in Equity
 - Notes
- 45 Responsibility Statement
- 47 Financial Calendar

4 Dear Shareholders,

Your company's first-half adjusted EBITDA was sharply lower, falling 45 percent year on year to roughly €4.3 billion. Adjusted net income declined by 71 percent to €0.9 billion. At -€382 million, our adjusted net income for April through June represents the first quarterly net loss E.ON has ever recorded. This dramatic deterioration of our earnings primarily reflects the German government's decisions regarding the phaseout of nuclear energy. The order for the immediate and permanent shutdown of Isar 1, Unterweser, Krümmel, and Brunsbüttel nuclear power stations requires us to take significant writedowns on nuclear fuel and operating materials and to record significant provisions. This had an adverse effect of €1.7 billion in the second quarter alone. The shutdown of nuclear power stations combined with the retention of the nuclear-fuel tax will continue to have a tangible negative effect on our earnings performance going forward. And we face other challenges. The business environment in many European markets in which we operate remains difficult. In these markets, tepid energy demand and weak power and gas prices have made margins narrower and reduced capacity utilization, in some cases to a significant degree. In our gas business, we've negotiated new, advantageous procurement prices for more than one third of our supply portfolio. However, no agreement was reached with our biggest supplier, Gazprom. In late July, we therefore called for the intercession of an international arbitration panel. Nevertheless, we'll continue talks with our Russian partner in the hopes that we can perhaps still reach a mutually acceptable solution for our long-term supply contracts.

We've made good progress reducing our debt. Thanks to the systematic implementation of our divestment program, in just a little more than two years we've succeeded in halving our net financial position, which stood at -€16 billion at the end of the second quarter. But on balance it's clear that in particular Germany's political decisions will have a substantial adverse impact on our business beyond the current year. Obviously, we're taking legal action against the nuclear-fuel tax, which we believe is unlawful. And obviously we'll quantify the financial damage caused by the early shutdown of our nuclear power stations and present these figures to Germany's political leadership. But for now we have to shoulder these burdens. Moreover, we can't expect any near-term relief in our other markets. We're therefore adjusting our 2011 forecast. We now expect our adjusted EBITDA to be between €9.1 and €9.8 billion and our adjusted net income to be between €2.1 and €2.6 billion, which is below our earlier earnings guidance. Due to the sharp reduction in our anticipated earnings, we're unable to stand by our previous forecast of a minimum dividend of €1.30 per share for the 2011 financial year. E.ON now plans to pay out a dividend of €1 per share for the 2011 financial year. As a rule, we're maintaining our dividend policy of paying out 50 to 60 percent of our adjusted net income.

Our half-year earnings and full-year forecast demonstrate that we need to meet our current business challenges head-on. This means that the Board of Management needs to take decisive countermeasures. Our preliminary deliberations indicate the basic direction of such measures. Because our ability to influence the earnings side—which is driven by interventionist policy-making and market developments—is limited, we need to reduce our costs and enhance our efficiency. Our organization needs to be as efficient as possible, particularly in support functions that don't directly contribute to our earnings. Our administration costs can't exceed a level that makes business sense in light of our revenues. The Board of Management has therefore already begun developing resolute cost-cutting measures. We'll do everything we can to ensure your company's ability to act, its earnings strength, and thus as many jobs as possible. This effort includes swiftly implementing our new corporate strategy, cleaner & better energy, which calls for selective growth in and outside Europe. This strategy remains the right course for E.ON, even in view of our altered business environment. And we still intend that over the medium term our businesses outside Europe will deliver one quarter of our earnings. We're already making good progress towards this objective by expanding these businesses. In July, we commissioned a new gas-fired generating unit in Russia, where we now have nearly 10 gigawatts of installed capacity. Our wind portfolio in North America will soon surpass the 2 gigawatt mark. And we're on schedule in indentifying new growth regions in other parts of the world. But the energy future has to be financed. So we need to be even more selective in our investments and even more aggressive in our efforts to cut costs. This also represents an opportunity to become a leaner, more agile, and ultimately better company. To achieve this, we need to take action now to safeguard our business, reorganize parts of it, and tangibly enhance our performance. I'm firmly convinced that we'll succeed.

Best wishes,



Dr. Johannes Teysen

E.ON Stock

E.ON stock (factoring in reinvested dividends) finished the first half of 2011 9 percent below its year-end closing price for 2010, thereby underperforming its peer index (the STOXX Utilities rose by 1 percent during the same period), Germany's DAX index (+7 percent), and the EURO STOXX 50 index (+5 percent).

In the first half of 2011, the number of E.ON shares traded rose to 1.4 billion shares, while E.ON's stock-exchange trading volume declined by 11 percent year on year to €31.4 billion due to the stock's lower average price.

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

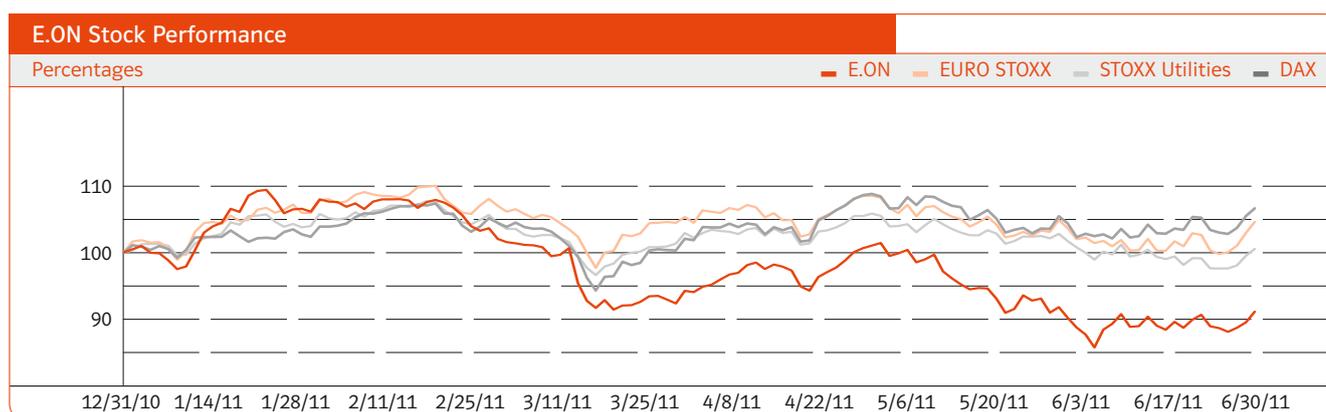
E.ON Stock		
	June 30, 2011	Dec. 31, 2010
Shares outstanding (in millions)	1,905	1,905
Closing price (€)	19.59	22.94
Market capitalization (€ in billions) ¹	37.3	43.7

¹Based on shares outstanding.

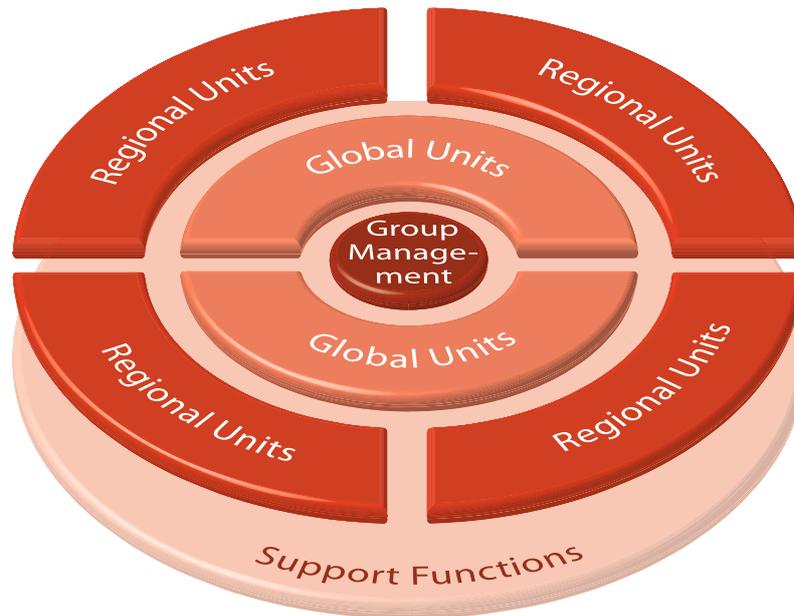
Performance and Trading Volume		
January 1 - June 30	2011	2010
High (€) ¹	25.11	29.36
Low (€) ¹	18.42	22.18
Trading volume ²		
Millions of shares	1,432.1	1,348.1
€ in billions	31.4	35.4

¹Xetra.

²Source: Bloomberg (all German stock exchanges).



6 Interim Group Management Report



Business and Operating Environment

Corporate Structure and Operations

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

Group Management

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

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

Global Units

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

Generation

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

Renewables

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

Gas

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

Trading

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

Regional Units

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

Energy Industry

According to preliminary figures from AGEB, an energy industry working group, Germany consumed about 3 percent less primary energy in the first half of 2011 than in the prior-year period. The three main factors were warm weather, the nuclear-energy moratorium, and higher oil prices. For the first time in 25 years, nuclear energy met less than 10 percent of the country's energy needs. Since May, Germany's power transfer balance shows significant net imports. Due to a weather-driven decline in residential gas consumption and less demand from gas-fired power stations, Germany consumed 8 percent less natural gas despite the fact that industry consumed more gas thanks to business growth.

Electricity consumption in England, Scotland, and Wales was about 157 billion kWh in the first half of 2011 compared with 162 billion kWh in the first half of 2010. Gas consumption (excluding power stations) fell from 355 billion kWh to 313 billion kWh. Exceptionally cold weather in the prior-year period along with a warm April 2011 were the main factors in the decline.

The Nordic region consumed 198 billion kWh of electricity in the first half of 2011, about 4 billion kWh less than in the same period of 2010, which saw very cold temperatures. Net electricity imports from surrounding countries were about 9 billion kWh compared with about 10 billion kWh in the prior-year period.

Hungary consumed 16.9 billion kWh of electricity, 1.5 percent more than in the prior-year period. The different number of work days and higher industrial demand were the main reasons for the increase. Driven by weather factors, Hungary's gas consumption decreased by 6.7 percent to 6,375 million cubic meters.

Italy consumed 162.9 billion kWh of electricity, an increase of 1.6 percent from the prior-year figure (160.3 billion kWh). Gas consumption declined by 4.5 percent to 444 billion kWh (prior year: 465 billion kWh) due to weather factors.

