Interim Report I/2010

2010

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1 – March 31	2010	2009	+/- %
Electricity sales[1]	261.4 billion kWh	205.5 billion kWh	+27
Gas sales[1]	471.5 billion kWh	355.1 billion kWh	+33
Sales	€26,227 million	€25,935 million	+1
Adjusted EBITDA	€4,657 million	€3,973 million	+17
Adjusted EBIT	€3,709 million	€3,100 million	+20
Net income	€2,445 million	€2,597 million	-6
Net income attributable to shareholders of E.ON AG	€2,278 million	€2,457 million	-7
Adjusted net income	€2,086 million	€1,801 million	+16
Economic investments	€1,902 million	€1,896 million	–
Cash provided by operating activities of continuing operations	€3,122 million	€2,886 million	+8
Economic net debt (March 31 and December 31)	-€43,877 million	-€44,665 million	+788[2]
Employees (March 31 and December 31)	88,580	88,227	–
Earnings per share attributable to shareholders of E.ON AG	€1.20	€1.29	-7
Weighted-average shares outstanding (in millions)	1,905	1,905	–

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

Glossary of Selected Financial Terms

Adjusted EBIT Adjusted earnings before interest and taxes. Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature.

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

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

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

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

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January 1 – March 31, 2010

- Adjusted EBIT up 20 percent year on year
- U.S. power and gas business sold
- 2010 forecast unchanged with adjusted EBIT expected up by 0 to 3 percent and adjusted net income at prior-year level

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Dear Shareholders,

E.ON started the year with a strong first quarter. Our adjusted EBIT of €3.7 billion and adjusted net income of €2.1 billion were both significantly higher. We stand by our forecast for our 2010 adjusted EBIT to increase slightly, by 0 to 3 percent, and for our adjusted net income to be at the prior-year level. In other words, in the current year E.ON will again be stable with some upside potential. The economic crisis isn't over. Our ability to post strong numbers and confirm our forecast in this environment demonstrates that we're on the right course. Volume and prices—across our European markets and all customer segments—remain significantly below pre-crisis levels despite the first signs of economic recovery. This is particularly true in the industrial segment and the gas wholesale business, which is under considerable pressure not only from the recession-driven drop in demand but also from a supply surplus on the spot market. We succeeded in negotiating with key suppliers to make a first round of adjustments to our long-term contracts to reflect the altered market situation. This gives us more flexibility in procurement and reduces our costs. From today's perspective, however, the gas market will continue to present us with challenges in the years ahead. In our power business, forward selling our production for this year and next year has enabled us to successfully offset the effects of the current weakness in wholesale prices. We owe our very good position in these tough times in part to our solid performance but also to our presence in all key European markets and all segments of the value chain.

Another factor is that we acted early in three areas: enhancing our performance, systematically reassessing the strategic value of our assets, and pursuing a disciplined investment strategy. PerformtoWin has enabled us, in accord with our employees, to identify—and to a large degree already implement—annual efficiency improvements totaling €1.5 billion by 2011. This isn't just about cutting costs but about doing things like improving our power and gas sales business in Germany, England, and Sweden, where we've reorganized our customer services. These kinds of measures pay off quickly. For example, a recent study shows that customer loyalty to E.ON has increased by 30 percent in Sweden in the wake of the reorganization.

We're also making good progress on our asset sales. The objectives are to generate at least €10 billion by the end of this year, streamline our portfolio, and improve our investment strength. By finding a buyer for E.ON U.S. the week before last, we'll now significantly surpass this objective. The $7.6 billion purchase price to be paid by Pennsylvania Power & Light Corporation is significantly above expectations. The sale will reduce our economic net debt by a total of €6 billion and give us valuable flexibility. Because while it's important to make it through the economic crisis in good shape, it's even more important to selectively invest today in tomorrow's earnings streams. That's why we'll invest €24 billion for the period 2010–2012 to do things like strengthening our generation fleet and reducing its carbon intensity (by building high-efficiency gas-fired and coal-fired generating units, wind farms, and solar farms) and expanding our natural gas production and our power and gas networks.

For E.ON to invest wisely, we need to accurately assess when is the moment to make big investments in what technologies (being a first mover isn't always a good idea) and to design sustainable business models for these technologies. Along with highly efficient power plants and networks and the operational excellence E.ON demonstrates every day, these are the most important success factors for meeting the challenges of the future.

As E.ON's new CEO, it's now my responsibility to ensure—for the good of the company, its employees, and above all you, our shareholders—that we understand these challenges, take them seriously, and act decisively to address them. E.ON is a strong, confident company, a company with a superb position in the European market, deep experience in all aspects of the energy business, and robust finances. In the weeks and months ahead, we'll be working to decide what objectives we want to set for the coming years and how to organize the company to achieve these objectives. I'll be telling you more about this later in the year.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

E.ON stock finished the first quarter of 2010 slightly below (-6 percent) its year-end closing price for 2009, thereby underperforming its peer index, the STOXX Utilities, which declined by 2 percent during the same period. The EURO STOXX 50 index was also lower (-1 percent), while the German DAX index rose slightly (+3 percent).

The stock-exchange trading volume of E.ON stock declined by about 10 percent year on year to €13.7 billion. The decline is mainly attributable to a 25-percent reduction in the number of shares traded relative to the prior-year period. E.ON was the DAX's fourth most-traded stock by volume in the first quarter of 2010. With a weighting of 9.6 percent as of March 31, 2010, E.ON stock was the second highest-weighted stock in the DAX.

In the United States, E.ON stock is traded over the counter in the form of American Depositary Receipts ("ADRs"). The conversion ratio between E.ON ADRs and E.ON stock is one to one.

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

E.ON Stock

	Mar. 31, 2010	Dec. 30, 2009
Shares outstanding (in millions)	1,905	1,905
Closing price (€)	27.34	29.23
Market capitalization (€ in billions)[1]	52.1	55.7

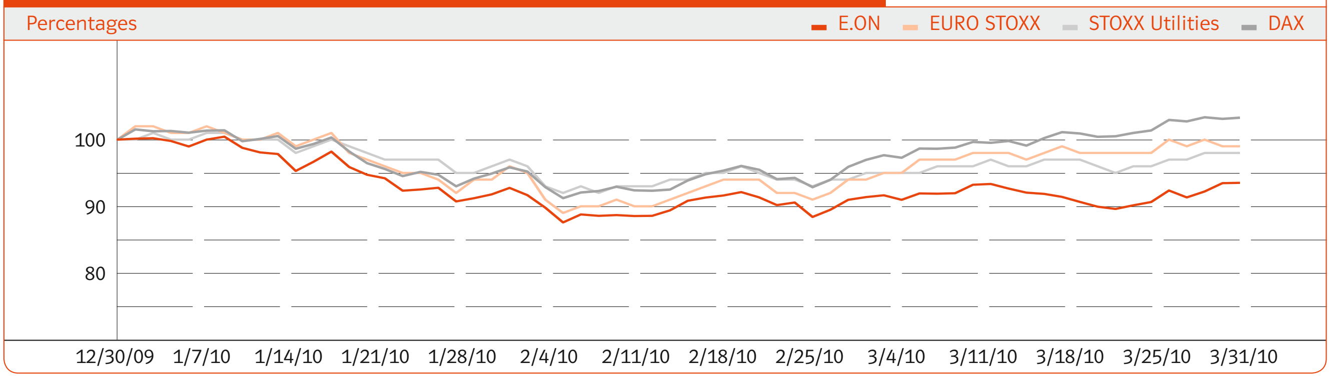
[1]Based on shares outstanding.

Performance and Trading Volume

January 1 – March 31	2010	2009
High (€)[1]	29.36	30.47
Low (€)[1]	25.60	18.19
Trading volume[2]		
Millions of shares	*508.0*	*679.9*
€ in billions	*13.7*	*15.2*

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

E.ON Stock Performance



Interim Group Management Report

Business and Operating Environment

Corporate Structure and Operations

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

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

Central Europe

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

Pan-European Gas

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

U.K.

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

Nordic

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

U.S. Midwest

E.ON U.S. operates primarily in the regulated energy market in Kentucky. Its operating companies are Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") whose activities encompass electric generation, transmission, distribution, and retail services. In addition, LG&E provides natural gas distribution services.

Energy Trading

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

New Markets

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

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

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

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

Corporate Center

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

Energy Industry

Germany consumed 1.4 percent more electricity in January 2010 and fully 5.1 percent more in February relative to the prior-year figures. January was the first month with a year-on-year increase in consumption since the onset of the recession. There were three main reasons: the economic recovery, low consumption in the prior year due to the recession, and an uncommonly cold and long winter. Germany also consumed more natural gas in the first two months of 2010 than in the corresponding prior-year months due to a partial recovery in demand from industrial customers.

Electricity consumption in England, Scotland, and Wales was 89 billion kWh in the first quarter of 2010 compared with 88 billion kWh in the first quarter of 2009. Gas consumption (excluding power stations) was 248 billion kWh in the first quarter of 2010 compared with 232 billion kWh in the first quarter of 2009. The increases were largely due to very cold weather in January and February partially offset by continuing energy-efficiency improvements.

The Nordic region consumed 118 billion kWh of electricity in the first quarter of 2010, about 6 billion kWh more than in the same period of 2009. Consumption was driven by very cold weather during the period. Net electricity imports to the Nordic region from surrounding countries were 6.7 billion kWh compared with imports of 0.5 billion kWh in the prior-year period. Net imports from Germany were 2.7 billion kWh (prior year: net exports of 2.4 billion kWh).

Electricity and gas consumption in the Midwestern United States increased by approximately 4 percent in the first quarter of 2010, due primarily to colder weather.

The Russian Federation generated 290 billion kWh of electricity in the first quarter of 2010, 6 percent more than in the prior-year period. Ongoing market liberalization and cold temperatures were the key drivers nationwide.

Italy consumed 80.9 billion kWh of electricity, an increase of 1.9 percent from the prior-year figure (2 percent if adjusted for differences in temperature and number of working days). Driven by the increase in consumption, domestic power production rose by 3.3 percent to 70.6 billion kWh. Italy's gas consumption rose by 8.3 percent year on year to 306.3 billion kWh; consumption was higher in all customer segments.

Peninsular electricity consumption in Spain was 68 billion kWh, 4.7 percent higher than in the prior-year quarter (2.8 percent higher if adjusted for differences in temperature and the number of working days). Retail gas consumption rose by 12.1 percent to 81 billion kWh.

