

2008

January February March

April May June

July August September

October November December

2 E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1 - March 31	2008	2007	+/- %
Electricity sales ¹	165.1 billion kWh	126.3 billion kWh	+31
Gas sales ¹	410.9 billion kWh	392.0 billion kWh	+5
Sales	€22,839 million	€21,070 million	+8
Adjusted EBITDA	€4,084 million	€4,096 million	-
Adjusted EBIT	€3,279 million	€3,315 million	-1
Net income	€2,347 million	€3,292 million	-29
Net income attributable to shareholders of E.ON AG	€2,079 million	€3,067 million	-32
Adjusted net income	€1,840 million	€1,974 million	-7
Investments	€2,004 million	€1,165 million	+72
Cash provided by operating activities of continuing operations	€2,597 million	€2,408 million	+8
Economic net debt (March 31 and December 31)	-€23,728 million	-€24,138 million	+410 ²
Employees (March 31 and December 31)	89,793	87,815	+2
Earnings per share attributable to shareholders of E.ON AG	€3.30	€4.65	-29

¹Unconsolidated figures.
²Change in absolute terms.

January 1 – March 31, 2008

- Adjusted EBIT at high prior-year level
- Successful start for new market units
- 5 to 10 percent increase in adjusted EBIT expected for full year 2008

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Dear Shareholders,

The E.ON Group's business developed positively in the first quarter of 2008. We increased sales by 8 percent, from last year's €21.1 billion to €22.8 billion, while adjusted EBIT of €3.3 billion was on par with the high prior-year level. Adjusted net income declined by 7 percent to €1.8 billion. We continue to expect the E.ON Group's full-year adjusted EBIT to surpass the high prior-year level and to increase by 5 to 10 percent.

In late May 2007, we presented you a comprehensive package of strategic initiatives. Since then, our entire company has been working with great energy and dedication to systematically implement these initiatives. And has done so extremely successfully. A central element of this package of initiatives is an investment program the size of which—now €63 billion—is likely unprecedented in Europe for the period 2007–2010. Its purpose is to strengthen our businesses in our core European market and to seize growth opportunities in other regions, primarily through organic growth but also through selective acquisitions. Last year, we entered Russia's fast-growing electricity market; acquired wind-power operations in Spain, Portugal, the United States, and Canada; and acquired a stake in natural gas fields in the northern Norwegian Sea. We have other major projects ahead of us in the coming months. For example, in Southern Europe we'll acquire an extensive portfolio of power plants and other assets under the agreement we reached last April with Enel and Acciona. This transaction will considerably expand our position in Spain and Italy.

Between 2008 and 2010, we'll invest around €38 billion in power generation and supply in Europe, Russia, and the United States. Including our future operations in Spain, Italy, and France, we're pursuing 18 new coal-fired and gas-fired power plant projects, five of them in Germany. We aim to increase the E.ON Group's generating capacity by 50 percent to 90 gigawatts by 2015. We're also investing around €6 billion to secure and expand Europe's supply of natural gas. Our upstream objective remains to source at least 10 billion cubic meters of natural gas each year from our own production assets.

Climate protection is an integral part of our growth strategy, as our investments, particularly our investments in renewables, clearly demonstrate. Renewables are the fastest-growing segment of the utility business. Since May 2007, we've tripled our renewable-source generating capacity from 420 megawatts to 1,350 megawatts. Our objective is to rank among the top five wind-power operators. In view of this objective and our success so far, we've decided to double our renewables investments to €6 billion for the period 2007–2010.

We also set out to change our organizational structure in areas where it makes sense for our business to be pan-European. In these areas—energy trading as well as climate protection and renewables—a pan-European structure will enable us to be even better at seizing the new earnings and growth opportunities created by the increasing integration of European energy markets. Our new Energy Trading market unit, which began operations in January 2008, is responsible for managing all of our European energy trading activities. It will combine trading expertise with our presence in all relevant European markets to seize new earnings opportunities and to limit, even more effectively, risks from market price fluctuations. Our new Climate & Renewables market unit, which is responsible for managing and expanding our global business in the fast-growing renewables segment, also got off to a successful start in January 2008. In just a short time, we've achieved the smooth integration of our renewables operations and employees worldwide and considerably expanded our renewables generating capacity.

We've also made good progress implementing our financial strategy. In connection with our investment offensive and share buyback program, E.ON is, as planned, taking on more debt. We expect to reach our target debt factor of three some time this year. As you can see, we've achieved—and in some cases surpassed—the targets we set for the first year of implementing our package of strategic initiatives. We're not only creating value for the environment and for society as a whole but also for our company and thus for you, our shareholders. I can assure you that in the future we'll continue to resolutely seize every opportunity to create new value.

Sincerely yours,



Dr. Wulf H. Bernotat

E.ON Stock

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In a sharply declining stock market, E.ON stock finished the first quarter of 2008 below its year-end closing price for 2007 (-19 percent). E.ON stock performed in line with the rest of the market, with the DAX index of Germany's top blue chips (-19 percent), the EURO STOXX 50 European index (-17 percent), and the European utility industry as measured by the STOXX Utilities index (-17 percent) all posting similar declines.

The stock-exchange trading volume of E.ON stock climbed by nearly 20 percent year on year to €40.7 billion, making E.ON the DAX's fourth most-traded stock. With a weighting of 9.48 percent, E.ON stock was again the highest-weighted stock in the DAX.

In the United States, E.ON stock is traded in the form of American Depositary Receipts ("ADRs"). Since being delisted from the New York Stock Exchange on September 7, 2007, E.ON ADRs now trade on the over-the-counter market. The conversion ratio between E.ON ADRs and E.ON stock is three to one; that is, the value of three E.ON ADRs is effectively that of one share of E.ON stock.

In the first quarter of 2008, we continued the €7 billion share buyback program begun in 2007. We repurchased about 5.5 million shares of E.ON stock with an aggregate market

E.ON Stock		
	Mar. 31, 2008	Dec. 28, 2007
Shares outstanding (millions)	626	632
Closing price (€)	117.26	145.59
Market capitalization (€ in billions) ¹	73.4	91.2

¹Based on shares outstanding.

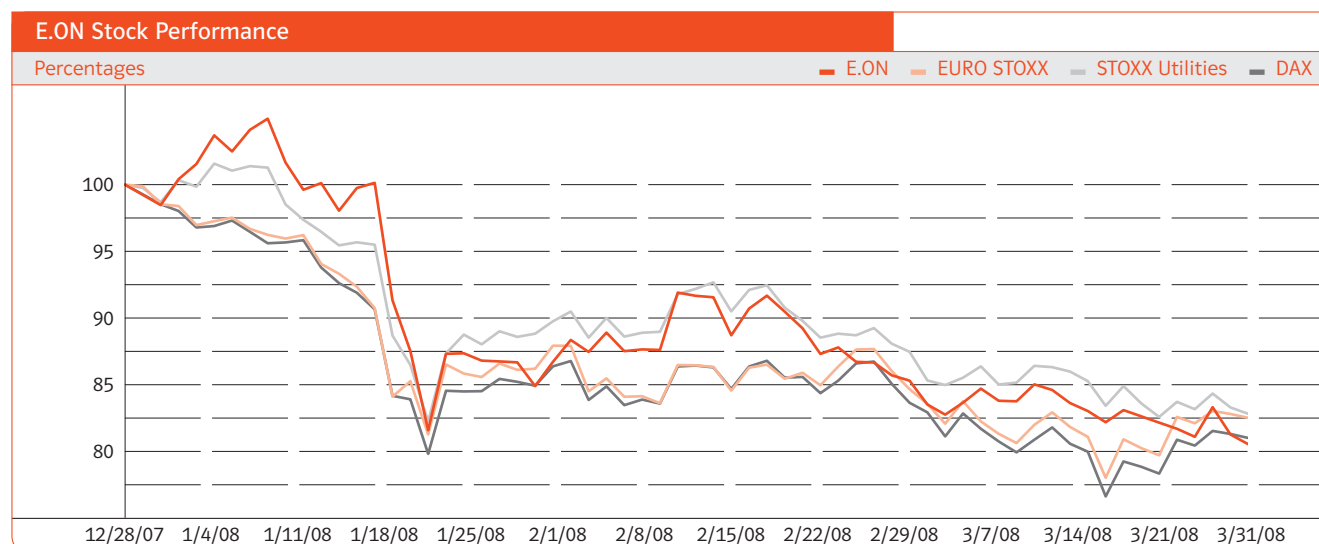
Performance and Trading Volume		
January 1 - March 31	2008	2007
High (€) ¹	€152.80	€111.65
Low (€) ¹	€117.26	€96.05
Trading volume		
<i>Millions of shares</i> ²	312.9	335.8
<i>€ in billions</i> ²	40.7	34.2

¹Xetra.

²Source: Bloomberg (all German stock exchanges).

value of approximately €0.7 billion and sold put options on 3.5 million shares.

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



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Business and Operating Environment

New Organizational Structure

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

At the start of 2008, we centralized all our European trading activities in power, gas, coal, oil, and CO₂ emission allowances. The Energy Trading market unit, whose lead company is E.ON Energy Trading AG, combines the E.ON Group's European trading activities, enabling it to seize new opportunities created by the ongoing integration of European energy markets. It aims to achieve a leading market position in the international energy trading business.

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

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

Energy Price Developments

Throughout the first quarter of 2008, European power and natural gas markets were driven by three main factors:

- international commodity prices, especially oil, coal, and CO₂ prices
- warm weather
- the hydrological balance in the Nordic region.

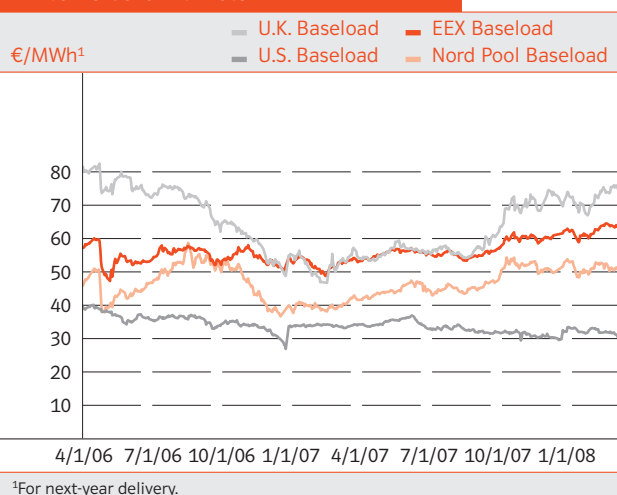
Almost all prices on most European gas and power markets have been trending upward following rising commodity prices worldwide. After a short drop in January due to warm weather and lower oil and CO₂ prices, German power prices hit a new

high of €65 per megawatt-hour in February due to higher coal prices. German prices finished the quarter at about €63 per megawatt-hour.