Peninsular electricity consumption in Spain was 128 billion kWh, about the same as the prior-year figure (0.4 percent higher if adjusted for differences in temperature and the number of working days). Retail gas consumption was also roughly unchanged at 138 billion kWh.

France's electricity consumption fell by 5.4 percent to 249.3 billion kWh (consumption rose by 0.4 percent if adjusted for differences in temperature and the number of working days). By contrast, total generation increased by 0.8 percent to 281.7 billion kWh.

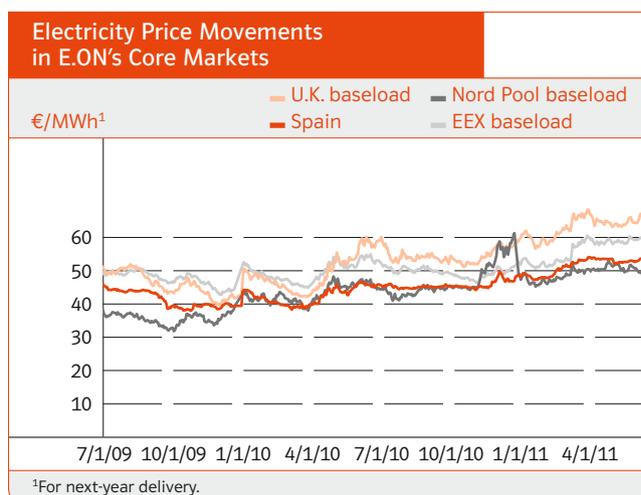
The Russian Federation generated about 525 billion kWh of electricity, 1.8 percent more than in the prior-year period.

Energy Prices

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

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

At the start of the second quarter, energy markets continued to be driven by the unrest in North Africa and the Middle East, the earthquake and tsunami in Japan, and the response to them. As the quarter progressed, however, Greece's debt crisis and worse prospects for economic growth in the European Union became increasingly tangible factors. In particular, prices for carbon allowances dropped significantly, which subsequently influenced power prices.



After at times exceeding \$125 per barrel in April due to ongoing unrest in North Africa and the Middle East and supply disruptions from Libya, the price of oil fell sharply in early May to \$110 per barrel. After climbing briefly in early June, the price fell again on an announcement by the International Energy Agency ("IEA") that IEA member countries planned to release 60 million barrels from their emergency stocks. The IEA said it was necessary to relieve tightness in the oil market which threatened to undermine the fragile global economic recovery.

8 Interim Group Management Report

In the second quarter, prices on Europe's coal market (as measured by the API#2 index) continued to be driven by the consequences of Germany's nuclear-energy moratorium, although demand for coal in Germany declined slightly due to increased power imports. Coal imports in Asia and the Pacific region were also significantly lower, at times even below the prior-year figures. As a result, the front-year index ended the second quarter at about \$128 per metric ton, below prices at the start of the quarter which at times exceeded \$134. The freight market remained weak because of ongoing oversupply.

European forward gas prices declined slightly in the second quarter. After substantially milder weather sent gas prices lower in April, prices reached a temporary high in May because of outages at production facilities in Norway and Germany's announcement that the shutdown of eight nuclear power plants ("NPPs") would be made permanent. Prices fell again in June due to anticipated negative consequences from Greece's debt crisis. On balance, however, gas prices experienced a substantial recovery in the first half of the year and tracked the generally positive developments on fuel markets. Other drivers included higher anticipated demand (particularly from gas-fired power stations), tightness on the global LNG market (due to the earthquake in Japan), and waning optimism regarding the prospects for shale-gas production in Europe.

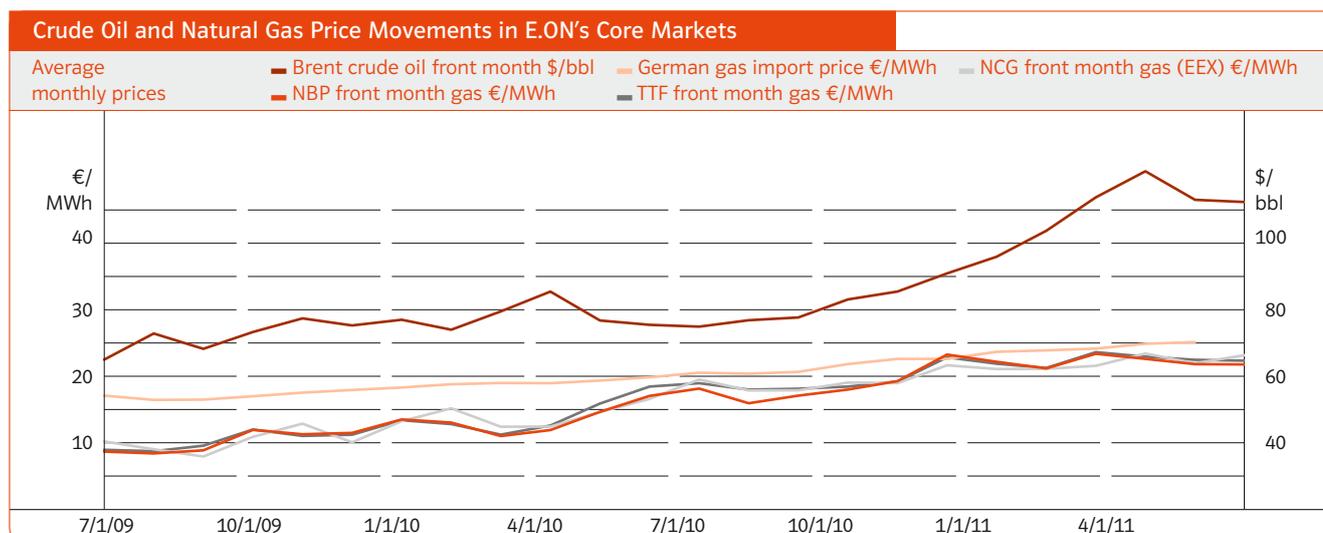
The December carbon contract for next-year delivery of EU allowances under the European Emissions Trading Scheme, which had risen by about €3 to about €18 per metric ton through the end of March on increased power generation from natural gas and coal due to Germany's moratorium, subsequently trended downward, finishing June at roughly the same level as at the start of the year. The drivers included Greece's debt crisis and worse prospects for economic growth in the European Union, which raised doubts about the viability of more ambitious emissions targets.

In Germany, prices for baseload electricity for 2012 delivery increased by about 10 percent in the first half, mainly because of the Japan crisis, Germany's subsequent moratorium, and rising gas, coal, and carbon prices. They then fell through the end of June by €3 to €57 per MWh, tracking the decline in carbon-allowance prices. Germany's shutdown of NPPs continued to benefit its neighbors (particularly France and Czechia), which are exporting more power to Germany. U.K. electricity prices moved in a similar pattern to Germany's, albeit at a higher level and with a greater impact from rising gas prices. Electricity prices in the Nordic market were

impacted by the altered situation in the country's water reservoirs. After extremely low reservoir levels and cold winter weather had sent prices to record highs in the first quarter, in the second quarter considerable reservoir inflows caused prices to drop temporarily. The altered reservoir situation also affected forward prices. Prices for delivery in 2012 fell below €47 per MWh in June, additionally influenced by lower carbon prices and declining forward prices in Germany. In Italy and Spain, electricity prices for next-year delivery largely tracked fuel prices. At the start of the second quarter, prices continued their upward trend from the first quarter but then fell in June on lower carbon prices, finishing the quarter at €73 per MWh in Italy and €53 in Spain.



Higher fuel prices and a 1.5-percent year-on-year increase in demand sent electricity prices in Russia higher, particularly in the European price zone, where lower temperatures in March and April along with the economic upturn served to increase demand. In the Siberian price zone, by contrast, consumption was at times lower due to warmer winter temperatures and the early onset of summer. The weighted-average price for the first half was RUB 970 (around €24) per MWh in the European price zone and RUB 533 (around €13) in the Siberian price zone.



Power Procurement

The E.ON Group's owned generation declined by 3 percent, from 137.1 billion kWh in the first half of 2010 to 132.6 billion kWh in 2011. By contrast, power procured increased by 27 percent to 454 billion kWh.

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

Renewables' owned generation of 11.6 billion kWh exceeded the prior-year figure (11.4 billion kWh). Owned generation in the Hydro reporting unit declined in all regions due to lower water levels, falling by an aggregate 1.1 billion kWh. In particular, hydro output in Sweden declined because of low inflow in the fall and winter of 2010-2011 and high production at the

end of 2010 when reservoir levels were already low. By contrast, owned generation at the Wind/Solar/Other reporting unit rose by 34 percent to 5.1 billion kWh. Wind farms accounted for 98 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Owned generation at the Germany regional unit's distributed generating facilities rose by 3 percent year on year. Less output from small-scale hydroelectric plants due to lower flow-through was offset by positive effects from the commissioning of a generating unit in Plattling in April 2010.

Other EU Countries' owned generation declined by 0.9 billion kWh, mainly because lower market spreads in the United Kingdom (including volumes from CHP plants) made some gas-fired units less economic to operate. A temperature-driven decline in owned generation in the Netherlands was another adverse factor.

Power Procurement																
Jan. 1-June 30 Billion kWh	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Owned generation	83.5	89.8	11.6	11.4	-	-	3.5	3.4	3.9	4.8	30.1	27.7	-	-	132.6	137.1
Purchases	18.8	23.5	2.9	2.9	482.4	372.3	89.6	96.2	80.2	77.7	2.0	2.0	-221.9	-217.4	454.0	357.2
Jointly owned power plants	6.2	6.4	0.8	0.8	-	-	0.1	-	-	-	-	-	-	-	7.1	7.2
Trading/outside sources	12.6	17.1	2.1	2.1	482.4	372.3	89.5	96.2	80.2	77.7	2.0	2.0	-221.9	-217.4	446.9	350.0
Total	102.3	113.3	14.5	14.3	482.4	372.3	93.1	99.6	84.1	82.5	32.1	29.7	-221.9	-217.4	586.6	494.3
Station use, line loss, etc.	-1.1	-1.5	-0.3	-0.6	-	-	-2.9	-3.2	-5.3	-5.5	-0.9	-1.0	-	-	-10.5	-11.8
Power sales	101.2	111.8	14.2	13.7	482.4	372.3	90.2	96.4	78.8	77.0	31.2	28.7	-221.9	-217.4	576.1	482.5

10 Interim Group Management Report

Owned Generation by Energy Source												
Jan. 1-June 30, 2011	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	31.3	37	-	-	-	-	-	-	-	-	31.3	24
Lignite	2.4	3	-	-	-	-	0.2	5	5.6	19	8.2	6
Hard coal	29.9	36	-	-	-	-	-	-	-	-	29.9	22
Natural gas, oil	19.9	24	-	-	0.1	3	3.1	79	24.5	81	47.6	36
Hydro	-	-	6.5	56	1.1	31	0.1	3	-	-	7.7	6
Wind	-	-	5.0	43	-	-	-	-	-	-	5.0	4
Other	-	-	0.1	1	2.3	66	0.5	13	-	-	2.9	2
Total	83.5	100	11.6	100	3.5	100	3.9	100	30.1	100	132.6	100

The Russia unit generated about 97 percent of its total needs of 31.2 billion kWh at its own power stations. When it made business sense, Russia met its delivery obligations by purchasing electricity instead of producing it.