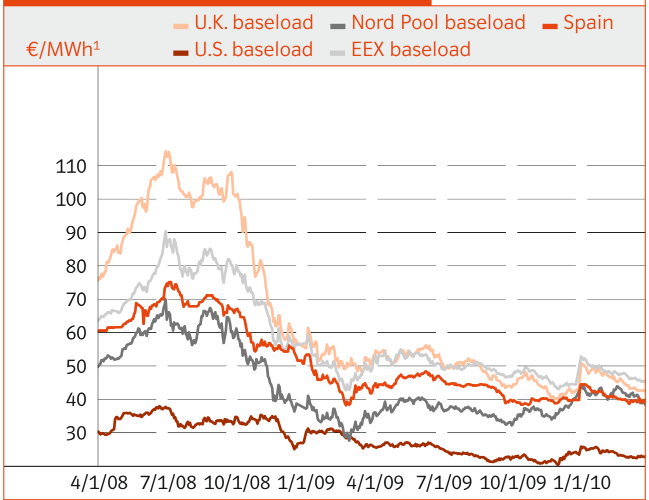
Energy Prices

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

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

Prices for electricity and commodities (except oil) moved lower in Europe. After a temporary decline in February, the price of Brent crude oil for next-month delivery rose to $82 per barrel by the end of March on the back of robust demand from non-OECD countries in Asia, positive economic indicators, and colder-than-average temperatures in North America and Europe. Natural gas and coal prices trended lower. Europe's wholesale gas market was affected by a global supply surplus despite a significantly colder winter, a supply bottleneck in Norway, and a slow recovery of demand in the wake of the recession. Gas prices at Europe's virtual trading points continued to be decoupled from the prices of gas-import contracts, which are indexed to oil prices. Coal prices were higher due to extreme winter weather at the start of the year. But after climbing to $100 per metric ton in January, the price of coal for next-year delivery fell, ending March at about $88. The decline was caused by increased production of favorably priced Chinese coal, sufficient coal inventories in Europe, and competition from natural gas, whose price was decreasing.

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



¹For next-year delivery.

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In Europe, prices for baseload electricity for 2011 delivery moved predominantly lower since the start of the year due to declining prices for coal and particularly for gas and due to sluggish economic growth. The German price for baseload electricity for 2011 delivery fell from about €53 per MWh at the start of January to about €46 at the end of March. U.K. prices showed a similar pattern. New generating capacity is expected to increase supply in the years ahead in both Germany and Britain.

Hydroelectricity accounts for a large share of Scandinavia's generation mix. As a result, Scandinavian electricity prices are influenced not only by factors typical in other Northwest European countries (like fuel and carbon costs and the macroeconomic situation) but also to a significant degree by hydrological balances. Through the end of March, hydrological balances reached very low levels. Low hydrological balances along with cold weather caused dramatic price spikes for spot electricity and in February supported prices for 2011 delivery, which then moved lower, finishing March at €39 per MWh, about €4 below the price at the start of the year.

Wholesale electricity markets in Italy and Spain are not yet as liquid as those in Northwestern Europe, although trading volume in the first quarter of 2010 was significantly higher than in the prior-year quarter. As in Northwestern Europe, electricity prices in Spain moved lower in the first quarter, albeit less sharply, and finished the quarter at €40 per MWh. In Italy, only the spot market for next-day delivery is sufficiently liquid to have information value; however, the share of forward electricity sales (for next-month and next-year delivery) is increasing. The monthly average price for baseload electricity for next-day delivery was around €63 per MWh in March, negligibly lower than the January average price, despite a slight increase in consumption.

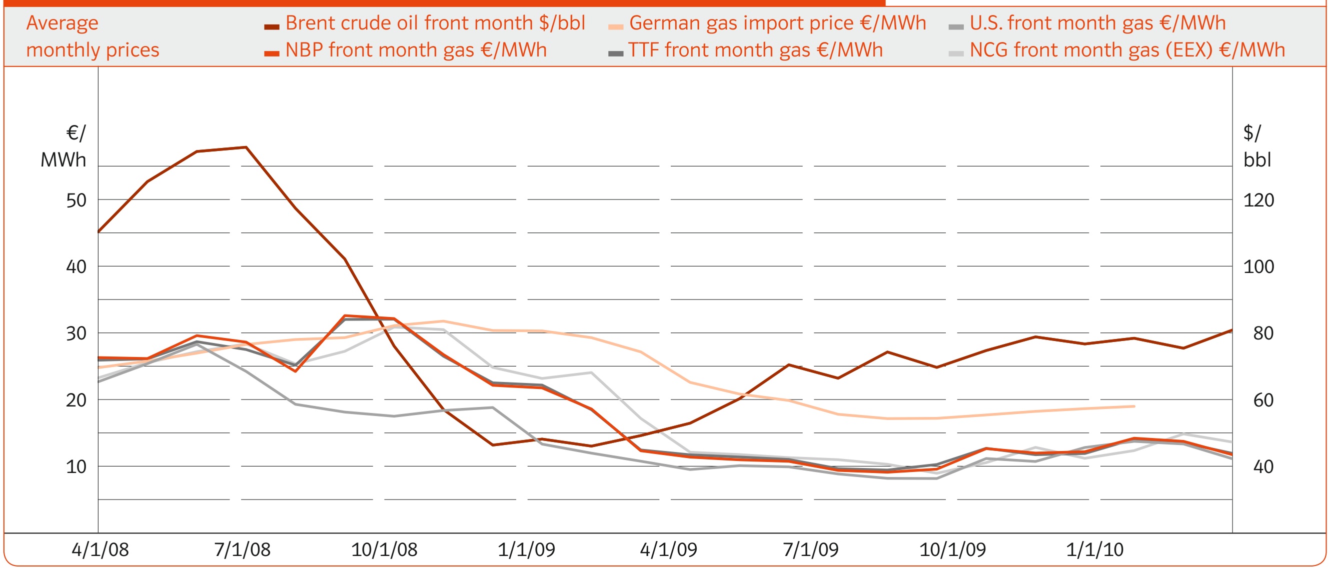
Prices for carbon allowances under the EU-wide Emissions Trading Scheme moved within a narrow range, staying close to €13 per metric ton. Neither weak economic growth nor the allocation of additional allowances in the United Kingdom and Germany had a noteworthy effect on prices. Industrial companies in particular withheld surplus allowances from the market prior to the announcement, in early April, of EU emission figures for 2009.

Carbon Allowance Price Movements in Europe

U.S. natural gas and wholesale electricity prices trended lower even though the economy picked up in the first quarter (leading to an increase of new orders for manufactured goods), with production returning to the level of the first quarter of 2008. The U.S. gas market saw a sufficient supply from domestic unconventional gas resources (such as shale gas) and from imported liquefied natural gas. Despite a slight increase in electricity demand, electricity prices were under pressure from excess supply and declining gas prices.

In the first quarter of 2010, the Russian electricity market was influenced by lower temperatures than in the prior-year quarter and a roughly 6-percent increase in electricity consumption, which led to higher prices, particularly in the Europe price zone. For the quarter as a whole, the weighted-average price of electricity was 812 rubles (around €19.70) per MWh in the Europe price zone and 482 rubles (around €11.70) in the Siberian price zone.

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



Power Procurement

The E.ON Group's owned generation fell by 2 percent, from 84.4 billion kWh in the first quarter of 2009 to 82.4 billion kWh in 2010. By contrast, power procured increased by 44 percent to 185.5 billion kWh.

The decline in Central Europe's owned generation is attributable to the disposal of power capacity in line with E.ON's commitment to the European Commission.

U.K. generated 8.8 billion kWh of electricity at its own power plants in the first quarter of 2010, about 17 percent less than in the first quarter of 2009 (10.6 billion kWh). The reduction is mainly attributable to lower market spreads which made our U.K. fleet less economic to operate.

Nordic's owned generation increased by 0.4 billion kWh, with the new CHP in Malmö adding 0.9 billion kWh. This increase was partially mitigated by a 0.5 billion kWh decrease in nuclear generation because Oskarshamn 3 did not enter service until March of this year after concluding a major overhaul and upgrade. It is undergoing operational testing and expected to reach full output by the end of May.

U.S. Midwest's owned generation was higher due to higher demand from residential customers due to colder weather.

The New Markets segment had owned generation of 22.8 billion kWh (prior year: 23.3 billion kWh). The breakdown is:

- Climate & Renewables 1.8 billion kWh (1.3 billion kWh)
- Russia 15.7 billion kWh (14.9 billion kWh)
- Italy 2.9 billion kWh (4.2 billion kWh)
- Spain 2.4 billion kWh (2.9 billion kWh).

Climate & Renewables' owned generation was 38 percent higher. Wind farms accounted for 98 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Power Procurement[1]

Jan. 1 – Mar. 31	Central Europe		U.K.		Nordic		U.S. Midwest		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Owned generation	35.6	36.3	8.8	10.6	6.7	6.3	8.5	7.9	–	–	22.8	23.3	–	–	82.4	84.4
Purchases	72.5	67.5	14.0	13.8	8.5	8.7	0.9	0.9	191.0	140.1	6.8	9.0	-108.2	-111.4	185.5	128.6
jointly owned power plants	*0.7*	*1.3*	*0.2*	*0.3*	*2.1*	*2.8*	–	–	–	–	–	–	–	–	*3.0*	*4.4*
Energy Trading/ outside sources	*71.8*	*66.2*	*13.8*	*13.5*	*6.4*	*5.9*	*0.9*	*0.9*	*191.0*	*140.1*	*6.8*	*9.0*	*-108.2*	*-111.4*	*182.5*	*124.2*
Total	**108.1**	**103.8**	**22.8**	**24.4**	**15.2**	**15.0**	**9.4**	**8.8**	**191.0**	**140.1**	**29.6**	**32.3**	**-108.2**	**-111.4**	**267.9**	**213.0**
Station use, line loss, etc.	-3.6	-4.0	-0.9	-1.4	-0.6	-0.6	-0.4	-0.5	–	–	-1.0	-1.0	–	–	-6.5	-7.5
Power sales	**104.5**	**99.8**	**21.9**	**23.0**	**14.6**	**14.4**	**9.0**	**8.3**	**191.0**	**140.1**	**28.6**	**31.3**	**-108.2**	**-111.4**	**261.4**	**205.5**

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

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Owned Generation by Energy Source[1]	Central Europe		U.K.		Nordic		U.S. Midwest		New Markets		E.ON Group	
Jan. 1 – Mar. 31, 2010	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	16.0	45	–	–	3.0	45	–	–	–	–	19.0	23
Lignite	1.4	4	–	–	–	–	–	–	3.1	14	4.5	5
Hard coal	11.8	33	4.1	47	–	–	8.3	98	1.5	7	25.7	32
Natural gas, oil	4.1	12	4.7	53	1.2	18	0.1	1	15.3	67	25.4	31
Hydro	1.1	3	–	–	2.1	31	0.1	1	1.1	4	4.4	5
Wind	–	–	–	–	–	–	–	–	1.8	8	1.8	2
Other	1.2	3	–	–	0.4	6	–	–	–	–	1.6	2
Total	**35.6**	**100**	**8.8**	**100**	**6.7**	**100**	**8.5**	**100**	**22.8**	**100**	**82.4**	**100**

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

The Russia market unit met about 94 percent of its total needs of 16.7 billion kWh with electricity from its own power plants. When it made business sense, Russia met its delivery obligations by purchasing electricity instead of producing it.