In addition to these factors, Nordic power prices were influenced by the hydrological balance, which remained above normal throughout the first quarter of 2008. After a sharp drop in January due to warm weather and declining oil prices, Nordic prices recovered on the back of higher coal prices in February but fell again in March as the hydrological situation improved.

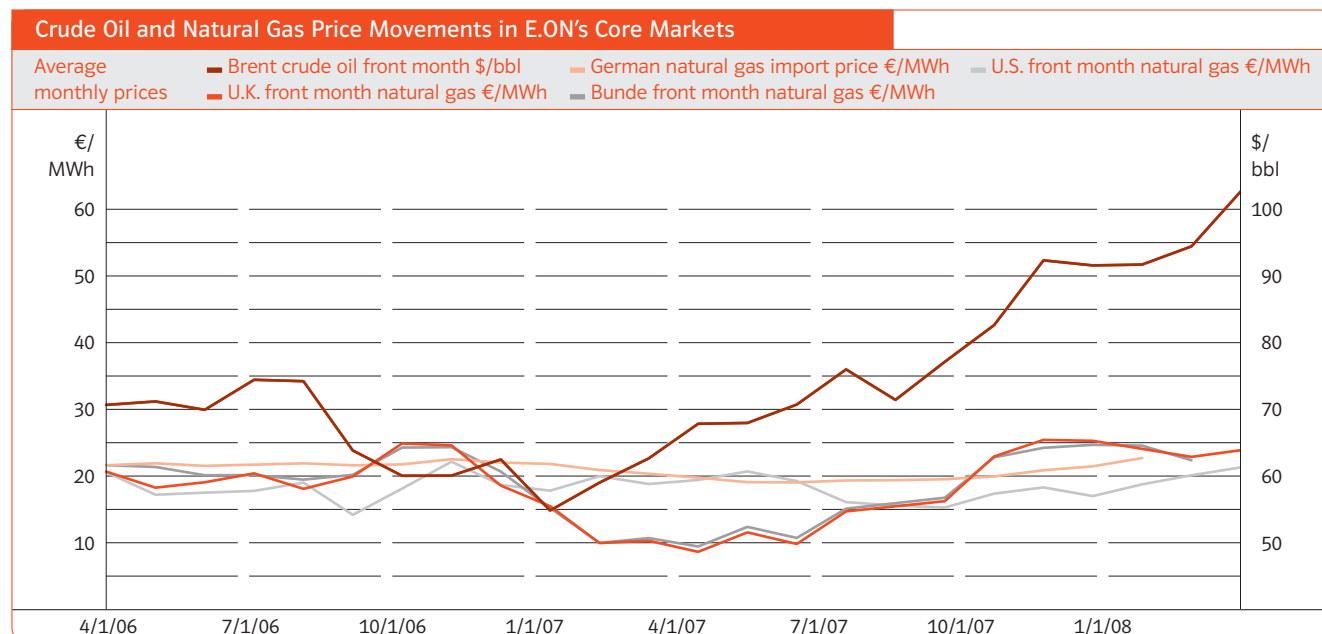
U.K. power prices tracked carbon and natural gas prices. After a sharp drop in January, they recovered again and rose to a new all-time high. Forward power prices in the United States increased slightly in line with natural gas prices.

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



CO₂ Emission Allowance Price Movements in Europe





Power and Gas Sales

The E.ON Group increased its power sales volume by 31 percent, from 126.3 billion kWh in the first quarter of 2007 to 165.1 billion kWh in the first quarter of 2008. Central Europe's 23-percent increase in volume is predominantly attributable to a significant increase in deliveries to sales partners. It should be noted that effective January 1, 2008, electricity that Central Europe sells to the new Energy Trading and Italy market units is recorded as external sales volume, whereas in the prior year it was intrasegment sales volume. U.K. sold 6 percent more electricity and U.S. Midwest 1 percent more. The respective factors were higher wholesale volumes and favorable temperatures in Kentucky compared with the prior-year quarter. OGG-4, our Russian power producer, was mainly responsible for the 18.9 billion kWh of electricity sold in the Corporate Center/New Markets segment. Nordic sold 8 percent less electricity due primarily to a decline in sales volume to business customers resulting from substantial competitive pressure.

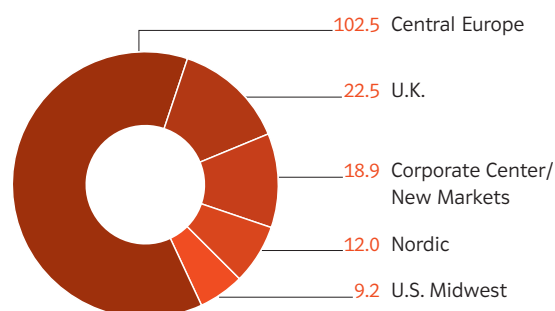
Natural gas sales volume rose by 5 percent year on year, from 392 billion kWh to 410.9 billion kWh, mainly due to lower temperatures in Europe compared with the prior-year quarter. This resulted in higher sales volumes, particularly at Pan-European Gas.

Power Sales¹

January 1 – March 31, 2008

Billion kWh

Total: 165.1



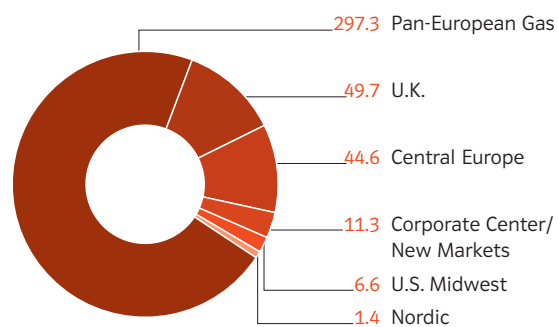
¹Unconsolidated figures.

Gas Sales¹

January 1 – March 31, 2008

Billion kWh

Total: 410.9



¹Unconsolidated figures.

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Earnings Situation

Sales 8 Percent Higher

In the first quarter of 2008, the E.ON Group increased its sales by about €1.8 billion compared with the prior-year figure.

Sales			
January 1 - March 31			
€ in millions	2008	2007	+/- %
Central Europe	10,618	9,001	+18
Pan-European Gas	8,036	7,814	+3
U.K.	3,350	4,195	-20
Nordic	1,202	1,029	+17
U.S. Midwest	504	498	+1
Energy Trading	7,737	-	-
Corporate Center/New Markets	-8,608	-1,467	-
Total	22,839	21,070	+8

Central Europe grew sales by about €1.6 billion compared with the year-earlier quarter. Central Europe West Non-regulated increased sales by about €1.2 billion to €6.3 billion. About €1 billion of the increase resulted from the transfer of trading, renewables, and Italian operations to the E.ON Group's new market units. Under the old organizational structure, these were intrasegment sales and consequently netted out. The remaining increase resulted from positive price effects and the passthrough of higher fuel costs at E.ON-managed power plants. Sales at Central Europe West Regulated declined to €3.2 billion, about €80 million below the prior-year figure (€3.3 billion). A regulation-driven decline in electricity network sales was partially offset by an increase in gas network sales which resulted primarily from very mild temperatures in the first quarter of the prior year. Central Europe East's sales rose by about €250 million to €1.4 billion. Higher electricity prices in Hungary and the Czech Republic constituted the key factor. Sales recorded under Other/Consolidation amount to -€258 million (prior year: -€468 million). The change is mainly a result of the changes in Central Europe's organizational structure.

Pan-European Gas increased sales by 3 percent to €8 billion (prior year: €7.8 billion). Sales at Up-/Midstream were up 6 percent to €6.3 billion compared with €6 billion a year ago, with

the midstream and the upstream businesses both contributing to the increase. Higher midstream gas sales volumes were partially mitigated by competitive pressure on sales prices. The expansion of production and higher energy prices were responsible for the increase in upstream sales. Downstream sales fell by €65 million, or 3 percent, to €1,971 million (prior year: €2,036 million) due to the transfer of Thüga Italia's operations to the Italy market unit. This effect was only partially offset by a volume-driven increase in sales at E.ON Földgáz Trade.

U.K.'s sales declined by €845 million in the first three months of 2008 compared with the prior year. Sales at the non-regulated business fell by €840 million, primarily due to currency effects and the transfer of the trading and renewables activities to the Energy Trading and Climate & Renewables market units. Sales were also adversely affected by the significant price reductions made in the retail business in the second quarter of 2007. In reporting currency, sales at the regulated business declined by €26 million due to the appreciation of the euro.

Nordic's sales increased by €173 million, or 17 percent, compared with the prior year. Sales in the non-regulated business increased by €132 million primarily as a result of rising market-based transfer prices between Energy Trading and the Nordic generation business. Sales in the regulated business increased by €13 million due to higher network tariffs on local grids based on increased costs for line loss in 2007.

U.S. Midwest's sales in the first three months of 2008 were higher compared with last year primarily due to increased fuel and gas cost recoveries from customers along with increased retail electric and gas volumes, partially offset by the strong euro.

Energy Trading recorded sales of €7.7 billion in the first quarter of 2008. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income.

The figure recorded under Corporate Center/New Markets reflects, in particular, the intragroup offsetting of sales between our European market units and Energy Trading. Sales at the Climate & Renewables, Italy, and Russia market units were €117 million, €646 million, and €256 million, respectively.

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

Own work capitalized increased by 66 percent, or €35 million, to €88 million (prior year: €53 million).

Other operating income increased by 6 percent to €3,159 million (prior year: €2,971 million). Gains on the disposal of investments totaled €0.4 billion in the first quarter of 2008, gains on derivative financial instruments totaled €0.6 billion, and income from exchange-rate differences totaled €1.8 billion.

Costs of materials rose by €1,657 million to €17,162 million (prior year: €15,505 million).

Personnel costs increased slightly, from €1,109 million in the first quarter of 2007 to €1,155 million in the current-year quarter. The increase results mainly from the inclusion of the new Russia and Climate & Renewables market units and staff additions at the Corporate Center.

Depreciation, amortization, and impairment charges of €803 million were above the prior-year figure of €762 million. The increase is principally attributable to higher depreciation and amortization at Russia and Climate & Renewables, which were not included in our Consolidated Financial Statements in the first quarter of 2007.

Other operating expenses declined by 54 percent, or €1,253 million, to €3,588 million (prior year: €2,335 million). This is mainly attributable to higher realized losses on currency differences of €1,463 million (prior year: €848 million) and higher losses on derivative financial instruments of €831 million (prior year: €359 million).

Income from companies accounted for under the equity method was €233 million compared with €260 million in the year-earlier quarter. The 10-percent decline resulted principally from lower equity earnings at Pan-European Gas.

