Interim Report III/2010

2010

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights[1]			
January 1-September 30	2010	2009	+/- %
Electricity sales[2]	713.0 billion kWh	565.6 billion kWh	+26
Gas sales[2]	952.9 billion kWh	810.2 billion kWh	+18
Sales	€63,938 million	€57,827 million	+11
Adjusted EBITDA	€10,809 million	€9,911 million	+9
Adjusted EBIT	€8,024 million	€7,340 million	+9
Net income	€3,781 million	€6,304 million	-40
Net income attributable to shareholders of E.ON AG	€3,522 million	€6,103 million	-42
Adjusted net income	€4,359 million	€4,277 million	+2
Economic investments	€5,722 million	€6,090 million	-6
Cash provided by operating activities of continuing operations	€9,161 million	€6,695 million	+37
Economic net debt (September 30 and December 31)	-€44,941 million	-€44,665 million	-276[3]
Employees (September 30 and December 31)	85,111	85,108	–
Earnings per share attributable to shareholders of E.ON AG	€1.85	€3.20	-42
Weighted-average shares outstanding (in millions)	1,905	1,905	–

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

Glossary of Selected Financial Terms

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

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

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

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

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

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January 1 – September 30, 2010

- Adjusted EBIT up 9 percent
- Adjusted net income up slightly
- E.ON U.S. sale completed
- 2010 forecast unchanged with adjusted EBIT expected up 0 to 3 percent and adjusted net income at prior-year level

Contents

Dear Shareholders,

E.ON continues to be right on course through three quarters of 2010. Building on our strong first-half results, we again posted increases in our main key figures. Our sales improved by 11 percent year on year to €63.9 billion. Adjusted EBIT, our main earnings figure, rose by 9 percent to €8 billion. We can therefore confirm our 2010 earnings forecast, which calls for our 2010 adjusted EBIT to increase by 0 to 3 percent and our adjusted net income to be at the prior-year level.

I'm very pleased with these results and proud of our company's strong performance. Nevertheless, the situation in some of our markets remains difficult. For example, the economic crisis has adversely affected significantly the market environment in Italy, Spain, and France. Electricity and commodity price movements in these markets have in some cases led to significantly narrower margins and lower capacity utilization. We expect our earnings streams from these markets to deteriorate over the medium to long term. About two weeks ago, we therefore announced that we've recorded impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other assets, at operations in Italy, Spain, and France we acquired from Enel/Acciona and Endesa.

While the economic environment in some markets remains sluggish, the German market has recovered significantly faster. After a long series of discussions, there's also greater clarity in Germany's energy policy. The German federal government has put forward a comprehensive energy strategy for the future. The strategy calls for Germany to achieve a climate-friendly energy supply consisting predominantly of renewables and to reduce its carbon-dioxide emissions by 80 to 95 percent. One part of the strategy is to extend the operating lives of nuclear power plants in Germany so that nuclear energy can continue to make a key contribution to energy affordability, supply security, and climate protection as the country transitions to the energy supply of tomorrow. The extension is accompanied by additional financial burdens: a nuclear-fuel tax and a windfall-profit tax. Nevertheless, E.ON will do its part to implement Germany's energy strategy and to transform its energy system. Because fundamentally we share the objective of achieving a climate-friendly energy supply. And because we're convinced that climate protection is compatible with a secure, affordable energy supply for Germany and its industrial economy.

Compatibility is also one of the core tenets of E.ON's new strategy, which, as we announced early in the year, will be launched this fall. One key area is our generation strategy. Here, renewables will play an even bigger role in the years ahead. We intend to triple our renewables capacity in Europe by 2015 by commissioning new wind farms in the North and Baltic Seas and new solar farms in Southern Europe. We'll also invest in new, highly efficient, operationally flexible gas-fired generating units and hydro plants (both pumped storage and run-of-river) and drive the development of new energy-storage technologies. This generation strategy will achieve two objectives. First, it will accelerate the transition to climate-friendly energy and enable us to make our own climate-protection targets more aggressive: we now intend to halve our specific carbon emissions by 2020, ten years earlier than previously planned. Second, it will focus our business even more on areas with the biggest growth potential: renewables and conventional power generation. Our sales business will remain a key area. But to stay successful in this keenly competitive arena, we'll need to do an even better job of setting ourselves apart by offering intelligent products for residential customers and efficient energy solutions for business customers. As for E.ON Ruhrgas's international gas business, it faces special challenges due to the increased globalization of gas procurement markets. From gas exploration to our innovative biomethane plants, we have a superb knowledge base. We also intend to do more to leverage our expertise in generation and trading to achieve additional business growth outside Europe. Over the medium term, we intend to tap markets in two other regions beyond Russia and the United States.