Gas Procurement

E.ON Ruhrgas procured 361.6 billion kWh of natural gas from producers in and outside Germany in the first half of 2011, about 2 percent less than in the prior-year period. The biggest suppliers were Russia (which accounted for 29 percent), Norway (27 percent), Germany (20 percent), and the Netherlands (16 percent). E.ON Földgáz Trade of Hungary, whose biggest supplier is Russia, accounted for the Gas global unit's remaining procurement (roughly 37 billion kWh).

The Gas global unit's gas production in the North Sea declined slightly to 720 million cubic meters. Oil and condensates production of 2.1 million barrels was also down, declining by 20 percent from the prior-year figure. The main factors were a temporary technical production stoppage at Njord field and natural production declines at older fields. Together, these factors caused total upstream production of gas, oil, and condensates to fall by 10 percent to 6.6 million barrels of oil equivalent. In addition to its North Sea production, Gas had 3.3 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. This represents a slight increase over the prior-year figure.

Upstream Production			
January 1-June 30	2011	2010	+/- %
Oil/condensates (million barrels)	2.1	2.7	-22
Gas (million standard cubic meters)	720	740	-3
Total (million barrels of oil equivalent)	6.6	7.3	-10

Trading Volume

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

Trading Volume		
January 1-June 30	2011	2010
Power (billion kWh)	997	820
Gas (billion kWh)	1,263	951
Carbon allowances (million metric tons)	318	393
Oil (million metric tons)	49	51
Coal (million metric tons)	106	130

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

Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 19 percent to 576.1 billion kWh in the first half of 2011. Higher trading sales volume was the main factor.

Generation sold 10.6 billion kWh less power than in the prior-year period. Power sales were down by 4.4 billion kWh in the United Kingdom (where current market spreads made some plant less economic to operate), by 4.1 billion kWh in Germany (where the shutdown of Unterweser and Isar 1 nuclear power stations reduced deliveries to the Trading unit), and by 2.7 billion kWh in France (due to the transfer of certain activities to Trading). Power sales in the Netherlands, by contrast, rose by 1.3 billion kWh.

Renewables sold 0.5 billion kWh more power than last year. Power sales at the Hydro reporting unit declined by an aggregate 0.8 billion kWh on lower output in all regions. Wind/Solar/Other, which sells its output exclusively in markets with

incentive mechanisms for renewables, grew power sales by 1.3 billion kWh, or 30 percent, primarily because of an increase in its generating capacity.

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

Other EU Countries sold 1.8 billion kWh more power. Gains of 5 billion kWh (primarily in the United Kingdom, including volumes from CHP plants, and France) more than offset declines of 3.2 billion kWh (primarily in Italy, Sweden, and Czechia).

The Russia unit sold 31.2 billion kWh on the wholesale market. This 9-percent increase is mainly attributable to the commissioning of new generating capacity.

Power Sales																
Jan. 1-June 30 Billion kWh	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	-	-	-	-	-	-	13.3	14.5	31.7	32.1	-	-	-	-	45.0	46.6
I&C	1.8	2.0	-	1.0	-	-	15.7	13.9	39.6	35.8	-	-	-0.1	-	57.0	52.7
Sales partners	18.0	18.3	2.5	1.4	-	-	44.0	43.6	1.7	2.4	-	-	-2.5	-3.9	63.7	61.8
Customer segments	19.8	20.3	2.5	2.4	-	-	73.0	72.0	73.0	70.3	-	-	-2.6	-3.9	165.7	161.1
Wholesale market/ Trading	81.4	91.5	11.7	11.3	482.4	372.3	17.2	24.4	5.8	6.7	31.2	28.7	-219.3	-213.5	410.4	321.4
Total	101.2	111.8	14.2	13.7	482.4	372.3	90.2	96.4	78.8	77.0	31.2	28.7	-221.9	-217.4	576.1	482.5

Gas Sales

On a consolidated basis, the E.ON Group increased its gas sales by 106.3 billion kWh, or 14 percent, to 868.2 billion kWh in the first half of 2011. Higher trading sales volume was the main factor.

Our Gas global unit is responsible for procuring gas for our regional sales entities and the Trading unit and for marketing gas in regions in which our sales and trading entities do not operate. This is reflected in Gas's sales volume, which is adjusted for intrasegment effects and consists of the gas sales of E.ON Ruhrgas, Ferngas Nordbayern, and E.ON Földgáz Trade. Gas sold a total of 394 billion kWh of gas, a reduction of about 19 billion kWh, or roughly 5 percent, relative to the first half of 2010. Broken down by customer segment, Gas made 14 percent of its gas sales to sales partners, 55 percent to the Germany regional unit, 16 percent outside Germany, and 14 percent to Trading. The sales partner segment consists mainly of E.ON sales entities and regional gas companies and municipal utilities supplied directly by Gas. The roughly 21 billion kWh decline in sales to this segment primarily reflects warmer weather compared with the prior-year period. Gas sales to the Germany regional unit were about 7 billion kWh lower. Gas sales outside Germany, which were essentially unchanged,

consist mainly of the sales volume of E.ON Földgáz Trade, which sold about 48 billion kWh of gas. Other gas sales outside Germany went mainly to E.ON Group companies. Gas sales to the Trading unit rose by about 10 billion kWh year on year because of an increase in spot trading, which resulted primarily from increased trading in LNG cargos.

The Germany regional unit sold about 22 billion kWh less gas, mainly because of customer losses and weather effects.

Gas sales volume at Other EU Countries was down by 8.5 billion kWh. The main drivers were very cold weather in the prior-year period in the United Kingdom, Italy, and Hungary; ongoing energy-efficiency measures in the United Kingdom; increased customer churning in Italy; and a reduction in deliveries to the CCGT businesses in Sweden. Gas sales volume was higher in several other markets, particularly in Czechia, where we acquired new customers.

12 Interim Group Management Report

Gas Sales														
January 1-June 30 Billion kWh	Gas		Generation		Trading		Germany		Other EU Countries		Consolidation		E.ON Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	-	-	-	-	-	-	14.8	20.1	52.7	59.3	-	-	67.5	79.4
I&C	3.9	3.5	-	-	-	-	68.2	69.4	27.8	30.6	-5.6	-8.9	94.3	94.6
Sales partners	53.6	74.5	-	-	-	-	172.0	187.8	0.5	0.7	-52.5	-58.9	173.6	204.1
Customer segments	57.5	78.0	-	-	-	-	255.0	277.3	81.0	90.6	-58.1	-67.8	335.4	378.1
Germany	215.7	222.8	-	-	-	-	-	-	-	-	-215.7	-222.8	-	-
Other countries	64.7	65.5	-	-	-	-	-	-	-	-	-25.6	-26.0	39.1	39.5
Wholesale market/Trading	56.0	46.1	0.1	1.6	618.8	479.5	-	-	6.7	5.6	-187.9	-188.5	493.7	344.3
Total	393.9	412.4	0.1	1.6	618.8	479.5	255.0	277.3	87.7	96.2	-487.3	-505.1	868.2	761.9

Earnings Situation

Sales

Our first-half sales rose by 20 percent year on year to €53 billion. Almost all our reporting segments recorded higher sales and had a higher share of external sales, particularly Trading.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Generation	7,577	6,808	+11
Renewables	1,132	913	+24
Gas	11,626	10,872	+7
Trading	30,492	21,326	+43
Germany	18,728	18,822	-
Other EU Countries	11,906	11,623	+2
Russia	780	630	+24
Group Management/ Consolidation	-29,193	-26,690	-
Total	53,048	44,304	+20

Generation

The Generation global unit increased its sales by €769 million relative to the prior-year figure.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Nuclear	2,695	2,386	+13
Fossil	4,806	4,380	+10
Other/Consolidation	76	42	+81
Generation	7,577	6,808	+11

The Nuclear reporting unit's first-half sales were up by €309 million on higher market-based transfer prices for deliveries to our Trading unit in Germany. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace three years prior to delivery. The resulting transfer prices, which our Trading unit pays our generation units for their output, were higher in 2011 than the prices for the 2010 delivery period. The German federal government's nuclear-energy moratorium and the shutdown of Unterweser and Isar 1 nuclear power stations had an adverse impact on sales. Nuclear's sales were also positively impacted by higher sales volume due to higher availability, higher average transfer prices, and positive currency-translation effects in Sweden.

The Fossil reporting unit grew sales by €426 million on higher market-based transfer prices for deliveries to our Trading unit in Germany, the United Kingdom, and the Netherlands.

Renewables

Sales at Renewables rose by €219 million.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Hydro	716	631	+13
Wind/Solar/Other	416	282	+48
Renewables	1,132	913	+24

The increase in sales of €85 million recorded at the Hydro reporting unit is mainly attributable to higher market-based transfer prices for deliveries to our Trading unit in Germany and Sweden. Lower output had a negative impact on sales.

The primary reason for the €134 million increase in Wind/Solar/Other's sales was a considerable increase in generating capacity, particularly in the United Kingdom, Denmark, and the United States.

Gas

Gas's sales were up by 7 percent to around €11.6 billion (prior year: €10.9 billion).

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Upstream	815	677	+20
Midstream	10,743	10,247	+5
Transmission/Shareholdings	570	674	-15
Other/Consolidation	-502	-725	+31
Global Gas	11,626	10,872	+7

The Upstream reporting unit's sales rose by €138 million. Positive energy price developments and increased volume from Yuzhno Russkoye gas field in Siberia more than offset lower production at gas fields in the North Sea.