The Italy market unit met 2.9 billion kWh, or 43 percent, of its total needs of 6.8 billion kWh from its own power plants. The prior-year figure includes 0.8 billion kWh of generation from assets carved out to A2A effective the end of June 2009. Italy procured 3.5 billion kWh of power on the ancillary market and on the Italian Power Exchange. It purchased 0.4 billion kWh from E.ON Energy Trading S.p.A., mainly for sales activities.

The Spain market unit generated 62 percent of its total needs of 3.9 billion kWh with electricity from its own power plants. Owned generation declined by 0.5 billion kWh relative to the prior-year period; the decline was offset by an increase in power purchases.

Gas Procurement

E.ON Ruhrgas procured about 207 billion kWh of natural gas from producers in and outside Germany in the first quarter of 2010, about 26 percent more than in the prior-year period. The biggest suppliers were Russia (which accounted for 28 percent), Norway (25 percent), Germany (23 percent), and the Netherlands (21 percent).

Pan-European Gas's gas production in the North Sea declined by about 8 percent year on year to 351 million cubic meters. Liquid and condensates production of 1.2 million barrels was also lower. The main reason was a natural production decline at older fields which was not entirely offset by the very solid performance of Rita field, which began production last year. In addition to its North Sea production, Pan-European Gas had 1,707 million cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. Pan-European Gas's own gas production thus increased by more than 400 percent relative to the prior-year period.

Upstream Production			
January 1 – March 31	2010	2009	+/- %
Liquids/oil (million barrels)	1.2	1.5	-20
Gas (million standard cubic meters)	351.3	381.9	-8
Total (million barrels of oil equivalent)	**3.4**	**4.0**	**-15**

Trading Volume

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

Trading Volume		
January 1 – March 31	2010	2009
Power (billion kWh)	360	318
Gas (billion kWh)	292	347
Carbon allowances (million metric tons)	190	100
Oil (million metric tons)	23	18
Coal (million metric tons)	77	36

Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 27 percent, from 205.5 billion kWh in the first quarter of 2009 to 261.4 billion kWh in 2010.

Central Europe's power sales rose mainly due to procurement rights from nuclear power stations outside Germany obtained through asset swaps in line with E.ON's commitment to the European Commission. These rights were onward sold to Energy Trading.

U.K. sales to residential and small and medium-sized ("SME") customers increased by 1 percent. The increase in sales due to cold weather was largely offset by reduced customer numbers and energy-efficiency measures. Electricity sales to industrial and commercial ("I&C") customers rose significantly, largely as a result of successful sales rounds.

Nordic sold 0.2 billion kWh more electricity, mainly due to colder weather in 2010. Sales to retail customers increased by 1.1 billion kWh, while sales to I&C customers, sales partners (including minority shareholders of nuclear power plants), and Energy Trading declined.

U.S. Midwest's utility power sales volumes were higher due to colder weather and improved economic conditions.

Power Sales[1]

Jan. 1 – Mar. 31 Billion kWh	Central Europe 2010	Central Europe 2009	U.K. 2010	U.K. 2009	Nordic 2010	Nordic 2009	U.S. Midwest 2010	U.S. Midwest 2009	Energy Trading 2010	Energy Trading 2009	New Markets 2010	New Markets 2009	Consolidation 2010	Consolidation 2009	E.ON Group 2010	E.ON Group 2009
Residential and SME	13.6	13.8	8.3	8.2	2.8	1.7	4.2	3.3	–	–	1.8	0.7	–	–	30.7	27.7
I&C	19.2	18.9	4.7	4.0	3.2	3.7	3.2	3.5	–	–	3.1	2.5	–	–	33.4	32.6
Sales partners	39.2	34.5	–	–	1.4	1.7	1.3	1.2	–	–	0.7	1.8	–	–	42.6	39.2
Wholesale market/ Energy Trading	32.5	32.6	8.9	10.8	7.2	7.3	0.3	0.3	191.0	140.1	23.0	26.3	-108.2	-111.4	154.7	106.0
Total	**104.5**	**99.8**	**21.9**	**23.0**	**14.6**	**14.4**	**9.0**	**8.3**	**191.0**	**140.1**	**28.6**	**31.3**	**-108.2**	**-111.4**	**261.4**	**205.5**

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

The New Markets segment sold 28.6 billion kWh (prior year: 31.3 billion kWh) of electricity. The breakdown is:

- Climate & Renewables 2.2 billion kWh (1.6 billion kWh)
- Russia 16.2 billion kWh (15.4 billion kWh)
- Italy 6.7 billion kWh (10.8 billion kWh)
- Spain 3.5 billion kWh (3.5 billion kWh).

Climate & Renewables sold its power exclusively in non-regulated markets. Its power sales rose by 38 percent, mainly due to an increase in owned generation. Its prorated attributable generating capacity at the end of March 2010 was 2,968 MW compared with 2,265 MW at the end of March 2009.

The Russia market unit's electricity sales on the wholesale market rose by 5 percent to 16.2 billion kWh, mainly due to cold weather.

The carve-out of assets to A2A was the main reason for the decline in Italy's power sales, which had the following breakdown by customer segment: 1.1 billion kWh to residential and SME customers, 2.1 billion kWh to I&C customers, 0.5 billion kWh to sales partners, 2.7 billion kWh to the wholesale market, and 0.3 billion kWh to E.ON Energy Trading S.p.A.

Spain's power sales were in line with the prior-year figure. Spain sold more power to residential and SME customers, but less to the wholesale market.

Gas Sales

On a consolidated basis, the E.ON Group's natural gas sales rose by about 116.4 billion kWh relative to the prior-year figure.

Gas Sales[1]

January 1 – March 31 Billion kWh	2010	2009	+/- %
Regional/municipal gas companies	141.8	132.4	+7
Industrial customers	27.5	19.0	+45
Outside Germany	51.8	40.3	+29
E.ON Ruhrgas AG sales	**221.1**	**191.7**	**+15**
Sales of other shareholdings	45.8	58.8	-22
Pan-European Gas internal sales	-21.8	-15.8	–
Pan-European Gas sales	**245.1**	**234.7**	**+4**
thereof intragroup sales	*-71.1*	*-53.5*	–
Other market units	297.5	173.9	+71
E.ON Group	**471.5**	**355.1**	**+33**

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

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

Pan-European Gas sold 10 billion kWh, or 4 percent, more natural gas than in the prior-year period. E.ON Ruhrgas sold about 29 billion kWh more gas. The increase in sales volume had the following main drivers. The beginning of economic recovery had a positive effect on gas demand from industrial customers which E.ON Ruhrgas supplies indirectly through resellers (regional gas companies and municipal utilities). Cold weather also had a positive impact on sales in the reseller segment, which accounted for about 30 percent of the increase in E.ON Ruhrgas's sales volume. Economic recovery also led an increase in sales to industrial customers supplied directly by E.ON Ruhrgas; this segment was also responsible for 30 percent of the increase in sales volume. Higher sales to customers outside Germany was responsible for about 40 percent of the increase. Additional amounts were supplied to customers in Sweden, Austria, and Switzerland. An increase in short-term trading with Energy Trading was a further positive factor. About 64 percent of total gas sales went to regional gas companies and municipal utilities, 12 percent to directly supplied industrial customers, and 24 percent to customers outside Germany. Gas sales of other shareholdings were lower primarily due to a competition-driven decline in sales volume at E.ON Földgáz Trade and from the absence of sales by the Thüga Group, which was sold in the fourth quarter of 2009.

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

Nordic's gas sales were 7 percent below the prior-year figure, mainly due to lower sales to I&C customers and the wholesale market. Heat sales of 3.7 billion kWh were up 19 percent from the prior-year figure of 3.1 billion kWh, mainly due to colder weather.

U.S. Midwest's gas sales increased as a result of colder weather.

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

Jan. 1 – Mar. 31	Central Europe		U.K.		Nordic		U.S. Midwest		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Residential and SME	31.6	28.5	24.6	22.6	0.1	–	3.4	2.9	–	–	5.0	6.9	–	–	64.7	60.9
I&C	24.1	22.9	5.6	6.6	1.2	1.3	1.7	1.6	–	–	0.9	4.0	–	–	33.5	36.4
Sales partners	10.1	10.3	–	–	–	–	1.1	1.0	–	–	0.5	1.3	–	–	11.7	12.6
Wholesale market/ Energy Trading	1.1	0.8	–	–	0.1	0.2	–	–	258.3	196.8	0.8	–	-72.7	-133.8	187.6	64.0
Total	**66.9**	**62.5**	**30.2**	**29.2**	**1.4**	**1.5**	**6.2**	**5.5**	**258.3**	**196.8**	**7.2**	**12.2**	**-72.7**	**-133.8**	**297.5**	**173.9**

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

In the New Markets segment, Italy sold a total of 7.2 billion kWh of natural gas (prior year: 12.2 billion kWh): 5 billion kWh to residential customers and SME, 0.9 billion kWh to I&C customers, 0.5 billion kWh to sales partners, and 0.8 billion kWh to the wholesale market. Gas sales volume declined primarily due to lower demand from I&C customers.

