

# 2008

January February March

April May June

July August September

October November December

## 2 E.ON Group Financial Highlights

E.ON Group Financial Highlights		2008	2007	+/- %
January 1–September 30				
Electricity sales	434.7 billion kWh	350.3 billion kWh		+24
Gas sales <sup>1</sup>	843.9 billion kWh	828.6 billion kWh		+2
Sales	€60,463 million	€49,413 million		+22
Adjusted EBITDA	€10,201 million	€9,435 million		+8
Adjusted EBIT	€7,703 million	€7,146 million		+8
Net income	€3,372 million	€5,783 million		-42
Net income attributable to shareholders of E.ON AG	€3,061 million	€5,318 million		-42
Adjusted net income	€4,457 million	€4,213 million		+6
Economic investments	€18,812 million	€4,957 million		+280
Cash provided by operating activities of continuing operations	€6,250 million	€7,223 million		-13
Economic net debt (September 30 and December 31)	-€41,883 million	-€24,138 million		-17,745 <sup>2</sup>
Employees (September 30 and December 31)	93,134	87,815		+6
Earnings per share attributable to shareholders of E.ON AG	€1.64	€2.70		-39

<sup>1</sup>Unconsolidated figures.

<sup>2</sup>Change in absolute terms.

### Glossary of Selected Financial Terms

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

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

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

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

**Economic net debt** Key figure that supplements net financial position with pension obligations and asset retirement obligations (less prepayments to the Swedish nuclear fund).

January 1 - September 30, 2008

- Adjusted EBIT up 8 percent
- Clear progress made in expansion of renewables activities
- Outlook unchanged: full-year adjusted EBIT and adjusted net income expected to increase by 5 to 10 percent

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## Dear Shareholders,

E.ON's solid performance continued in the third quarter of 2008. We increased sales by 22 percent, from €49.4 billion in the first nine months of 2007 to €60.5 billion this year, and adjusted EBIT by 8 percent, from €7.1 billion to €7.7 billion. Adjusted net income rose by 6 percent to €4.5 billion. We continue to expect E.ON's full-year adjusted EBIT and adjusted net income to surpass the high prior-year level and to increase by 5 to 10 percent.

We continue to make very good progress implementing our growth strategy. In September, we completed the first of the 25 new power plants we plan to build worldwide. Our highly efficient combined-cycle gas turbine in Livorno Ferraris in northwest Italy entered service after just two years of construction, strengthening the competitive position of our new company, E.ON Italia, in the Italian market. We also made clear progress expanding our renewables activities. In September, the third phase of a wind farm in Texas became operational. When the fourth and final phase becomes operational in mid-2009, the facility will consist of 627 turbines and have a total capacity of 781.5 megawatts ("MW"), making it the world's largest wind farm. By the end of this year, E.ON Climate & Renewables will have about 2,200 MW of renewables capacity in operation, more than twice what we had at the start of the year. At this pace, we'll definitely achieve our objective of having 4,000 MW of renewables capacity by 2010. We're already securing the necessary equipment for future projects. One way is by concluding frame agreements with renowned manufacturers like Siemens. We're also taking new approaches to expanding our renewables business. In October, we signed an agreement with Abu Dhabi, part of the United Arab Emirates, to share a portion of our stake in the world's largest offshore wind farm which will be built in the British North Sea. We intend to enter into a number of other partnerships relating to renewables.

In our gas business, after long and difficult negotiations with Gazprom we concluded a Memorandum of Understanding ("MoU") to swap assets. Under the MoU, E.ON would acquire 25 percent (minus one share) of Yushno Russkoye, a natural gas field in Siberia. In return, Gazprom would acquire our stake in ZAO Gerosgaz, a Russian company that holds just under 3 percent of Gazprom's stock. Together with our stakes in gas fields in the British and Norwegian North Sea, the Gazprom deal brings us another step closer to achieving our objective of sourcing at least 10 billion cubic meters of natural gas annually from our own production assets.

In view of the global financial crisis, we know that our shareholders are particularly interested in how we're financing our ambitious growth strategy. From mid-2007 through year end 2010, our financing needs total about €30 billion, including the refinancing of bonds that reach maturity. Through bond issues totaling nearly €17 billion, we've already secured a substantial portion of the necessary funds and are very confident that we'll be able to secure the rest without difficulty. In obtaining financing, we benefit from our solid and stable single A-flat credit rating, the investor-friendly transparency of our financial disclosures, and the non-cyclical nature of the energy industry. In addition to bonds, commercial paper is another important component of our financing program. As of the end of September, we had issued about €5 billion in commercial paper. We continue to have good access to commercial paper markets, despite the financial turmoil.

It's hardly a coincidence that our corporate strategy, founded on sustainable growth and value creation, has again earned our company a place in the Dow Jones Sustainability Index, the world's most important index of its kind. We're very pleased with this result, which recognizes the transparent and socially responsible way we operate our business. It demonstrates to you that E.ON takes an especially responsible approach to creating value for investors and for society as a whole. And it motivates us to continually improve our company's environmental and social performance.

Sincerely yours,



Dr. Wulf H. Bernotat

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

In a stock market buffeted by the financial crisis, E.ON stock (including the dividend) finished the third quarter of 2008 below its year-end closing price for 2007 (-24 percent). However, E.ON stock declined less than the DAX index of Germany's top blue chips (-28 percent) and the EURO STOXX 50 European index (-29 percent). The European utility industry as measured by the STOXX Utilities index also fell by 24 percent compared with its level at the end of 2007.

The stock-exchange trading volume of E.ON stock declined by about 12 percent year on year to €93.3 billion, making E.ON the DAX's fifth most-traded stock. With a weighting of 11.01 percent, E.ON stock was again the highest-weighted stock in the DAX.

On August 4, 2008, we conducted a three-for-one stock split for E.ON stock and simultaneously converted E.ON stock from bearer shares to registered shares. The stock split divided by three the price of E.ON stock at the time of the split, as well as any future per-share dividend. The purpose of the conversion from bearer shares to registered shares is to support direct communications with our shareholders and our ability to custom-tailor our investor relations.

In the United States, E.ON stock is traded over the counter in the form of American Depository Receipts ("ADRs"). Following the stock split on August 4, 2008, the conversion ratio between E.ON ADRs and E.ON stock is one to one. Before the stock split, the ratio was three to one.

In the first nine months of 2008, we continued the €7 billion share buyback program begun in 2007. We repurchased more

E.ON Stock		Sep. 30, 2008	Dec. 28, 2007
Shares outstanding (millions)	1,830	1,895	
Closing price (€)	35.58	48.53	
Market capitalization (€ in billions) <sup>1</sup>	65.1	92.0	

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

Performance and Trading Volume		2008	2007
January 1 - September 30			
High (€) <sup>1</sup>		50.93	43.25
Low (€) <sup>1</sup>		32.78	32.02
Trading volume <sup>2</sup>			
Millions of shares		2,245.4	2,854.1
€ in billions		93.3	106.4

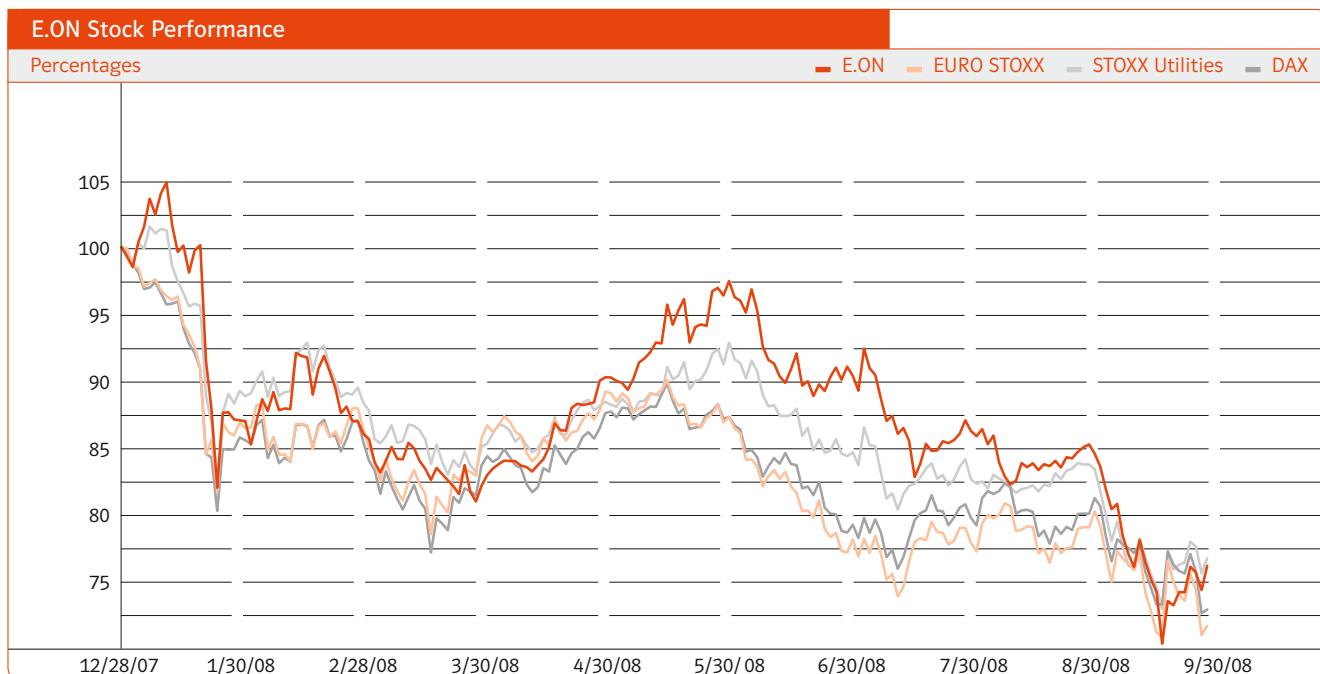
<sup>1</sup>Xetra.

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

than 64 million shares of E.ON stock with an aggregate market value of approximately €2.6 billion and sold put options on 13.5 million shares.

Amid a continued difficult situation on financial markets, E.ON stock has declined further since the end of the third quarter. On November 10, 2008, E.ON stock was 12.2 percent below its third-quarter closing price. The DAX lost 13.8 percent over the same period.

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



<sup>1</sup>All figures are after, or adjusted for, the stock split.

## 6 Interim Group Management Report

### Business and Operating Environment

#### New Organizational Structure

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

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

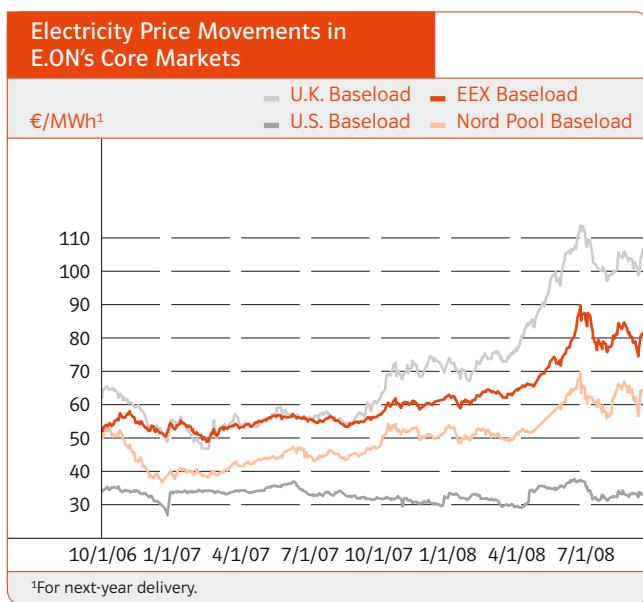
We also combined our renewables operations (with the exception of hydroelectricity) and our climate-protection operations and plan to expand this business globally. We acquired a majority stake in OGK-4, a Russian power producer, in October 2007. Pursuant to the agreement we concluded with Enel and Acciona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

Beyond our already existing reporting segments, 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 do not show prior-year figures for Energy Trading. We have not adjusted the prior-year figures of the market units affected by the organizational changes. Consequently, a segmented comparison of our individual market units with prior-year figures has limited informational value. Our other new market units are combined in the Corporate Center/New Markets segment. During the course of the year, we will decide on the future form of our segment reporting based on the new market units' respective business development, volume, and significance.