These ambitious growth targets will require that we enhance our financial strength. We'll use the proceeds from divesting all or part of certain businesses and shareholdings to improve our scope for investing but primarily to further reduce our debt. Our objective is to sharpen E.ON's profile as an international energy specialist and to increase our earnings strength by placing it on broader, more international foundation so that E.ON will remain successful even in an increasingly difficult business environment.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

E.ON stock (factoring in the reinvestment of dividends) finished the third quarter of 2010 22 percent below its year-end closing price for 2009, thereby underperforming its peer index, the STOXX Utilities, which declined by 9 percent during the same period. The EURO STOXX 50 index was also lower (-5 percent).

In the first three quarters of 2010, the stock-exchange trading volume of E.ON stock increased by 15 percent year on year to €48.5 billion. The number of shares traded was also higher, rising 11 percent.

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

E.ON Stock

	Sep. 30, 2010	Dec. 30, 2009
Shares outstanding (millions)	1,905	1,905
Closing price (€)	21.63	29.23
Market capitalization (€ in billions)[1]	41.2	55.7

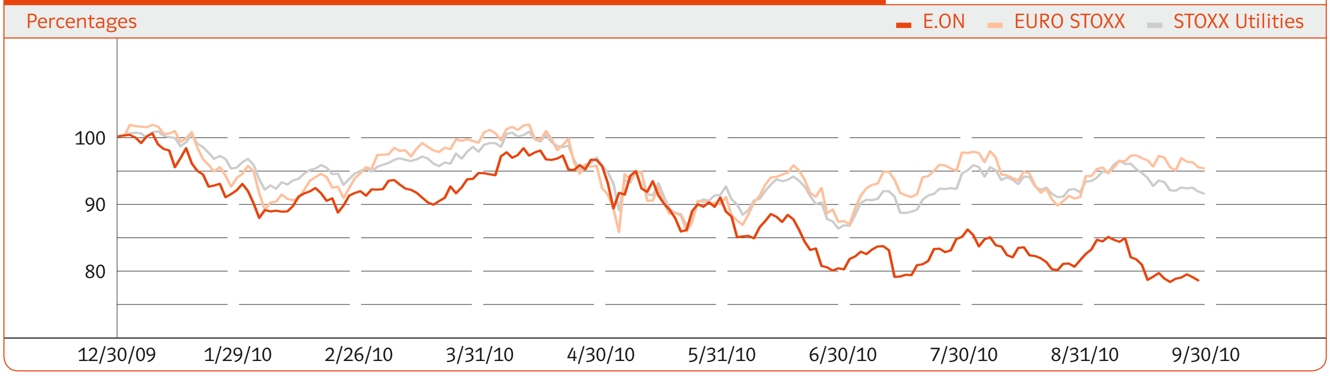
[1]Based on shares outstanding.

Performance and Trading Volume

January 1–September 30	2010	2009
High (€)[1]	29.36	30.47
Low (€)[1]	21.57	18.19
Trading volume[2]		
Millions of shares	*1,926.5*	*1,731.5*
€ in billions	*48.5*	*42.1*

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

E.ON Stock Performance



Interim Group Management Report

Business and Operating Environment

Corporate Structure and Operations

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

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

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

Central Europe

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

Pan-European Gas

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

U.K.

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

Nordic

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

Energy Trading

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

New Markets

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

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

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

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

Corporate Center

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

Energy Industry

According to figures from AGEB, an energy industry working group, Germany's consumption of primary energy in the first nine months of 2010 rose by just over 4 percent year on year to 349 million metric tons of hard coal equivalent (MTCE). Its natural-gas consumption rose by 5 percent to 72.9 MTCE on increased demand across all customer segments, although the rise in demand from power stations was particularly high.

Electricity consumption in England, Scotland, and Wales was 233 billion kWh in the first three quarters of 2010 compared with 231 billion kWh in the first three quarters of 2009. Gas consumption (excluding power stations) was 427 billion kWh compared with 404 billion kWh. The increases were due to cold weather throughout the year (particularly during January and February) partially offset by continuing energy-efficiency improvements.