Earnings Situation

Sales

Our first-quarter sales were at the prior-year level. Sales were lower at nearly all market units; overall, however, external sales were higher. Currency-translation effects and higher prices at Nordic also had a positive effect.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Central Europe	11,943	12,279	-3
Pan-European Gas	6,269	8,560	-27
U.K.	3,128	3,214	-3
Nordic	1,336	1,015	+32
U.S. Midwest	543	586	-7
Energy Trading	12,900	15,556	-17
New Markets	1,671	2,166	-23
Corporate Center	-11,563	-17,441	–
Total	**26,227**	**25,935**	**+1**

Central Europe

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

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Central Europe West	10,911	11,646	-6
Regulated	*3,234*	*3,174*	*+2*
Non-regulated	*7,677*	*8,472*	*-9*
Central Europe East	1,802	1,696	+6
Other/Consolidation	-770	-1,063	+28
Central Europe	**11,943**	**12,279**	**-3**

Central Europe West Regulated's sales were up €0.1 billion, mainly due to a regulation-driven increase in network charges. This more than offset the reduction in sales resulting from the disposal of our ultrahigh-voltage transmission system in late February 2010.

Central Europe West Non-regulated's sales declined by €0.8 billion, primarily due to lower gas prices. Sales were also reduced by the disposal of power capacity in line with E.ON's commitment to the European Commission. This effect was offset by the additional marketing of electricity from procurement rights from nuclear power stations outside Germany obtained in these transactions and by the commissioning of new generating units.

Central Europe East's sales rose by €0.1 billion to €1.8 billion, mainly due to the inclusion of gas companies in the Czech Republic.

Sales reported under Other/Consolidation increased by €0.3 billion, primarily due to a reduction in intrasegment consolidation effects.

Pan-European Gas

Pan-European Gas's sales declined by 27 percent to €6.3 billion (prior year: €8.6 billion).

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Regulated	1,294	1,909	-32
Non-regulated	5,649	7,113	-21
Other/Consolidation	-674	-462	-46
Pan-European Gas	**6,269**	**8,560**	**-27**

Regulated's sales fell by €615 million, or 32 percent. Volume and price effects in particular reduced sales at E.ON Földgáz Trade. By contrast, the transport business posted higher sales due to an increase in sales of control and balancing energy; this effect was partially mitigated by a reduction in sales for transport services following the introduction of cost-based charges.

Non-regulated's sales declined by €1,464 million, or 21 percent. Despite higher sales volume, sales at the gas wholesale business were down considerably due to lower prices. Upstream sales were markedly higher owing to the inclusion of Yuzhno Russkoye gas field. Upstream sales in England and Norway declined on lower volume.

U.K.

U.K.'s sales decreased by €86 million in reporting currency and by 5 percent in local currency.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Regulated	197	184	+7
Non-regulated	2,972	3,070	-3
Other/Consolidation	-41	-40	–
U.K.	**3,128**	**3,214**	**-3**
£ in millions			
Regulated	175	168	+4
Non-regulated	2,638	2,790	-5
Other/Consolidation	-36	-37	–
U.K.	**2,777**	**2,921**	**-5**

Regulated's sales increased by €13 million to €197 million due to higher volumes, increased tariffs, and currency movements (+€5 million).

Non-regulated's sales fell by €98 million to €2,972 million; currency movements accounted for €68 million of the decline. Sales in local currency were lower as a result of retail price reductions (which are offset by higher revenues relating to the colder weather in the first quarter of 2010) and lower generation revenues on lower volumes and market prices.

Nordic

Nordic's sales increased by €321 million, or 32 percent. In local currency, sales were up by 20 percent.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Regulated	269	198	+36
Non-regulated	1,048	799	+31
Other/Consolidation	19	18	+6
Nordic	**1,336**	**1,015**	**+32**
SEK in millions			
Regulated	2,672	2,161	+24
Non-regulated	10,420	8,747	+19
Other/Consolidation	201	195	+3
Nordic	**13,293**	**11,103**	**+20**

Regulated's sales increased by €71 million to €269 million primarily due to higher average tariffs and positive currency-translation effects.

Non-regulated's sales increased by €249 million mainly due to higher retail market prices and positive currency-translation effects. The increase was partly offset by lower sales volumes in the nuclear business due to the late restart of Oskarshamn 3.

U.S. Midwest

U.S. Midwest's sales were consistent with the prior-year figure in local currency but lower in reporting currency due to negative currency-translation effects.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Regulated	543	576	-6
Non-regulated/Other	–	10	–
U.S. Midwest	**543**	**586**	**-7**
$ in millions			
Regulated	750	751	–
Non-regulated/Other	–	13	–
U.S. Midwest	**750**	**764**	**-2**

Energy Trading

Energy Trading recorded sales of about €13 billion in the first quarter of 2010. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. The decline resulted mainly from lower short-term prices affecting to the Group's retail business.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Proprietary trading	17	74	-77
Optimization	12,883	15,482	-17
Energy Trading	**12,900**	**15,556**	**-17**

New Markets

Sales in this segment declined by 23 percent to €1,671 million.

Sales January 1 – March 31 € in millions	2010	2009	+/- %
Climate & Renewables	144	111	+30
Russia	343	244	+41
Million rubles	*14,103*	*10,826*	*+30*
Italy	869	1,478	-41
Spain	315	333	-5
New Markets	**1,671**	**2,166**	**-23**

Climate & Renewables' sales increased by 30 percent. The main factors were a significant increase in installed capacity, predominantly in the United States, and a fully operational portfolio in Italy in the current-year period; these effects were mitigated by lower prices, particularly in Europe.

Russia's sales rose by 41 percent year on year due to higher electricity prices, the further liberalization of the electricity market, and lower temperatures in the first quarter of 2010. The ruble's appreciation was another positive factor.

The decrease in Italy's sales resulted in particular from lower sales volumes and market prices. Another factor was that the prior-year figure included €52 million in sales from assets carved out to A2A at the end of June 2009.

Spain's sales declined by 5 percent as a result of lower price levels.

Corporate Center

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

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

Own work capitalized increased by 28 percent, or €21 million, to €97 million (prior year: €76 million).

Other operating income declined by 22 percent to €5,245 million (prior year: €6,751 million). Lower income from exchange-rate differences of €1,798 million (prior year: €3,802 million) and on derivative financial instruments of €2,395 million (prior year: €2,609 million) were the main negative factors. In derivative financial instruments, there were significant effects from commodity derivatives in the prior-year period. These principally affected our coal, oil, and natural gas position. Countervailing effects are recorded under other operating expenses. Gains on the disposal of securities, shareholdings, and fixed assets—primarily through the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission—amounted to €733 million (prior year: €105 million). Miscellaneous other operating income consisted primarily of reductions of valuation allowances, rental and leasing income, the sale of scrap metal and materials, and compensation payments received for damages.

Costs of materials declined by €96 million to €19,961 million (prior year: €20,057 million), primarily due to lower gas procurement costs.

Personnel costs increased by €84 million to €1,354 million.

Depreciation charges rose to €1,818 million (prior year: €875 million). The main reason was an impairment charge on goodwill at U.S. Midwest in conjunction with the sale of our U.S. power and gas business.

Other operating expenses declined by 32 percent, or €2,080 million, to €4,489 million (prior year: €6,569 million). This is mainly attributable to lower expenses relating to currency differences of €1,428 million (prior year: €3,760 million). By contrast, expenses relating to derivative financial instruments increased to €2,097 million (prior year: €1,501 million).

Interim Group Management Report

Income from companies accounted for under the equity method was €181 million compared with €270 million in the year-earlier period. The decline is primarily attributable to the absence of income from Thüga shareholdings. We sold the Thüga Group in the fourth quarter of 2009.

Adjusted EBIT

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss from continuing operations before interest and taxes and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals and other non-operating income and expenses of a non-recurring or rare nature (see commentary in Note 13 to the Condensed Consolidated Interim Financial Statements).

Our adjusted EBIT in the first quarter of 2010 was €609 million above the prior-year figure. The main drivers were:

- better retail margins, colder weather, and operating improvements at U.K.
- wider margins at Energy Trading
- an increase in generating capacity at Climate & Renewables and better margins at Russia and Spain.

Adjusted EBIT

January 1 – March 31 € in millions	2010	2009	+/- %
Central Europe	1,638	1,651	-1
Pan-European Gas	713	824	-13
U.K.	433	75	+477
Nordic	234	223	+5
U.S. Midwest	129	133	-3
Energy Trading	348	107	+225
New Markets	246	159	+55
Corporate Center	-32	-72	–
Total	**3,709**	**3,100**	**+20**

Central Europe

Central Europe's adjusted EBIT declined by €13 million.

Central Europe

January 1 – March 31 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Central Europe West	1,710	1,774	1,429	1,494
Regulated	*649*	*563*	*492*	*406*
Non-regulated	*1,061*	*1,211*	*937*	*1,088*
Central Europe East	312	204	239	141
Other/Consolidation	8	43	-30	16
Total	**2,030**	**2,021**	**1,638**	**1,651**

Central Europe West Regulated's adjusted EBIT was adversely affected by the disposal of our ultrahigh-voltage transmission system in late February 2010. This was more than offset, in particular by a regulation-driven increase in power and gas network charges. Adjusted EBIT rose by €86 million from the prior-year figure (€406 million).

Central Europe West Non-regulated's adjusted EBIT declined by €151 million. The absence of earnings streams due to the disposal of power capacity and narrower margins in the gas business were not entirely offset by the main positive effects, which were efficiency improvements and the commissioning of new generating units.

Central Europe East's sales rose by €98 million. The increase resulted from a positive earnings performance (primarily in Hungary), the inclusion of gas companies in the Czech Republic, less adverse impact from the recession, and positive currency-translation effects.

Pan-European Gas

Pan-European Gas's adjusted EBIT declined by €111 million, or 13 percent, to €713 million.

Pan-European Gas

January 1 – March 31 € in millions	Adjusted EBITDA		Adjusted EBIT	
	2010	2009	2010	2009
Regulated	228	295	193	257
Non-regulated	615	542	522	488
Other/Consolidation	-2	89	-2	79
Total	**841**	**926**	**713**	**824**

Regulated's adjusted EBIT declined by €64 million, or 25 percent, to €193 million. This resulted primarily from lower earnings at E.ON Ruhrgas International, mainly due to lower earnings from companies accounted for under the equity method. This was slightly offset by improved earnings at E.ON Földgáz Trade. In the prior-year period, an increase in procurement prices resulting from higher oil prices and a weak Hungarian forint could not be fully passed through to sales markets. Furthermore, regulatory compensation payments in 2010 for losses in earlier periods had a positive impact on earnings. Earnings at the transport business were down, mainly due to the application of cost-based charges effective October 1, 2009.