The Midstream reporting unit's gas wholesale business grew sales by 5 percent. The wholesale gas and storages businesses both posted higher sales. Lower sales volume was more than offset by higher sales prices at the wholesale gas business. Capacity enlargement and an increase in capacity sold led to higher sales at the storage business.

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

Trading

Trading recorded sales of about €30 billion in the first half of 2011. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. The increase in sales resulted mainly from higher sales volumes, particularly of power and gas.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Proprietary Trading	20	-25	-
Optimization	30,472	21,351	+43
Trading	30,492	21,326	+43

Germany

Sales at the Germany regional unit declined by €94 million.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
Distribution Networks	5,651	5,157	+10
Non-regulated/Other	13,077	13,665	-4
Germany	18,728	18,822	-

The Distribution Networks reporting unit grew sales by €494 million. The increase is primarily attributable to significantly higher sales in conjunction with Germany's Renewable Energy Law. A regulation-driven decline in network charges was the main negative factor.

Sales at the Non-regulated/Other reporting unit fell by €588 million, mainly because of lower retail gas sales volume. Another factor is that the prior-year figure includes two months of sales from transpover's transmission business.

Other EU Countries

Other EU Countries grew sales by €283 million.

Sales			
January 1-June 30 € in millions	2011	2010	+/- %
U.K.	4,367	4,465	-2
(£ in millions)	(3,791)	(3,885)	(-2)
Sweden	1,662	1,683	-1
(SEK in millions)	(14,861)	(16,473)	(-10)
Czechia	1,429	1,192	+20
(CZK in millions)	(34,795)	(30,670)	(+13)
Hungary	1,054	1,075	-2
(HUF in millions)	(283,982)	(292,003)	(-3)
Remaining regional units	3,394	3,208	+6
Other EU Countries	11,906	11,623	+2

Sales at the U.K. regional unit declined by €98 million, mainly because of the disposal of its regulated business (Central Networks), which recorded sales of €185 million in the second quarter of 2010.

The Sweden regional unit's sales decreased by €21 million, despite positive currency-translation effects of €144 million. The decline is mainly due to lower retail sales which reflect high electricity spot prices in the first half of 2010.

14 Interim Group Management Report

Sales in Czechia rose by €237 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

Sales at the Hungary regional unit were slightly lower, falling by €21 million.

Sales at the remaining regional units rose by €186 million, in particular because of positive margin effects in France, the Netherlands, and Spain. The acquisition of new customers in France and the Netherlands was another positive factor. Sales in Italy declined on lower sales volume.

Russia

An increase in generating capacity along with higher power prices enabled the Russia region to grow sales by 24 percent, from €630 million in the first half of 2010 to €780 million in 2011. In local currency, sales were up by 25 percent, from RUB 25,036 million to RUB 31,304 million.

Development of Significant Line Items of the Consolidated Statements of Income

Own work capitalized of €255 million was roughly at the prior-year level (€257 million) and consisted chiefly of engineering services performed in our network business in conjunction with new-build projects.

Other operating income declined by 9 percent to €7,792 million (prior year: €8,567 million). Lower income from exchange-rate differences of €3,174 million (€3,610 million) and from derivative financial instruments of €2,465 million (€3,364 million) were the main factors in the decline. In derivative financial instruments, there were significant effects from commodity derivatives. These principally affected our coal, oil, and natural gas positions. Countervailing effects were recorded under other operating expenses. Gains on the disposal of securities, fixed assets, and shareholdings amounted to €1,321 million (€1,054 million). In the current-year period, these gains are primarily attributable to the sale of Gazprom equity; in the prior-year period, to the disposal of power capacity and our

ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission. Miscellaneous other operating income consisted primarily of reductions to valuation allowances and provisions as well as compensation payments received for damages.

Costs of materials rose by €12,300 million to €45,832 million (€33,532 million) due to an increase in business volume compared with the prior-year period, higher costs stemming from the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of nuclear power plants ("NPPs") in Germany, and higher fuel costs.

Personnel costs of €2,517 million were roughly on par with the prior-year figure (€2,603 million).

Depreciation charges increased by €340 million to €2,137 million (€1,797 million). The amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of NPPs in Germany made it necessary to record impairment charges on assets.

Other operating expenses rose by 14 percent, or €1,114 million, to €8,882 million (€7,768 million). This is mainly attributable to higher expenditures relating to currency differences of €3,829 million (€3,420 million) and losses on the disposal of shareholdings in the first half of 2011 in the amount of €648 million. The latter mainly reflect negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup. Lower expenditures relating to derivative financial instruments of €2,096 million (€2,207 million) had a countervailing effect.

Income from companies accounted for under the equity method declined to €245 million (€343 million), primarily due to impairment charges resulting from the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of NPPs in Germany.

Adjusted EBITDA

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

Our first-half adjusted EBITDA was down by about €3.5 billion year on year. The main reasons were:

- the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of nuclear power plants ("NPPs") in Germany
- substantial pressure on margins in the gas wholesale business at our Gas unit
- adverse developments at our Trading unit.

Adjusted EBITDA			
January 1-June 30 € in millions	2011	2010	+/- %
Generation	558	1,763	-68
Renewables	753	608	+24
Gas	578	1,478	-61
Trading	-151	830	-
Germany	1,276	1,312	-3
Other EU Countries	1,255	1,713	-27
Russia	252	172	+47
Group Management/ Consolidation	-196	-6	-
Total	4,325	7,870	-45

Generation

Generation's adjusted EBITDA declined by €1,205 million.

Generation				
January 1-June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
Nuclear	-293	979	-514	899
Fossil	857	763	516	412
Other/Consolidation	-6	21	-10	21
Total	558	1,763	-8	1,332

The Nuclear reporting unit's adjusted EBITDA fell by €1,272 million. Although its operations in Germany benefitted from higher market-based transfer prices for deliveries to our Trading unit, the nuclear-energy moratorium and the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of Unterweser, Isar 1, Krümmel, and Brunsbüttel NPPs had an adverse affect on earnings. Expenses relating to the nuclear-fuel tax in Germany also had a negative impact. As a result, Nuclear's adjusted EBITDA in Germany declined by €1.9 billion year on year. Nuclear's adjusted EBITDA in Sweden rose by €143 million, primarily because of higher sales volumes resulting from increased availability and higher average transfer prices.

Adjusted EBITDA at the Fossil reporting unit rose by €94 million. Earnings were higher in Germany and in the United Kingdom, mainly because of higher market-based transfer prices compared with the prior-year period. Earnings in Spain were adversely affected by narrower margins and in Italy by higher operating costs and intermittently narrower margins.

Renewables

Renewables' adjusted EBITDA increased by €145 million, or 24 percent.

Renewables				
January 1-June 30 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2011	2010	2011	2010
Hydro	449	399	392	343
Wind/Solar/Other	304	209	186	112
Total	753	608	578	455

The Hydro reporting unit's adjusted EBITDA rose by 13 percent to €449 million, chiefly because of higher market-based transfer prices for deliveries to Trading. Earnings were adversely affected by lower output and hedging effects in Spain.

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

16 Interim Group Management Report

Gas

Gas's adjusted EBITDA of €578 million was sharply lower than the prior-figure of €1,478 million.

Gas	Adjusted EBITDA		Adjusted EBIT	
	2011		2010	
January 1-June 30 € in millions				
Upstream	433	343	307	202
Midstream	-257	765	-321	711
Transmission/ Shareholdings	305	300	235	235
Other/Consolidation	97	70	97	70
Total	578	1,478	318	1,218

Upstream's adjusted EBITDA rose by €90 million. Positive energy price developments and increased volume from Yuzhno Russkoye gas field in Siberia more than offset lower production at gas fields in the North Sea.

Midstream's earnings development reflect the dramatic decline in earnings at the gas wholesale business. The disconnect between oil and gas prices and the resulting negative gas-oil spread led to considerable margin pressure. The prices of our procurement contracts, which are largely oil indexed, are above the level of the prices that can be achieved in our gas sales business, which are based on wholesale prices. Negotiations with producers to adjust procurement prices have been successful, but do not yet encompass the entire portfolio and in 2011 only partly offset negative margins. The slight year-on-year decline in sales volume was weather driven. Equity earnings were lower due to the sale of our Gazprom stake; in the prior-year period, we recorded the dividend on this stake. Our gas-storage business, which is also part of the Midstream reporting unit, recorded slightly higher earnings, primarily because of an increase in capacity.

Adjusted EBITDA at Transmission/Shareholdings was roughly at the prior-year level, with lower earnings at the regulated transport business offset by higher equity earnings from associated companies.

Trading

Trading's adjusted EBITDA was -€151 million. Optimization, whose main purpose is to limit risks and to optimize the deployment of the E.ON Group's generation and production assets, had earnings of -€137 million, mainly because of higher transfer prices paid to our generation units' non-fossil portfolio and lower achieved prices. Proprietary Trading, which recorded a loss of €14 million, was adversely affected by market developments following the German government's announcement of a nuclear-energy moratorium.

Trading	Adjusted EBITDA		Adjusted EBIT	
	2011		2010	
January 1-June 30 € in millions				
Proprietary Trading	-14	-64	-17	-65
Optimization	-137	894	-143	891
Total	-151	830	-160	826

Germany

Adjusted EBITDA at the Germany regional unit declined by €36 million.

Germany	Adjusted EBITDA		Adjusted EBIT	
	2011		2010	
January 1-June 30 € in millions				
Distribution Networks	807	1,028	500	730
Non-regulated/Other	469	284	314	153
Total	1,276	1,312	814	883

Distribution Networks' adjusted EBITDA declined by €221 million. This unit recorded higher power and gas network charges in the prior-year period, in part because of non-recurring regulatory effects.

Adjusted EBITDA at Non-regulated/Other rose by €185 million, due in part to higher earnings in the retail business. Earnings also benefitted from improvements stemming from cost-cutting measures. The disposal of the ultrahigh-voltage transmission system (transpower) in late February 2010 had an adverse impact on earnings.

Other EU Countries

Other EU Countries' adjusted EBITDA declined by 27 percent, or €458 million.