#### Energy Price Developments

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

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



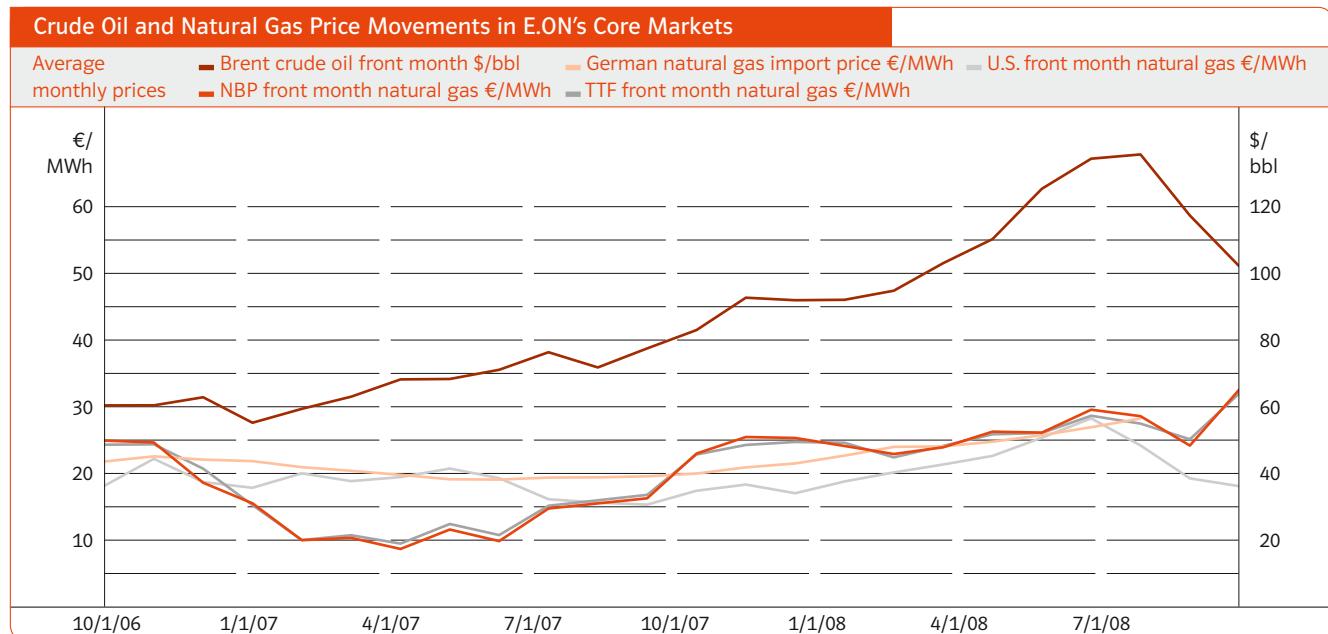
Through June, prices on most European power and natural gas markets trended upward as they tracked rising global commodity and carbon prices. The decline of oil and coal prices was a key factor in the third quarter.

In the first half of the year, increases in coal and oil prices sent German power prices to new highs of roughly €90 per megawatt-hour ("MWh"). German power prices fell in the third quarter, finishing the quarter at about €78 per MWh.

Nordic power prices were also influenced by the movement of fuel prices, although this factor was moderated by the hydrological balance, both in the first half of the year when fuel prices were rising and in the third quarter when they were falling. The hydrological balance, which had been above normal in the first and second quarters of 2008, returned to normal during the third quarter and finished the quarter slightly below normal. Nordic power prices, after moving sharply higher in the second quarter driven by rising fuel prices, finished the third quarter at about €59 per MWh.

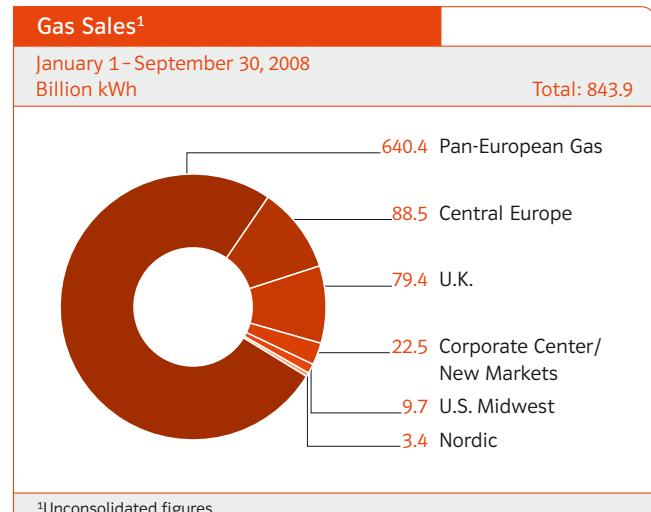
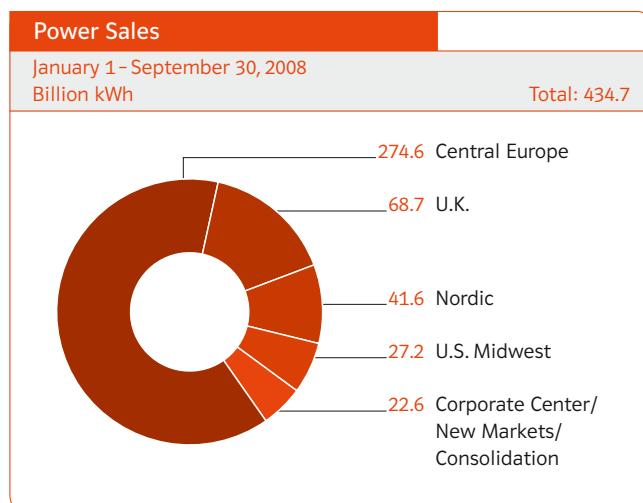
U.K. power prices tracked coal, natural gas, and carbon prices. They increased sharply in the first half of the year, rising to a new all-time high in July before starting to decline. Power prices in the United States also tracked natural gas prices, increasing until July and then declining to the level seen at the start of the year.

In the wake of rising commodity prices, the price for CO<sub>2</sub> emission allowances in the EU-wide Emissions Trading Scheme increased through the end of June to about €29 per metric ton, then declined to about €22 per metric ton by the end of the third quarter.



### Power and Gas Sales

On a consolidated basis, the E.ON Group increased its power sales volume from 350.3 billion kWh in the first nine months of 2007 to 434.7 billion kWh in the same period of 2008. This increase is mainly attributable to the inclusion of our new market units. Natural gas sales volume, which is not consolidated, rose by 15.3 billion kWh year on year, from 828.6 billion kWh to 843.9 billion kWh, also due to the inclusion of our new market units and to 4-percent volume growth at Pan-European Gas.



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### Earnings Situation

#### Sales 22 Percent Higher

In the first nine months of 2008, the E.ON Group increased its sales by about €11 billion compared with the prior-year figure. The key drivers were:

- the contribution of our new acquisitions, particularly in Russia, Italy, Spain, and France
- positive price effects and higher passthrough effects at Central Europe
- production expansion, sales volume growth, and energy price movements at Pan-European Gas.

Sales			
January 1 - September 30		2008	2007
€ in millions			+/- %
Central Europe	29,706	23,769	+25
Pan-European Gas	18,674	15,566	+20
U.K.	7,977	9,181	-13
Nordic	2,914	2,453	+19
U.S. Midwest	1,333	1,376	-3
Energy Trading	22,218	-	-
Corporate Center/New Markets	-22,359	-2,932	-
<b>Total</b>	<b>60,463</b>	<b>49,413</b>	<b>+22</b>

Central Europe grew sales by €5.9 billion compared with the year-earlier period. Central Europe West Non-regulated increased sales by €5.7 billion. About €2.3 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 predominantly from positive price effects and the passthrough of higher fuel costs at E.ON-managed power plants. Sales at Central Europe West Regulated rose by €540 million to €9 billion, due mainly to higher passthrough effects in the electricity network. These resulted from more green electricity being delivered onto our networks in Germany pursuant to the Renewable Energy Law. The increase in electricity network sales was moderated by regulatory effects. Central Europe East's sales rose by about €680 million to €3.6 billion. Higher electricity prices in Hungary and the Czech Republic constituted the key factor. Sales recorded under Other/Consolidation declined by about €930 million, mainly as a result of the changes in Central Europe's organizational structure.

Pan-European Gas increased sales by 20 percent to €18.7 billion (prior year: €15.6 billion). Sales at Up-/Midstream rose by 25 percent to €15,111 million from €12,117 million a year ago, with the midstream and the upstream businesses both

contributing to the increase. The expansion of production along with higher energy prices were responsible for the increase in upstream sales. Midstream sales rose due to volume growth and energy price movements, effects that were partially mitigated by competitive pressure on sales prices. Downstream sales rose by €345 million, or 9 percent, from €3,845 million in the prior-year period to €4,190 million this year. The main positive factor was a volume- and price-driven increase in sales at E.ON Földgáz Trade. The main negative factor was the transfer of Thüga Italia's operations to the Italy market unit.

U.K.'s sales in reporting currency were impacted significantly by the depreciation of sterling against the euro. Sales decreased by €1,204 million in the first nine months of 2008 compared with the prior year. Sales at the non-regulated business fell by €1,208 million to €7,600 million, primarily due to these currency movements (€1,186 million). Sales at the regulated business declined by €72 million to €589 million, also primarily due to currency movements (€92 million).

Nordic's sales increased by €461 million, or 19 percent, compared with the prior year. Sales in the non-regulated business increased by €381 million to €2,500 million, primarily as a result of rising market prices. Sales in the regulated business increased by €24 million to €552 million due to higher network tariffs on local grids mainly based on increased cost recovery for line loss in 2007.

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

Energy Trading recorded sales of €22.2 billion in the first nine months 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, Russia, and Spain market units were €270 million, €2,485 million, €767 million, and €331 million, respectively.

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

Own work capitalized increased by 3 percent, or €10 million, to €334 million (prior year: €324 million).

Other operating income increased by 43 percent to €7,518 million (prior year: €5,254 million). Income from exchange-rate differences of €4,049 million (prior year: €2,029 million) and gains on derivative financial instruments of €2,020 million (prior year: €1,286 million) were the main positive factors. Gains on the disposal of securities and shareholdings amounted to €609 million (prior year: €1,199 million). Miscellaneous other operating income consisted primarily of reductions of valuation allowances, rental and leasing income, the sale of scrap metal and materials, and compensation payments received for damages.

Costs of materials rose by €9,860 million to €45,507 million (prior year: €35,647 million), mainly due to higher commodity costs and increased business volume.

Personnel costs increased slightly, rising by €188 million to €3,701 million in the first nine months of 2008. The increase results mainly from the inclusion of our new market units.

Depreciation, amortization, and impairment charges of €2,522 million were above the prior-year figure of €2,282 million. The increase is principally attributable to higher depreciation and amortization at our new market units, which were not included in our Consolidated Financial Statements in the first nine months of 2007.

Other operating expenses rose by 77 percent, or €4,974 million, to €11,435 million (prior year: €6,461 million). This is mainly attributable to higher realized losses on currency differences of €3,832 million (prior year: €2,034 million) and to higher losses on derivative financial instruments of €3,582 million (prior year: €898 million).

Income from companies accounted for under the equity method was €701 million compared with €850 million in the year-earlier period. The 18-percent decline resulted principally from lower equity earnings at Pan-European Gas.

## Adjusted EBIT up 8 Percent

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss from continuing operations before interest and taxes and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals and other non-operating income and expenses of a non-recurring or rare nature (see commentary on pages 44 and 45).

Compared with the third quarter of 2007, adjusted EBIT for the current-year quarter rose by €233 million, or 13 percent, to €1,943 million. Adjusted EBIT for the entire nine-month period of 2008 was €557 million higher than the prior-year figure. The main factors were:

- positive effects from energy price movements at Central Europe
- solid earnings in Energy Trading's optimization segment.

Adjusted EBIT				
January 1 - September 30		2008	2007	+/- %
€ in millions				
Central Europe	3,669	3,487		+5
Pan-European Gas	2,048	2,021		+1
U.K.	745	989		-25
Nordic	654	594		+10
U.S. Midwest	273	292		-7
Energy Trading	407	-		-
Corporate Center/New Markets	-93	-237		-
<b>Total</b>	<b>7,703</b>	<b>7,146</b>		<b>+8</b>

Central Europe's adjusted EBIT surpassed the prior-year figure by €182 million. Central Europe West Non-regulated increased its adjusted EBIT by €240 million to €2,806 million. Positive price effects in the electricity business were partially mitigated by higher expenditures for fuel and CO<sub>2</sub> emission allowances and by the adverse effects of the ongoing shutdowns at Krümmel and Brunsbüttel nuclear power stations. Another negative factor was a voluntary agreement with Germany's Federal Cartel Office to reduce and delay the passthrough of higher natural gas procurement costs to customers. In addition, the positive results of operations that were transferred out of Central Europe are now reported at other E.ON market units. Adjusted EBIT at Central Europe West Regulated declined by €138 million to €546 million due to negative regulatory effects in the electricity network. Central Europe East's adjusted EBIT rose by €62 million year on year to €308 million, mainly due to positive price effects in Hungary. Adjusted EBIT recorded under Other/Consolidation was on par with the prior-year figure.