Non-regulated's adjusted EBIT improved by €34 million, or 7 percent. Earnings at E.ON Ruhrgas's gas wholesale business were at the prior-year level, mainly due to higher gas sales volume. They were adversely affected by competitive pressure on sales prices and lower earnings from storage usage. Compared with the prior-year period, less gas was withdrawn from storage, and the spread between purchase prices and withdrawal prices was less favorable. Upstream adjusted EBIT was slightly higher, mainly due to the inclusion of Yuzhno Russkoye gas field. A primarily volume-driven decline in earnings in England and Norway adversely affected upstream earnings.

Adjusted EBIT recorded under Other/Consolidation declined by €81 million, primarily due to the absence of earnings streams from the Thüga Group, which was sold in late 2009.

U.K.

U.K.'s adjusted EBIT increased by €358 million.

U.K.				
January 1 – March 31	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	153	138	123	108
Non-regulated	410	53	330	-28
Other/Consolidation	-18	-3	-20	-5
Total	**545**	**188**	**433**	**75**
£ in millions				
Regulated	136	126	109	98
Non-regulated	364	48	293	-25
Other/Consolidation	-17	-3	-18	-4
Total	**483**	**171**	**384**	**69**

Regulated's adjusted EBIT increased by €15 million due to higher volumes and tariffs.

Non-regulated's adjusted EBIT increased by €358 million, predominantly due to significantly improved margins in the retail business compared with the exceptionally narrow margins of the prior-year quarter (this positive effect is not expected to continue in this magnitude for the remainder of the year), the impact of the colder weather, and efficiency improvements.

Nordic

Nordic's adjusted EBIT in reporting currency increased by €11 million, or 5 percent. In local currency, it was down by 4 percent.

Nordic				
January 1 – March 31	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	126	93	95	67
Non-regulated	190	199	137	161
Other/Consolidation	10	2	2	-5
Total	**326**	**294**	**234**	**223**
SEK in millions				
Regulated	1,256	1,021	948	728
Non-regulated	1,892	2,174	1,365	1,762
Other/Consolidation	93	23	17	-55
Total	**3,241**	**3,218**	**2,330**	**2,435**

Regulated's adjusted EBIT rose by €28 million, or 42 percent, due primarily to a weather-driven increase in sales volume and higher tariffs. Power distribution tariffs were increased effective January 1 to cover higher costs of other system operators (particularly Svenska Kraftnät) and substantial investments in supply security. Currency-translation effects constituted another positive factor.

Non-regulated's adjusted EBIT declined by €24 million, or 15 percent, due to lower nuclear generation. The decline was partly offset by higher average prices for hydropower sales, increased heat production, and the deployment of reserve power plants during particularly cold weather. In local currency, adjusted EBIT was down by SEK 397 million, or 23 percent.

U.S. Midwest

U.S. Midwest's adjusted EBIT decreased by €4 million, or 3 percent, due to negative currency-translation effects. Adjusted EBIT in local currency was slightly higher due to higher electric and gas margins resulting from regulatory cost-recovery mechanisms and to colder weather.

U.S. Midwest January 1 – March 31 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Regulated	174	179	132	136
Non-regulated/Other	-3	-2	-3	-3
Total	**171**	**177**	**129**	**133**
$ in millions				
Regulated	241	233	183	177
Non-regulated/Other	-5	-3	-5	-4
Total	**236**	**230**	**178**	**173**

Energy Trading

Energy Trading recorded an adjusted EBIT of €348 million in the first quarter of 2010. Optimization, whose main purpose is to limit risks and optimize the deployment of the E.ON Group's generation and production assets, contributed €350 million due to wider margins. Proprietary Trading recorded a loss of €2 million. Its earnings performance was adversely affected by volatile and challenging market developments.

Energy Trading January 1 – March 31 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Proprietary Trading	-2	54	-2	53
Optimization	352	55	350	54
Total	**350**	**109**	**348**	**107**

New Markets

Adjusted EBIT in this segment rose by 55 percent to €246 million.

New Markets January 1 – March 31 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Climate & Renewables	110	58	64	22
Russia	99	55	74	29
Million rubles	*4,089*	*2,444*	*3,022*	*1,291*
Italy	113	136	52	72
Spain	85	60	56	36
Total	**407**	**309**	**246**	**159**

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

Russia's adjusted EBIT rose by €45 million to €74 million, mainly due to an improved energy margin.

Italy's adjusted EBIT declined by 28 percent to €52 million, primarily due to the carve-out of assets to A2A at the end of June 2009.

Spain posted an adjusted EBIT of €56 million, of which €39 million came from its generation and €17 million from its distribution businesses. Wider margins constituted the main positive factor in both businesses.

Net Income

Net income attributable to shareholders of E.ON AG of €2.3 billion and corresponding earnings per share of €1.20 were both down by 7 percent (prior year: €2.5 billion and €1.29).

Net Income January 1 – March 31 € in millions	2010	2009	+/- %
Adjusted EBIT	**3,709**	**3,100**	**+20**
Adjusted interest expense (net)	-555	-606	–
Net book gains/losses	666	-10	–
Restructuring and cost-management expenses	-127	-86	–
Other non-operating earnings	-76	1,108	–
Income/loss from continuing operations before income taxes	**3,617**	**3,506**	**+3**
Income taxes	-1,171	-883	–
Income/loss from continuing operations	**2,446**	**2,623**	**-7**
Income/loss from discontinued operations, net	-1	-26	–
Net income	**2,445**	**2,597**	**-6**
Shareholders of E.ON AG	*2,278*	*2,457*	*-7*
Minority interests	*167*	*140*	*+19*

Compared with the prior-year figure, adjusted interest expense (net) declined by €51 million, due mainly to the positive development of our net financial position and higher construction-phase interest which is capitalized with the investments.

Adjusted Interest Expense (Net)		
January 1 – March 31 € in millions	2010	2009
Interest expense shown in Consolidated Statements of Income	-528	-625
Interest income (-)/expense (+) not affecting net income	-27	19
Total	**-555**	**-606**

Net book gains in the first quarter of 2010 were €676 million above the prior-year level. This is mainly attributable to the sale of power capacity and our ultrahigh-voltage transmission system in line with our commitment to the European Commission.

Restructuring and cost-management expenses rose by about €41 million. As in the prior-year period, a significant portion of these expenses resulted from restructuring measures at our regional utilities in Germany and from the continued implementation of the changes to the E.ON Group's organizational structure decided on in 2008. In addition, our PerformtoWin project led to higher expenses than in the prior-year period.

Other non-operating earnings primarily reflect the marking to market of derivatives used to protect our operating business from price fluctuations. At March 31, 2010, the marking to market of derivatives resulted in a positive effect of about €0.8 billion compared with about €1.5 billion at March 31, 2009. In addition, we recorded an impairment charge of €0.9 billion on goodwill at the U.S. Midwest market unit in conjunction with the disposal of our U.S. power and gas business. Other non-operating earnings in the prior-year period were adversely affected by write-downs on securities and financial investments as well as costs relating to a storm in Kentucky at the start of 2009.

The €288 million increase in our tax expense compared with the first quarter of 2009 is mainly attributable to the fact that the impairment charge on goodwill at U.S. Midwest does not result in tax relief and to a reduction in tax-free earnings. Our effective tax rate therefore rose from 25 percent in the prior-year period to 32 percent.

Income/loss from discontinued operations, net, consists of Western Kentucky Energy, which was sold in 2009. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see Note 5 to the Consolidated Financial Statements).

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 – March 31 € in millions	2010	2009	+/- %
Net income attributable to shareholders of E.ON AG	2,278	2,457	-7
Net book gains/losses	-666	10	–
Restructuring and cost-management expenses	127	86	–
Other non-operating earnings	76	-1,108	–
Taxes and minority interests on non-operating earnings	279	339	–
Special tax effects	-9	-9	–
Income/loss from discontinued operations, net	1	26	–
Total	**2,086**	**1,801**	**+16**

Financial Condition

Cash-Effective and Economic Investments

Our cash-effective investments declined to €1.8 billion in the first quarter of 2010. We invested €1.7 billion in property, plant, and equipment and intangible assets (prior year: €1.8 billion). Share investments totaled €40 million versus €68 million in the prior-year period.

Cash-Effective Investments January 1 – March 31 € in millions	2010	2009	+/- %
Central Europe	731	553	+32
Pan-European Gas	190	309	-39
U.K.	196	174	+13
Nordic	138	175	-21
U.S. Midwest	77	139	-45
Energy Trading	2	1	+100
New Markets	412	505	-18
Corporate Center	9	40	-78
Total	**1,755**	**1,896**	**-7**

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

Economic Investments January 1 – March 31 € in millions	2010	2009
Cash-effective investments	1,755	1,896
Debt acquired	–	–
Asset swaps	147	–
Total	**1,902**	**1,896**

Central Europe invested €178 million more in the first quarter of 2010 than in the prior-year period. Investments in property, plant, and equipment and in intangible assets rose by €204 million to €711 million. Central Europe's investments included €532 million for power generation assets. The increase of €184 million relative to the prior-year period resulted primarily from higher expenditures for the Malzenice and Gönyü power plant projects. Investments in network assets of €127 million were up slightly. Share investments of €20 million were €26 million below the prior-year figure (€46 million).

Pan-European Gas invested €190 million. Of this figure, €185 million (prior year: €301 million) went towards property, plant, and equipment and intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €5 million were consistent with the prior-year level (€8 million).

U.K. invested €196 million (prior year: €174 million) in property, plant, and equipment and intangible assets. U.K.'s expenditure mainly related to investments in its generation fleet (including the construction of Grain gas-fired CHP plant) and in its distribution network.

Nordic invested €37 million less. It invested €136 million (prior year: €173 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize its distribution network. Share investments of €2 million were consistent with the prior-year level.

U.S. Midwest's investments were lower than the prior year due to completion of flue-gas desulfurization ("FGD") at Ghent 3 (March 2009), lower spending on FGD at Brown, and lower spending on the new generating unit at Trimble County.

The New Markets segment invested about €412 million (prior-year: €505 million). Climate & Renewables invested €105 million, less than in the prior-year period (€353 million). The decline is due to timing effects related to large payments for U.S. projects in the first quarter of 2009. Russia invested €156 million (€61 million), mainly in its new-build program. Italy's investments of €21 million (€27 million) related mainly to the retrofit of Terni hydroelectric station and to distribution grid maintenance. Spain's investments of €130 million (€64 million) mainly reflected expenditure on the CCGT under construction in Algeciras.

Cash Flow and Financial Condition

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

Our cash provided by operating activities rose by 8 percent, from €2.9 billion in the prior-year period to €3.1 billion. The main positive factors were cash-effective items in our adjusted EBITDA, other positive working-capital effects, cash grants for wind farms in the United States, and the absence in the current year of costs relating to a storm in Kentucky in early 2009. The main negative factors were effects from gas storage usage, less income from the sale of carbon allowances, and higher interest payments relating to the financing of our investment program.