Adjusted EBIT at Prior-Year Level

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 nonoperating income and expenses of a nonrecurring or rare nature (see commentary on page 42). Our first quarter 2008 adjusted EBIT of €3,279 million was very nearly on par with the high prior-year figure.

Adjusted EBIT			
January 1 – March 31 € in millions	2008	2007	+/- %
Central Europe	1,601	1,431	+12
Pan-European Gas	1,019	1,126	-10
U.K.	269	436	-38
Nordic	353	287	+23
U.S. Midwest	98	93	+5
Energy Trading	-80	-	-
Corporate Center/New Markets	19	-58	-
Total	3,279	3,315	-1

Central Europe's adjusted EBIT surpassed the prior-year figure by €170 million. Central Europe West Non-regulated increased its adjusted EBIT by €87 million to €1,083 million. Positive effects from the structural changes relating to the E.ON Group's new market units were partially mitigated by the substantial adverse effects of the shutdowns at Krümmel and Brunsbüttel nuclear power stations, higher fuel costs, and higher group charges. Adjusted EBIT at Central Europe West Regulated improved by €13 million to €373 million. The negative effects of regulation were offset by weather-driven increases in volume in the gas network and lower other expenditures. Central Europe East's adjusted EBIT rose by 37 million year on year to €133 million. Positive price effects in Hungary were a key factor. Adjusted EBIT recorded under Other/Consolidation increased by €33 million to €12 million, due mainly to changes in Central Europe's reporting segment structure.

Pan-European Gas's adjusted EBIT was down by €107 million year on year to €1,019 million. Downstream Shareholdings was primarily responsible for the decline. Its adjusted EBIT fell by €66 million, or 19 percent, from €349 million to €283 million. Thüga's adjusted EBIT was adversely affected by the

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absence of earnings streams from Thüga Italia and of income from disposals recorded in the year-earlier quarter. Lower equity earnings at E.ON Ruhrgas International also had a negative influence on adjusted EBIT. Higher earnings at the E.ON Földgáz Group did not fully offset these negative effects. Midstream adjusted EBIT was below the prior-year figure. The development of commodity prices and contract and/or competitive pressure on sales prices more than counteracted the weather-driven increase in sales volumes. Upstream adjusted EBIT was higher year on year, mainly because of higher energy prices and increased gas production.

U.K. delivered an adjusted EBIT of €269 million in the first three months of 2008, of which €130 million was in the regulated business and €150 million in the non-regulated business. The decline in both businesses was partially due to the appreciation of the euro and the transfer of activities to Energy Trading and Climate & Renewables. Adjusted EBIT at the regulated business was stable in local currency and consistent with the prior year. Adjusted EBIT at the non-regulated business decreased by €175 million. The key features were the transfer of the trading and renewables activities and lower retail margins. Adjusted EBIT recorded under Other/Consolidation was €21 million higher, mainly as a result of the restructuring of the trading business.

Nordic's adjusted EBIT increased by €66 million year on year to €353 million. Compared with the prior year, adjusted EBIT at the non-regulated business was positively impacted by rising internal transfer prices and a slight increase in available generation volumes. Positive effects from higher purchases from minority-owned nuclear plants were partly offset by lower hydro and thermal production. The retail business

performed better than last year due mainly to weather-driven procurement costs in 2007, whereas the heat business performed worse due to the absence of a book gain on an asset sale recorded last year and to slightly higher production costs in the first quarter of 2008. Adjusted EBIT at the regulated business was above the prior-year level due to higher network tariffs and a favorable tariff mix. These effects were partly offset by higher costs for line loss and increased depreciation.

U.S. Midwest's adjusted EBIT increased by 5 percent. The increase is attributable to higher retail electric and gas margins due to the timing of fuel and gas cost recoveries from customers, partially offset by higher operating costs and the strong euro.

Energy Trading recorded an adjusted EBIT of –€80 million, of which –€89 million is attributable to the optimization segment and resulted mainly from anticipated recurrent seasonal fluctuations in the optimization portfolio for Germany. Electricity procured from E.ON generation companies reflected the higher market prices typical of the winter months, whereas long-term forward hedging prices reflected yearly products with an average price. These disparities should balance out during the course of the year. The proprietary trading segment posted an adjusted EBIT of €9 million.

Adjusted EBIT shown under Corporate Center/New Markets amounted to €19 million. Adjusted EBIT at the Climate & Renewables, Italy, and Russia market units was €26 million, €58 million, and –€9 million, respectively.

Net Income Lower

Net income attributable to shareholders of E.ON AG of €2.1 billion and corresponding earnings per share of €3.30 were down 32 percent and 29 percent, respectively.

Net Income			
January 1 - March 31			
€ in millions	2008	2007	+/- %
Adjusted EBIT	3,279	3,315	-1
Adjusted interest expense (net)	-379	-279	-
Net book gains	294	885	-
Restructuring and cost-management expenses	-22	-	-
Other non-operating earnings	33	471	-
Income/loss from continuing operations before income taxes	3,205	4,392	-27
Income taxes	-793	-1,027	-
Income/loss from continuing operations	2,412	3,365	-28
Income/loss from discontinued operations, net	-65	-73	-
Net income	2,347	3,292	-29
Shareholders of E.ON AG	2,079	3,067	-32
Minority interests	268	225	+19

Compared with the prior-year figure, adjusted interest expense (net) declined by €100 million, due mainly to the development of our net financial position.

Adjusted Interest Expense (Net)		
January 1 - March 31		
€ in millions	2008	2007
Interest expense shown in Consolidated Statements of Income	-424	-281
Interest income (-)/expense (+) not affecting net income	45	2
Total	-379	-279

Net book gains in the first quarter of 2008 were €591 million below the prior-year level. As in the first quarter of 2007, they were generated primarily from the sale of securities at the Central Europe market unit.

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

As in the prior-year period, other non-operating earnings resulted primarily from the marking to market of derivatives (€132 million) used to protect the operating businesses from fluctuations in prices. At March 31, 2007, the marking to market of derivatives resulted in a positive effect in the amount of €566 million.

Income/loss from continuing operations before income taxes declined substantially relative to the prior-year figure. There were two main factors: the positive effect from the marking to market of derivatives was €434 million lower, and net book gains were €591 million lower than in the prior-year quarter.

Our continuing operations recorded a tax expense of €0.8 billion in the first quarter of 2008. This represents a tax rate of 25 percent compared with 23 percent in the prior-year period. The increase, which more than offset the tax-relief effects of Germany's tax-rate reductions, is mainly attributable to a lower share of tax-free income.

As in the prior year, income/loss from discontinued operations, net, consists of Western Kentucky Energy, which is held for sale. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see commentary on page 37).

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Adjusted Net Income 7 Percent Lower

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, incomes taxes, and minority interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and minority interests) of a special or rare nature. Adjusted net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and minority interests), as well as special tax effects.

Adjusted Net Income			
January 1 – March 31 € in millions			
	2008	2007	+/- %
Net income attributable to shareholders of E.ON AG	2,079	3,067	-32
Net book gains	-294	-885	-
Restructuring and cost-management expenses	22	-	-
Other non-operating earnings	-33	-471	-
Taxes and minority interests on non-operating earnings	13	203	-
Special tax effects	-12	-13	-
Income/loss from discontinued operations, net	65	73	-
Total	1,840	1,974	-7

Financial Condition

Investments Significantly Higher

The implementation of the investment program we announced in May 2007 is proceeding according to plan. We increased the size of the program to €63 billion. We invested €2 billion in the first quarter of 2008, 72 percent more than in the prior year. We invested €1.6 billion in property, plant, and equipment and intangible assets compared with €1.1 billion a year ago. Share investments totaled €0.4 billion versus €0.1 billion in the prior year.

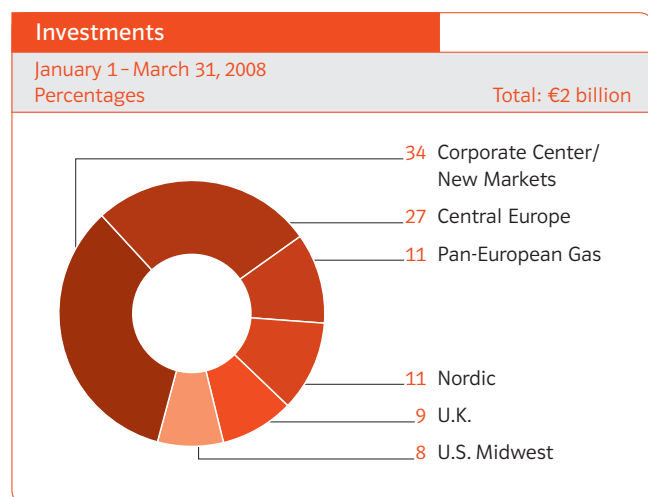
Investments			
January 1 – March 31 € in millions			
	2008	2007	+/- %
Central Europe	541	523	+3
Pan-European Gas	228	1,002	-77
U.K.	173	196	-12
Nordic	214	184	+16
U.S. Midwest	170	127	+34
Energy Trading	-	-	-
Corporate Center/New Markets	678	-867	-
Total	2,004	1,165	+72

Economic Value of Investments		
January 1 – March 31 € in millions		
	2008	2007
Cash-effective investments	2,004	1,165
Debt acquired	68	-
Asset swaps	12	-
Total	2,084	1,165

Central Europe invested €18 million more in the first quarter of 2008 than in the prior-year period. Investments in property, plant, and equipment and intangible assets of €430 million were essentially unchanged from the prior-year figure (€433 million). Central Europe invested €267 million in power generation assets and €132 million in network assets. Share investments increased from €90 million to €111 million year on year due mainly to the acquisition of the remaining shares in SOTEC, a waste incineration company.

Pan-European Gas invested €228 million. Of this figure, €169 million (prior year: €124 million) went towards property, plant, and equipment and intangible assets, mainly towards gas infrastructure and the development of the exploration business. Share investments of €59 million related almost entirely

to capital increases at Nord Stream AG, an associated company. The high prior-year figure of €878 mainly reflects the acquisition of Contigas Deutsche Energie-AG from the Central Europe market unit.



U.K.'s investments in the first quarter were €173 million, of which €138 million relates to property, plant, and equipment and €35 million to share investments. Investments were €23 million lower than in the prior year primarily due to the transfer of renewables operations to the Climate & Renewables market unit. Investments in the regulated business increased in line with the allowance granted under the five-year regulation review.

Nordic invested €30 million more in the first quarter of 2008 than in the prior-year period. Nordic invested €213 million (prior year: €181 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize the distribution network. Share investments totaled €1 million compared with €3 million in the first quarter of 2007.

U.S. Midwest's investments increased by €43 million compared with the prior year primarily due to higher spending for sulfur dioxide mitigation equipment and the new baseload unit under construction at the Trimble County plant. This unit is expected to enter service in 2010.