## 10 Interim Group Management Report

Pan-European Gas's adjusted EBIT rose by €27 million, or 1 percent, to €2,048 million. Up-/Midstream delivered a solid earnings performance. Its adjusted EBIT rose by 14 percent, from €1,267 million to €1,439 million, due principally to the significant increase recorded in the upstream business, mainly because of energy price movements and expanded production of oil and natural gas. The increase in gas production is primarily attributable to the fact that Njord field started production in December 2007. In midstream's operating business, higher earnings from volume growth and storage valuations were largely offset by the development of gas procurement costs. The indexing of gas prices to heating oil prices adversely affected midstream's adjusted EBIT because procurement prices reflect changes in heating oil prices faster than sales prices do. Other negative factors included competitive pressure on sales prices and lower earnings on portfolio optimization between Continental European and U.K. gas markets than in the prior-year period. Downstream Shareholdings' adjusted EBIT fell by €117 million, or 16 percent, from €730 million to €613 million. The main negative factor was the absence of non-recurring effects recorded in the prior year relating to income from disposals and from impact of the German corporate tax reform on equity earnings at Thüga and at E.ON Ruhrgas International.

U.K. delivered an adjusted EBIT of €745 million in the first nine months of 2008 (prior year: €989 million), of which €338 million (prior year: €385 million) was in the regulated business and €458 million (prior year: €690 million) in the non-regulated business. Adjusted EBIT at the regulated business was stable in local currency and consistent with the prior year. Adjusted EBIT at the non-regulated business decreased by €232 million to €458 million. The key features were currency effects (-€70 million) and lower retail margins (-€221 million), partly offset by improvements at the generation business. Adjusted EBIT of -€51 million recorded under Other/Consolidation was €35 million higher, mainly as a result of the transfer of the trading business.

Nordic's adjusted EBIT increased by €60 million year on year to €654 million. Adjusted EBIT at the non-regulated business increased by €45 million to €498 million. It was positively impacted by rising market-based transfer prices, partly offset by a decrease in available generation volumes, mainly due to

lower hydro production. Adjusted EBIT at the regulated business amounted to €161 million and was slightly below the prior-year level (€165 million). Higher network tariffs on local grids were offset by increased depreciation due to Nordic's substantial investment program for its power distribution business.

U.S. Midwest's adjusted EBIT decreased by 7 percent compared with 2007 primarily due to the strong euro. In U.S. dollars, adjusted EBIT was higher than in the prior year due to higher retail margins.

Energy Trading recorded an adjusted EBIT of €407 million, of which €309 million is attributable to the optimization segment. The substantial improvement from the half-year figure reflects a strong increase in short-term optimization results and favorable price movements. The proprietary trading segment posted an adjusted EBIT of €98 million.

Adjusted EBIT shown under Corporate Center/New Markets amounted to -€93 million. Adjusted EBIT at the Climate & Renewables, Italy, Russia, and Spain market units was €23 million, €88 million, -€24 million, and -€29 million, respectively. It should be noted that earnings effects resulting from the purchase-price allocation of assets acquired from Enel and Acciona are not included in our results as of September 30, 2008.

### Net Income Lower

Net income attributable to shareholders of E.ON AG of €3.1 billion and corresponding earnings per share of €1.64 were down by 42 percent and 39 percent, respectively.

Net Income			
January 1 - September 30	2008	2007	+/- %
€ in millions			
<b>Adjusted EBIT</b>	<b>7,703</b>	<b>7,146</b>	<b>+8</b>
Adjusted interest expense (net)	-1,355	-694	-
Net book gains	+234	+990	-
Restructuring and cost-management expenses	-234	-7	-
Other non-operating earnings	-1,963	+43	-
<b>Income/loss from continuing operations before income taxes</b>	<b>4,385</b>	<b>7,478</b>	<b>-41</b>
Income taxes	-895	-1,601	-
<b>Income/loss from continuing operations</b>	<b>3,490</b>	<b>5,877</b>	<b>-41</b>
Income/loss from discontinued operations, net	-118	-94	-
<b>Net income</b>	<b>3,372</b>	<b>5,783</b>	<b>-42</b>
Shareholders of E.ON AG	3,061	5,318	-42
Minority interests	311	465	-33

Compared with the prior-year figure, adjusted interest expense (net) declined by €661 million, due mainly to the development of our net financial position.

Adjusted Interest Expense (Net)			
January 1 - September 30	2008	2007	
€ in millions			
Interest expense shown in Consolidated Statements of Income	-1,383	-724	
Interest income (-)/expense (+) not affecting net income	28	30	
<b>Total</b>	<b>-1,355</b>	<b>-694</b>	

Net book gains in the first three quarters of 2008 were €756 million below the prior-year level. As in the year-earlier period, net book gains were generated primarily from the sale of securities at Central Europe.

In the first nine months of 2008, restructuring and cost-management expenses totaling €234 million arose in connection with various restructuring and integration projects. There were only modest restructuring and cost-management expenses in the year-earlier period.

Other non-operating earnings primarily reflect a negative effect from the marking to market of derivatives (-€1,450 million) used to protect our operating business from price fluctuations. At September 30, 2007, the marking to market of derivatives resulted in a positive effect in the amount of €433 million. The reasons for this substantial change include oil price movements and the marking to market of long-term supply contracts.

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

Our continuing operations recorded a tax expense of €895 million in the first nine months of 2008. This represents a tax rate of 20 percent compared with 21 percent in the prior-year period.

As in the prior year, income/loss from discontinued operations, net, primarily 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 pages 38 and 39).

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### Adjusted Net Income 6 Percent Higher

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

Adjusted Net Income			
January 1 - September 30			
€ in millions	2008	2007	+/- %
Net income attributable to shareholders of E.ON AG	3,061	5,318	-42
Net book gains	-234	-990	-
Restructuring and cost-management expenses	234	7	-
Other non-operating earnings	1,963	-43	-
Taxes and minority interests on non-operating earnings	-733	12	-
Special tax effects	48	-185	-
Income/loss from discontinued operations, net	118	94	-
<b>Total</b>	<b>4,457</b>	<b>4,213</b>	<b>+6</b>

### Financial Condition

#### Economic Investments up €13.9 Billion

We continued to make progress implementing our extensive investment program. Our total investments for the first three quarters of 2008 were €15.3 billion, €10.6 billion more than in the same period last year. We invested €6.1 billion in property, plant, and equipment and intangible assets compared with €4.1 billion a year ago. Share investments totaled €9.2 billion versus €651 million in the prior year.

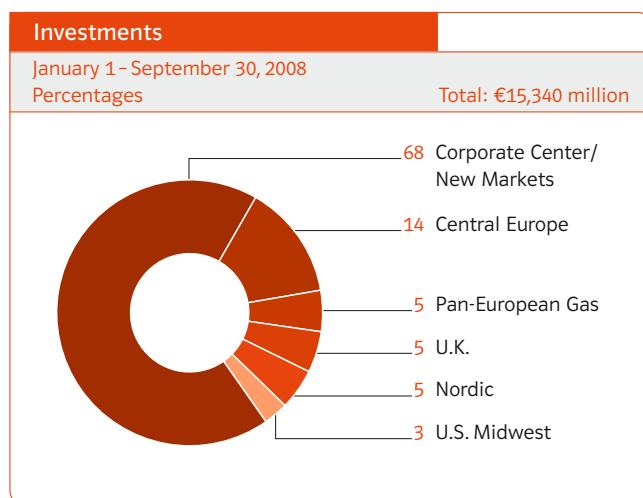
Investments			
January 1 - September 30			
€ in millions	2008	2007	+/- %
Central Europe	2,082	1,656	+26
Pan-European Gas	805	1,387	-42
U.K.	847	969	-13
Nordic	728	621	+17
U.S. Midwest	487	494	-1
Energy Trading	3	-	-
Corporate Center/New Markets	10,388	-381	-
<b>Total</b>	<b>15,340</b>	<b>4,746</b>	<b>+223</b>

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

Economic Investments		
January 1 - September 30		
€ in millions	2008	2007
<b>Cash-effective investments</b>	<b>15,340</b>	<b>4,746</b>
Debt acquired	3,464	211
Asset swaps	8	-
<b>Total</b>	<b>18,812</b>	<b>4,957</b>

Central Europe invested €426 million more in the first nine months of 2008 than in the prior-year period. Investments in property, plant, and equipment and in intangible assets of €1,914 million were €384 million higher than last year, primarily due to higher investments in new generating units and in network infrastructure to connect offshore wind farms in the German North Sea. Central Europe invested €994 million in power generation assets and €782 million in network assets. Share investments were €168 million (prior year: €126 million) and related primarily to the acquisition of shares in SOTEC, a waste incineration company, and the acquisition of heating operations in Poland.

Pan-European Gas invested €805 million. Of this figure, €664 million (prior year: €481 million) went towards property, plant, and equipment and intangible assets, mainly towards gas infrastructure and development costs in the exploration business. Share investments of €141 million related mainly to capital increases at Nord Stream AG, an associated company. The high prior-year figure of €906 million mainly reflects the acquisition of Contigas Deutsche Energie-AG from the Central Europe market unit.



U.K.'s investments in the first nine months of 2008 were €847 million, of which €804 million relates to property, plant, and equipment and €43 million to share investments. Investments were €122 million lower than in the prior year primarily due to the transfer of renewables operations to the Climate & Renewables market unit, which has a significant investment level. Investments in the regulated business increased in line with the allowance granted under the five-year regulation review.

Nordic invested about €107 million more in the first nine months of 2008 than in the prior-year period. Nordic invested €713 million (prior year: €616 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 €15 million compared with €5 million in the first nine months of 2007.

U.S. Midwest's investments were consistent with the same period in 2007 in euros but higher in dollars. U.S. Midwest continued its ongoing investment program which includes a new coal-fired baseload unit at the Trimble County plant. This unit is expected to enter service in 2010.

Investments recorded under Corporate Center/New Markets are mainly attributable to the acquisition of an extensive portfolio of assets from Enel and Acciona with operations mainly in Italy, Spain, and France. Climate & Renewables invested €908 million (mainly in wind-power projects), Italy €877 million (mainly in operations transferred from other market units), Russia €575 million, and Spain €131 million.

### 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 nine months of 2008 was 13 percent lower than in the prior-year period.

Cash Provided by Operating Activities of Continuing Operations			
January 1 - September 30 € in millions	2008	2007	+/-
Central Europe	3,810	3,293	+517
Pan-European Gas	941	2,068	-1,127
U.K.	1,130	1,329	-199
Nordic	853	766	+87
U.S. Midwest	250	181	+69
Energy Trading	-675	-	-675
Corporate Center/New Markets	-59	-414	+355
<b>Cash provided by operating activities of continuing operations</b>	<b>6,250</b>	<b>7,223</b>	<b>-973</b>
Maintenance investments	1,201	1,344	-143
Growth and replacement investments, acquisitions, other	14,139	3,402	+10,737
Cash-effective effects from disposals	358	745	-387

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

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Pan-European Gas's cash provided by operating activities declined significantly compared with the prior-year period. There were negative effects at E.ON Ruhrgas, primarily from gas storage usage. In the first three quarters of 2007, price factors led to gas being withdrawn from storage facilities, whereas in the current-year period there was a net injection of gas. Cash flow was also adversely affected by higher gas procurement prices. These negative effects were only partially offset by upstream's continued positive cash flow performance.

U.K.'s cash provided by operating activities was €199 million lower year on year, primarily due to currency effects. Cash flow in local currency was stable. Strong cash inflows from the retail business, achieved through operational improvements and the impact of price increases in February 2008, were offset by increases in working capital at other businesses.

Nordic's cash provided by operating activities followed its favorable operating development. Additionally, it increased due to less storm damage and lower tax payments. The positive effects were partly offset by an increase in working capital.

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

Energy Trading recorded -€675 million in cash provided by operating activities. Because of Energy Trading's central position in the E.ON Group's energy procurement and sales operations, its cash flow is considerably affected by intragroup settlement processes. The high negative figure is mostly attributable to time lags in these processes.