The Nordic region consumed 285 billion kWh of electricity in the first three quarters of 2010, about 18 billion kWh more than in the same period of 2009. Very cold weather was the main factor in the first quarter, a slight recovery in Finnish industrial consumption in the second. Demand by Norwegian energy-intensive industries was sharply higher in the third quarter. Net electricity imports to the Nordic region from surrounding countries were around 13 billion kWh during the first three quarters of 2010, about 8 billion kWh higher than in the prior-year period. Net imports from Germany continued in the third quarter and totaled 3.7 billion kWh for the entire nine-month period (prior year: net exports to Germany of 2.1 billion kWh).

The Russian Federation generated 750 billion kWh of electricity, up 4.8 percent from the prior-year figure.

Italy consumed 243.3 billion kWh of electricity, an increase of 1.7 percent from the prior-year figure (1.6 percent if adjusted for differences in temperature and number of working days). Driven by the increase in consumption, domestic power production rose by 2.1 percent to 213.1 billion kWh. Italy's gas consumption rose by 7.8 percent year on year to 614.3 billion kWh; consumption was higher mainly in the industrial and residential customer segments.

Peninsular electricity consumption in Spain was 194 billion kWh, 3.4 percent higher than in the prior-year period (3 percent higher if adjusted for differences in temperature and the number of working days). Retail gas consumption rose by 8.9 percent to 190 billion kWh.

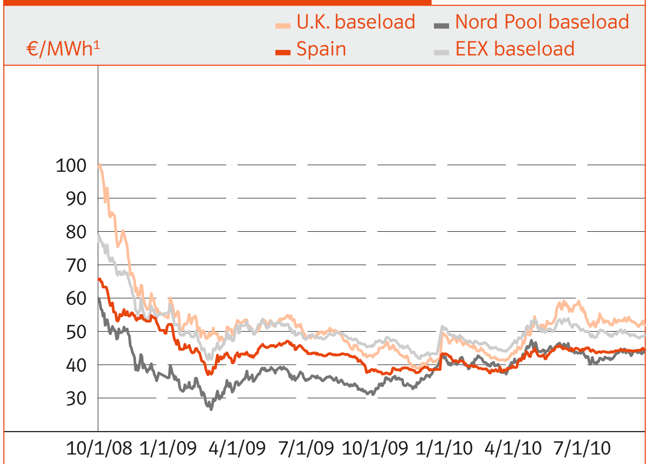
Energy Prices

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

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

After moving lower in the first quarter, prices for commodities and electricity temporarily recovered during the second quarter. Forward power prices subsequently declined in Germany, the U.K., and Italy, while prices for other products (like Nordic and Spanish power, coal, carbon allowances, and natural gas) moved sideways through the end of the third quarter. Brent crude oil tested new highs.

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



[1] For next-year delivery.

For most of the first nine months of 2010, Brent crude oil traded in a narrow range of $70 to $80 per barrel for next-month delivery. However, it made a number of attempts to break through to a higher level. The first was in March on expectations for an accelerating economic recovery and support from financial and commodity markets. This upward trend was halted by concerns about eurozone sovereign debt and an underperforming U.S. economy. Another attempt started at the end of the third quarter on expectations of global oil demand averaging close to a new all-time high, with additional support from a rebound in financial markets. European coal prices, buoyed by extreme winter weather in China and Europe, began 2010 strongly with prices of around $100 per metric ton for next-year delivery. Due to declining European gas prices in the spring and high coal stocks, coal prices fell to $85, encouraging new global arbitrage of coal (Colombia to China). As gas prices rebounded in the second quarter, coal prices

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recovered as well and subsequently traded in a corridor between $95 to $102. The freight market remained generally subdued due to vessel oversupply.

European gas prices, which in the first quarter had remained under pressure from global oversupply and a recession-driven decline in demand, rose steadily in the second quarter. The key drivers were stronger gas-to-power and industrial demand, lower storage levels, significant Norwegian supply outages, a tighter-than-expected LNG market (attributed to maintenance outages at existing liquefaction facilities and a delay in the completion of new liquefaction facilities in Qatar), and a recovery of Asian demand. Third-quarter spot gas prices declined on the back of higher LNG flows following the return to service of liquefaction facilities in Qatar and lower demand in Northwestern Europe due to an outage on the Transitgas pipeline from Germany to Italy. Maintenance constraints at gas transportation and production facilities in the U.K. and Norway did not impede the downward trend. Prices for gas for next-year delivery stabilized in the third quarter. U.S. gas prices have been under continuous pressure in 2010 and moved independently of European prices.