Investments recorded under Corporate Center/New Markets are mainly attributable to our new market units. Climate & Renewables invested €301 million in wind-power projects, while Italy invested €405 million, predominantly in operations transferred from other market units. Russia's €289 million of investments primarily reflects the acquisition of a further 3.4 percent of OGK-4.

Cash Flow and Financial Condition

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

The E.ON Group's cash provided by operating activities in the first quarter of 2008 was 8 percent higher than in the prior-year period.

Cash Provided by Operating Activities of Continuing Operations			
January 1 - March 31 € in millions	2008	2007	+/-
Central Europe	1,902	543	+1,359
Pan-European Gas	1,232	1,851	-619
U.K.	384	31	+353
Nordic	337	295	+42
U.S. Midwest	155	54	+101
Energy Trading	-1,472	-	-1,472
Corporate Center/New Markets	59	-366	+425
Cash provided by operating activities of continuing operations	2,597	2,408	+189
Maintenance investments	290	382	-92
Growth and replacement investments, acquisitions, other	1,714	783	+931
Cash-effective effects from disposals	102	412	-310

Central Europe's cash provided by operating activities was above the prior-year level mainly because of a roughly €1.1 billion outstanding payment to E.ON Energy Trading for power deliveries to E.ON Energy Sales. Other positive factors included a reduction in working capital and a higher cash-effective electricity margin. Cash provided by operating activities was adversely affected by the shutdowns at Krümmel and Brunsbüttel nuclear power stations and higher cash outflows for electricity procurement.

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Pan-European Gas's cash provided by operating activities declined significantly compared with the prior-year period. There were negative effects at E.ON Ruhrgas from storage usage. In the first quarter of 2007, price factors led to storage facilities being used at high capacity, whereas in the current-year quarter storage usage has been significantly lower. Other negative factors included higher intragroup tax offsets and non-recurring effects relating to the acquisition of the E.ON Földgáz companies.

U.K.'s cash provided by operating activities was significantly higher year on year. One positive factor was €175 million in additional cash from the retail business due to improved residential operational efficiency and the phasing of commodity purchases from the trading business. In addition, U.K. received carbon income from the Energy Trading market unit in the current-year quarter, whereas it had made external carbon payments in the year-earlier quarter. The net improvement amounted to €186 million in additional cash. U.K.'s trading and renewables operations are now part of the Energy Trading and Climate & Renewables market units and therefore no longer contribute to U.K.'s results.

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

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

Energy Trading recorded –€1.5 billion in cash provided by operating activities. Because of Energy Trading's central position in the E.ON Group's energy procurement and sales operations, its cash flow is considerably affected by intragroup settlement processes. The high negative figure is entirely attributable to time lags in these processes.

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

Cash provided by investing activities in the first three months of 2008 was –€276 million (prior year: €1,490 million). Higher investment spending was only partially offset by proceeds from the sale of securities and shareholdings.

Cash provided by financing activities of –€228 million (prior year: €138 million) primarily reflects additional share repurchases. Cash inflows from borrowing had a positive effect on this figure.

Net financial position equals the difference between our total financial liabilities and our total liquid funds and non-current securities. Our net financial position of –€7,652 million was €158 million below the figure reported as of December 31, 2007 (–€7,494 million). Strong cash flow from operating activities was offset by high investments and by cash outflow for the share buyback program.

Economic Net Debt		
€ in millions	Mar. 31, 2008	Dec. 31, 2007
Liquid funds	8,269	7,075
Non-current securities	5,587	6,895
Total liquid funds and non-current securities	13,856	13,970
Financial liabilities to banks and third parties	–19,490	–19,357
Financial liabilities to group companies	–2,018	–2,107
Total financial liabilities	–21,508	–21,464
Net financial position	–7,652	–7,494
Provisions for pensions	–2,324	–2,890
Asset retirement obligations	–15,047	–15,034
Less prepayments to Swedish nuclear fund	1,295	1,280
Economic net debt	–23,728	–24,138

Economic net debt declined slightly. The main factor was a reduction in pension obligations due to actuarial gains attributable to an increase in the first quarter of 2008 in the discount rates used to calculate the defined benefit obligation.

Asset Situation

Non-current assets as of March 31, 2008, declined by 3 percent compared with the figure at year end 2007. The main factors were a drop in the market value of our Gazprom stock (about €2 billion) and the sale of fixed-return securities from special funds (about €1 billion). Current assets increased by 12 percent compared with year end 2007 due mainly to a seasonal increase in working capital in the first quarter of 2008.

Our equity ratio was 39 percent, slightly less than the 40 percent recorded at year end 2007.

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 53 percent (year end 2007: 52 percent).
- Non-current assets are covered by long-term capital at 104 percent (year end 2007: 102 percent).

Consolidated Assets, Liabilities, and Equity				
€ in millions	Mar. 31, 2008	%	Dec. 31, 2007	%
Non-current assets	102,641	74	105,804	77
Current assets	35,260	26	31,490	23
Total assets	137,901	100	137,294	100
Equity	53,969	39	55,130	40
Non-current liabilities	52,404	38	52,402	38
Current liabilities	31,528	23	29,762	22
Total equity and liabilities	137,901	100	137,294	100

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Employees

Employees ¹			
	Mar. 31, 2008	Dec. 31, 2007	+/- %
Central Europe	42,419	44,051	-4
Pan-European Gas	11,674	12,214	-4
U.K.	17,075	16,786	+2
Nordic	5,685	5,804	-2
U.S. Midwest	3,017	2,977	+1
Energy Trading	759	-	-
Corporate Center/ New Markets ²	9,164	5,983	+53
Total	89,793	87,815	+2
Discontinued operations ³	476	474	-

¹Figures do not include apprentices, managing directors, or board members.
²Includes the Russia, Italy, and Climate & Renewables market units and E.ON IS.
³Consists of WKE.

As of March 31, 2008, the E.ON Group had 89,793 employees worldwide, about 2 percent more than at year end 2007. E.ON also had 2,195 apprentices and 285 board members and managing directors.

As of the same date, 54,104 employees, or 60 percent of all staff, were working outside Germany, essentially unchanged from year end 2007.

E.ON's new organizational structure is responsible for most of the changes in employee numbers at the market units. Energy Trading combines the group's European trading operations. Central Europe and Pan-European Gas's operations in Italy

were transferred to the Italy market unit. The same applies to the new Climate & Renewables market unit which manages our renewables business. The latter two new market units are shown under Corporate Center/New Markets.

The transfer of operations to the new market units was solely responsible for reducing Central Europe's workforce by 1,632 employees. Central Europe added about 1,000 employees due to acquisitions of waste-incineration and power and gas utility assets in Germany and to the hiring of former apprentices who had completed their training.

Despite the above-mentioned restructuring, U.K.'s workforce increased by about 2 percent due mainly to the addition of about 430 employees through the acquisition of the CHN Group and to further headcount increases at Energy Services.

Risk Situation

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

Our market units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, our energy business in and outside Germany faces increasingly intense competition which could reduce our margins. We use a comprehensive sales management system and intensive customer management to minimize these risks.

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we pursue systematic risk management. The key elements of our risk management are, in addition to binding groupwide guidelines and groupwide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. To limit commodity price risks, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. Proprietary commodity trading is conducted in accordance with detailed guidelines and within narrowly defined limits.

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

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

Our business strategy involves acquisitions and investments in our core business. This strategy depends in part on our ability to successfully identify and acquire, on acceptable terms, companies that enhance our energy business. We have comprehensive processes in place to manage the potential risks associated with acquisitions and investments. These processes include, in addition to the relevant company guidelines and

manuals, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and project controlling. Comprehensive post-acquisition integration projects also contribute to successful integration.

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

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

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

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

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In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning alleged price-fixing agreements and anticompetitive practices. There are also lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000. E.ON Ruhrgas is a party to a number of different arbitration proceedings. These include proceedings in connection with gas delivery contracts entered into with GasTerra B.V. In addition, court actions, governmental investigations, and proceedings, and other claims could be instituted or asserted in the future against companies of the E.ON Group. We attempt to minimize the risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

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

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

- In December 2007, Germany enacted amendments to its law against restraints on competition that will lead to a considerable broadening of antitrust oversight in Germany's electricity and natural gas markets. The amendments took effect on January 1, 2008. On February 29, 2008, the German Federal Cartel Office ("FCO") instituted anticompetitive practices proceedings against six E.ON Energie regional distribution companies pursuant to Section 29 of the amended law (which corresponds to Section 19, Paragraph 1 of the original law) for allegedly excessive prices for gas supplied to customers with a standard load profile.
- As part of an anticompetitive practices case, the FCO is investigating the treatment of CO₂ emission allowances as a cost factor in the price of electricity. In discussions with the FCO, an agreement was reached under which the FCO would drop its case in return for the auctioning of generating capacity and, possibly, the sale of a stake in a power station. We are currently trying to reach an acceptable solution with the FCO in the context of the agreement we reached with the European Commission.
- The European Commission carried out investigations at the premises of several energy companies in Europe, including E.ON AG and some of its affiliates, in May and December 2006. These were followed by requests for information regarding a number of regulatory and energy-market-related issues of E.ON Energie and E.ON Ruhrgas. The two companies have responded to these requests. On July 18, 2007, the Commission initiated formal antitrust proceedings against E.ON Ruhrgas and Gaz de France for alleged infringements of Article 81 of the European Community Treaty. The Commission has pointed out that the initiation of proceedings does not imply that there is conclusive proof of an infringement. In connection with the investigations in the electricity sector, E.ON has declared its willingness to divest its transmission system and a certain amount of generating capacity. After conducting a market test, the Commission will make a legally binding decision and not continue any antitrust proceedings relating to the electricity sector.
- E.ON Ruhrgas filed a complaint with the State Superior Court in Düsseldorf against the FCO's decision of January 13, 2006, relating to long-term gas supply contracts; the complaint related mainly to the competitive injunction contained in the FCO's order. The court dismissed this complaint on October 4, 2007. E.ON Ruhrgas has appealed the court's decision to the Federal Supreme Court of Justice, Germany's highest appellate court for civil and criminal cases.