The Corporate Center/New Markets segment's cash provided by operating activities was considerably above the prior-year level, due mainly to higher intragroup tax offsets at the Corporate Center and the inclusion of the Italy and Russia market units.

Cash provided by investing activities in the first nine months of 2008 was -€13,472 million (prior year: -€2,096 million) and reflected the acquisition of an extensive portfolio of assets as part of our agreement with Enel and Acciona. The operations acquired are mainly in Italy, Spain, and France.

Cash provided by financing activities of €6,199 million (prior year: -€840 million) was positive and was primarily due to the issuance of new bonds. Additional share repurchases and E.ON AG's dividend payout were negative factors.

Net financial position equals the difference between our total financial liabilities and our total liquid funds and non-current securities. Our net financial position of -€26,018 million was €18,524 million below the figure reported as of December 31, 2007 (-€7,494 million). The main reason for the decline of our net financial position was the acquisition of an extensive portfolio of assets from Enel and Acciona. Other negative factors included higher investments in property, plant, and equipment, E.ON AG's dividend payout, and cash outflow for the share buyback program. Strong cash flow from operating activities was a positive factor. The factors that led to the reduction in our net financial position also led to the significant increase in our economic net debt.

Economic Net Debt		Sep. 30, 2008	Dec. 31, 2007
€ in millions			
Liquid funds	4,915	7,075	
Non-current securities	5,165	6,895	
<b>Total liquid funds and non-current securities</b>	<b>10,080</b>	<b>13,970</b>	
Financial liabilities to banks and third parties	-33,940	-19,357	
Financial liabilities to group companies	-2,158	-2,107	
<b>Total financial liabilities</b>	<b>-36,098</b>	<b>-21,464</b>	
<b>Net financial position</b>	<b>-26,018</b>	<b>-7,494</b>	
Provisions for pensions	-2,279	-2,890	
Asset retirement obligations	-14,840	-15,034	
Less prepayments to Swedish nuclear fund	1,254	1,280	
<b>Total</b>	<b>-41,883</b>	<b>-24,138</b>	

## Asset Situation

Non-current assets as of September 30, 2008, rose by 10 percent compared with the figure at year end 2007, mainly due to the acquisition and inclusion, for the first time, of operations from the portfolio of assets acquired from Enel and Acciona.

Current assets increased by 37 percent compared with year end 2007. The main factors were higher receivables from derivative transactions as of the balance-sheet date and higher current assets resulting from the inclusion of operations acquired from Enel and Acciona.

Our equity ratio was 9 percentage points below the figure of 40 percent recorded at year end 2007, in particular because our total assets increased by 16 percent. This is because our

acquisition of a portfolio of assets from Enel and Acciona was in part debt financed, because our equity was reduced by the dividend payout in the second quarter of 2008, and because of the continuation of our share buyback program. Due to the capital market crisis, the marking to market of our share investments also reduced our equity.

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

- Non-current assets are covered by equity at 42 percent (year end 2007: 52 percent).
- Non-current assets are covered by long-term capital at 93 percent (year end 2007: 102 percent).

Consolidated Assets, Liabilities, and Equity		Sep. 30, 2008		Dec. 31, 2007	
€ in millions			%		%
Non-current assets		116,585	73	105,804	77
Current assets		43,295	27	31,490	23
<b>Total assets</b>		<b>159,880</b>	<b>100</b>	<b>137,294</b>	<b>100</b>
Equity		49,243	31	55,130	40
Non-current liabilities		59,723	37	52,402	38
Current liabilities		50,914	32	29,762	22
<b>Total equity and liabilities</b>		<b>159,880</b>	<b>100</b>	<b>137,294</b>	<b>100</b>

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### Employees

As of September 30, 2008, the E.ON Group had 93,134 employees worldwide, about 6 percent more than at year end 2007.

E.ON also had 2,718 apprentices and 317 board members and managing directors.

As of the same date, 57,024 employees, or 61 percent of all staff, were working outside Germany. This percentage is essentially unchanged from year end 2007.

Employees <sup>1</sup>	Sep. 30, 2008	Dec. 31, 2007	+/- %
Central Europe	43,764	44,051	-1
Pan-European Gas	9,889	12,214	-19
U.K.	17,917	16,786	+7
Nordic	5,823	5,804	-
U.S. Midwest	3,089	2,977	+4
Energy Trading	850	-	-
Corporate Center/ New Markets <sup>2</sup>	11,802	5,983	+97
<b>Total</b>	<b>93,134</b>	<b>87,815</b>	<b>+6</b>
Discontinued operations <sup>3</sup>	474	474	-

<sup>1</sup>Figures do not include apprentices, managing directors, or board members.

<sup>2</sup>Includes the Russia, Italy, Spain, and Climate & Renewables market units and E.ON IS.

<sup>3</sup>Consists of WKE.

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

In addition, Central Europe and Pan-European Gas's operations in Italy were transferred to the Italy market unit. The Climate & Renewables market unit combines our renewables business. The Spain market unit, with about 1,200 employees, began operations in the third quarter of 2008. It consists of former Enel and Endesa operations acquired under our agreement with Enel and Acciona, which also led to the transfer of about

1,800 employees to the Italy and Central Europe market units. The Russia, Italy, Climate & Renewables, and Spain market units are shown under Corporate Center/New Markets.

On balance, Central Europe's workforce declined slightly (by 287 employees) due to the transfer of operations to the new market units, an effect that was nearly offset by the addition of about 2,600 employees due to the acquisition of waste-incineration and power and gas utility assets in Germany and to the hiring of former apprentices who had completed their training.

The workforce at Pan-European Gas declined due mainly to efficiency-enhancement measures at E.ON Gaz Distributie in Romania and to the transfer of employees to other market units. The transfer of about 450 employees to non-consolidated E.ON companies also contributed to the reduction.

U.K.'s headcount increased by about 7 percent due to an increase in business at Energy Services and the acquisition of a vocational training company.

The decline in the number of employees at Nordic resulting from the transfer of operations to Energy Trading and Climate & Renewables was more than offset by the hiring of new staff and by the acquisition of a technical consulting company.

The increase in the number of employees at U.S Midwest is mainly due to the construction of Trimble County 2 generating unit.

## 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.

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.

The financial crisis and its repercussions pose a number of direct and indirect risks. Following the collapse of Lehman Brothers investment bank, the financial crisis has worsened and now broadened into a global economic crisis. It has shaken the banking system, which has caused banks to reduce their credit exposure. Tighter credit has reduced investments in the commercial sector and consumption in the private sector. In this way, the crisis has started to affect cyclical industries like automobile manufacturing and construction.

Even E.ON is not entirely unaffected by the current financial environment. Although the energy industry is largely non-cyclical, production declines in cyclical industries could, over time, have a negative impact on our business. In addition, declining valuations and increased volatility could require us to write down the value of some of our financial assets. In this regard, we recorded writedowns of €294 million in the third quarter of 2008. Furthermore, some of our business partners could default on their payments to us. We are addressing the increase in counterparty risk by stepping up our risk-management efforts, particularly with regard to financial institutions. Public credit markets are also significantly more volatile than in recent years. Compared with other companies, E.ON has good access to capital markets. But we, too, are witnessing a widening of credit spreads despite of our stable A rating.

Our business strategy involves acquisitions and investments in our core business. This strategy depends in part on our ability to successfully identify and acquire, on acceptable terms, companies that enhance our energy business. We have comprehensive processes and control mechanisms in place to manage the potential risks associated with acquisitions and investments. These processes and control mechanisms include, in addition to the relevant company guidelines and manuals, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and project controlling. Comprehensive post-acquisition integration projects also contribute to successful integration.

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

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

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

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price adjustments and 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. 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 and Section 19 of the amended law for allegedly excessive natural gas prices. In negotiations with the FCO, E.ON offered to voluntarily refund €55 million to customers. The FCO ended the proceedings on October 6, 2008, without issuing a formal ruling.

- As part of an anticompetitive practices case, the FCO is investigating the treatment of CO<sub>2</sub> emission allowances as a cost factor in the price of electricity. In previous discussions with the FCO, an agreement had been reached under which the FCO would end its investigation in return for the auctioning of generating capacity and, possibly, the sale of a stake in a power station. In view of the agreement we reached with the European Commission, the FCO has now ended its investigation relating to CO<sub>2</sub> emission allowances.
- The European Commission carried out investigations at the premises of several energy companies in Europe, including E.ON AG and some of its affiliates, in May and December 2006. These were followed by requests for information regarding a number of regulatory and energy-market-related issues of E.ON Energie and E.ON Ruhrgas. The two companies have responded to these requests. On July 18, 2007, the Commission initiated formal antitrust proceedings against E.ON Ruhrgas and Gaz de France for alleged infringements of Article 81 of the European Community Treaty. In its Statement of Objections dated June 10, 2008, the Commission alleges that the two companies agreed not to sell natural gas in the other's home market to a significant extent and thus to have illegally divided the market between them. E.ON Ruhrgas

has responded to the Commission in writing regarding the Statement of Objections and has denied the allegations at a hearing before Commission officials. In connection with the investigations in the electricity sector, E.ON has proposed to the Commission that it divest its transmission system and a certain amount of generating capacity. The Commission will make a legally binding decision and not continue any antitrust proceedings relating to the electricity sector.

- E.ON Ruhrgas filed a motion to the State Superior Court in Düsseldorf to contest the FCO's decision of January 13, 2006, relating to long-term gas supply contracts; the motion related mainly to the competitive injunction contained in the FCO's order. The court dismissed this motion 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. This package has now been confirmed by the EU Council of Energy Ministers. 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.
- Pursuant to a ruling of the German Federal Network Agency, effective September 24, 2008, E.ON Gastransport's network charges may no longer be market based. Under the ruling, E.ON Gastransport must file for approval of cost-based network charges within two months and will be migrated to the incentive system effective January 1, 2010. E.ON Gastransport filed a motion with the State Superior Court in Düsseldorf to contest the ruling.
- In late May 2008, the German Federal Network Agency completed the process of establishing the rules for a new balancing regime for the German natural gas sector, resulting in many changes. The new rules create numerous risks for all market participants due to the short implementation period and the possibility of insufficient data provision from network operators to market participants.

- At the request of the Federal Association of New Energy Suppliers (known by its German abbreviation, "bne") and LichtBlick, the German Federal Network Agency has instituted regulatory proceedings against Germany's four transmission system operators ("TSOs"), including E.ON Netz. Lichtblick and the bne are demanding that the agency require the four TSOs to jointly net out their balancing zones and to disgorge any additional earnings that have been received by the suppliers of balancing energy. There appears to be no legal basis for this demand.
- Legal uncertainty surrounding the implementation of national allocation plans in certain EU member states could result in some installations in the energy industry affected by emission-allowance trading having difficulties with the allocation of CO<sub>2</sub> emission allowances.
- In January 2008, the European Commission presented a package of legislative proposals on the implementation of EU climate-protection targets, the continuation of emission-allowance trading, carbon storage, and support for renewable-source electricity. The environmentally motivated reorganization of Europe's energy supply system will affect energy companies but also create new lines of business.

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

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

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

The 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 risk situation for the E.ON Group's operating business did not change substantially compared with year end 2007, despite the generally altered capital-market conditions.

## Forecast

### Earnings

We have made substantial changes to our organizational structure in 2008, in particular by centralizing our European trading operations. Consequently, a segmented comparison with prior-year figures has 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. Improvements in our electricity business will be the main earnings driver.

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

### Opportunities

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

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

## 22 Market Unit Highlights

### Central Europe

#### Power and Gas Sales

Central Europe's power sales increased by 41.7 billion kWh to 274.6 billion kWh, due mainly to the transfer of some operations to the E.ON Group's new market units. When these operations were still part of Central Europe, sales to them were classified as intrasegment sales and consequently netted out.

Power and Gas Sales				
January 1 - September 30		2008	2007	+/- %
Billion kWh				
Residential and small commercial	33.9	33.0		+3
Industrial and large commercial	60.4	61.9		-2
Sales partners	180.3	138.0		+31
<b>Power sales<sup>1</sup></b>	<b>274.6</b>	<b>232.9</b>		<b>+18</b>
Residential and small commercial	28.9	26.3		+10
Industrial and large commercial	40.1	42.2		-5
Sales partners	19.5	19.9		-2
<b>Gas sales</b>	<b>88.5</b>	<b>88.4</b>		<b>-</b>

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

The acquisition of Endesa operations pursuant to the agreement with Enel and Acciona included operations in France whose results are reported in the Central Europe market unit beginning with the third quarter. This effect was largely responsible for offsetting the 8 billion kWh decline in gas sales volume that resulted from the transfer of certain gas operations to the E.ON Group's new market units.