Other EU Countries	Adjusted EBITDA		Adjusted EBIT	
	2011		2010	
January 1-June 30 € in millions				
U.K. (£ in millions)	228 (198)	649 (565)	156 (135)	533 (464)
Sweden (SEK in millions)	371 (3,318)	353 (3,452)	252 (2,256)	246 (2,411)
Czechia (CZK in millions)	256 (6,233)	226 (5,841)	201 (4,894)	172 (4,425)
Hungary (HUF in millions)	139 (37,410)	183 (49,809)	78 (20,891)	125 (33,970)
Remaining regional units	261	302	192	210
Total	1,255	1,713	879	1,286

The U.K. regional unit's adjusted EBITDA decreased by €421 million, primarily because of higher costs in the wholesale market which led to reduced margins. The disposal of the regulated business (Central Networks) also had a negative impact on earnings; this business recorded adjusted EBITDA of €133 million in the second quarter of 2010.

The Sweden regional unit's adjusted EBITDA increased by €18 million due to positive currency-translation effects of €32 million. Negative effects from disposals were partially offset by wider retail margins. Earnings were also higher on improved margins in the heating business.

Adjusted EBITDA in Czechia rose by €30 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

The main contributions to the Hungary regional unit's adjusted EBITDA came from its distribution network business (€113 million) and its retail business (€16 million). The decline from the prior-year figure is attributable to narrower margins and to Hungary's new revenue-based crisis tax.

Adjusted EBITDA at the remaining regional units decreased by €41 million, mainly because higher procurement costs led to narrower margins in the gas business in Romania. Higher allowances for overdue receivables in Italy constituted another negative factor. Wider margins at the distribution network business in Spain had a positive impact on earnings.

Russia

The Russia unit's adjusted EBITDA rose by €80 million, from €172 million in the prior-year period to €252 million, mainly because of higher generating capacity and an improved power margin. Adjusted EBIT was €195 million (€118 million). Adjusted EBITDA in local currency increased by 48 percent, from RUB 6,835 million to RUB 10,114 million. Adjusted EBIT was RUB 7,826 million (RUB 4,689 million).

Net Income

Net income attributable to shareholders of E.ON AG of €691 million and corresponding earnings per share of €0.36 were far below the respective prior-year figures, €3,911 million and €2.05.

Net Income		
January 1–June 30 € in millions	2011	2010
Adjusted EBITDA	4,325	7,870
Depreciation and amortization	-1,960	-1,792
Impairments (-)/Reversals (+) ¹	8	-2
Adjusted EBIT	2,373	6,076
Adjusted interest income (net)	-846	-1,171
Net book gains/losses	1,162	721
Restructuring/cost-management expenses	-255	-233
Other non-operating earnings	-1,426	1,380
Income/Loss (-) from continuing operations before taxes	1,008	6,773
Income taxes	-73	-1,846
Income/Loss (-) from continuing operations	935	4,927
Income/Loss (-) from discontinued operations, net	13	-758
Net income	948	4,169
<i>Attributable to shareholders of E.ON AG</i>	<i>691</i>	<i>3,911</i>
<i>Attributable to non-controlling interests</i>	<i>257</i>	<i>258</i>

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

Our adjusted interest expense (net) improved by €325 million year on year, mainly because of the reduction in the E.ON Group's net debt. The absence of the adverse interest effect on prepayments to a fund to support renewables in Germany recorded at year-end 2010 also had a positive impact on adjusted interest expense (net).

Adjusted Interest Expense (Net)		
January 1–June 30 € in millions	2011	2010
Interest expense shown in Consolidated Statements of Income	-1,027	-1,136
Interest income (-)/expense (+) not affecting net income	181	-35
Total	-846	-1,171

First-half net book gains were €441 million, or 61 percent, above the prior-year level. In the current-year period, book gains were recorded mainly on the sale of the network business in the United Kingdom, Gazprom equity, and securities; in the prior-year period, on the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission.

18 Interim Group Management Report

Restructuring and cost-management expenditures increased by €22 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional utilities in Germany. The current-year figure also includes costs relating to the restructuring of our IT organization.

Other non-operating earnings include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in a negative effect of €225 million at June 30, 2011, compared with a positive effect of €1,372 million at June 30, 2010. In the current-year period, there were also negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup, from impairment charges recorded in conjunction with the amendment of Germany's Nuclear Energy Act, and from prepayment penalties in connection with our announced debt reduction to the extent that such penalties have a tangible relationship to disposal proceeds.

Our tax expense fell by €1.8 billion compared with the prior-year period, principally because of the decline in our earnings and a relative increase in tax-free earnings. Our tax rate decreased from 27 percent in the prior-year period to 7 percent.

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

Adjusted Net Income

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and 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	2011	2010	+/- %
Net income attributable to shareholders of E.ON AG	691	3,911	-82
Net book gains	-1,162	-721	-
Restructuring and cost-management expenses	255	233	-
Other non-operating earnings	1,426	-1,380	-
Taxes and minority interests on non-operating earnings	-211	471	-
Special tax effects	-53	-17	-
Income/Loss from discontinued operations, net	-13	758	-
Total	933	3,255	-71

Financial Condition

Investments

Our first-half investments declined by €1.2 billion year on year to €2.5 billion. We invested about €2.4 billion in property, plant, and equipment and in intangible assets (prior year: €3.4 billion). Share investments totaled €0.1 billion versus €0.3 billion in the prior-year period.

Investments			
January 1-June 30 € in millions	2011	2010	+/- %
Generation	641	1,403	-54
Renewables	419	536	-22
Gas	463	468	-1
Trading	7	5	+40
Germany	306	319	-4
Other EU Countries	495	631	-22
Russia	111	252	-56
Group Management/ Consolidation	25	55	-55
Total	2,467	3,669	-33
<i>Maintenance investments</i>	404	383	+5
<i>Growth and replacement investments</i>	2,063	3,286	-37

Generation invested about €762 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €683 million, from €1,297 million to €614 million. The high prior-year figure mainly reflects expenditures on generation projects in Gönyü (Hungary), Malzenice (Slovakia), Irsching (Germany), Algeciras (Spain), and Émile Huchet (France), which are now largely completed. In addition, investments in the generation project in Maasvlakte (Netherlands) were higher in the prior-year period.

Investments at Renewables were down by €117 million. Hydro's investments of €33 million were 25 percent below the prior-year figure of €44 million. Wind/Solar/Other's investments declined by 21 percent, from €491 million in the prior-year period to €386 million. These expenditures mainly reflect the development and construction of wind farms in Europe and the United States.

Gas invested €463 million. Of this figure, €419 million (prior year: €407 million) went towards property, plant, and equipment and towards intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €44 million (€61 million) were chiefly attributable to the repurchase of E.ON Bioerdgas from E.ON Climate & Renewables and to a capital increase at Nord Stream pipeline business.

The Germany regional unit invested €306 million, nearly as much as in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €18 million to €300 million, owing principally to high expenditures in the prior year for Plattling power station and waste-incineration projects. Share investments totaled €6 million.

Investments at Other EU Countries were €136 million below the prior-year figure. The U.K. regional unit invested about €154 million (prior year: €264 million) in property, plant, and equipment and intangible assets. The sale of Central Networks was the main cause for the decline. The Sweden unit invested €137 million, roughly on par with the prior-year figure due to positive currency-translation effects of €12 million. It invested €133 million (€136 million) in intangible assets and property, plant, and equipment to maintain and expand existing distributed generating units and to upgrade and modernize its distribution network. Share investments totaled €4 million versus €1 million in the prior-year period. Investments of €64 million in Czechia and €72 million in Hungary were at the prior-year level.

The Russia unit invested €111 million (prior year: €252 million), mainly in its new-build program.

Cash Flow and Financial Position

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

At €2.4 billion, our cash provided by operating activities of continuing operations was considerably below the prior-year figure of €5.6 billion. The main reasons for the decline were cash-effective items in conjunction with the decrease in adjusted EBITDA, a non-recurring adverse effect relating to the refunding of pension assets in the United Kingdom, and negative working-capital effects. The main negative factors for the latter item were lower subsidy payments for new wind farms in the United States due to a decrease in new capacity commissioned and changes in working capital at Trading and Gas.

Cash provided by investing activities of continuing operations amounted to €2.8 billion in the first half of 2011 (prior year: -€2.7 billion). The sale of Central Networks was the main positive factor. In addition, investment expenditures on property, plant, and equipment were lower than in the prior-year period.

Cash provided by financing activities of continuing operations of -€5.9 billion in the first half of 2011 (prior year: -€5.7 billion) primarily reflects E.ON's dividend payout and the repayment of financial liabilities ahead of schedule.

Compared with the figure recorded at December 31, 2010 (-€37,701 million), our economic net debt improved by €4,145 million to -€33,556 million. The main reasons for the improvement were the sale of Central Networks and the sale of the second tranche of Gazprom stock. In the first half of 2011, our cash provided by operating activities and disposal proceeds exceeded our investments in property, plant, and equipment. E.ON AG's dividend payout had an adverse effect on our economic net debt. A decline in provisions for pensions offset an increase in provisions for nuclear waste management, which was due in part to the amendment of Germany's Nuclear Energy Act.

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

20 Interim Group Management Report

Economic Net Debt		
€ in millions	June 30, 2011	Dec. 31, 2010
Liquid funds	7,420	8,273
Non-current securities	4,863	3,903
Total liquid funds and non-current securities	12,283	12,176
Financial liabilities to banks and third parties	-27,960	-31,799
Financial liabilities resulting from interests in associated companies and other shareholdings	-822	-692
Total financial liabilities	-28,782	-32,491
Net financial position	-16,499	-20,315
Fair value (net) of currency derivatives used for financing transactions ¹	542	334
Provisions for pensions	-2,558	-3,250
Asset-retirement obligations	-16,534	-15,968
Less prepayments to Swedish nuclear fund	1,493	1,498
Economic net debt	-33,556	-37,701

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

E.ON did not issue bonds in the first half of 2011. In line with our announcement that we would use a portion of disposal proceeds to reduce our debt, on January 24, 2011, we made a two-stage offer to repurchase, ahead of schedule, bonds with a face value of about €7 billion. We repurchased about €1.8 billion in bonds under this offer. In addition, we repaid or cancelled about €0.6 billion in promissory notes in the first half of 2011. Together with on-schedule bond repayments of €0.6 billion and with the deconsolidation of €0.6 billion of debt due to the disposal of our U.K. distribution business, in the first half of 2011 E.ON reduced its gross financial liabilities to financial institutions and third parties by €3.8 billion to €28 billion.