- In September 2007, the European Commission published draft versions of a third package of energy legislation designed to establish a competitive, non-discriminatory, and transparent EU internal energy market. E.ON expressly supports these objectives. In our view, however, some of the proposed measures and mechanisms will not serve to promote competition or the development of cross-border regional markets. In particular, this applies to regulatory oversight over power and gas trading and to the ownership unbundling of electricity and gas transmission systems. With the various EU lawmaking bodies disagreeing about these issues, we will have to await further developments.
- Under Germany's Energy Law of 2005, the current cost-based, rate-of-return model for network charges is to be replaced by incentive regulation. Germany's incentive regulation ordinance took effect in November 2007, with incentive regulation to begin on January 1, 2009. In principle, we support the rapid introduction of a reasonable incentive system. It remains to be seen, however, whether the regulations will in all areas lead to efficiency-enhancement targets that can be achieved and surpassed. Because the Federal Network Agency must still determine major parameters (namely, the benchmarks themselves as well as the allowed return on equity and the investment budgets), we cannot at this time reliably assess the effects of incentive regulation.
- Currently, E.ON Gastransport's network charges are market-based. We cannot rule out the possibility that the Federal Network Agency will rule against market-based network charges during the course of 2008. In this case, E.ON Gastransport could be migrated to the incentive system effective January 1, 2010.
- The second round of the network charges approvals process for 2008 is currently under way. The results will serve as the basis for the incentive regulation system. We cannot rule out the possibility that this will pose a risk to our future earnings situation, since it is becoming apparent that the Federal Network Agency is interpreting the law in a one-sided manner prejudicial to network operators. In addition, if the Federal Network Agency significantly reduces the network charges submitted for approval, it may, in individual cases, be necessary for us to record impairment charges on our network operators affected by such rulings.
- In late 2007, the German Federal Network Agency initiated consultation proceedings to reform the model for the German gas industry's control- and balancing-energy market. The agency has now published its planned reform. The new model is supposed to take effect on October 1, 2008. The key change compared with the current model is the replacement of hourly balancing with daily balancing. The details of implementation are still undecided. Above all, there is no legal certainty for the application of the new model. The agency plans to address this situation by issuing a ruling, although it remains unclear when it will do so. Currently, the open questions surrounding the new model create numerous risks for all market participants.

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- At the request of the Federal Association of New Energy Suppliers (known by its German abbreviation, "BNE") and electricity supplier LichtBlick, the German Federal Network Agency has instituted regulatory proceedings against four transmission system operators ("TSOs"), including E.ON Netz, which operates E.ON's transmission system in Germany. The complainant's main demand is that Germany's four balancing zones be combined into a single, uniform balancing zone with the aim of reducing the cost of balancing energy. Germany's four balancing zones have been managed separately in order to enhance system reliability and to comply with European standards set by the UCTE. LichtBlick and the BNE are demanding that the agency require the four TSOs to jointly net out their balancing zones and to disgorge any additional earnings that have been received by the suppliers of balancing energy. There appears to be no legal basis for this demand.
- Legal uncertainty surrounding the implementation of national allocation plans in certain EU member states could result in some installations in the energy industry affected by emission-allowance trading having difficulties with the allocation of CO₂ emission allowances.
- In January 2008, the European Commission presented a package of legislative proposals on the implementation of EU climate-protection targets, the continuation of emission-allowance trading, carbon storage, and support for renewable-source electricity. The environmentally motivated reorganization of Europe's energy supply system will affect energy companies but also create new lines of business.

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

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

E.ON Ruhrgas currently obtains approximately 26 percent of its total natural gas supply from Russia pursuant to long-term supply contracts with Gazprom. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe about the reliability of Russian gas supplies. 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 the control of E.ON Ruhrgas.

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

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

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

Forecast

Earnings

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

For 2008, we continue to expect the E.ON Group's adjusted EBIT to again surpass the high prior-year figure and to increase by 5 to 10 percent. Our forecast reflects our expectation to acquire a substantial portfolio of assets from Enel and Acciona during 2008. Further earnings drivers will be operational improvements in our electricity business as well as the ongoing implementation of efficiency-oriented measures.

We anticipate a slight increase in adjusted net income for 2008, with operating improvements partially offset by higher interest expenses.

Opportunities

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

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

Our investment policy is aimed at strengthening and enlarging our leading position in our target markets and to systematically seize opportunities, including opportunities in future markets.

22 Market Unit Highlights

Central Europe

Power and Gas Sales

Central Europe's power sales increased by 19.5 billion kWh to 102.5 billion kWh due to the transfer of some operations to the E.ON Group's new market units.

Power and Gas Sales			
January 1 – March 31 Billion kWh	2008	2007	+/- %
Residential and small commercial	13.5	13.5	-
Industrial and large commercial	17.4	20.1	-13
Sales partners	71.6	49.4	+45
Power sales¹	102.5	83.0	+23
Residential and small commercial	19.1	16.9	+13
Industrial and large commercial	15.9	18.3	-13
Sales partners	9.6	10.3	-7
Gas sales¹	44.6	45.5	-2

¹Excludes trading activities.

Gas sales volume declined by 0.9 billion kWh due to changes to the E.ON Group's organizational structure. Adjusted for these effects, gas sales increased by 2.9 billion kWh, primarily due to cooler weather compared with the prior-year period (2006–2007 was Europe's warmest winter since comprehensive weather records began to be kept in 1901).

Power Generation and Procurement

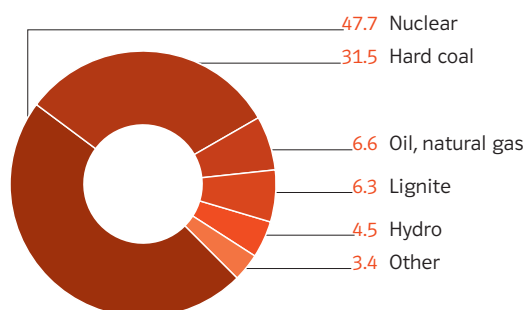
Central Europe utilized its flexible mix of generation assets to meet about 33 percent of its electricity requirements compared with 40 percent in the prior-year period. The increased procurement from outside sources and the corresponding decline in owned generation are predominantly attributable to the changes to the E.ON Group's organizational structure.

Power Generation and Procurement ¹			
January 1 – March 31 Billion kWh	2008	2007	+/- %
Owned generation	35.5	34.9	+2
Purchases	71.1	52.0	+37
<i>from jointly owned power plants</i>	1.1	3.1	-65
<i>from outside sources</i>	70.0	48.9	+43
Power procured	106.6	86.9	+23
Station use, line loss, pumped-storage hydro	-4.1	-3.9	-
Power sales	102.5	83.0	+23

¹Excludes trading activities.

Sources of Owned Generation

January 1 – March 31, 2008
Percentages



Financial Highlights by Business

January 1 – March 31 € in millions	Central Europe West				Central Europe East		Other/ Consolidation		Central Europe	
	Non-regulated		Regulated		2008	2007	2008	2007	2008	2007
	2008	2007	2008	2007						
Sales ¹	6,286	5,051	3,238	3,319	1,352	1,099	-258	-468	10,618	9,001
Adjusted EBITDA	1,188	1,117	539	524	189	152	29	8	1,945	1,801
Adjusted EBIT	1,083	996	373	360	133	96	12	-21	1,601	1,431

¹Trading activities are recognized net.

Pan-European Gas

Market Development

Temperatures in Germany in the first quarter of 2008 averaged 1.1 degrees Centigrade below the prior-year figures, causing natural gas consumption to rise by about 4 percent to 315 billion kWh.

Gas Sales

E.ON Ruhrgas sold 227 billion kWh of natural gas in the first quarter of 2008, 7 percent more than a year ago.

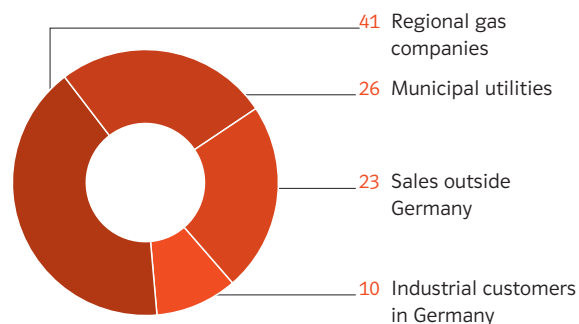
Gas Sales by Period ¹				
January 1 - March 31				
Billion kWh	2008	2007	+/- %	
January	81.3	76.0	+7	
February	71.1	69.4	+2	
March	75.0	68.0	+10	
Total	227.4	213.4	+7	

¹Gas sales of E.ON Ruhrgas AG.

Increased sales volumes in Germany resulted from higher deliveries to power stations, industrial customers, and municipal utilities. Deliveries to regional gas companies were on par with the year-earlier figure. E.ON Ruhrgas also increased sales volumes outside Germany in the first quarter of 2008. It concluded new gas supply contracts in France and Italy, made deliveries to its first customer in Belgium, and began to supply E.ON Italia. It also concluded a contract with E.ON Földgáz Trade in Hungary to cover demand spikes in the current winter.

Gas Sales by Customer Segment¹

January 1 - March 31, 2008
Percentages



¹Gas sales of E.ON Ruhrgas AG.

Downstream Shareholdings Gas Sales Volume

The majority-owned shareholdings at Downstream Shareholdings sold 69.9 billion kWh of natural gas, about the same as the prior-year figure (70.5 billion kWh). The absence of the sales volume from Thüga Italia's operations, which were transferred to the Italy market unit, was offset by volume growth at E.ON Földgáz Trade.

Upstream Production Higher

Pan-European Gas produced 348 million cubic meters of natural gas in the first quarter of 2008, 72 percent more than the prior-year figure (202 million cubic meters). The increase was caused by the start of production in Njord field in December 2007. Liquid production of 1.3 million barrels was slightly lower than the prior-year figure of 1.4 million barrels because of natural production decline in several fields.

Upstream Production				
January 1 - March 31				
	2008	2007	+/- %	
Liquids/oil (million barrels)	1.3	1.4	-7	
Gas (million standard cubic meter)	348	202	+72	
Hydrocarbons (million barrels of oil equivalent)	3.5	2.6	+35	

Financial Highlights by Business								
January 1 - March 31								
€ in millions								
	Up-/Midstream		Downstream Shareholdings		Other/ Consolidation		Pan-European Gas	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	6,317	5,962	1,971	2,036	-252	-184	8,036	7,814
Adjusted EBITDA	843	861	316	389	-4	21	1,155	1,271
Adjusted EBIT	740	755	283	349	-4	22	1,019	1,126

24 Market Unit Highlights

U.K.

Market Development

Electricity consumption in England, Wales, and Scotland was 94 billion kWh for the first three months of 2008, 2 billion kWh higher than in the equivalent period in 2007. The increase in demand was due to a colder first quarter in 2008 compared with the same period in 2007. Gas consumption for the first three months of 2008 was 346 billion kWh compared with 331 billion kWh in 2007. The increase is attributable to a weather-driven increase in heating demand and slightly higher demand from gas-fired power stations.

Power and Gas Sales

Sales of power and gas to residential and small and medium enterprise ("SME") customers declined due to lower customer numbers and changing customer behavior as a result of climate-change awareness. The lower market sales of gas reflect a return to more normal weather conditions compared with the exceptionally mild first quarter of 2007 resulting in a reduced requirement to sell to market.