#### Power Generation and Procurement

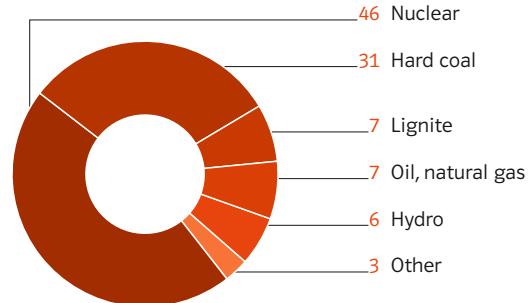
Central Europe utilized its flexible mix of generation assets to meet about 35 percent of its electricity requirements compared with 41 percent in the prior-year period. The increased procurement from outside sources and the corresponding decline in owned generation are predominantly attributable to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

Power Generation and Procurement <sup>1</sup>				
January 1 - September 30		2008	2007	+/- %
Billion kWh				
Owned generation	99.4	98.6		+1
Purchases	185.3	144.6		+28
from jointly owned power plants	3.4	7.0		-51
from outside sources	181.9	137.6		+32
<b>Power procured</b>	<b>284.7</b>	<b>243.2</b>		<b>+17</b>
Station use, line loss, pumped-storage hydro	-10.1	-10.3		-
<b>Power sales</b>	<b>274.6</b>	<b>232.9</b>		<b>+18</b>

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

#### Sources of Owned Generation

January 1 - September 30, 2008  
Percentages



#### Financial Highlights by Business

January 1 - September 30	Central Europe West				Central Europe East		Other/Consolidation		Central Europe	
	Non-regulated		Regulated		2008	2007	2008	2007	2008	2007
	€ in millions	2008	2007	2008	2007		2008	2007	2008	2007
Sales <sup>1</sup>	19,331	13,679	8,998	8,458	3,579	2,904	-2,202	-1,272	29,706	23,769
Adjusted EBITDA	3,129	2,912	1,038	1,183	488	416	116	67	4,771	4,578
Adjusted EBIT	2,806	2,566	546	684	308	246	9	-9	3,669	3,487

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

## Pan-European Gas

### Market Development

Natural gas consumption in Germany rose by 5 percent in the first nine months of 2008. After climbing by 10 percent in the first half of the year, consumption sank by 10 percent in the third quarter.

### Gas Sales

E.ON Ruhrgas sold 123 billion kWh of natural gas in the third quarter of 2008, 10 percent less than a year ago. The reason for the decline was that customers opted to fill their storage facilities in the second quarter.

Gas sales in the first nine months rose by 4 percent to 503 billion kWh, with 37 percent going to regional gas companies, 23 percent to municipal utilities, 13 percent to industrial customers, and 27 percent to customers outside Germany.

Gas Sales by Period <sup>1</sup>			
January 1 - September 30	2008	2007	+/- %
Billion kWh			
January 1 - March 31	227.4	213.4	+7
April 1 - June 30	152.3	131.1	+16
July	40.7	46.3	-12
August	37.9	41.5	-9
September	44.3	49.4	-10
July 1 - September 30	122.9	137.2	-10
<b>Total</b>	<b>502.6</b>	<b>481.7</b>	<b>+4</b>

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

Deliveries to regional gas companies and municipal utilities were lower in the third quarter of 2008 compared with the prior-year quarter. Deliveries outside Germany also declined, while deliveries to industrial customers rose.

Financial Highlights by Business			Up-/Midstream		Downstream Shareholdings		Other/Consolidation		Pan-European Gas	
January 1 - September 30			2008	2007	2008	2007	2008	2007	2008	2007
Sales		€ in millions	15,111	12,117	4,190	3,845	-627	-396	18,674	15,566
Adjusted EBITDA			1,714	1,561	684	853	-3	24	2,395	2,438
Adjusted EBIT			1,439	1,267	613	730	-4	24	2,048	2,021

### Downstream Shareholdings' Gas Sales Volume

The majority-owned shareholdings at Downstream Shareholdings sold 137.8 billion kWh of natural gas, more than the prior-year figure of 132 billion kWh. The absence of the sales volume from Thüga Italia's operations, which were transferred to the Italy market unit, was offset by volume growth at E.ON Földgáz Trade.

### Upstream Production Higher

Gas production rose by 83 percent, from 538 million cubic meters ("mcm") in the first nine months of 2007 to 982 mcm in the same period this year. The sharp increase is primarily attributable to the start of production in Njord field in December 2007. Merganser, Johnson, and Caister fields also contributed to the increase. Liquid production for the same period was also above the prior-year figure, rising by 14 percent from 3.7 million to 4.2 million barrels, mainly due to Njord field's solid performance.

Upstream Production			
January 1 - September 30	2008	2007	+/- %
Liquids/oil (million barrels)	4.2	3.7	+14
Gas (million standard cubic meters)	982	538	+83
<b>Hydrocarbons (million barrels of oil equivalent)</b>	<b>10.4</b>	<b>7.0</b>	<b>+49</b>

### Stake in LNG Terminal

On July 31, 2008, E.ON Ruhrgas concluded contracts to acquire a 5-percent stake and 3 billion cubic meters of annual regasification capacity at GATE, an LNG terminal to be built in Rotterdam. The 20-year capacity contract begins when the terminal enters service, which is planned for September 2011. The arrangement will give E.ON Ruhrgas the opportunity to supply the northwest European market with natural gas sourced from LNG.

## 24 Market Unit Highlights

### U.K.

#### Market Development

Electricity consumption in England, Wales, and Scotland was 250 billion kWh for the first nine months of 2008, the same level as that in the equivalent period in 2007. The demand in the first six months of the year was slightly higher than in 2007 mainly due to the impact of colder temperatures. However, third-quarter demand was lower than in 2007 due to air-conditioning load that was needed last year but not this year. Gas consumption for the first nine months of 2008 was 803 billion kWh compared with 770 billion kWh in 2007. There was a slight decrease in residential demand, which was offset by an increase in demand from gas-fired power stations caused by nuclear plant outages and by the Large Combustion Plant Directive ("LCPD"), new rules governing the generation of fossil-fired power stations which came into effect in 2008.

#### Power and Gas Sales

Sales to residential and small and medium enterprise ("SME") customers decreased slightly for gas and power due to a mix of weather, customer-portfolio, and customer-behavior effects. The increased volumes due to a return to near-normal weather in contrast to the mild conditions in 2007 was countered by the loss of larger SME sites from the customer portfolio and the continuing impact of energy-efficiency measures on demand.

Sales to industrial and commercial ("I&C") electricity customers increased due to changes in customer mix. Sales to I&C gas customers declined due to reductions in consumption caused by price sensitivity and energy-efficiency measures.

Sales by Customer Segment <sup>1</sup>			
January 1 - September 30	2008	2007	+/- %
Billion kWh			
Residential and SME	23.5	24.7	-5
I&C	14.3	13.5	+6
Energy Trading/other	31.0	18.9	+64
<b>Power sales</b>	<b>68.8</b>	<b>57.1</b>	<b>+20</b>
Residential and SME	36.6	36.9	-1
I&C	15.5	16.8	-8
Energy Trading/other	27.3	59.7	-54
<b>Gas sales</b>	<b>79.4</b>	<b>113.4</b>	<b>-30</b>

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

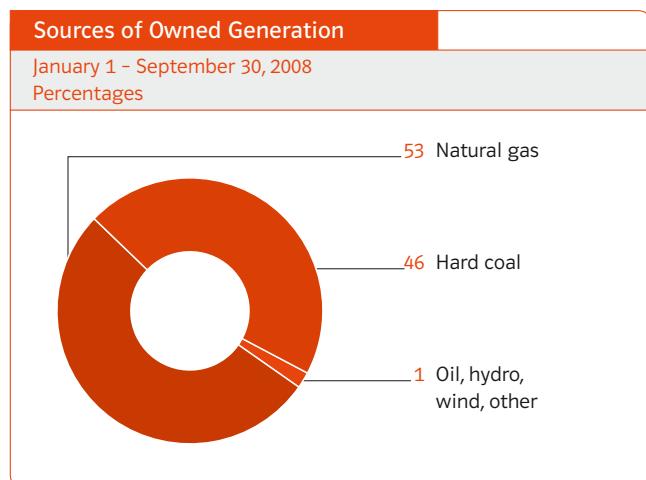
#### Power Generation and Procurement

The LCPD has caused a shift in generation away from coal towards natural gas.

Power Generation and Procurement <sup>1</sup>			
January 1 - September 30	2008	2007	+/- %
Billion kWh			
Owned generation <sup>1</sup>	30.0	29.4	+2
Purchases	38.8	27.8	+40
from jointly owned power plants	1.0	1.0	-
from Energy Trading	37.8	26.8	+41
<b>Power procured</b>	<b>68.8</b>	<b>57.2</b>	<b>+20</b>
Station use, line loss, pumped-storage hydro	-	-0.1	-
<b>Power sales</b>	<b>68.8</b>	<b>57.1</b>	<b>+20</b>

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

There were no changes in attributable generating capacity as at September 2008 compared with September 2007.



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 - September 30	Regulated Business		Non-regulated Business		Other/Consolidation		U.K.	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	589	661	7,600	8,808	-212	-288	7,977	9,181
Adjusted EBITDA	438	486	718	979	-47	-84	1,109	1,381
Adjusted EBIT	338	385	458	690	-51	-86	745	989

## Nordic

### Market Development

The Nordic region consumed about 286 billion kWh of electricity during the first nine months of 2008, in line with the prior year.

### Power Sales

Nordic sold 3.2 billion kWh less electricity than in the first nine months of 2007 mainly due to increased competition in the commercial segment and decreased net sales to Energy Trading and the market.

Power Sales			
January 1 - September 30 Billion kWh			
	2008	2007	+/- %
Residential	4.6	4.4	+5
Commercial	7.4	8.9	-17
Sales partners	6.0	5.5	+9
Energy Trading/other (net)	11.5	13.9 <sup>1</sup>	-17
<b>Total</b>	<b>29.5</b>	<b>32.7</b>	<b>-10</b>

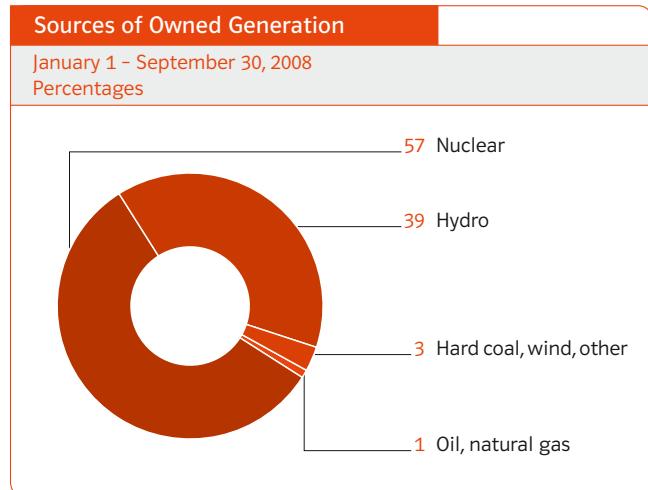
<sup>1</sup>Includes net sales to Nord Pool.

### Power Generation and Procurement

Nordic's owned generation decreased by 0.4 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 nine months of 2007. Nuclear power production was well above the prior-year level. Power purchases declined, primarily because of the transfer of trading activities to Energy Trading.

Power Generation and Procurement			
January 1 - September 30 Billion kWh		2008	2007
Owned generation		22.4	22.8
Purchases <sup>1</sup>		8.5	11.3
from jointly owned power plants		7.3	7.0
from outside sources		1.2	4.3
<b>Power procured</b>		<b>30.9</b>	<b>34.1</b>
Station use, line loss, pumped-storage hydro		-1.4	-1.4
<b>Power sales</b>		<b>29.5</b>	<b>32.7</b>

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



### Gas and Heat Sales

Gas sales and heat sales were slightly below the prior-year figure. Mild weather affected both years negatively.