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

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A2. The short-term ratings are A-1 (S&P) and P-1 (Moody's). Both S&P and Moody's confirmed their long-term and short-term ratings for E.ON, all with

a stable outlook, in March 2011. In July 2011, S&P reconfirmed its A rating and changed the outlook from stable to negative. Moody's announced in June 2011 that it would review its A2 rating for a possible one-notch downgrade within three months. The ratings assigned by both agencies therefore remain in line with E.ON's rating target ("solid single A").

Asset Situation

Non-current assets at June 30, 2011, declined by 3 percent compared with the figure at year-end 2010, mainly due to the sales of the assets of our U.K. network business. This effect was partially offset by investments in property, plant, and equipment and by higher receivables from non-current derivative financial instruments.

Current assets declined by 10 percent from year-end 2010, mainly because of a decrease in operating receivables and the sale of Gazprom stock.

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

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

Current liabilities declined by 6 percent relative to year-end 2010, mainly because of a decrease in operating liabilities.

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

- Non-current assets are covered by equity at 42 percent (December 31, 2010: 43 percent).
- Non-current assets are covered by long-term capital at 106 percent (December 31, 2010: 108 percent).

Additional information about our asset situation is contained in Note 4 of the Condensed Consolidated Interim Financial Statements.

Consolidated Assets, Liabilities, and Equity				
€ in millions	June 30, 2011	%	Dec. 31, 2010	%
Non-current assets	103,526	71	106,657	70
Current assets	41,435	29	46,224	30
Total assets	144,961	100	152,881	100
Equity	43,821	30	45,585	30
Non-current liabilities	65,513	45	69,580	45
Current liabilities	35,627	25	37,716	25
Total equity and liabilities	144,961	100	152,881	100

Employees

As of June 30, 2011, the E.ON Group had 79,158 employees worldwide, less than at year-end 2010. E.ON also had 1,935 apprentices and 296 board members and managing directors.

As of the same date, 43,872 employees, or 55 percent of all staff, were working outside Germany, slightly less than at year-end 2010.

Employees ¹			
	June 30, 2011	Dec. 31, 2010	+/- %
Generation	10,766	10,997	- 2
Renewables	1,751	1,737	+1
Global Gas	3,192	3,189	-
Trading	1,018	1,062	-4
Germany	21,569	21,084	+2
Other EU Countries	32,346	37,403	-14
Russia	4,595	4,812	-5
Group Management/Other ²	3,921	4,821	-19
Total	79,158	85,105	-7

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

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

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

The headcount at the Germany unit was higher due to the expansion of service companies. This effect was partially offset by the transfer of employees to the Group Management/Other segment as part of the greater centralization of functions.

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

At Russia, the expansion of a newly created central repair shop was more than offset by the deconsolidation of two companies.

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

22 Interim Group Management Report

Risk Situation

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses.

Market Risks

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

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

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

Commodity Price Risks

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

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

Financial Risks

The international nature of E.ON's business operations exposes E.ON to risks from currency fluctuation. One form of this risk is transaction risk, which occurs when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which occurs when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the eurozone are translated into euros and entered into our Consolidated Financial Statements. We limit currency risk by conducting systematic currency management involving derivative and underlying financial instruments. Currency-translation risk results mainly from transactions denominated in U.S. dollars, pounds sterling, Swedish kroner, Norwegian kroner, and Hungarian forints.

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

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

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

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

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

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

Strategic Risks

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

of new businesses than anticipated. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and expose us to commercial and other risks.

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

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

Operational Risks

Technologically complex production facilities are involved in the production and distribution of energy. Significant parts of Europe and the United States have experienced major power outages in recent years. The reasons for these outages vary, although generally they involved a locally or regionally inadequate balance between power production and consumption, with single failures triggering a cascade-like shutdown of lines and power plants following overload or voltage problems. The likelihood of this type of problem has increased in recent years following the liberalization of EU electricity markets, partly due to an emphasis on unrestricted cross-border physically settled electricity trading that has resulted in a substantially higher load on the international network, which was originally designed mainly for purposes of mutual assistance and operational optimization. As a result, there are transmission bottlenecks at many locations in Europe, and the high load has resulted in lower levels of safety reserves in the network, creating the need for additional network expansion. Furthermore, some regions have seen an increase in decentralized feed-in, which has shifted load flows. In Germany, where power plants are located in closer proximity to population centers than in many other countries, the risk of blackouts is

24 Interim Group Management Report

lower so far due to shorter transmission paths and a strongly meshed network. Nevertheless, our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities, including new-build projects, could negatively impact our earnings.

A number of countries in Europe are discussing whether liberalized energy markets provide enough incentives for the supply of generating capacity or whether additional mechanisms—such as capacity markets—might be necessary. This could result in market-design risks for E.ON, which face a competitive disadvantage, particularly if there is a focus on specific generating technologies or if some existing assets are not included.

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

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

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

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that price-adjustment clauses of years past are invalid in the special-customer segment. In July 2010, the Federal Court of Justice issued a ruling against EWE AG pertaining to the validity

of gas-price adjustments and the legal status of uncontested payments. At this time, we cannot conclusively evaluate this ruling's possible consequences for E.ON Group companies, in part because of inconsistencies in the rulings of different state superior courts.

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

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's 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 state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, rendering the ruling legally binding. However, the SAC's ruling does not forbid the construction of a hard-coal-fired power plant at the planned site. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a new Development Plan. On December 13, 2010, the Ruhr Regional Association ("RRA") passed a resolution to institute a regional plan-alteration process which in May 2011 was confirmed by an expert legal opinion solicited by the RRA. On June 20, 2011, the RRA passed a resolution to continue the regional plan-alteration process and began the public consultation process. The new planning process must address and resolve the SAC's objections in order to reestablish a secure planning foundation for the Datteln power plant. In view of the planning processes under way, we currently anticipate that the Datteln plant will enter service later than originally planned. To ensure the supply of district heating and of electricity to the federal rail service, E.ON therefore took the precautionary measure of withdrawing its notification of the closure of Datteln units 1 to 3 and Shamrock generating unit effective December 31, 2012. The district governments in Münster and Arnsberg, which have jurisdiction over the matter, rejected the withdrawal. As a matter of sound business practice and to secure the supply of district heating and of electricity to the federal rail service, we filed a lawsuit against the Münster and Arnsberg rulings. However, we remain convinced that the plant will be successfully completed. In

principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by conducting appropriate project management.

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

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

External Risks

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

The reactor accident in Fukushima has led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") last fall in line with the stipulations of the coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Nuclear Energy Act. The report prepared by the Reactor Safety Commission in the wake of the moratorium did not bring to light any safety defects, particularly with reference to the events in Japan, that would justify an earlier shutdown of German NPPs. Nevertheless, the federal government—with the support of the Ethics Commission—concluded that it would not be responsible for Germany to use nuclear energy after 2022. Together with the opposition (with the exception of the Left party), the government therefore established a non-partisan consensus. The amended Nuclear

Energy Act calls for a gradual phaseout of nuclear power to end in 2022, although the seven NPPs that entered service before year-end 1980 (which had already been temporarily shut down by the moratorium) and Krümmel NPP will remain permanently shut down. There is a risk that the remaining NPPs may not be able to make full use of their assigned production volumes before their respective operating lifetimes expire. E.ON is implementing the political majority's decision on an earlier phaseout of nuclear energy. At the same time, we expect appropriate compensation for the billions of euros in stranded assets created by this decision and are preparing to take legal action on this matter. In view of the curtailment of operating lifetimes, all four NPP operators in Germany have suspended prepayments of their contributions to the Energy and Climate Fund. The federal government's resolutions retain the nuclear-fuel tax at its original level. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal questions. E.ON is therefore taking legal action against the tax. The lawsuits regarding Gundremmingen B, Grohnde, Grafenrheinfeld, and Emsland NPPs began in June/July 2011.

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 multi-stage, 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.

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

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

26 Interim Group Management Report

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 statement relating to the formal proceedings initiated against them. Initial hearings about these issues took place in May 2011. At the hearings and in a written statement from E.ON Energie/E.ON Bayern, we criticized the BNetzA's breach of sound legal practice and again explained how our RDC structure conforms with the requirements of operational unbundling. The BNetzA did not put forward any new legal arguments to refute our position.

The BNetzA has stipulated that IT-based billing systems must have a firewall between data on sales customers and data on network customers. Some companies encountered technical difficulties implementing this requirement. The BNetzA therefore extended the compliance deadline to October 1, 2010. E.ON also encountered some technical delays, while system migrations resulted in a number of residual errors. Following complaints from traders, the BNetzA fined E.ON edis twice for non-compliance (once for €650,000, once for €1.3 million). E.ON is currently working to migrate all the IT systems of its RDCs and to eliminate any remaining residual errors. It is also conducting talks with the BNetzA. Four RDCs were successfully migrated to the new IT system in 2010. E.ON Bayern and E.ON Hanse are offering the billing solution approved by the BNetzA until their systems are migrated.

Open Grid Europe ("OGE," formerly E.ON Gastransport) is supposed to have been subject to incentive-based regulation since the start of 2010. In mid-2011, OGE made available to the BNetzA documents the agency will use to set OGE's initial revenue cap for the second regulatory period (2013–2017). We anticipate that the BNetzA's cost analysis, including the process of seeking clarifications from OGE, will last until the summer of 2012. It will be followed by a new efficiency benchmarking of an as-yet-to-be-determined group of gas TSOs, which are very heterogeneous. The BNetzA will derive the revenue caps for 2013–2017 from the individual efficiency factor it calculates for each TSO.

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 gives member states the option of establishing 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 may not use the ISO or ITO option and which could go beyond the guidelines of the electricity and gas directives. The member states are currently transposing the directives into national law.

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. Emission allowances for the EU Emissions-Trading Scheme ("ETS") 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.

IT Risks

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

Management's Evaluation of the Risk Situation

During the period under review, the risk situation of the E.ON Group's operating business did not change substantially compared with year-end 2010. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

Forecast

Earnings

We expect the German federal government's recent decision to shut down nuclear power stations early and to transform the country's energy supply to have a substantial negative impact on our full-year earnings. Along with the existing adverse factors—Germany's nuclear-fuel tax, the full auctioning of EU carbon allowances starting in 2013, the altered market environment in the gas business, and narrower wholesale margins—this new policy environment presents our company with considerable business challenges. From today's perspective, we anticipate that our 2011 adjusted EBITDA will be between €9.1 billion and €9.8 billion. We expect our 2011 adjusted net income to be in a range from €2.1 billion to €2.6 billion. Due to the sharp reduction in our anticipated earnings, we are unable to stand by our previous forecast of a minimum dividend of €1.30 per share for the 2011 financial year. E.ON now plans to pay out a dividend of €1 per share for the 2011 financial year. As a rule, we are maintaining our dividend policy of paying out 50 to 60 percent of our adjusted net income.