Sales by Customer Segment			
January 1 - March 31 Billion kWh	2008	2007	+/- %
Residential and SME	9.6	10.4	-8
I&C	5.0	4.8	+4
Market sales	7.9	6.0	+32
Power sales	22.5	21.2	+6
Residential and SME	22.1	22.7	-3
I&C	7.3	7.9	-8
Market sales	20.3	24.4	-17
Gas sales	49.7	55.0	-10

Power Generation and Procurement

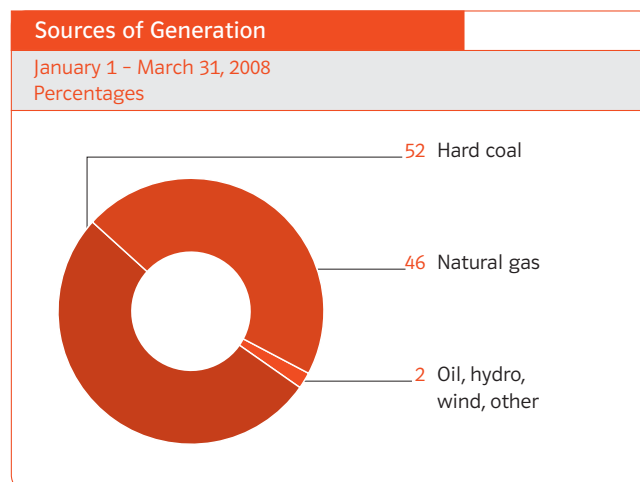
The Large Combustion Plant Directive ("LCPD") took effect in the first quarter of 2008. The LCPD aims mainly to control emissions of sulfur dioxide and nitrogen oxides. Despite excellent availability, coal generation declined at stations that have opted out of LCPD compliance and that now face restricted operational capability. This, in turn, has contributed to higher

power prices and increased running of gas-fired power plants. Purchases from other suppliers increased to make up for the fall in generation volumes and increased power sales.

Power Generation and Procurement ¹			
January 1 - March 31 Billion kWh	2008	2007	+/- %
Owned generation	11.9	12.3	-3
Purchases	10.7	8.9	+20
<i>from jointly owned power plants</i>	0.2	0.4	-50
<i>from outside sources</i>	10.5	8.5	+24
Power procured	22.6	21.2	+7
Station use, line loss, pumped-storage hydro	-0.1	-	-
Power sales	22.5	21.2	+6

¹Excludes CHP plants.

There was a slight increase of 16 MW in attributable natural gas generation capacity between March 2007 and March 2008 due to a compressor upgrade at the Enfield station.



The reduction in the percentage of generation from coal (and the increase in the percentage of generation from gas) reflects the impact of the LCPD.

Financial Highlights by Business							
January 1 - March 31 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		U.K.
	2008	2007	2008	2007	2008	2007	2008 2007
Sales	210	236	3,208	4,048	-68	-89	3,350 4,195
Adjusted EBITDA	165	177	239	423	-10	-31	394 569
Adjusted EBIT	130	143	150	325	-11	-32	269 436

Nordic

Market Development

The Nordic region consumed about 113 billion kWh of electricity during the first quarter of 2008, 2 billion kWh less than in the same period in 2007.

Power Sales

E.ON Nordic sold 1 billion kWh less electricity than in the first three months of 2008 mainly due to increased competition in the commercial segment and decreased net sales to E.ON Energy Trading. Sales to residential customers increased slightly.

Power Sales			
January 1 – March 31 Billion kWh			
	2008	2007	+/- %
Residential	1.9	1.6	+19
Commercial	3.2	3.9	-18
Sales partners	2.1	2.1	-
E.ON Energy Trading/ other (net)	4.8	5.4 ¹	-11
Total	12.0	13.0	-8

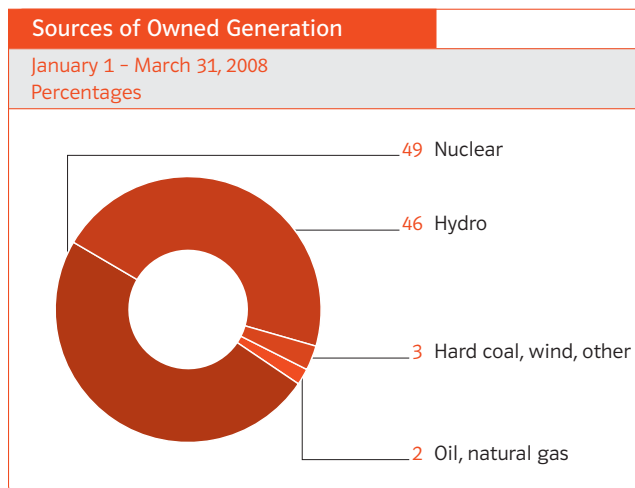
¹Includes net sales volume with Nord Pool.

Power Generation and Procurement

E.ON Nordic's owned generation decreased by 0.3 billion kWh relative to the prior year. Hydropower production was below last year's figure as a consequence of high reservoir inflow during the first quarter of 2007. Nuclear power production was slightly above the prior year mainly due to an outage at E.ON's Oskarshamn 1 nuclear plant in January 2007. Unplanned outages in Forsmark and Ringhals in the first quarter of 2007 also had a positive effect on the current-year figure. Power purchases declined, primarily because of the transfer of trading activities.

Power Generation and Procurement			
January 1 – March 31 Billion kWh			
	2008	2007	+/- %
Owned generation	9.1	9.4	-3
Purchases ¹	3.5	4.3	-19
<i>from jointly owned power plants</i>	3.0	2.7	+11
<i>from outside sources</i>	0.5	1.6	-69
Power procured	12.6	13.7	-8
Station use, line loss, pumped-storage hydro	-0.6	-0.7	-
Power sales	12.0	13.0	-8

¹2008 figures do not include procurement from E.ON Energy Trading.



Gas and Heat Sales

Gas sales, as well as heat sales, were in line with prior year. Mild weather affected both years negatively.

Gas and Heat Sales			
January 1 – March 31 Billion kWh			
	2008	2007	+/- %
Gas sales	1.4	1.4	-
Heat Sales	3.0	3.0	-

Financial Highlights by Business								
January 1 – March 31 € in millions								
	Regulated Business		Non-regulated Business		Other/ Consolidation		Nordic	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	217	204	1,027	895	-42	-70	1,202	1,029
Adjusted EBITDA	98	93	333	286	8	-6	439	373
Adjusted EBIT	70	66	281	232	2	-11	353	287

26 Market Unit Highlights

U.S. Midwest

Market Development

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

Power and Gas Sales

Regulated utility retail power sales were slightly favorable due to colder weather for the first three months of 2008 compared with the same period in 2007.

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

Sales by Customer Segment			
January 1 - March 31			
Billion kWh	2008	2007	+/- %
Retail customers	8.7	8.5	+2
Off-system sales	0.5	0.6	-17
Power sales	9.2	9.1	+1
Retail customers	6.3	5.8	+9
Off-system sales	0.3	0.4	-25
Gas sales	6.6	6.2	+6

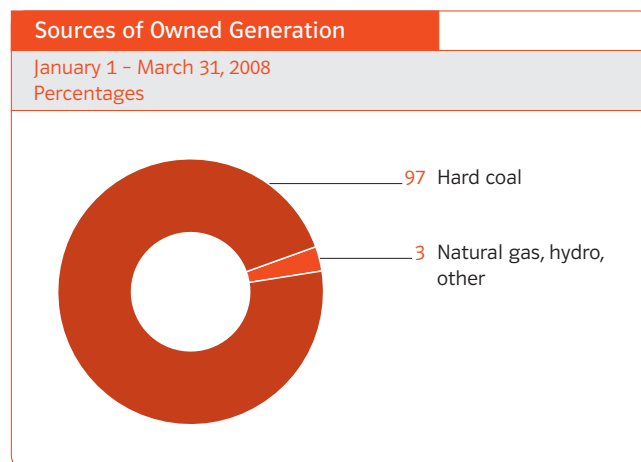
Power Generation and Procurement

U.S. Midwest generation was relatively flat for the first three months of 2008 compared with the same period in 2007.

Power Generation and Procurement			
January 1 - March 31			
Billion kWh	2008	2007	+/- %
Owned generation	8.9	9.0	-1
Purchases	0.8	0.7	+14
Power procured	9.7	9.7	-
Station use, line loss	-0.5	-0.6	-
Power sales	9.2	9.1	+1

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

Coal-fired power plants accounted for 97 percent of U.S. Midwest's owned generation for the first three months of 2008, while gas-fired and hydro generating assets accounted for the remaining 3 percent.



Financial Highlights by Business					
January 1 - March 31					
€ in millions					
	Regulated Business		Non-regulated Business/Other		U.S. Midwest
	2008	2007	2008	2007	2008 2007
Sales	495	488	9	10	504 498
Adjusted EBITDA	136	135	-2	-3	134 132
Adjusted EBIT	100	96	-2	-3	98 93

Energy Trading

Business Operations

We have managed our European trading operations centrally from Düsseldorf since the start of 2008 and expect most of the positions in the organization to be centralized by the end of the year. E.ON Energy Trading AG brings together our risk-management activities for power, gas, coal, oil, and CO₂ allowances. The new market unit operates across Europe's liquid energy markets and is responsible for managing the E.ON Group's commodity position in these markets. It also conducts both optimization (fuel procurement, generation fleet and gas portfolio management, and sales procurement) and proprietary trading. Transactions between Energy Trading and our other market units will transfer the commodity risk to Energy Trading and will be settled at transfer prices based on forward market prices. Proprietary trading, which is conducted in accordance with our risk management systems and trading limits, involves intentionally exploiting changes in market prices and risk positions.

Legal Integration

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

Commercial Integration

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

Trading Volume

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

Trading Volume	
January 1 - March 31	2008
Power sales	92.17 billion kWh
Power purchases	94.21 billion kWh
Gas sales	97.68 billion kWh
Gas purchases	121.78 billion kWh
CO ₂ allowance sales	12.8 million metric tons
CO ₂ allowance purchases	16.0 million metric tons
Oil sales	12.4 million metric tons
Oil purchases	15.9 million metric tons
Coal sales	10.8 million metric tons
Coal purchases	15.3 million metric tons

Financial Highlights by Business

January 1 - March 31 € in millions	Proprietary Trading		Optimization		Energy Trading	
	2008	2007	2008	2007	2008	2007
Sales ¹	17	-	7,720	-	7,737	-
Adjusted EBITDA	9	-	-89	-	-80	-
Adjusted EBIT	9	-	-89	-	-80	-

¹Proprietary trading activities are recognized net.