Gas and Heat Sales			
January 1 - September 30 Billion kWh			
	2008	2007	+/- %
Gas sales	3.4	3.5	-3
Heat sales	5.0	5.1	-2

Financial Highlights by Business								
January 1 - September 30 € in millions	Regulated Business		Non-regulated Business		Other/ Consolidation		Nordic	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales	552	528	2,500	2,119	-138	-194	2,914	2,453
Adjusted EBITDA	250	246	655	613	7	-10	912	849
Adjusted EBIT	161	165	498	453	-5	-24	654	594

## 26 Market Unit Highlights

### U.S. Midwest

#### Market Development

Electricity consumption in the Midwestern United States in the first nine months of 2008 was flat compared with the same period in 2007, due primarily to cooler weather in the third quarter.

#### Power and Gas Sales

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

Gas sales for the first nine months of 2008 were consistent with the same period in 2007.

Sales by Customer Segment				
January 1 - September 30				+/- %
	Billion kWh	2008	2007	
Retail customers	25.4	26.4	-4	
Off-system sales	1.8	1.1	+64	
<b>Power sales</b>	<b>27.2</b>	<b>27.5</b>	<b>-1</b>	
Retail customers	9.4	9.1	+3	
Off-system sales	0.3	0.5	-40	
<b>Gas sales</b>	<b>9.7</b>	<b>9.6</b>	<b>+1</b>	

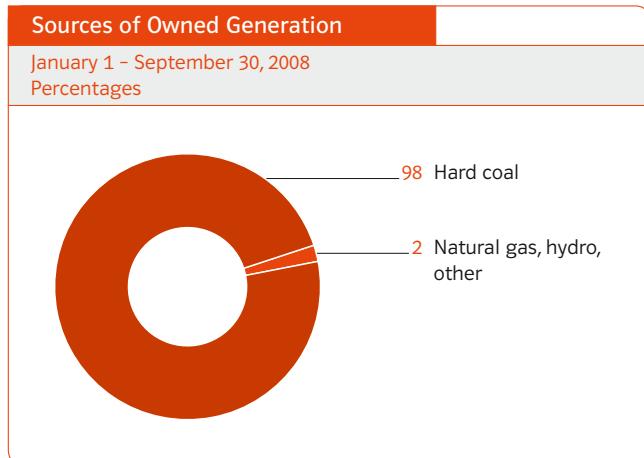
#### Power Generation and Procurement

U.S. Midwest generation for the first nine months of 2008 was slightly lower than in the same period in 2007.

Power Generation and Procurement			
January 1 - September 30	2008	2007	+/- %
Billion kWh			
Owned generation	26.4	27.0	-2
Purchases	2.3	2.2	+5
<b>Power procured</b>	<b>28.7</b>	<b>29.2</b>	<b>-2</b>
Station use, line loss	-1.5	-1.7	-
<b>Power sales</b>	<b>27.2</b>	<b>27.5</b>	<b>-1</b>

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

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



Financial Highlights by Business						
January 1 - September 30	€ in millions	Regulated Business		Non-regulated Business/Other		U.S. Midwest
		2008	2007	2008	2007	
Sales		1,297	1,333	36	43	1,333
Adjusted EBITDA		385	407	-2	2	383
Adjusted EBIT		277	292	-4	-	273

## Energy Trading

### Business Operations

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

### Legal Integration

We are carrying 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 three quarters 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., Pan-European Gas, and Nordic were transferred to E.ON Energy Trading effective April 1, July 1, and October 1, 2008, respectively. Plans call for U.K.'s trading operations to be transferred at the beginning of 2009. 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 are already being managed centrally. This applies to transactions with external trading partners and to all intragroup transactions between Energy Trading and Central Europe, Pan-European Gas, U.K., and Nordic. Consequently, Energy Trading's executive team is responsible for E.ON's entire European energy trading business.

### 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 three quarters of 2008:

Trading Volume	
January 1 - September 30	2008
Power	664.61 billion kWh
Gas	506.87 billion kWh
CO <sub>2</sub> allowances	92.23 million metric tons
Oil	23.82 million metric tons
Coal	81.39 million metric tons

Financial Highlights by Business		Proprietary Trading		Optimization		Energy Trading	
January 1 - September 30	€ in millions	2008	2007	2008	2007	2008	2007
Sales <sup>1</sup>		137	-	22,081	-	22,218	-
Adjusted EBITDA		98	-	310	-	408	-
Adjusted EBIT		98	-	309	-	407	-

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

## 28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, condensed cash flow statement, statement of recognised income and expense and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to September 30, 2008, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the Condensed Consolidated Interim Financial Statements and the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the Condensed Consolidated Interim Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting

as adopted by the EU and that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Düsseldorf, November 11, 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		Notes	July 1 - Sep. 30		Jan. 1 - Sep. 30	
€ in millions			2008	2007	2008	2007
Sales including electricity and energy taxes			19,673	14,246	62,049	50,905
Electricity and energy taxes			-428	-392	-1,586	-1,492
<b>Sales</b>	(14)		<b>19,245</b>	<b>13,854</b>	<b>60,463</b>	<b>49,413</b>
Changes in inventories (finished goods and work in progress)			31	-7	57	59
Own work capitalized			114	145	334	324
Other operating income			1,382	1,340	7,518	5,254
Cost of materials			-14,651	-9,911	-45,507	-35,647
Personnel costs			-1,259	-1,194	-3,701	-3,513
Depreciation, amortization and impairment charges			-921	-772	-2,522	-2,282
Other operating expenses			-3,132	-1,884	-11,435	-6,461
Income/Loss (-) from companies accounted for under the equity method			249	375	701	850
<b>Income/Loss (-) from continuing operations before financial results and income taxes</b>			<b>1,058</b>	<b>1,946</b>	<b>5,908</b>	<b>7,997</b>
Financial results	(7)		-799	-223	-1,523	-519
<i>Income from equity investments</i>			-248	34	-140	205
<i>Income from other securities, interest and similar income</i>			234	223	775	691
<i>Interest and similar expenses</i>			-785	-480	-2,158	-1,415
Income taxes			8	-259	-895	-1,601
<b>Income/Loss (-) from continuing operations</b>			<b>267</b>	<b>1,464</b>	<b>3,490</b>	<b>5,877</b>
Income/Loss (-) from discontinued operations, net	(5)		2	-1	-118	-94
<b>Net income</b>			<b>269</b>	<b>1,463</b>	<b>3,372</b>	<b>5,783</b>
<i>Attributable to shareholders of E.ON AG</i>			100	1,350	3,061	5,318
<i>Attributable to minority interests</i>			169	113	311	465
<b>in €</b>						
<b>Earnings per share</b>						
<b>(attributable to shareholders of E.ON AG)—basic and diluted</b>	(8)					
from continuing operations			0.05	0.70	1.70	2.75
from discontinued operations			0.00	0.00	-0.06	-0.05
<b>from net income</b>			<b>0.05</b>	<b>0.70</b>	<b>1.64</b>	<b>2.70</b>

## 30 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets		Notes	Sep. 30,	Dec. 31,
€ in millions			2008	2007
Goodwill			24,093	16,761
Intangible assets			4,738	4,284
Property, plant and equipment			56,763	48,552
Companies accounted for under the equity method	(9)		8,569	8,411
Other financial assets	(9)		14,321	21,478
<i>Equity investments</i>			9,156	14,583
<i>Non-current securities</i>			5,165	6,895
Financial receivables and other financial assets			2,655	2,449
Operating receivables and other operating assets			1,216	680
Income tax assets			2,034	2,034
Deferred tax assets			2,196	1,155
<b>Non-current assets</b>			<b>116,585</b>	<b>105,804</b>
Inventories			5,580	3,811
Financial receivables and other financial assets			1,700	1,515
Trade receivables and other operating assets			27,244	17,973
Income tax assets			1,696	539
Liquid funds			4,915	7,075
<i>Securities and fixed-term deposits</i>			2,526	3,888
<i>Restricted cash and cash equivalents</i>			539	300
<i>Cash and cash equivalents</i>			1,850	2,887
Assets held for sale	(5)		2,160	577
<b>Current assets</b>			<b>43,295</b>	<b>31,490</b>
<b>Total assets</b>			<b>159,880</b>	<b>137,294</b>

E.ON AG and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities		Notes	Sep. 30,	Dec. 31,
€ in millions			2008	2007
Capital stock			2,001	1,734
Additional paid-in capital			11,558	11,825
Retained earnings			27,993	26,828
Accumulated other comprehensive income			5,787	10,656
Treasury shares	(10)		-3,225	-616
Reclassification related to put options on treasury shares	(10)		-687	-1,053
<b>Equity attributable to shareholders of E.ON AG</b>			<b>43,427</b>	<b>49,374</b>
Minority interests (before reclassification)			6,395	6,281
Reclassification related to put options			-579	-525
<b>Minority interests</b>			<b>5,816</b>	<b>5,756</b>
<b>Equity</b>			<b>49,243</b>	<b>55,130</b>
Financial liabilities			22,810	15,915
Operating liabilities			6,546	5,432
Income taxes			2,630	2,537
Provisions for pensions and similar obligations	(12)		2,279	2,890
Miscellaneous provisions			18,580	18,073
Deferred tax liabilities			6,878	7,555
<b>Non-current liabilities</b>			<b>59,723</b>	<b>52,402</b>
Financial liabilities			13,291	5,549
Trade payables and other operating liabilities			30,404	18,254
Income taxes			2,298	1,354
Miscellaneous provisions			4,123	3,992
Liabilities associated with assets held for sale	(5)		798	613
<b>Current liabilities</b>			<b>50,914</b>	<b>29,762</b>
<b>Total equity and liabilities</b>			<b>159,880</b>	<b>137,294</b>

## 32 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses		2008	2007
January 1 - September 30			
€ in millions			
<b>Net income</b>		<b>3,372</b>	<b>5,783</b>
Cash flow hedges		-5	63
<i>Unrealized changes</i>		136	34
<i>Reclassification adjustments recognized in income</i>		-141	29
Available-for-sale securities		-6,207	-2,159
<i>Unrealized changes</i>		-5,810	-1,261
<i>Reclassification adjustments recognized in income</i>		-397	-898
Currency translation adjustments		13	-475
<i>Unrealized changes</i>		13	-502
<i>Reclassification adjustments recognized in income</i>		-	27
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations		1,131	1,743
Income taxes		911	69
<b>Total income and expenses recognized directly in equity</b>		<b>-4,157</b>	<b>-759</b>
<b>Total recognized income and expenses (total comprehensive income)</b>		<b>-785</b>	<b>5,024</b>
<i>Attributable to shareholders of E.ON AG</i>		-1,085	4,573
<i>Attributable to minority interests</i>		300	451

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1 - September 30	2008	2007
€ in millions		
Net income	3,372	5,783
Income from discontinued operations, net	118	94
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	2,522	2,282
Changes in provisions	403	-62
Changes in deferred taxes	-729	-15
Other non-cash income and expenses	250	-109
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-318	-1,127
Changes in operating assets and liabilities and in income taxes	632	377
<b>Cash provided by operating activities of continuing operations (operating cash flow)</b>	<b>6,250</b>	<b>7,223</b>
Proceeds from disposal of		
<i>Intangible assets and property, plant and equipment</i>	358	745
<i>Equity investments</i>	153	194
<i>Intangible assets and property, plant and equipment</i>	205	551
Purchase of investments in		
<i>Intangible assets and property, plant and equipment</i>	-15,340	-4,746
<i>Equity investments</i>	-6,147	-4,095
Changes in securities and fixed-term deposits	9,193	-651
Changes in restricted cash and cash equivalents	1,703	1,672
<b>Cash used for investing activities of continuing operations</b>	<b>-13,472</b>	<b>-2,096</b>
Payments received/made from changes in capital	43	27
Payments for treasury shares, net	-2,618	-2,243
Premiums received for put options on treasury shares	25	44
Cash dividends paid to shareholders of E.ON AG	-2,560	-2,210
Cash dividends paid to minority shareholders	-372	-228
Changes of financial liabilities	11,681	3,770
<b>Cash provided by (used for) financing activities of continuing operations</b>	<b>6,199</b>	<b>-840</b>
<b>Net increase (decrease) in cash and cash equivalents from continuing operations</b>	<b>-1,023</b>	<b>4,287</b>
Cash provided by operating activities of discontinued operations	12	9
Cash used for investing activities of discontinued operations	-12	-9
Cash provided by financing activities of discontinued operations	-	-
<b>Net increase (decrease) in cash and cash equivalents from discontinued operations</b>	<b>0</b>	<b>0</b>
Effect of foreign exchange rates on cash and cash equivalents	-14	-2
Cash and cash equivalents at the beginning of the year	2,887	1,154
<b>Cash and cash equivalents at the end of the quarter</b>	<b>1,850</b>	<b>5,439</b>