Generation's 2011 adjusted EBITDA will reflect the adverse effects of the German federal government's decision to shut down nuclear power stations early and to transform the country's energy supply and will be substantially below the prior-year level. We expect Generation's 2011 adjusted EBITDA to be between €2 and €2.3 billion.

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

Our forecast for Gas's 2011 adjusted EBITDA is unchanged at between €0.8 and €1.3 billion, well below the prior-year level. The reason for the decline is that the gas wholesale business is under considerable margin pressure due to the disconnect between oil-indexed procurement prices and achievable gas wholesale prices. Predictions on the outcome of negotiations with producers result in planning uncertainty and volatility in our earnings expectations. Despite the ongoing negotiations to reduce procurement costs, Gas's gas wholesale business will not record positive earnings in 2011. Earnings at the E&P business will be higher thanks to the positive development of commodity prices. The commissioning of new capacity will also enable the storage business to increase its earnings. Due to regulatory pressure, earnings at the transport business will be below the prior-year level.

We anticipate that Trading's 2011 adjusted EBITDA will be between -€0.4 and -€0.2 billion, mainly due to continued high transfer prices between Trading and the generation units. This effect is enhanced by declining achieved prices.

We expect the Germany segment's 2011 adjusted EBITDA to be between €2.1 and €2.3 billion. Earnings in 2010 benefited in particular from positive effects in the network business that will not be repeated in a similar magnitude in 2011.

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

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

Opportunities

Positive developments in foreign-currency rates and market prices for commodities such as electricity, natural gas, coal, oil, and carbon dioxide can create opportunities for our operations. Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter months can create opportunities for us to meet higher demand for electricity and natural gas.

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

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

28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, statement of recognised income and expenses, condensed 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, 2011 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 8, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

E.ON AG and Subsidiaries Consolidated Statements of Income					
€ in millions	Note	April 1-June 30		January 1-June 30	
		2011	2010	2011	2010
Sales including electricity and energy taxes		25,672	19,065	54,169	45,391
Electricity and energy taxes		-470	-445	-1,121	-1,087
Sales	(12)	25,202	18,620	53,048	44,304
Changes in inventories (finished goods and work in progress)		27	31	6	46
Own work capitalized		75	160	255	257
Other operating income		643	3,325	7,792	8,567
Cost of materials		-23,021	-13,863	-45,832	-33,532
Personnel costs		-1,216	-1,302	-2,517	-2,603
Depreciation, amortization and impairment charges		-1,144	-901	-2,137	-1,797
Other operating expenses		-2,389	-3,310	-8,882	-7,768
Income/Loss (-) from companies accounted for under the equity method		63	162	245	343
Income/Loss (-) from continuing operations before financial results and income taxes		-1,760	2,922	1,978	7,817
Financial results	(6)	-355	-514	-970	-1,044
Income/Loss (-) from equity investments		42	92	57	92
Income from other securities, interest and similar income		191	185	358	309
Interest and similar expenses		-588	-791	-1,385	-1,445
Income taxes		622	-725	-73	-1,846
Income/Loss (-) from continuing operations		-1,493	1,683	935	4,927
Income/Loss (-) from discontinued operations, net	(4)	-	41	13	-758
Net income		-1,493	1,724	948	4,169
Attributable to shareholders of E.ON AG		-1,576	1,633	691	3,911
Attributable to non-controlling interests		83	91	257	258
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(7)				
from continuing operations		-0.83	0.83	0.35	2.45
from discontinued operations		0.00	0.02	0.01	-0.40
from net income		-0.83	0.85	0.36	2.05

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses					
€ in millions		April 1-June 30		January 1-June 30	
		2011	2010	2011	2010
Net income		-1,493	1,724	948	4,169
Cash flow hedges		77	-82	166	-68
Unrealized changes		155	68	290	142
Reclassification adjustments recognized in income		-78	-150	-124	-210
Available-for-sale securities		-30	-467	-708	-524
Unrealized changes		-13	-433	29	-446
Reclassification adjustments recognized in income		-17	-34	-737	-78
Currency translation adjustments		549	24	743	882
Unrealized changes		-6	243	188	1,101
Reclassification adjustments recognized in income		555	-219	555	-219
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations		51	-394	375	-700
Companies accounted for under the equity method		-42	12	-13	46
Unrealized changes		-42	12	-13	46
Reclassification adjustments recognized in income		-	-	-	-
Income taxes		70	323	-112	467
Total income and expenses recognized directly in equity		675	-584	451	103
Total recognized income and expenses (total comprehensive income)		-818	1,140	1,399	4,272
Attributable to shareholders of E.ON AG		-900	1,062	1,100	3,913
Attributable to non-controlling interests		82	78	299	359

30 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets			
€ in millions	Note	June 30, 2011	Dec. 31, 2010
Assets			
Goodwill		14,007	14,588
Intangible assets		7,774	8,070
Property, plant and equipment		56,361	60,870
Companies accounted for under the equity method	(8)	6,181	6,343
Other financial assets	(8)	7,069	6,104
<i>Equity investments</i>		2,206	2,201
<i>Non-current securities</i>		4,863	3,903
Financial receivables and other financial assets		3,349	3,357
Operating receivables and other operating assets		4,856	4,022
Income tax assets		904	822
Deferred tax assets		3,025	2,481
Non-current assets		103,526	106,657
Inventories		4,340	4,064
Financial receivables and other financial assets		1,030	1,674
Trade receivables and other operating assets		25,207	27,492
Income tax assets		2,875	2,678
Liquid funds		7,420	8,273
<i>Securities and fixed-term deposits</i>		1,941	1,697
<i>Restricted cash and cash equivalents</i>		116	433
<i>Cash and cash equivalents</i>		5,363	6,143
Assets held for sale	(4)	563	2,043
Current assets		41,435	46,224
Total assets		144,961	152,881
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		27,127	29,026
Accumulated other comprehensive income		568	410
Treasury shares	(9)	-3,531	-3,531
Equity attributable to shareholders of E.ON AG		39,912	41,653
Non-controlling interests (before reclassification)		4,524	4,532
Reclassification related to put options		-615	-600
Non-controlling interests		3,909	3,932
Equity		43,821	45,585
Financial liabilities		24,766	28,880
Operating liabilities		7,125	6,506
Income taxes		3,279	3,406
Provisions for pensions and similar obligations	(11)	2,558	3,250
Miscellaneous provisions		20,777	20,381
Deferred tax liabilities		7,008	7,157
Non-current liabilities		65,513	69,580
Financial liabilities		4,016	3,611
Trade payables and other operating liabilities		24,083	26,357
Income taxes		2,575	2,578
Miscellaneous provisions		4,953	4,950
Liabilities associated with assets held for sale	(4)	-	220
Current liabilities		35,627	37,716
Total equity and liabilities		144,961	152,881

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1-June 30 € in millions	2011	2010
Net income	948	4,169
Income from discontinued operations, net	-13	758
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	2,137	1,797
Changes in provisions	115	155
Changes in deferred taxes	-151	787
Other non-cash income and expenses	967	358
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (=3 months)	-609	-1,004
Changes in operating assets and liabilities and in income taxes	-1,032	-1,425
Cash provided by operating activities of continuing operations (operating cash flow)	2,362	5,595
Cash provided by operating activities of discontinued operations	-	247
Cash provided by operating activities	2,362	5,842
Proceeds from disposal of	5,647	1,121
<i>Intangible assets and property, plant and equipment</i>	198	73
<i>Equity investments</i>	5,449	1,048
Purchases of investments in	-2,467	-3,669
<i>Intangible assets and property, plant and equipment</i>	-2,389	-3,406
<i>Equity investments</i>	-78	-263
Changes in securities and fixed-term deposits	-685	93
Changes in restricted cash and cash equivalents	318	-235
Cash provided by (used for) investing activities of continuing operations	2,813	-2,690
Cash provided by (used for) investing activities of discontinued operations	-	-208
Cash provided by (used for) investing activities	2,813	-2,898
Payments received/made from changes in capital	13	-350
Payments for treasury shares, net	-	-
Cash dividends paid to shareholders of E.ON AG	-2,858	-2,858
Cash dividends paid to non-controlling interests	-171	-188
Changes in financial liabilities	-2,937	-2,337
Cash used for financing activities of continuing operations	-5,953	-5,733
Cash provided by financing activities of discontinued operations	-	10
Cash used for financing activities	-5,953	-5,723
Net increase/decrease in cash and cash equivalents	-778	-2,779
Effect of foreign exchange rates on cash and cash equivalents	-2	24
Cash and cash equivalents at the beginning of the year	6,143	4,210
Cash and cash equivalents at the end of the quarter	5,363	1,455
Less: Cash and cash equivalents of discontinued operations at the end of the quarter	0	8
Cash and cash equivalents of continuing operations at the end of the quarter	5,363	1,447

32 Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2010	2,001	13,747	26,609	-2,005	3,511	46
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			-118			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			3,476	1,041	-544	-60
<i>Net income</i>			3,911			
<i>Other comprehensive income</i>			-435	1,041	-544	-60
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			-435			
<i>Changes in accumulated other comprehensive income</i>				1,041	-544	-60
Balance as of June 30, 2010	2,001	13,747	27,109	-964	2,967	-14
Balance as of January 1, 2011	2,001	13,747	29,026	-1,570	1,923	57
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			17			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			942	715	-681	124
<i>Net income</i>			691			
<i>Other comprehensive income</i>			251	715	-681	124
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			251			
<i>Changes in accumulated other comprehensive income</i>				715	-681	124
Balance as of June 30, 2011	2,001	13,747	27,127	-855	1,242	181

Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-3,530	40,379	4,157	-550	3,607	43,986
		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
	2	101		101	103
	-435	-36		-36	-471
	437	137		137	574
-3,530	41,316	4,472	-546	3,926	45,242
-3,531	41,653	4,532	-600	3,932	45,585
		-105		-105	-105
		32		32	32
		-29		-29	-29
	-2,858	-175		-175	-3,033
	17	-30		-30	-13
			-15	-15	-15
	1,100	299		299	1,399
	691	257		257	948
	409	42		42	451
	251	14		14	265
	158	28		28	186
-3,531	39,912	4,524	-615	3,909	43,821

34 Notes to the Condensed Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

(2) Newly Adopted Standards and Interpretations

IAS 24, "Related Party Disclosures"

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

Omnibus Standard to Amend Multiple International Financial Reporting Standards

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

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

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

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

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

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

Amendments to IFRIC 14—Prepayments of a Minimum Funding Requirement

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

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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

(3) Scope of Consolidation

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

Scope of Consolidation			
	Domestic	Foreign	Total
Consolidated companies as of December 31, 2010	146	334	480
Additions	1	6	7
Disposals/Mergers	1	20	21
Consolidated companies as of June 30, 2011	146	320	466

As of June 30, 2011, 103 companies were accounted for under the equity method (December 31, 2010: 106).