Cash Provided by Operating Activities of Continuing Operations

January 1 – March 31 € in millions	2010	2009	+/-
Cash provided by operating activities of continuing operations	**3,122**	**2,886**	**+236**
Maintenance investments	176	269	-93
Growth and replacement investments, acquisitions, other	1,579	1,627	-48
Cash-effective effects from disposals	1,034	31	+1,003

Cash provided by investing activities amounted to -€950 million in the first quarter of 2010 (prior year: -€1,998 million). The reduction in net expenditures compared with the prior-year period is mainly attributable to disposals in the generation and network areas.

Cash provided by financing activities of -€898 million (prior year: €1,892 million) in the first quarter of 2010 primarily reflects the repayment of bonds and payments to minority shareholders. The positive prior-year figure was attributable to the issue of new bonds.

Our economic net debt at March 31, 2010, of -€43,877 million was €788 million lower than the figure at December 31, 2009 (-€44,665 million). In the first quarter of 2010, our strong cash provided by operating activities and the disposal proceeds for transpower exceeded our significant investments in property, plant, and equipment.

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

Economic Net Debt

€ in millions	Mar. 31, 2010	Dec. 31, 2009
Liquid funds	7,564	6,116
Non-current securities	3,747	3,670
Total liquid funds and non-current securities	**11,311**	**9,786**
Financial liabilities to banks and third parties	-35,661	-35,579
Financial liabilities to Group companies	-2,245	-2,198
Total financial liabilities	**-37,906**	**-37,777**
Net financial position	**-26,595**	**-27,991**
Fair value (net) of currency derivatives used for financing transactions[1]	-165	-6
Provisions for pensions	-3,250	-2,884
Asset retirement obligations	-15,210	-15,050
Less prepayments to Swedish nuclear fund	1,343	1,266
Economic net debt	**-43,877**	**-44,665**

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

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

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A2. The short-term ratings are A-1 (S&P) and P-1 (Moody's). The ratings assigned by both agencies thus correspond to E.ON's target rating. Both S&P and Moody's confirmed their long-term and short-term ratings for E.ON, all with a stable outlook, in December 2009 and April 2010, respectively.

Asset Situation

Non-current assets as of March 31, 2010, rose by 3 percent compared with the figure at year-end 2009, mainly due to investments in property, plant, and equipment.

Current assets rose by 9 percent from year-end 2009. The main factor was a seasonal increase in current receivables and other operating assets.

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

Non-current liabilities increased by about €2 billion, or 3 percent, to about €73 billion, primarily due to higher deferred taxes and additions to non-current provisions.

Current liabilities rose by 5 percent from year-end 2009, chiefly due to a seasonal increase in operating liabilities in the first quarter.

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 40 percent (December 31, 2009: 39 percent).
- Non-current assets are covered by long-term capital at 103 percent (December 31, 2009: 102 percent).

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

Consolidated Assets, Liabilities, and Equity

€ in millions	Mar. 31, 2010	%	Dec. 31, 2009	%
Non-current assets	116,530	73	113,028	74
Current assets	43,304	27	39,568	26
Total assets	**159,834**	**100**	**152,596**	**100**
Equity	47,064	29	43,971	29
Non-current liabilities	73,112	46	70,772	46
Current liabilities	39,658	25	37,853	25
Total equity and liabilities	**159,834**	**100**	**152,596**	**100**

Employees

As of March 31, 2010, the E.ON Group had 88,580 employees worldwide, nearly unchanged from year-end 2009. E.ON also had 2,075 apprentices and 333 board members and managing directors.

As of the same date, 53,370 employees, or 60 percent of all staff, were working outside Germany, also nearly unchanged from year-end 2009.

Employees[1]

	Mar. 31, 2010	Dec. 31, 2009	+/- %
Central Europe	48,314	48,126	-
Pan-European Gas	3,152	3,143	-
U.K.	16,040	16,098	-
Nordic	5,552	5,570	-
U.S. Midwest	3,114	3,119	-
Energy Trading	1,082	1,075	+1
New Markets	8,295	7,976	+4
Corporate Center[2]	3,031	3,120	-3
Total	**88,580**	**88,227**	**-**

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

The number of employees at our market units remained largely stable in the first quarter of 2010. Central Europe gained employees in the Czech Republic and Hungary due to the inclusion of new subsidiaries and lost employees in Germany due to the sale of its ultrahigh-voltage transmission system; on balance, its workforce increased slightly to 48,314 employees. The inclusion of a new gas company at Spain increased New Markets' workforce by 4 percent.

Risk Situation

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

Our market units operate in an international market environment that is characterized by general risks relating to the business cycle. In connection with the current economic crisis, E.ON faces risks from declining demand, primarily from industrial and commercial customers who, increasingly, are cutting their production and may cut it further. This could result in us being unable to sell energy we have already procured. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. E.ON Ruhrgas also faces risks associated with increased competitive pressure in the gas sector.

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

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

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

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to the above-mentioned binding Group-wide guidelines and Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. We also utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The creation of E.ON Energy Trading has enabled us to systematically combine and consistently manage price risks on Europe's liquid commodity markets. Proprietary commodity trading is conducted in accordance with detailed guidelines and within narrowly defined limits.

We also use systematic risk management to manage our interest-rate and currency risks. E.ON's use of derivative financial instruments and its operating activities expose E.ON to credit risks. We use a Group-wide credit risk management system to systematically monitor the creditworthiness of our business partners and regularly monitor our credit risk. Furthermore, there are potential risks due to possible changes in the value of current and non-current securities; we manage these risks by means of appropriate asset management. As part of our diversified asset-management portfolio, we also invest in government bonds.

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

Even E.ON is not entirely unaffected by the current financial environment. As mentioned above, production declines in cyclical industries due to the financial and economic crisis could, despite the largely non-cyclical nature of the energy industry, over time have a negative impact on our business. In addition, declining valuations and increased volatility could require us to write down the value of some of our financial assets. Furthermore, some of our business partners and end-customers could default on their payments to us. We are addressing this increase in credit default risk by stepping up our risk-management efforts, particularly with regard to financial institutions.

Thanks to its very good creditworthiness, E.ON has up to now had no trouble accessing debt markets. We carry out both short-term and long-term financial planning to monitor and manage liquidity risks.

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance our energy business on acceptable terms. We have comprehensive preventive measures in place to manage the potential risks associated with acquisitions and investments. In addition to the relevant company guidelines and manuals, these include, to the degree possible, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and/or project controlling. Comprehensive post-acquisition integration projects also contribute to successful integration. In the case of planned disposals, E.ON faces the non-assessable risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible at this time to determine the likelihood of these risks. If planned disposals do not take place or are significantly delayed, this would have a negative impact on the planned development of our debt factor.

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

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

The following are among the comprehensive measures we take to address these risks:
- systematic employee training, advanced training, and qualification programs
- further refinement of our production procedures and technologies
- regular facility and network maintenance and inspection
- company guidelines as well as work and process instructions
- quality management, control, and assurance
- project, environmental, and deterioration management
- crisis-prevention measures and emergency planning.

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases (including legal actions to demand repayment of the increase differential in view of the increasing preponderance of case law ruling that price-adjustment clauses are invalid in the special-customer segment), alleged market-sharing agreements, and anticompetitive practices.

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

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's Development Plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the Development Plan did not sufficiently take into consideration binding rules contained in North Rhine-Westphalia's State Development Plan and State Development

Program. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, which is now legally binding. The Datteln City Council passed a resolution to institute a new development plan process relating to the hard-coal-fired power plant in Datteln. In December 2009, the North Rhine-Westphalia state legislature eliminated from the State Development Program the priority formerly given to domestic energy sources in the state's energy production. In early February 2010, the North Rhine-Westphalia state cabinet took action to deal first with the energy section of the new State Development Program. In general, these measures are designed to offer greater certainty with regard to planning for projects to build new power plants in North Rhine-Westphalia, including for the hard-coal-fired power plant in Datteln. In view of these matters, however, we cannot rule out the possibility that the power plant will enter service at a later date than originally planned. In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by monitoring planning and consents processes.

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

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

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

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

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

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 have seen the recommendations, which may create risks for existing supply contracts and for intraday flexibility. In parallel, the German Federal Ministry of Economics and Technology and the Federal Network Agency (known by its German acronym, "BNetzA") are planning to make changes in how capacity is managed on gas transmission pipelines in Germany. It is anticipated that after the current consultations new draft amendments to the Gas Network Access Ordinance, as well as the BNetzA's regulations, will be presented. The amendments could affect our existing gas operations.

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.

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

E.ON Gastransport's supraregional transport business will be migrated to incentive-based regulation in 2010. Prior to migration, the BNetzA will conduct a benchmarking of Germany's small and very heterogeneous group of supraregional gas TSOs. The preliminary individual efficiency factor was communicated to companies in late March 2010. Negotiations between the BNetzA and gas TSOs to set the final efficiency factor will take place until the end of May. The individual efficiency factor will have an impact on the revenue cap.

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

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

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

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

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

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

Subsequent Events

In April 2010, E.ON sold the power and gas business of E.ON U.S. to PPL Corporation. The agreed-on purchase price is €7.6 billion. We expect the transaction, which is subject to antitrust and regulatory approval, to close in late 2010. Effective the second quarter, E.ON U.S. will be classified as a discontinued operation for the entire financial year (see also Note 5 to the Consolidated Interim Financial Statements).

In April 2010, we fulfilled our commitment to the European Commission to divest certain power capacity and our ultra-high-voltage transmission system in Germany.

Forecast

Discontinued Operations

Following the successful conclusion of sales negotiations for our U.S. Midwest market unit, pursuant to IFRS 5 this segment is classified as a discontinued operation effective the second quarter of 2010. U.S. Midwest's results will not be shown in our adjusted EBIT or adjusted net income for the entire 2010 financial year; the 2009 figures will also be adjusted. U.S. Midwest is therefore no longer included in our forecast.

Earnings

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

Our forecast also remains unchanged from a pro forma perspective that includes U.S. Midwest's results in our 2009 and 2010 adjusted EBIT and adjusted net income.