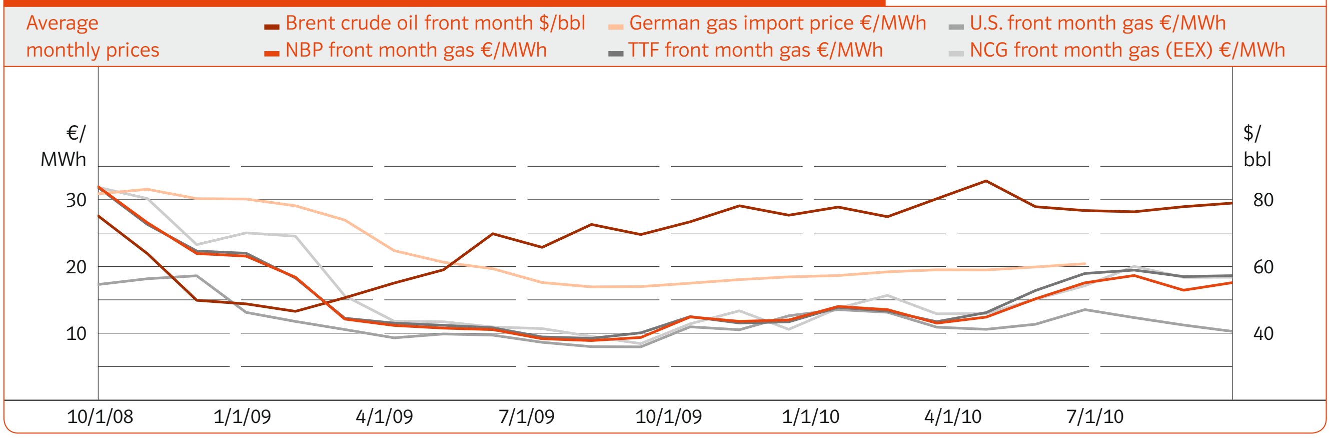
Carbon Allowance Price Movements in Europe

The December 2010 carbon contract under the European Emissions Trading Scheme traded at around €13 per metric ton during the first quarter. Following the release of verified 2009 emissions numbers, carbon prices rose in the second quarter influenced by compliance-related buying and by higher oil and equity prices. With persistently high trading volumes, December carbon temporarily reached €16. The carbon market continued to focus on the policy debate about emissions targets and on developments in the CER market. The European Commission published an analysis of options for raising the EU's emissions-reduction target to 30 percent by 2020 relative to a 1990 baseline. The market stabilized at a new level of about €15.

The German power market tracked economic trends and fuel prices. Prices for baseload electricity for next-year delivery declined to €45 in the first quarter, recovered in the second quarter, and eased again in the third quarter, finishing September just below €50 per MWh, which was about €3 less than at the start of the year. A weaker dollar reduced the costs of coal-fired generation. High output from solar facilities (Germany had roughly 15 GW of installed solar capacity as of August 2010) resulted in lower spot-market spreads between peak and off-peak electricity. U.K. forward electricity prices moved in a similar pattern but rose more steeply on the back of steady forward gas prices, finishing September above €50. First-half electricity prices in the Nordic market were influenced by cold weather, outages at Swedish nuclear plants, extreme spot price spikes in the first quarter, and a large hydrological deficit in Norway. Forward electricity prices, which had been extremely volatile in the winter months due to high spot prices, stabilized in the third quarter, with electricity for next-year delivery trading between €41 and €46. Third-quarter Nordic electricity prices were mainly driven by recurrent outages at Swedish nuclear plants and the easing of German prices. First-half forward electricity prices in Spain and Italy moved in a pattern similar to prices in Northwestern Europe, although with lower liquidity and less volatility, particularly in Spain. After recovering during the second quarter as in Germany, Spanish prices for next-year delivery remained stable at around €45 through September, while Italian prices tracked German prices and declined in the third quarter, finishing September at around €67.

Nine-month electricity demand in Russia continued to be about 5 percent above the prior-year figure. The third-quarter weighted-average price of electricity rose quarter on quarter to RUB 926 (around €22) per MWh in the Europe price zone and to RUB 490 (around €9) in the Siberian price zone. Support came from higher temperatures in the Europe zone (mainly in July and August), an increase in maintenance outages, and unexpected production constraints.