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2011

Central Networks

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

E.ON Rete

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

Stadtwerke Duisburg/Stadtwerke Karlsruhe

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

36 Notes to the Condensed Consolidated Interim Financial Statements

HSE

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

BKW

In the context of portfolio streamlining, E.ON made the decision to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction, in which BKW itself and Groupe E SA, Fribourg, Switzerland, paid a purchase price of approximately €0.3 billion for a roughly 14-percent stake, was completed in July 2010. The carrying amount of all the shares, accounted for in the Central Europe market unit using the equity method, was approximately €0.6 billion as of June 30, 2010; foreign exchange translation differences recognized in equity amounted to approximately €0.1 billion. The transaction closed in July 2010. A material net book gain was not realized. The remaining approximately 7 percent of the shares, on which BKW has a purchase option until September 2011, continue to be reported as an asset held for sale and are measured at fair value. The carrying amount as of June 30, 2011, is approximately €0.2 billion.

Interest in OAO Gazprom

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

Discontinued Operations in 2010

U.S. Midwest

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

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

Selected Financial Information— U.S. Midwest (Summary)		
January 1-June 30 € in millions	2011	2010
Sales	-	1,013
Other income/expenses, net	18	-1,681
Income/Loss (-) from continuing operations before income taxes and non-controlling interests	18	-668
Income tax benefit	-6	-80
Income/Loss (-) from discontinued operations	12	-748

Disposal Groups and Assets Held for Sale in 2010

Europgas

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

Agreement with the European Commission

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

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

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

(5) Research and Development Costs

The E.ON Group's research and development costs amounted to €23 million in the first six months of 2011 (first six months of 2010: €24 million).

38 Notes to the Condensed Consolidated Interim Financial Statements

(6) Financial Results

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

Financial Results				
€ in millions	April 1-June 30		January 1-June 30	
	2011	2010	2011	2010
Income from companies in which equity investments are held	50	100	63	110
Impairment charges/reversals on other financial assets	-8	-8	-6	-18
Income/Loss (-) from equity investments	42	92	57	92
Income from securities, interest and similar income	191	185	358	309
Interest and similar expenses	-588	-791	-1,385	-1,445
Interest and similar expenses (net)	-397	-606	-1,027	-1,136
Financial results	-355	-514	-970	-1,044

(7) Earnings per Share

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

Earnings per Share				
€ in millions	April 1-June 30		January 1-June 30	
	2011	2010	2011	2010
Income/Loss (-) from continuing operations	-1,493	1,683	935	4,927
less: Non-controlling interests	-83	-91	-257	-258
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	-1,576	1,592	678	4,669
Income/Loss (-) from discontinued operations, net	-	41	13	-758
Net income attributable to shareholders of E.ON AG	-1,576	1,633	691	3,911
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	-0.83	0.83	0.35	2.45
from discontinued operations	0.00	0.02	0.01	-0.40
from net income	-0.83	0.85	0.36	2.05
Weighted-average number of shares outstanding (in millions)	1,905	1,905	1,905	1,905

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

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets		
€ in millions	June 30, 2011	Dec. 31, 2010
Companies accounted for under the equity method	6,181	6,343
Equity investments	2,206	2,201
Non-current securities	4,863	3,903
Total	13,250	12,447

(9) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a *et seq.* AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of June 30, 2011, was 1,905,409,218 (December 31, 2010: 1,905,408,843).

As of June 30, 2011, E.ON AG and one of its subsidiaries held a total of 95,590,782 treasury shares (December 31, 2010: 95,591,157) having a consolidated book value of €3,531 million (equivalent to 4.78 percent or €95,590,782 of the capital stock).

(10) Dividends Paid

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

40 Notes to the Condensed Consolidated Interim Financial Statements

(11) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations decreased compared with year-end 2010 primarily due to net actuarial gains resulting mainly from higher discount rates and from employer contributions to plan assets. Provisions were further reduced by the derecognition of provisions for pensions at operating units that were sold, especially Central Networks.

Discount Rate		
Percentages	June 30, 2011	Dec. 31, 2010
Germany	5.25	5.00
U.K.	5.50	5.40

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

Net Amount Recognized		
€ in millions	June 30, 2011	Dec. 31, 2010
Present value of all defined benefit obligations	13,285	16,514
Fair value of plan assets	-10,724	-13,263
Funded status	2,561	3,251
Unrecognized past service cost	-11	-11
Net amount recognized	2,550	3,240
<i>Thereof presented as operating receivables</i>	-8	-10
<i>Thereof presented as provisions for pensions and similar obligations</i>	2,558	3,250

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

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

Net Periodic Pension Cost for Defined Benefit Plans				
€ in millions	April 1-June 30		January 1-June 30	
	2011	2010	2011	2010
Employer service cost	57	59	119	116
Interest cost	171	210	380	417
Expected return on plan assets	-135	-169	-304	-335
Past service cost	-	2	2	4
Total	93	102	197	202

(12) Segment Information

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

Global Units

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

Generation

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

Renewables

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

Gas

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

Trading

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

42 Notes to the Condensed Consolidated Interim Financial Statements

Regional Units

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

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

Financial Information by Business Segment						
January 1–June 30 € in millions	Generation		Renewables		Gas	
	2011	2010	2011	2010	2011	2010
External sales	1,901	2,220	378	322	2,711	2,716
Intersegment sales	5,676	4,588	754	591	8,915	8,156
Sales	7,577	6,808	1,132	913	11,626	10,872
Adjusted EBITDA	558	1,763	753	608	578	1,478
<i>Earnings from companies accounted for under the equity method¹</i>	9	11	8	4	240	211
Operating cash flow before interest and taxes	2,098	2,755	575	745	574	908
Investments	641	1,403	419	536	463	468

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

Financial Information by Business Segment—Presentation of Other EU Countries						
January 1–June 30 € in millions	UK		Sweden		Czechia	
	2011	2010	2011	2010	2011	2010
External sales	4,328	4,411	1,519	1,514	1,369	1,095
Intersegment sales	39	54	143	169	60	97
Sales	4,367	4,465	1,662	1,683	1,429	1,192
Adjusted EBITDA	228	649	371	353	256	226
<i>Earnings from companies accounted for under the equity method¹</i>	-	-6	5	16	21	22
Operating cash flow before interest and taxes	-363	351	343	297	89	178
Investments	154	264	137	137	64	60

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

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

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

Trading		Germany		Other EU Countries		Russia		Group Management/ Consolidation		E.ON Group	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
18,285	9,907	17,556	17,361	11,408	11,063	780	630	29	85	53,048	44,304
12,207	11,419	1,172	1,461	498	560	-	-	-29,222	-26,775	0	0
30,492	21,326	18,728	18,822	11,906	11,623	780	630	-29,193	-26,690	53,048	44,304
-151	830	1,276	1,312	1,255	1,713	252	172	-196	-6	4,325	7,870
-	-	31	61	62	78	-	-	-	1	350	366
-61	862	742	578	354	1,048	228	130	-924	238	3,586	7,264
7	5	306	319	495	631	111	252	25	55	2,467	3,669

Hungary		Other regional units		Other EU Countries	
2011	2010	2011	2010	2011	2010
1,045	1,053	3,147	2,990	11,408	11,063
9	22	247	218	498	560
1,054	1,075	3,394	3,208	11,906	11,623
139	183	261	302	1,255	1,713
-	-	36	46	62	78
24	104	261	118	354	1,048
72	70	68	100	495	631

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

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

Operating Cash Flow			
January 1-June 30 € in millions	2011	2010	Differ- ence
Operating cash flow before interest and taxes	3,586	7,264	-3,678
Interest payments	-834	-658	-176
Tax payments	-390	-1,011	621
Operating cash flow	2,362	5,595	-3,233

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

44 Notes to the Condensed Consolidated Interim Financial Statements

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

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

Net Income		
January 1-June 30 € in millions	2011	2010
Adjusted EBITDA	4,325	7,870
Depreciation and amortization	-1,960	-1,792
Impairments (-)/Reversals (+) ¹	8	-2
Adjusted EBIT	2,373	6,076
Adjusted interest income (net)	-846	-1,171
Net book gains/losses	1,162	721
Restructuring/cost-management expenses	-255	-233
Other non-operating earnings	-1,426	1,380
Income/Loss (-) from continuing operations before taxes	1,008	6,773
Income taxes	-73	-1,846
Income/Loss (-) from continuing operations	935	4,927
Income/Loss (-) from discontinued operations, net	13	-758
Net income	948	4,169
<i>Attributable to shareholders of E.ON AG</i>	<i>691</i>	<i>3,911</i>
<i>Attributable to non-controlling interests</i>	<i>257</i>	<i>258</i>

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

The goodwill impairment of €0.9 billion recognized in the context of the U.S. Midwest disposal (see also Note 4) is included in the net income/loss from discontinued operations for the comparative period. The nuclear moratorium, the nuclear fuel tax and the amended Nuclear Energy Act, which calls for the early, unplanned shutdowns of the Unterweser, Isar 1, Krümmel and Brunsbüttel nuclear power plants in Germany, have combined to drive down adjusted EBITDA by €1.9 billion year on year.

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

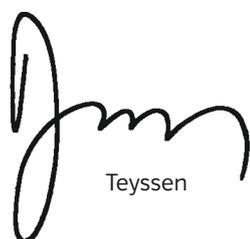
Responsibility Statement

45

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 8, 2011

The Board of Management



Teyssen



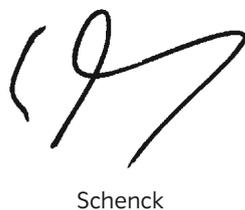
Kildahl



Maubach



Reutersberg



Schenck



Stachelhaus

Financial Calendar

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

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

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