## 34 Notes to the Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Currency translation adjustments	Accumulated other comprehensive income	
					Available-for-sale securities	Cash flow hedges
<b>Balance as of January 1, 2007</b>	<b>1,799</b>	<b>11,760</b>	<b>24,350</b>	<b>632</b>	<b>10,491</b>	<b>-90</b>
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,210			
Other changes						
Net additions/disposals from the reclassification related to put options			6,500	-475	-1,512	60
Total comprehensive income			5,318			
<i>Net income</i>						
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			1,182			
<i>Other comprehensive income</i>				-475	-1,512	60
<b>Balance as of September 30, 2007</b>	<b>1,799</b>	<b>11,760</b>	<b>28,640</b>	<b>157</b>	<b>8,979</b>	<b>-30</b>
<b>Balance as of January 1, 2008</b>	<b>1,734</b>	<b>11,825</b>	<b>26,828</b>	<b>-318</b>	<b>11,081</b>	<b>-107</b>
Changes in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase	267	-267				
Capital decrease						
Dividends paid			-2,560			
Other changes			-59			
Share additions						
Net additions/disposals from the reclassification related to put options			3,784	97	-4,926	-40
Total comprehensive income			3,061			
<i>Net income</i>						
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			723			
<i>Other comprehensive income</i>				97	-4,926	-40
<b>Balance as of September 30, 2008</b>	<b>2,001</b>	<b>11,558</b>	<b>27,993</b>	<b>-221</b>	<b>6,155</b>	<b>-147</b>

Treasury shares	Put options on treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-230	0	48,712	4,994	-2,461	2,533	51,245
-2,243		-2,243				-2,243
			107		107	107
			-66		-66	-66
		-2,210	-228		-228	-2,438
			40		40	40
				2	2	-665
		-667	-667			
		4,573	451		451	5,024
		5,318	465		465	5,783
			1,182	76	76	1,258
			-1,927	-90	-90	-2,017
-2,473	-667	48,165	5,298	-2,459	2,839	51,004
-616	-1,053	49,374	6,281	-525	5,756	55,130
-2,609		-2,609	145		145	145
		0	111		111	111
			-18		-18	-18
		-2,560	-407		-407	-2,967
			-17		-17	-17
		-59				-59
		366	366	-54	-54	312
		-1,085	300		300	-785
		3,061	311		311	3,372
			723	50	50	773
			-4,869	-61	-61	-4,930
-3,225	-687	43,427	6,395	-579	5,816	49,243

## 36 Notes to the Condensed Consolidated Interim Financial Statements

### (1) Basis of Presentation

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

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

Spain. This segment also includes since June 30, 2008 the consolidated operations, acquired in the wake of the agreement between Enel S.p.A. ("Enel"), Rome, Italy and Acciona, S.A. ("Acciona"), Madrid, Spain on the one hand and Endesa, S.A. ("Endesa"), Madrid, Spain on the other hand. The French activities were already shown as part of the segment Central Europe in the third quarter of 2008.

Note 14 provides additional information about the segments.

### (2) Summary of Significant Accounting Policies

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

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

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

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

### (3) Newly Adopted Standards and Interpretations

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

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

#### Amendments to IAS 39 and IFRS 7 "Reclassification of Financial Instruments"

In October 2008, the IASB approved amendments to IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) and IFRS 7 "Financial Instruments: Disclosures" (IFRS 7). These amendments enable the preparer to reclassify single financial instruments between measurement categories if certain criteria are met. Additionally, the disclosures under IFRS 7 have been enhanced. The amendments to IAS 39 and IFRS 7 that were transferred by the EU into European law on October 15, 2008, have to be applied retrospectively from July 1, 2008. The amendments 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	16	63	79
Disposals/Mergers	-18	-31	-49
<b>Consolidated companies as of September 30, 2008</b>	<b>151</b>	<b>470</b>	<b>621</b>

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

As of September 30, 2008 190 companies were accounted for under the equity method (December 31, 2007: 185).

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

#### Acquisitions in 2008

##### Endesa Europa/Viesgo

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

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

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

Viesgo's operations encompass a total of 1,500 MW in conventional power generation capacities at a number of different sites in Spain; additional projects with a capacity of 2,000 MW are currently under construction or were brought into operation in the third quarter 2008. Viesgo supplies electric power to about 650,000 customers in the Spanish provinces of Cantabria and Asturias. In the context of the transaction between E.ON and Enel/Acciona, Endesa also sold to Viesgo two further power plants in Spain with an approximate combined capacity of 1,000 MW, which means that Viesgo will have a total power generation capacity of about 4,500 MW in the Spanish market.

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

An agreement had already been reached in June 2008 with the 20 percent minority shareholder of Endesa Italia, A2A S.p.A. ("A2A"), Milan, Italy, to acquire that minority interest primarily in return for internally-owned power generation capacities in Italy valued at approximately €1.5 billion. For that reason, the full 100 percent of Endesa Italia already had to be included in the consolidated financial statements effective June 30, 2008. The approximately 1,500 MW in power generation capacities to be transferred were specified in July 2008.

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The legal transfer of the minority interest and of the power generation capacities is not to take place until the first half of 2009. These capacities were therefore reported as a disposal group in the third quarter of 2008 at the carrying amounts

acquired, with a net carrying amount before purchase price allocation of €471.9 million. The continuing earnings share of the minority shareholder will be reported as a purchase price adjustment until disposal.

Major Balance Sheet Line Items—Endesa Europa/Viesgo Activities			
€ in millions	Carrying amounts before purchase price allocation	Purchase price allocation	Carrying amounts at purchase price allocation
Intangible assets	477	-	477
Property, plant and equipment	6,754	-	6,754
Other assets	2,705	-	2,705
<b>Total assets</b>	<b>9,936</b>	<b>0</b>	<b>9,936</b>
Non-current liabilities	2,591	-	2,591
Current liabilities	4,587	-	4,587
<b>Total liabilities</b>	<b>7,178</b>	<b>0</b>	<b>7,178</b>
<b>Net assets</b>	<b>2,758</b>	<b>0</b>	<b>2,758</b>
Attributable to shareholders of E.ON AG	2,371	-	2,371
Attributable to minority interests	387	-	387
Acquisition cost paid in cash	8,607		
Non-monetary consideration for minority interest	1,498		
<b>Goodwill (preliminary)</b>	<b>7,734</b>		<b>7,734</b>

Initial recognition of the operations took place in the second quarter of 2008. Due to the proximity of the acquisition date to the reporting date, no revenue or earnings contributions were recognized in the E.ON consolidated financial statements for the first half of 2008, as these were of little significance for the E.ON consolidated financial statements. As of June 30, 2008, the assets and liabilities measured pursuant to the accounting policies that had been applied by the acquired companies have been recognized on the balance sheet. Cash in the amount of €123.7 million was recognized as of June 30, 2008. In the first half of 2008, the Viesgo entities recorded revenues of €539 million and a loss of €5 million. During this period, Endesa Europa recorded revenues of €2,171 million and earnings of €197 million. A follow-up of these figures for the third quarter of 2008 was not possible due to the fact that the organizational integration of the acquired entities into the E.ON group has already been started.

Because of the complexity of the acquisition and the multitude of individual circumstances to be considered, it has thus far not been possible to arrive at a level of certainty in the measurement of individual assets and liabilities that could be deemed sufficient for performing a purchase price allocation as of September 30, 2008, on the basis of steady measurement results. Aside from a few exceptions, an adjustment to the E.ON Group's accounting policies could not be performed either for the reasons just mentioned. The exceptions were considered in the third quarter of 2008 as adjustments of the carrying

amounts before purchase price allocation. These adjustments resulted in an increase of preliminary goodwill totaling €116 million. In the third quarter of 2008, the carrying amounts were subsequently measured in large part using the methods applied in the individual companies prior to the acquisition.

In light of the aforementioned uncertainties, the purchase price allocation remains preliminary. The entire differential amount has been reported as "Goodwill (preliminary)" in these Financial Statements.

### Discontinued Operations in 2008

#### WKE

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

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

The closing of the agreement is subject to a number of conditions, including review and approval by various regulatory agencies and acquisition of certain consents by other interested parties. Subject to such contingencies, the parties are working on completing the termination transaction early 2009. WKE therefore continues to be classified as a discontinued operation, as in 2007.

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

Selected Financial Information— WKE (Summary)			
January 1 – September 30	2008		2007
€ in millions			
Sales	153	160	
Other income/(expenses), net	-330	-301	
<b>Income from continuing operations before income taxes and minority interests</b>	<b>-177</b>	<b>-141</b>	
Income taxes	68	54	
<b>Income from discontinued operations</b>	<b>-109</b>	<b>-87</b>	

Major Balance Sheet Line Items— WKE (Summary)			
€ in millions	Sep. 30, 2008	Dec. 31, 2007	
Intangible assets and property, plant and equipment	84	202	
Other assets	411	362	
<b>Total assets</b>	<b>495</b>	<b>564</b>	
Total liabilities	667	613	

## Disposals in 2008

### Statkraft/E.ON Sverige

Based on the letter of intent signed in October 2007 concerning the virtually full acquisition from Statkraft AB ("Statkraft"), Oslo, Norway, of its 44.6 percent minority interest in E.ON Sverige in exchange for a variety of power plant units and shares of E.ON, the conditions for reporting as a disposal

group the assets to be sold, and in particular the associated personnel related liabilities, were fulfilled in the second quarter of 2008. Disposal is planned for the end of December 2008. Recognition of expenses from write-downs to lower fair values was not necessary.

The net carrying amounts of the disposal groups are allocated to the Nordic (€1,024.9 million; June 30, 2008: €997.4 million), U.K. (€19.5 million; June 30, 2008: €3.8 million) and Central Europe (€1.9 million; June 30, 2008: €1.9 million) market units. The changes result mainly from current operations, exchange rate differences and modified volume of the disposal groups.

### Endesa Europa/Viesgo

As part of the acquisition of the Endesa Europa/Viesgo activities, an agreement was reached with the minority shareholder of Endesa Italia, A2A, to acquire the minority interest primarily in return for internally-owned power generation capacities in Italy valued at approximately €1.5 billion. The net carrying amount of this disposal group before purchase price allocation was €471.9 million and has been attributed to the Corporate Center/New Markets segment.

## 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 December 31, 2007. 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 acquired additional shares equivalent to approximately 3.4 percent of OGK-4 under the mandatory offer and increased its 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 was finalized in September 2008. Only minor changes occurred compared to year-end 2007.

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Major Balance Sheet Line Items—OGK-4		IFRS carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
€ in millions				
Intangible assets	11	—	—	11
Property, plant and equipment	738	2,185	—	2,923
Other assets	1,497	8	—	1,505
<b>Total assets</b>	<b>2,246</b>	<b>2,193</b>	—	<b>4,439</b>
Non-current liabilities	210	523	—	733
Current liabilities	124	—	—	124
<b>Total liabilities</b>	<b>334</b>	<b>523</b>	—	<b>857</b>
<b>Net assets</b>	<b>1,912</b>	<b>1,670</b>	—	<b>3,582</b>
Attributable to shareholders of E.ON AG	1,390	—1,390	—	—
Attributable to minority interests	522	456	—	978
<b>Total acquisition costs</b>		<b>4,350</b>	—	
Goodwill			1,746	1,746

### ENERGI E2 Renovables Ibéricas

On August 13, 2007, E.ON Climate & Renewables GmbH acquired a 100-percent stake in ENERGI E2 Renovables Ibéricas S.L.U. ("E2-I"), Madrid, Spain. The purchase price totaled roughly €481 million. E2-I and its affiliated companies were fully consolidated as of August 31, 2007. The purchase price allocation was finalized in August 2008. There were changes mainly in intangible and financial assets compared to year-end 2007. In total, goodwill was increased by €42 million. Starting in the first quarter of 2008, the company operates as E.ON Renewables Iberia S.L.U.