Our forecast by market unit:

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

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

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

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

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

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

Opportunities

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

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

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

Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements - comprising the balance sheet, income statement, statement of recognised income and expenses, condensed cash flow statement, statement of changes in equity and selected explanatory notes - and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to March 31, 2010, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the Condensed Consolidated Interim Financial Statements and the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the Condensed Consolidated Interim Financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the Condensed Consolidated Interim Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, May 10, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Vogelpoth
Wirtschaftsprüfer
(German Public Auditor)

Dr. Norbert Schwieters
Wirtschaftsprüfer
(German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income

January 1–March 31 € in millions	Notes	2010	2009
Sales including electricity and energy taxes		26,868	26,569
Electricity and energy taxes		-641	-634
Sales	(13)	**26,227**	**25,935**
Changes in inventories (finished goods and work in progress)		15	15
Own work capitalized		97	76
Other operating income		5,245	6,751
Cost of materials		-19,961	-20,057
Personnel costs		-1,354	-1,270
Depreciation, amortization and impairment charges	(5)	-1,818	-875
Other operating expenses		-4,489	-6,569
Income/Loss (-) from companies accounted for under the equity method		181	270
Income/Loss (–) from continuing operations before financial results and income taxes		**4,143**	**4,276**
Financial results	(7)	-526	-770
Income from equity investments		*2*	*-145*
Income from other securities, interest and similar income		*124*	*167*
Interest and similar expenses		*-652*	*-792*
Income taxes		-1,171	-883
Income/Loss (–) from continuing operations		**2,446**	**2,623**
Income/Loss (-) from discontinued operations, net	(5)	-1	-26
Net income		**2,445**	**2,597**
Attributable to shareholders of E.ON AG		*2,278*	*2,457*
Attributable to minority interests		*167*	*140*
in €			
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(8)		
from continuing operations		1.20	1.30
from discontinued operations		0.00	-0.01
from net income		**1.20**	**1.29**

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

January 1–March 31 € in millions	2010	2009
Net income	**2,445**	**2,597**
Cash flow hedges	14	187
Unrealized changes	*74*	*76*
Reclassification adjustments recognized in income	*-60*	*111*
Available-for-sale securities	-57	243
Unrealized changes	*-13*	*255*
Reclassification adjustments recognized in income	*-44*	*-12*
Currency translation adjustments	858	-595
Unrealized changes	*858*	*-596*
Reclassification adjustments recognized in income	–	*1*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-306	-277
Companies accounted for under the equity method	34	-1
Unrealized changes	*34*	*-1*
Reclassification adjustments recognized in income	–	–
Income taxes	144	43
Total income and expenses recognized directly in equity	**687**	**-400**
Total recognized income and expenses (total comprehensive income)	**3,132**	**2,197**
Attributable to shareholders of E.ON AG	*2,851*	*2,115*
Attributable to minority interests	*281*	*82*

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Notes	Mar. 31, 2010	Dec. 31, 2009
Assets			
Goodwill		16,299	16,901
Intangible assets		8,673	8,242
Property, plant and equipment		62,994	60,732
Companies accounted for under the equity method	(9)	7,419	7,342
Other financial assets	(9)	9,132	9,131
Equity investments		*5,385*	*5,461*
Non-current securities		*3,747*	*3,670*
Financial receivables and other financial assets		2,991	2,652
Operating receivables and other operating assets		4,240	3,388
Income tax assets		1,561	1,549
Deferred tax assets		3,221	3,091
Non-current assets		**116,530**	**113,028**
Inventories		3,888	4,518
Financial receivables and other financial assets		1,817	1,729
Trade receivables and other operating assets		27,370	23,007
Income tax assets		2,665	1,925
Liquid funds		7,564	6,116
Securities and fixed-term deposits		*1,822*	*1,722*
Restricted cash and cash equivalents		*236*	*184*
Cash and cash equivalents		*5,506*	*4,210*
Assets held for sale	(5)	–	2,273
Current assets		**43,304**	**39,568**
Total assets		**159,834**	**152,596**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		28,560	26,594
Accumulated other comprehensive income		2,312	1,552
Treasury shares	(10)	-3,530	-3,530
Equity attributable to shareholders of E.ON AG		**43,090**	**40,364**
Minority interests (before reclassification)		4,521	4,157
Reclassification related to put options		-547	-550
Minority interests		**3,974**	**3,607**
Equity		**47,064**	**43,971**
Financial liabilities		30,850	30,657
Operating liabilities		8,567	7,773
Income taxes		2,867	3,124
Provisions for pensions and similar obligations	(12)	3,250	2,884
Miscellaneous provisions		19,229	18,808
Deferred tax liabilities		8,349	7,526
Non-current liabilities		**73,112**	**70,772**
Financial liabilities		7,056	7,120
Trade payables and other operating liabilities		24,908	23,099
Income taxes		2,732	1,643
Miscellaneous provisions		4,962	4,715
Liabilities associated with assets held for sale	(5)	–	1,276
Current liabilities		**39,658**	**37,853**
Total equity and liabilities		**159,834**	**152,596**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

January 1–March 31 € in millions	2010	2009
Net income	2,445	2,597
Income from discontinued operations, net	1	26
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,818	875
Changes in provisions	383	319
Changes in deferred taxes	601	362
Other non-cash income and expenses	-423	120
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-714	-33
Changes in operating assets and liabilities and in income taxes	-989	-1,380
Cash provided by operating activities of continuing operations (operating cash flow)	**3,122**	**2,886**
Proceeds from disposal of	1,034	31
Intangible assets and property, plant and equipment	*31*	*25*
Equity investments	*1,003*	*6*
Purchase of investments in	-1,755	-1,896
Intangible assets and property, plant and equipment	*-1,715*	*-1,828*
Equity investments	*-40*	*-68*
Changes in securities and fixed-term deposits	-171	-365
Changes in restricted cash and cash equivalents	-58	232
Cash used for investing activities of continuing operations	**-950**	**-1,998**
Payments received/made from changes in capital	-354	-2
Payments for treasury shares, net	–	–
Cash dividends paid to shareholders of E.ON AG	–	–
Cash dividends paid to minority shareholders	-60	-58
Changes of financial liabilities	-484	1,952
Cash provided by (used for) financing activities of continuing operations	**-898**	**1,892**
Net increase/decrease in cash and cash equivalents from continuing operations	**1,274**	**2,780**
Cash provided by operating activities of discontinued operations	–	5
Cash used for investing activities of discontinued operations	–	-5
Cash provided by financing activities of discontinued operations	–	–
Net increase in cash and cash equivalents from discontinued operations	**0**	**0**
Effect of foreign exchange rates on cash and cash equivalents	22	-7
Cash and cash equivalents at the beginning of the year	4,210	3,671
Cash and cash equivalents of continuing operations at the end of the quarter	**5,506**	**6,444**

Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2009	**2,001**	**13,741**	**22,181**	**-2,547**	**2,676**	**-19**
Changes in scope of consolidation						
Capital decrease						
Dividends paid						
Other changes						
Share additions			7			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			2,226	-381	255	15
Net income			*2,457*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-231*			
Other comprehensive income				*-381*	*255*	*15*
Balance as of March 31, 2009	**2,001**	**13,741**	**24,414**	**-2,928**	**2,931**	**-4**
Balance as of January 1, 2010	**2,001**	**13,747**	**26,594**	**-2,005**	**3,511**	**46**
Changes in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid						
Share additions			-125			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			2,091	823	-72	9
Net income			*2,278*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-187*			
Other comprehensive income				*823*	*-72*	*9*
Balance as of March 31, 2010	**2,001**	**13,747**	**28,560**	**-1,182**	**3,439**	**55**

Treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-3,549	**34,484**	**4,538**	**-578**	**3,960**	**38,444**
		4		4	4
		-10		-10	-10
		-29		-29	-29
		1		1	1
	7				7
			11	11	11
	2,115	82		82	2,197
	2,457	*140*		*140*	*2,597*
	-231	*10*		*10*	*-221*
	-111	*-68*		*-68*	*-179*
-3,549	**36,606**	**4,586**	**-567**	**4,019**	**40,625**
-3,530	**40,364**	**4,157**	**-550**	**3,607**	**43,971**
		115		115	115
		15		15	15
		-3		-3	-3
		-40		-40	-40
	-125	-4		-4	-129
			3	3	3
	2,851	281		281	3,132
	2,278	*167*		*167*	*2,445*
	-187	*-11*		*-11*	*-198*
	760	*125*		*125*	*885*
-3,530	**43,090**	**4,521**	**-547**	**3,974**	**47,064**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Basis of Presentation

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

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

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

(2) Summary of Significant Accounting Policies

The Interim Report for the three months ended March 31, 2010, has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective and adopted for use in the European Union ("EU").

With the exception of the new regulations described in Note 3, this Interim Report was prepared using the accounting, valuation and consolidation policies used in the Consolidated Financial Statements for the 2009 fiscal year. In addition, income tax expense for the interim period is recognized based on the effective tax rate expected for the full fiscal year in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). Taxes relating to certain special items are reflected in the quarter in which they occur.

This Interim Report prepared in accordance with IAS 34 is condensed compared with the scope applied to the Consolidated Financial Statements for the full year. For further information, including information about E.ON's risk management system, please refer to E.ON's Consolidated Financial Statements for the year ended December 31, 2009, which provide the basis for this Interim Report.

(3) Newly Adopted Standards and Interpretations

IFRS 3, "Business Combinations"

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

IAS 27, "Consolidated and Separate Financial Statements"

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

IFRIC 12, "Service Concession Arrangements"

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

IFRIC 18, "Transfers of Assets from Customers"

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

All of the other standards and interpretations whose application was mandatory for fiscal years beginning on or after January 1, 2010, also have no material impact on E.ON's Consolidated Financial Statements.

(4) Scope of Consolidation

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

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2009	145	441	586
Additions	5	16	21
Disposals/Mergers	5	20	25
Consolidated companies as of March 31, 2010	**145**	**437**	**582**

As of March 31, 2010, 123 companies were accounted for under the equity method (December 31, 2009: 131).

Notes to the Condensed Consolidated Interim Financial Statements

(5) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2010

U.S. Midwest

At the end of April 2010, E.ON and Pennsylvania Power & Light Corporation ("PPL"), Allentown, Pennsylvania, U.S., signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities is approximately €5.7 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement assumptions and the actual measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The U.S. Midwest market unit is being classified as a discontinued operation from April only, because the criteria for such classification were not met until the disposal process took greater shape in April 2010. The agreed transaction is expected to close by the end of 2010.