28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, condensed cash flow statement, statement of recognized income and expense and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to March 31, 2008, which are part of the three month financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandels-gesetz": 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 13, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Vogelpoth
Wirtschaftsprüfer
(German Public Auditor)

Dr. Norbert Schwieters
Wirtschaftsprüfer
(German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income			
January 1 – March 31			
€ in millions	Notes	2008	2007
Sales including electricity and energy taxes		23,511	21,689
Electricity and energy taxes		-672	-619
Sales	(13)	22,839	21,070
Changes in inventories (finished goods and work in progress)		16	25
Own work capitalized		88	53
Other operating income		3,159	2,971
Cost of materials		-17,162	-15,505
Personnel costs		-1,155	-1,109
Depreciation, amortization and impairment charges		-803	-762
Other operating expenses		-3,588	-2,335
Income/Loss (-) from companies accounted for under the equity method		233	260
Income/Loss (-) from continuing operations before financial results and income taxes		3,627	4,668
Financial results	(7)	-422	-276
Income from equity investments		2	5
Income from other securities, interest and similar income		219	182
Interest and similar expenses		-643	-463
Income taxes		-793	-1,027
Income/Loss (-) from continuing operations		2,412	3,365
Income/Loss (-) from discontinued operations, net	(5)	-65	-73
Net income		2,347	3,292
Attributable to shareholders of E.ON AG		2,079	3,067
Attributable to minority interests		268	225
in €			
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(8)		
from continuing operations		3.40	4.76
from discontinued operations		-0.10	-0.11
from net income		3.30	4.65

30 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets			
€ in millions	Notes	Mar. 31, 2008	Dec. 31, 2007
Goodwill		15,932	16,761
Intangible assets		4,714	4,284
Property, plant and equipment		48,327	48,552
Companies accounted for under the equity method	(9)	8,607	8,411
Other financial assets	(9)	18,155	21,478
<i>Equity investments</i>		12,568	14,583
<i>Non-current securities</i>		5,587	6,895
Financial receivables and other financial assets		2,560	2,449
Operating receivables and other operating assets		1,329	680
Income tax assets		2,029	2,034
Deferred tax assets		988	1,155
Non-current assets		102,641	105,804
Inventories		3,093	3,811
Financial receivables and other financial assets		1,532	1,515
Trade receivables and other operating assets		21,000	17,973
Income tax assets		807	539
Liquid funds		8,269	7,075
<i>Securities and fixed-term deposits</i>		2,991	3,888
<i>Restricted cash</i>		313	300
<i>Cash and cash equivalents</i>		4,965	2,887
Assets held for sale	(5)	559	577
Current assets		35,260	31,490
Total assets		137,901	137,294

E.ON AG and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities			
€ in millions	Notes	Mar. 31, 2008	Dec. 31, 2007
Capital stock		1,734	1,734
Additional paid-in capital		11,825	11,825
Retained earnings		29,548	26,828
Accumulated other comprehensive income		7,730	10,656
Treasury shares	(10)	-1,287	-616
Reclassification related to put options on treasury shares	(10)	-1,420	-1,053
Equity attributable to shareholders of E.ON AG		48,130	49,374
Minority interests (before reclassification)		6,422	6,281
Reclassification related to put options		-583	-525
Minority interests		5,839	5,756
Equity		53,969	55,130
Financial liabilities		16,256	15,915
Operating liabilities		5,406	5,432
Income taxes		2,607	2,537
Provisions for pensions and similar obligations	(12)	2,324	2,890
Miscellaneous provisions		18,176	18,073
Deferred tax liabilities		7,635	7,555
Non-current liabilities		52,404	52,402
Financial liabilities		5,252	5,549
Trade payables and other operating liabilities		19,790	18,254
Income taxes		1,724	1,354
Miscellaneous provisions		4,108	3,992
Liabilities associated with assets held for sale	(5)	654	613
Current liabilities		31,528	29,762
Total equity and liabilities		137,901	137,294

32 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses		
January 1 – March 31 € in millions	2008	2007
Net income	2,347	3,292
Cash flow hedges	112	219
<i>Unrealized changes</i>	283	36
<i>Reclassification adjustments recognized in income</i>	-171	183
Available-for-sale securities	-2,687	-1,961
<i>Unrealized changes</i>	-2,325	-1,165
<i>Reclassification adjustments recognized in income</i>	-362	-796
Currency translation adjustments	-485	-110
<i>Unrealized changes</i>	-485	-94
<i>Reclassification adjustments recognized in income</i>	0	-16
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	1,058	580
Deferred taxes	-181	-85
Total income and expenses recognized directly in equity	-2,183	-1,357
Total recognized income and expenses (total comprehensive income)	164	1,935
<i>Attributable to shareholders of E.ON AG</i>	-127	1,739
<i>Attributable to minority interests</i>	291	196

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1 – March 31		
€ in millions		
	2008	2007
Net income	2,347	3,292
Income from discontinued operations, net	65	73
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	803	762
Changes in provisions	218	197
Changes in deferred taxes	13	66
Other non-cash income and expenses	-251	-111
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (=3 months)	-317	-973
Changes in operating assets and liabilities and in income taxes	-281	-898
Cash provided by operating activities of continuing operations (operating cash flow)	2,597	2,408
Proceeds from disposal of	102	412
<i>Intangible assets and property, plant and equipment</i>	40	77
<i>Equity investments</i>	62	335
Purchase of investments in	-2,004	-1,165
<i>Intangible assets and property, plant and equipment</i>	-1,559	-1,058
<i>Equity investments</i>	-445	-107
Changes in securities and fixed-term deposits	1,564	2,143
Changes in restricted cash	62	100
Cash used for investing activities of continuing operations	-276	1,490
Payments received/made from changes in capital	25	47
Payments for treasury shares, net	-671	0
Premiums received for put options on treasury shares	22	0
Cash dividends paid to shareholders of E.ON AG	0	0
Cash dividends paid to minority shareholders	-55	-31
Changes of financial liabilities	451	122
Cash provided by (used for) financing activities of continuing operations	-228	138
Net increase (decrease) in cash and cash equivalents from continuing operations	2,093	4,036
Cash provided by operating activities of discontinued operations	4	2
Cash used for investing activities of discontinued operations	-4	-2
Cash provided by financing activities of discontinued operations	0	0
Net increase (decrease) in cash and cash equivalents from discontinued operations	0	0
Effect of foreign exchange rates on cash and cash equivalents	-15	-2
Cash and cash equivalents at the beginning of the year	2,887	1,154
Cash and cash equivalents at the end of the quarter	4,965	5,188

34 Notes to the Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2007	1,799	11,760	24,350	632	10,491	-90
Capital increase						
Dividends paid						
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			3,431	-73	-1,744	125
<i>Net income</i>			3,067			
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			364			
<i>Other comprehensive income</i>				-73	-1,744	125
Balance as of March 31, 2007	1,799	11,760	27,781	559	8,747	35
Balance as of January 1, 2008	1,734	11,825	26,828	-318	11,081	-107
Changes in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid						
Other changes						
Share additions			-79			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			2,799	-548	-2,397	19
<i>Net income</i>			2,079			
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			720			
<i>Other comprehensive income</i>				-548	-2,397	19
Balance as of March 31, 2008	1,734	11,825	29,548	-866	8,684	-88

Treasury shares	Put options on treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-230	0	48,712	4,994	-2,461	2,533	51,245
			48		48	48
			-30		-30	-30
				7	7	7
		1,739	196		196	1,935
		3,067	225		225	3,292
		364	22		22	386
		-1,692	-51		-51	-1,743
-230	0	50,451	5,208	-2,454	2,754	53,205
-616	-1,053	49,374	6,281	-525	5,756	55,130
			-132		-132	-132
-671		-671				-671
			60		60	60
			-2		-2	-2
			-66		-66	-66
			-10		-10	-10
		-79				-79
	-367	-367		-58	-58	-425
		-127	291		291	164
		2,079	268		268	2,347
		720	31		31	751
		-2,926	-8		-8	-2,934
-1,287	-1,420	48,130	6,422	-583	5,839	53,969

36 Notes to the Condensed Consolidated Interim Financial Statements

(1) Basis of Presentation

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

- The Central Europe market unit, led by E.ON Energie AG ("E.ON Energie"), Munich, Germany, operates E.ON's integrated electricity business and the downstream gas business in Central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business. This market unit is led by E.ON Ruhrgas AG ("E.ON Ruhrgas"), Essen, Germany.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom. This market unit is led by E.ON UK plc ("E.ON UK"), Coventry, U.K.
- The Nordic market unit, which is led by E.ON Nordic AB ("E.ON Nordic"), Malmö, Sweden, focuses on the integrated energy business in Northern Europe. It operates through the integrated energy company E.ON Sverige AB ("E.ON Sverige"), Malmö, Sweden.
- The U.S. Midwest market unit, led by E.ON U.S. LLC ("E.ON U.S."), Louisville, Kentucky, USA, is primarily active in the regulated energy market in the U.S. state of Kentucky.
- The Energy Trading market unit, which is led by E.ON Energy Trading AG ("E.ON Energy Trading"), Düsseldorf, Germany, began operations on January 1, 2008. By centralizing trading activities formerly managed by the Central Europe, Pan-European Gas, Nordic, and U.K. market units, Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil, and CO₂ allowances.
- Corporate Center/New Markets contains those interests held directly by E.ON AG ("E.ON" or the "Company"), E.ON AG itself, consolidation effects at the Group level, and the activities of the new Climate & Renewables, Italy, and Russia market units. These market units began operations on January 1, 2008.

Note 13 provides additional information about the market units.

(2) Summary of Significant Accounting Policies

The Interim Report for the three months ended March 31, 2008, has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective and adopted for use in the European Union ("EU"). In addition, E.ON has opted for the voluntary early adoption of IFRS 8. IFRIC 12, "Service Concession Arrangements" ("IFRIC 12"), was supposed to be applied beginning on January 1, 2008. E.ON has not adopted IFRIC 12 because this interpretation has not yet been transferred into European law. If IFRIC 12 is endorsed by the EU in the future, its initial application will not have a material impact on E.ON's Consolidated Financial Statements.

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

This Interim Report prepared in accordance with IAS 34 is condensed compared with the scope applied to the Consolidated Financial Statements for the full year. For further information, including information about E.ON's risk management system, please refer to E.ON's Consolidated Financial Statements for the year ended December 31, 2007, which provide the basis for this Interim Report.

(3) Newly Adopted Standards and Interpretations

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

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

(4) Scope of Consolidation

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

Scope of Consolidation	Domestic	Foreign	Total
Consolidated companies as of December 31, 2007	153	438	591
Additions	4	14	18
Disposals/Mergers	-2	-3	-5
Consolidated companies as of March 31, 2008	155	449	604

In addition, 184 companies were accounted for under the equity method as of March 31, 2008 (December 31, 2007: 185).