Major Balance Sheet Line Items—E.ON Climate & Renewables (E2-I)		IFRS carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
€ in millions				
Intangible assets and acquired goodwill	64	221	—	285
Property, plant and equipment	112	32	—	144
Other assets	127	184	—	311
<b>Total assets</b>	<b>303</b>	<b>437</b>	—	<b>740</b>
Non-current liabilities	201	—	—	201
Current liabilities	42	136	—	178
<b>Total liabilities</b>	<b>243</b>	<b>136</b>	—	<b>379</b>
<b>Net assets</b>	<b>60</b>	<b>301</b>	—	<b>361</b>
Attributable to shareholders of E.ON AG	56	—56	—	—
Attributable to minority interests	4	33	—	37
<b>Total acquisition costs</b>		<b>481</b>	—	
Goodwill			157	157

### 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 (Airtricity)		IFRS carrying amounts before initial recognition	Purchase price allocation	Carrying amounts at initial recognition
€ in millions				
Intangible assets and acquired goodwill	10	329		339
Property, plant and equipment	822	60		882
Other assets	75	—		75
<b>Total assets</b>	<b>907</b>	<b>389</b>		<b>1,296</b>
Non-current liabilities	134	137		271
Current liabilities	786	—		786
<b>Total liabilities</b>	<b>920</b>	<b>137</b>		<b>1,057</b>
<b>Net assets</b>	<b>-13</b>	<b>252</b>		<b>239</b>
Attributable to shareholders of E.ON AG	-13	13		—
Attributable to minority interests	—	—		—
<b>Total acquisition costs</b>			<b>580</b>	
<b>Goodwill (preliminary)</b>			<b>341</b>	<b>341</b>

### (6) Research and Development Costs

The E.ON Group's research and development costs amounted to €32 million in the first nine months of 2008 (first nine months of 2007: €20 million).

### (7) Financial Results

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

Financial Results		July 1 - Sep. 30		Jan. 1 - Sep. 30	
€ in millions		2008	2007	2008	2007
Income from companies in which equity investments are held	32	29		194	217
Write-down of share investments	-280	5		-334	-12
<b>Income from equity investments</b>	<b>-248</b>	<b>34</b>		<b>-140</b>	<b>205</b>
Income from other securities, interest and similar income	234	223		775	691
Interest and similar expenses	-785	-480		-2,158	-1,415
<b>Interest and similar expenses (net)</b>	<b>-551</b>	<b>-257</b>		<b>-1,383</b>	<b>-724</b>
<b>Financial results</b>	<b>-799</b>	<b>-223</b>		<b>-1,523</b>	<b>-519</b>

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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		July 1 - Sep. 30		Jan. 1 - Sep. 30	
€ in millions		2008	2007	2008	2007
Income/Loss (-) from continuing operations		267	1,464	3,490	5,877
less: Minority interests		-169	-113	-311	-465
<b>Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)</b>		<b>98</b>	<b>1,351</b>	<b>3,179</b>	<b>5,412</b>
Income/Loss (-) from discontinued operations, net		2	-1	-118	-94
less: Minority interests		-	-	-	-
<b>Income/Loss (-) from discontinued operations, net (attributable to shareholders of E.ON AG)</b>		<b>2</b>	<b>-1</b>	<b>-118</b>	<b>-94</b>
<b>Net income attributable to shareholders of E.ON AG</b>		<b>100</b>	<b>1,350</b>	<b>3,061</b>	<b>5,318</b>
in €					
<b>Earnings per share (attributable to shareholders of E.ON AG)</b>					
from continuing operations		0.05	0.70	1.70	2.75
from discontinued operations		0.00	0.00	-0.06	-0.05
<b>from net income</b>		<b>0.05</b>	<b>0.70</b>	<b>1.64</b>	<b>2.70</b>
Weighted-average number of shares outstanding (in millions)		1,849	1,951	1,870	1,969

The computation of diluted EPS is identical to basic EPS, as E.ON AG has not issued any potentially dilutive common stock. The computation of EPS is already based on the share split in 2008. The prior year figures have been adjusted accordingly.

were recorded at the market unit Central Europe. In addition, the decrease in fair value of the investment in Gazprom was recorded directly in equity which also led to a significant change in recognized deferred taxes.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets			
€ in millions		Sep. 30, 2008	Dec. 31, 2007
Companies accounted for under the equity method		8,569	8,411
Equity investments		9,156	14,583
<i>Equity investment in OAO Gazprom</i>		7,454	13,061
Non-current securities		5,165	6,895
<b>Total</b>		<b>22,890</b>	<b>29,889</b>

The collapse of the financial markets is also reflected in the changes in the value of financial assets. As a consequence, impairments charges on financial assets totaling €294 million

### (10) Treasury Shares

At the Annual Shareholders Meeting on April 30, 2008, shareholders resolved to reapportion E.ON AG's capital stock by first increasing the capital stock by €266.8 million of the Company's own funds. The capital stock was then subdivided in such a way that 3 new ordinary shares would replace each old one. This tripled the amount of ordinary shares in issue (share split). The following statements refer to the reapportioned capital stock.

As of September 30, 2008, E.ON AG held 85,454,789 treasury shares (December 31, 2007: 20,715,072). The increase results from the share buyback program started on June 27, 2007. A further 85,416,582 shares of E.ON AG continue to be held by one of its subsidiaries. E.ON thus held 8.5 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's stock more attractive.

In addition, E.ON entered into put option arrangements in the first nine months of 2008 for further 13,500,000 of its own shares under its share buyback program. In total, put option for 21,000,000 own shares were on stock as of September 30, 2008 (December 31, 2007: 30,000,000). Pursuant to IAS 32 "Financial Instruments: Presentation" (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 (before the share split), a €0.75 increase from the dividend paid in 2007. The total dividend payout was €2,560 million.

## (12) Provisions for Pensions and Similar Obligations

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

Discount Rate		
Percentages	Sep. 30, 2008	Dec. 31, 2007
Germany	6.50	5.50
U.K.	6.80	5.80
USA	7.50	6.65

€ in millions	Net Periodic Pension Cost for Defined Benefit Plans			
	July 1 - Sep. 30		Jan. 1 - Sep. 30	
	2008	2007	2008	2007
Employer service cost	54	61	160	185
Interest cost	214	201	644	609
Expected return on plan assets	-175	-182	-532	-551
Past service cost	3	3	10	6
<b>Total</b>	<b>96</b>	<b>83</b>	<b>282</b>	<b>249</b>

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		Sep. 30, 2008	Dec. 31, 2007
€ in millions			
Defined benefit obligation	14,351	15,936	
Fair value of plan assets	-12,423	-13,056	
<b>Funded status</b>	<b>1,928</b>	<b>2,880</b>	
Unrecognized past service cost	-3	-3	
<b>Net amount recognized</b>	<b>1,925</b>	<b>2,877</b>	
<i>Thereof presented as operating receivables</i>	<i>-354</i>	<i>-13</i>	
<i>Thereof presented as provisions for pensions and similar obligations</i>	<i>2,279</i>	<i>2,890</i>	

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

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

## 44 Notes to the Condensed Consolidated Interim Financial Statements

### (13) Other Commitments

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

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

### (14) Segment Information

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

- The Central Europe market unit operates E.ON's integrated electricity business and downstream gas business in Central Europe.
- Pan-European Gas is responsible for the European upstream and midstream gas business. Moreover, this market unit holds predominantly minority shareholdings in the downstream gas business.

- The U.K. market unit encompasses the integrated energy business in the United Kingdom.
- The Nordic market unit focuses on the integrated energy business in Northern Europe.
- The U.S. Midwest market unit is primarily active in the regulated energy market in the U.S. state of Kentucky.
- The Energy Trading market unit began operations on January 1, 2008. By centralizing trading activities formerly managed by the Central Europe, Pan-European Gas, Nordic, and U.K. market units, Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil, and CO<sub>2</sub> allowances.
- Corporate Center/New Markets contains those interests held directly by E.ON AG, E.ON AG itself, consolidation effects at the Group level, and the activities of the new Climate & Renewables, Italy, and Russia market units. These market units began operations on January 1, 2008, the market unit Spain started at July 1, 2008. This segment includes since June 30, 2008 the consolidated operations, acquired in the wake of the agreement with Enel/Acciona and Endesa. The French activities were already shown as part of the segment Central Europe in the third quarter of 2008.

#### Financial Information by Business Segment

January 1 - September 30 € in millions	Central Europe		Pan-European Gas		U.K.	
	2008	2007	2008	2007	2008	2007
External sales	23,331	23,326	14,550	13,402	6,555	9,094
Intersegment sales	6,375	443	4,124	2,164	1,422	87
<b>Sales</b>	<b>29,706</b>	<b>23,769</b>	<b>18,674</b>	<b>15,566</b>	<b>7,977</b>	<b>9,181</b>
Adjusted EBITDA	4,771	4,578	2,395	2,438	1,109	1,381
Depreciation and amortization	-1,080	-1,089	-373	-381	-364	-392
Impairments (-)/Reversals (+) <sup>1</sup>	-22	-2	26	-36	-	-
<b>Adjusted EBIT</b>	<b>3,669</b>	<b>3,487</b>	<b>2,048</b>	<b>2,021</b>	<b>745</b>	<b>989</b>
<i>Earnings from companies accounted for under the equity method<sup>1</sup></i>	222	217	463	522	4	17
Cash provided by operating activities	3,810	3,293	941	2,068	1,130	1,329
Investments	2,082	1,656	805	1,387	847	969
<i>Intangible assets and property, plant and equipment</i>	1,914	1,530	664	481	804	969
<i>Equity investments<sup>2</sup></i>	168	126	141	906	43	-
Total assets (September 30 and December 31)	62,679	63,442	33,440	39,090	18,340	18,170
<i>Intangible assets (September 30 and December 31)</i>	2,064	1,889	909	1,137	317	675
<i>Property, plant and equipment (September 30 and December 31)</i>	19,952	18,375	6,719	6,746	6,997	7,506
<i>Companies accounted for under the equity method (September 30 and December 31)</i>	2,038	2,134	5,725	5,602	-	2

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

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

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 nine months of 2008 as well as in 2007, this applies to WKE, which is held for sale. Our earnings and cash flow figures for the period ended September 30, 2008, and for the prior-year period do not include the results of our discontinued operations (see page 38).

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

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

Nordic		U.S. Midwest		Energy Trading		Corporate Center/ New Markets		E.ON Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1,929	2,370	1,333	1,376	9,502	-	3,263	-155	60,463	49,413
985	83	-	-	12,716	-	-25,622	-2,777	-	-
<b>2,914</b>	<b>2,453</b>	<b>1,333</b>	<b>1,376</b>	<b>22,218</b>	<b>-</b>	<b>-22,359</b>	<b>-2,932</b>	<b>60,463</b>	<b>49,413</b>
912	849	383	409	408	-	223	-220	10,201	9,435
-258	-254	-110	-117	-1	-	-320	-12	-2,506	-2,245
-	-1	-	-	-	-	4	-5	8	-44
<b>654</b>	<b>594</b>	<b>273</b>	<b>292</b>	<b>407</b>	<b>-</b>	<b>-93</b>	<b>-237</b>	<b>7,703</b>	<b>7,146</b>
6	-2	18	18	-	-	-	9	713	781
853	766	250	181	-675	-	-59	-414	6,250	7,223
728	621	487	494	3	-	10,388	-381	15,340	4,746
713	616	487	494	3	-	1,562	5	6,147	4,095
15	5	-	-	-	-	8,826	-386	9,193	651
13,071	11,759	8,644	8,130	21,870	-	1,836	-3,297	159,880	137,294
212	213	12	13	49	-	1,175	357	4,738	4,284
6,484	7,429	4,628	4,153	1	-	11,982	4,343	56,763	48,552
324	357	35	32	-	-	447	284	8,569	8,411

## 46 Notes to the Condensed Consolidated Interim Financial Statements

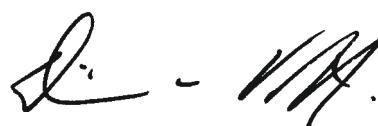
The following table provides a reconciliation of adjusted EBIT to net income:

Net Income		
January 1 - September 30	2008	2007
€ in millions		
Adjusted EBIT	7,703	7,146
Adjusted interest income (net)	-1,355	-694
Net book gains	234	990
Restructuring expenses	-234	-7
Other non-operating earnings	-1,963	43
<b>Income/Loss (-) from continuing operations before taxes</b>	<b>4,385</b>	<b>7,478</b>
Income taxes	-895	-1,601
<b>Income/Loss (-) from continuing operations</b>	<b>3,490</b>	<b>5,877</b>
Income/Loss (-) from discontinued operations, net	-118	-94
<b>Net income</b>	<b>3,372</b>	<b>5,783</b>
Attributable to shareholders of E.ON AG	3,061	5,318
Attributable to minority interests	311	465

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



Bernotat



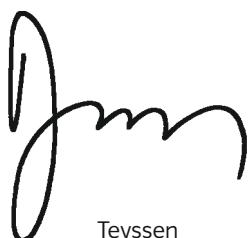
Dänzer-Vanotti



Feldmann



Schenck



Teyssen

## Financial Calendar

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

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

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