As of March 31, 2010, significant assets and liabilities of the U.S. Midwest market unit contained in the consolidated balance sheet included property, plant and equipment (€5.4 billion), goodwill (€0.7 billion, after impairment) and operating receivables (€0.3 billion), along with financial liabilities to non-Group third parties (€0.6 billion), pension obligations (€0.4 billion) and operating liabilities (€0.4 billion). The market unit contributed approximately €0.1 billion to consolidated net income in the first quarter of 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. Significant assets and liabilities included property, plant and equipment and current assets in the amount of €1.0 billion and €0.7 billion, respectively, along with liabilities and deferred taxes in the amount of €0.9 billion and €0.2 billion, respectively. The agreed transaction closed at the end of February 2010. The gain on disposal was €0.1 billion.

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

Acquisitions in 2009

Yuzhno-Russkoye

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

The following data refer to ZAO Gazprom YRGM Development:

Major Balance Sheet Line Items—ZAO Gazprom YRGM Development

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

Significant assets in the purchase price allocation include favorable gas supply contracts, which account for the majority of the difference. Non-current liabilities consist exclusively of deferred taxes. The remaining difference at the project company, recognized as preliminary goodwill, is €138 million. The purchase price allocation is preliminary as of March 31, 2010, because the final evaluation of certain details remains outstanding.

Notes to the Condensed Consolidated Interim Financial Statements

Langerlo-Vilvoorde NV

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

In this context, E.ON acquired all of the shares of a power plant unit in Belgium, Langerlo-Vilvoorde NV, Vilvoorde, Belgium. The unit operates coal- and gas-fired power plants at the Langerlo and Vilvoorde locations. The acquisition of this unit closed at the beginning of November 2009 in exchange for the power plant units delivered to Electrabel. A small remainder not covered by the transferred assets was settled by E.ON in cash.

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

The purchase price allocation is preliminary as of March 31, 2010, because investigations relating to the property, plant and equipment, as well as evaluations of legal issues, remain outstanding.

Major Balance Sheet Line Items—Langerlo-Vilvoorde NV

€ in millions	Carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
Intangible assets	–	11	11
Property, plant and equipment	512	-71	441
Other assets	17	55	72
Total assets	**529**	**-5**	**524**
Non-current liabilities	16	–	16
Current liabilities	25	53	78
Total liabilities	**41**	**53**	**94**
Net assets	**488**	**-58**	**430**
Goodwill (preliminary)		**40**	**40**

Discontinued Operations in 2009

WKE

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

In March 2007, E.ON U.S. and BREC signed an agreement to terminate the lease and the operating agreements.

The agreed termination closed in July 2009. The agreement involved offsetting payments amounting to approximately €0.5 billion. Subsequent effects from the settlement of existing contractual relationships that will be recognized in income and cash flows are expected to continue to occur through the end of 2010. These effects will continue to be reported within the U.S. Midwest market unit under income/loss from discontinued operations. The table below provides selected financial information.

Selected Financial Information—WKE (Summary) January 1–March 31 € in millions	2010	2009
Sales	–	47
Other income/expenses, net	-2	-89
Loss from continuing operations before income taxes and minority interests	**-2**	**-42**
Income tax benefit	1	16
Loss from discontinued operations	**-1**	**-26**

Disposal Groups and Assets Held for Sale in 2009

Endesa Europa/Viesgo

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

Interest in OAO Gazprom

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

(6) Research and Development Costs

The E.ON Group's research and development costs amounted to €12 million in the first quarter of 2010 (first quarter of 2009: €6 million).

Notes to the Condensed Consolidated Interim Financial Statements

(7) Financial Results

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

Financial Results January 1–March 31 € in millions	2010	2009
Income from companies in which equity investments are held	12	11
Impairment charges/reversals on other financial assets	-10	-156
Income from equity investments	**2**	**-145**
Income from securities, interest and similar income	124	167
Interest and similar expenses	-652	-792
Interest and similar expenses (net)	**-528**	**-625**
Financial results	**-526**	**-770**

Price stabilization in the financial markets in the first quarter of 2010 led to a marked reduction from the first quarter of 2009 of the impairments recognized on other financial assets to a total of €12 million (first quarter of 2009: €156 million in impairment charges).

(8) Earnings per Share

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

Earnings per Share January 1–March 31 € in millions	2010	2009
Income/Loss (–) from continuing operations	2,446	2,623
less: Minority interests	-167	-140
Income/Loss (–) from continuing operations (attributable to shareholders of E.ON AG)	**2,279**	**2,483**
Income/Loss (–) from discontinued operations, net (attributable to shareholders of E.ON AG)	-1	-26
Net income attributable to shareholders of E.ON AG	**2,278**	**2,457**
in €		
Earnings per share (attributable to shareholders of E.ON AG)		
from continuing operations	1.20	1.30
from discontinued operations	0.00	-0.01
from net income	**1.20**	**1.29**
Weighted-average number of shares outstanding (in millions)	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.

Note 10 provides additional information.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets		
€ in millions	Mar. 31, 2010	Dec. 31, 2009
Companies accounted for under the equity method	7,419	7,342
Equity investments	5,385	5,461
Non-current securities	3,747	3,670
Total	**16,551**	**16,473**

(10) Treasury Shares

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

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

(11) Dividends Paid

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

(12) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations increased compared with year-end 2009 primarily due to net actuarial losses resulting mainly from lower discount rates.

Discount Rate		
Percentages	Mar. 31, 2010	Dec. 31, 2009
Germany	5.25	5.50
U.K.	5.60	5.70
U.S.	6.05	6.10

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

Net Amount Recognized		
€ in millions	Mar. 31, 2010	Dec. 31, 2009
Present value of all defined benefit obligations	16,756	16,087
Fair value of plan assets	-13,504	-13,205
Funded status	**3,252**	**2,882**
Unrecognized past service cost	-10	-10
Net amount recognized	**3,242**	**2,872**
Thereof presented as operating receivables	*-8*	*-12*
Thereof presented as provisions for pensions and similar obligations	*3,250*	*2,884*

Taking into account the periodic additions and pension payments in the present value of all defined benefit obligations and in the plan assets, the funded status has increased by comparison with year-end 2009 primarily due to net actuarial losses. The actuarial losses resulting from lower discount rates were partially offset by actuarial gains in the plan assets.

Notes to the Condensed Consolidated Interim Financial Statements

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

Net Periodic Pension Cost for Defined Benefit Plans

January 1–March 31 € in millions	2010	2009
Employer service cost	62	48
Interest cost	222	211
Expected return on plan assets	-177	-149
Past service cost	2	3
Total	**109**	**113**

(13) Segment Information

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

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

Financial Information by Business Segment

January 1–March 31 € in millions	Central Europe 2010	Central Europe 2009	Pan-European Gas 2010	Pan-European Gas 2009	U.K. 2010	U.K. 2009
External sales	9,760	10,080	4,551	6,463	2,618	2,566
Intersegment sales	2,183	2,199	1,718	2,097	510	648
Sales	**11,943**	**12,279**	**6,269**	**8,560**	**3,128**	**3,214**
Adjusted EBITDA	2,030	2,021	841	926	545	188
Depreciation and amortization	-382	-369	-128	-100	-112	-113
Impairments (–)/Reversals (+)[1]	-10	-1	–	-2	–	–
Adjusted EBIT	**1,638**	**1,651**	**713**	**824**	**433**	**75**
Earnings from companies accounted for under the equity method[1]	*64*	*67*	*114*	*194*	*-6*	*7*
Cash provided by operating activities	1,297	1,045	1,131	1,224	184	19
Investments	731	553	190	309	196	174
Intangible assets and property, plant and equipment	*711*	*507*	*185*	*301*	*196*	*174*
Equity investments[2]	*20*	*46*	*5*	*8*	*–*	*–*

[1]Impairments recognized in adjusted EBIT differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings. Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. In 2010, the differences resulted primarily from goodwill impairment charges, which are reported in non-operating earnings.
[2]In addition to those accounted for under the equity method, acquisitions of equity investments also include acquisitions of fully consolidated companies and investments in equity holdings that need not be consolidated. Acquisitions of equity investments are reported in the segment to which the acquiring entity is assigned.

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

Under IFRS, segments or material business units that have been sold or are held for sale must be reported as discontinued operations. For the first quarter of 2010 and the 2009 fiscal year, this concerns WKE. The corresponding earnings and cash flow figures as of March 31, 2010, as well as those for the preceding periods, have been adjusted for all components of the discontinued operations (see explanations in Note 5).

	Nordic		U.S. Midwest		Energy Trading		New Markets		Corporate Center/ Consolidation		E.ON Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	1,002	734	543	586	6,227	3,794	1,518	1,683	8	29	26,227	25,935
	334	281	–	–	6,673	11,762	153	483	-11,571	-17,470	–	–
	1,336	**1,015**	**543**	**586**	**12,900**	**15,556**	**1,671**	**2,166**	**-11,563**	**-17,441**	**26,227**	**25,935**
	326	294	171	177	350	109	407	309	-13	-51	4,657	3,973
	-92	-71	-42	-44	-2	-2	-161	-150	-17	-22	-936	-871
	–	–	–	–	–	–	–	–	-2	1	-12	-2
	234	**223**	**129**	**133**	**348**	**107**	**246**	**159**	**-32**	**-72**	**3,709**	**3,100**
	6	*1*	–	*1*	–	–	*6*	*2*	–	*-2*	*184*	*270*
	210	33	104	133	877	620	93	216	-774	-404	3,122	2,886
	138	175	77	139	2	1	412	505	9	40	1,755	1,896
	136	*173*	*77*	*139*	*2*	*1*	*386*	*501*	*22*	*32*	*1,715*	*1,828*
	2	*2*	–	–	–	–	*26*	*4*	*-13*	*8*	*40*	*68*

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

Net Income

January 1–March 31 € in millions	2010	2009
Adjusted EBIT	3,709	3,100
Adjusted interest income (net)	-555	-606
Net book gains/losses	666	-10
Restructuring/Cost management expenses	-127	-86
Other non-operating earnings	-76	1,108
Income/Loss (–) from continuing operations before taxes	**3,617**	**3,506**
Income taxes	-1,171	-883
Income/Loss (–) from continuing operations	**2,446**	**2,623**
Income/Loss (–) from discontinued operations, net	-1	-26
Net income	**2,445**	**2,597**
Attributable to shareholders of E.ON AG	*2,278*	*2,457*
Attributable to minority interests	*167*	*140*

Other non-operating earnings include the goodwill impairment of €0.9 billion recognized at the U.S. Midwest market unit.

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

Teyssen

Dänzer-Vanotti

Feldmann

Schenck

Financial Calendar

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

Further information

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