(5) Acquisitions, Disposals and Discontinued Operations

Major acquisitions or disposals in the first quarter 2008 have not taken place.

Discontinued Operations in 2008 and 2007

WKE

Through Western Kentucky Energy Corp. ("WKE"), Henderson, Kentucky, USA, E.ON U.S. has a 25-year lease on and operates the generating facilities of Big Rivers Electric Corporation

("BREC"), a power generation cooperative in western Kentucky, and a coal-fired generating facility owned by the city of Henderson.

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

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

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

Selected Financial Information—WKE (Summary)		
January 1 - March 31 € in millions	2008	2007
Sales	52	53
Other income/(expenses), net	-158	-171
Income from continuing operations before income taxes and minority interests	-106	-118
Income taxes	41	45
Income from discontinued operations	-65	-73

Major Balance Sheet Line Items—WKE (Summary)		
€ in millions	Mar. 31, 2008	Dec. 31, 2007
Intangible assets and property, plant and equipment	191	202
Other assets	368	362
Total assets	559	564
Total liabilities	654	613

38 Notes to the Condensed Consolidated Interim Financial Statements

Acquisitions in 2007

OGK-4

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

Under Russian capital-markets legislation, E.ON was required to make a public offer to purchase the remainder of the shares held by the minority shareholders of OGK-4, and this offer, at

a price of 3.3503 rubles per share, was made public on November 15, 2007. The acceptance period ended on February 4, 2008. E.ON was thus able to acquire additional shares equivalent to approximately 3.4 percent of OGK-4 and increase its total ownership stake to 76.1 percent.

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

The purchase price allocation for OGK-4 is still preliminary as of March 31, 2008, primarily because effects from potential obligations remain to be evaluated. The main changes from year-end 2007 were minor changes to property, plant and equipment.

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

ENERGI E2 Renovables Ibéricas

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

Airtricity

On December 18, 2007, E.ON North America Holdings LLC acquired all the shares of Airtricity Inc., Chicago, Illinois, USA, and all the shares of Airtricity Holdings (Canada) Ltd., Toronto, Ontario, Canada, for a purchase price of approximately €580 million. Because the date of consolidation was so close to the preparation of E.ON's Consolidated Financial Statements, the entire difference between the purchase price and Airtricity's equity was recorded as goodwill as of December 31, 2007. In

the first quarter of 2008, fair value adjustments relating to intangible assets (€329 million) and to property, plant and equipment (€60 million) as well as deferred tax liabilities (€137 million) were recorded. These changes reduced goodwill by €252 million. The purchase price allocation will be preliminary until certain issues concerning non-current assets are finally clarified. Starting in the first quarter of 2008, these companies operate as E.ON Climate & Renewables North America Inc. and EC&R Canada Ltd., respectively.

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

(6) Research and Development Costs

The E.ON Group's research and development costs amounted to €5 million in the first three months of 2008 (first three months of 2007: €5 million).

(7) Financial Results

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

Financial Results		
January 1 - March 31		
€ in millions	2008	2007
Income from companies in which equity investments are held	20	19
Write-down of share investments	-18	-14
Income from equity investments	2	5
Income from other securities, interest and similar income	219	182
Interest and similar expenses	-643	-463
Interest and similar expenses (net)	-424	-281
Financial results	-422	-276

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(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	2008	2007
Income/Loss (-) from continuing operations	2,412	3,365
less: Minority interests	-268	-225
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	2,144	3,140
Income/Loss (-) from discontinued operations, net	-65	-73
less: Minority interests	0	0
Income/Loss (-) from discontinued operations, net (attributable to shareholders of E.ON AG)	-65	-73
Net income attributable to shareholders of E.ON AG	2,079	3,067
in €		
Earnings per share (attributable to shareholders of E.ON AG)		
from continuing operations	3.40	4.76
from discontinued operations	-0.10	-0.11
from net income	3.30	4.65
Weighted-average number of shares outstanding (in millions)	630	660

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

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

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

Companies Accounted for Under the Equity Method and Other Financial Assets		
€ in millions	Mar. 31, 2008	Dec. 31, 2007
Companies accounted for under the equity method	8,607	8,411
Equity investments	12,568	14,583
<i>Equity investment in OAO Gazprom</i>	<i>10,979</i>	<i>13,061</i>
Non-current securities	5,587	6,895
Total	26,762	29,889

(10) Treasury Shares

As of March 31, 2008, E.ON AG held 12,236,925 treasury shares (December 31, 2007: 6,905,024). The increase results from the share buyback program started on June 27, 2007. A further 28,472,194 shares of E.ON AG continue to be held by one of its subsidiaries. E.ON thus held 6.1 percent of its capital stock as treasury shares as of the balance sheet date.

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

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

(11) Dividends Paid

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

(12) Provisions for Pensions and Similar Obligations

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

Discount Rate		
Percentages	Mar. 31, 2008	Dec. 31, 2007
Germany	6.00	5.50
U.K.	6.70	5.80
USA	6.80	6.65

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

Net Amount Recognized		
€ in millions	Mar. 31, 2008	Dec. 31, 2007
Defined benefit obligation	14,217	15,936
Fair value of plan assets	-12,425	-13,056
Funded status	1,792	2,880
Unrecognized past service cost	-3	-3
Net amount recognized	1,789	2,877
<i>Thereof presented as operating receivables</i>	-535	-13
<i>Thereof presented as provisions for pensions and similar obligations</i>	2,324	2,890

While both the defined benefit obligation and the fair value of plan assets decreased by almost the same amount due to currency effects, the defined benefit obligation additionally decreased due to the increase of the discount rates in the first quarter of 2008.

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

Net Periodic Pension Cost for Defined Benefit Plans		
January 1 - March 31		
€ in millions	2008	2007
Employer service cost	50	61
Interest cost	218	206
Expected return on plan assets	-181	-186
Past service cost	2	2
Total	89	83

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(13) Segment Information

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

- The Central Europe market unit operates E.ON's integrated electricity business and downstream gas business in Central Europe.
- Pan-European Gas is responsible for the European upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business.
- The U.K. market unit encompasses the integrated energy business in the United Kingdom.
- The Nordic market unit focuses on the integrated energy business in Northern Europe.
- The U.S. Midwest market unit is primarily active in the regulated energy market in the U.S. state of Kentucky.
- The Energy Trading market unit began operations on January 1, 2008. By centralizing trading activities formerly managed by the Central Europe, Pan-European Gas, Nordic, and U.K. market units, Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil, and CO₂ allowances.

- Corporate Center/New Markets contains those interests held directly by E.ON AG, E.ON AG itself, consolidation effects at the Group level, and the activities of the new Climate & Renewables, Italy, and Russia market units. These market units began operations on January 1, 2008.

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

Under IFRS, E.ON is required to report under discontinued operations those operations of a reportable or operating segment, or of a component thereof, which either have been disposed of or are classified as held for sale. In the first three months of 2008 as well as in 2007, this applies to WKE, which is held for sale. Our results for the period ended March 31, 2008, and for the prior-year period do not include the results of our discontinued operations (see page 37).

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

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

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

Net Income		
January 1 - March 31		
€ in millions	2008	2007
Adjusted EBIT	3,279	3,315
Adjusted interest income (net)	-379	-279
Net book gains	294	885
Restructuring expenses	-22	0
Other non-operating earnings	33	471
Income/Loss (-) from continuing operations before taxes	3,205	4,392
Income taxes	-793	-1,027
Income/Loss (-) from continuing operations	2,412	3,365
Income/Loss (-) from discontinued operations, net	-65	-73
Net income	2,347	3,292
Attributable to shareholders of E.ON AG	2,079	3,067
Attributable to minority interests	268	225

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

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Financial Information by Business Segment

January 1 – March 31 € in millions	Central Europe		Pan-European Gas		U.K.	
	2008	2007	2008	2007	2008	2007
External sales	8,475	8,818	6,506	6,606	2,690	4,147
Intersegment sales	2,143	183	1,530	1,208	660	48
Sales	10,618	9,001	8,036	7,814	3,350	4,195
Adjusted EBITDA	1,945	1,801	1,155	1,271	394	569
Depreciation and amortization	-340	-356	-133	-127	-125	-133
Impairments ¹	-4	-14	-3	-18	-	-
Adjusted EBIT	1,601	1,431	1,019	1,126	269	436
<i>Earnings from companies accounted for under the equity method¹</i>	72	60	146	181	4	6
Cash provided by operating activities	1,902	543	1,232	1,851	384	31
Investments	541	523	228	1,002	173	196
<i>Intangible assets and property, plant and equipment</i>	430	433	169	124	138	196
<i>Equity investments²</i>	111	90	59	878	35	-
Total assets (March 31 and December 31)	59,450	63,442	35,582	39,090	18,601	18,170
<i>Intangible assets (March 31 and December 31)</i>	1,959	1,889	1,018	1,137	544	675
<i>Property, plant and equipment (March 31 and December 31)</i>	18,001	18,375	6,376	6,746	6,569	7,506
<i>Companies accounted for under the equity method (March 31 and December 31)</i>	2,097	2,134	5,752	5,602	-	2

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

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

Nordic		U.S. Midwest		Energy Trading		Corporate Center/ New Markets		E.ON Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
768	1,001	504	498	3,176	-	720	-	22,839	21,070
434	28	-	-	4,561	-	-9,328	-1,467	-	-
1,202	1,029	504	498	7,737	-	-8,608	-1,467	22,839	21,070
439	373	134	132	-80	-	97	-50	4,084	4,096
-86	-85	-36	-39	-	-	-81	-4	-801	-744
-	-1	-	-	-	-	3	-4	-4	-37
353	287	98	93	-80	-	19	-58	3,279	3,315
2	4	5	5	-	-	4	4	233	260
337	295	155	54	-1,472	-	59	-366	2,597	2,408
214	184	170	127	-	-	678	-867	2,004	1,165
213	181	170	127	-	-	439	-3	1,559	1,058
1	3	-	-	-	-	239	-864	445	107
12,544	11,759	7,649	8,130	12,165	-	-8,090	-3,297	137,901	137,294
235	213	11	13	385	-	562	357	4,714	4,284
7,556	7,429	3,957	4,153	1	-	5,867	4,343	48,327	48,552
365	357	30	32	-	-	363	284	8,607	8,411

Financial Calendar

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

Additional Information

E.ON AG
E.ON-Platz 1
40479 Düsseldorf
Germany

T +49 211-4579-0
F +49 211-4579-501
info@eon.com
www.eon.com

Media Relations
T +49 211-4579-453
presse@eon.com

Investor Relations
T +49 211-4579-542
investorrelations@eon.com

Creditor Relations
T +49 211-4579-563
creditorrelations@eon.com

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