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



Power Procurement

The E.ON Group's owned generation rose by 2 percent, from 195 billion kWh in the first nine months of 2009 to 199.6 billion kWh in 2010. Power procured increased by 37 percent to 529.5 billion kWh.

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

U.K. generated 21.3 billion kWh of electricity at its own power plants in the first three quarters of 2010, about 14 percent less than in the first three quarters of 2009 (24.7 billion kWh). The reduction is mainly attributable to lower market spreads which made our U.K. fleet less economic to operate.

Nordic's owned generation increased by 4.9 billion kWh, mainly due to higher output from nuclear assets (+3 billion kWh) and from the new CHP unit in Malmö (+1.4 billion kWh). Hydro generation rose by 0.4 billion kWh.

The New Markets segment had owned generation of 64.1 billion kWh (prior year: 63.3 billion kWh). The breakdown is:

- Climate & Renewables 5.5 billion kWh (3.6 billion kWh)
- Russia 40.2 billion kWh (38.3 billion kWh)
- Italy 10.4 billion kWh (12.8 billion kWh)
- Spain 8 billion kWh (8.6 billion kWh).

Climate & Renewables' owned generation was 53 percent higher. Wind farms accounted for 97 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Power Procured[1]

Jan. 1–Sep. 30	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Owned generation	95.4	93.1	21.3	24.7	18.8	13.9	–	–	64.1	63.3	–	–	199.6	195.0
Purchases	202.1	190.7	37.3	35.1	21.4	20.8	550.0	413.2	19.6	31.7	-300.9	-305.1	529.5	386.4
jointly owned power plants	*2.3*	*4.1*	*0.7*	*1.2*	*6.8*	*6.3*	–	–	–	–	–	–	*9.8*	*11.6*
Energy Trading/ outside sources	*199.8*	*186.6*	*36.6*	*33.9*	*14.6*	*14.5*	*550.0*	*413.2*	*19.6*	*31.7*	*-300.9*	*-305.1*	*519.7*	*374.8*
Total	**297.5**	**283.8**	**58.6**	**59.8**	**40.2**	**34.7**	**550.0**	**413.2**	**83.7**	**95.0**	**-300.9**	**-305.1**	**729.1**	**581.4**
Station use, line loss, etc.	-8.8	-8.9	-2.5	-2.5	-1.2	-1.3	–	–	-3.6	-3.1	–	–	-16.1	-15.8
Power sales	**288.7**	**274.9**	**56.1**	**57.3**	**39.0**	**33.4**	**550.0**	**413.2**	**80.1**	**91.9**	**-300.9**	**-305.1**	**713.0**	**565.6**

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

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Owned Generation by Energy Source

Jan. 1–Sep. 30, 2010	Central Europe Billion kWh	Central Europe %	U.K. Billion kWh	U.K. %	Nordic Billion kWh	Nordic %	New Markets Billion kWh	New Markets %	E.ON Group Billion kWh	E.ON Group %
Nuclear	43.4	45	–	–	9.9	53	–	–	53.3	27
Lignite	3.7	4	–	–	–	–	6.4	10	10.1	5
Hard coal	27.3	29	8.8	41	–	–	6.7	10	42.8	21
Natural gas, oil	12.7	13	12.5	59	2.3	12	43.0	67	70.5	35
Hydro	4.4	5	–	–	6.0	32	2.5	4	12.9	7
Wind	–	–	–	–	–	–	5.3	8	5.3	3
Other	3.9	4	–	–	0.6	3	0.2	1	4.7	2
Total	**95.4**	**100**	**21.3**	**100**	**18.8**	**100**	**64.1**	**100**	**199.6**	**100**

The Russia market unit generated 40.2 billion kWh (about 92 percent of its total needs of 43.8 billion kWh) at its own power stations and procured 3.6 billion kWh from outside sources.

The Italy market unit met 10.4 billion kWh, or 49 percent, of its total needs of 21.3 billion kWh with electricity from its own power plants. The prior-year figure includes 1.8 billion kWh of generation from assets carved out to A2A effective at the end of June 2009. Italy procured 9.7 billion kWh of power on the market. It purchased 1.2 billion kWh from E.ON Energy Trading S.p.A., mainly for sales activities.

The Spain market unit generated 66 percent of its total needs of 12.2 billion kWh with electricity from its own power plants. Owned generation declined by 0.6 billion kWh relative to the prior-year period; the decline was offset by an increase in power purchases.

Gas Procurement

E.ON Ruhrgas procured about 498.1 billion kWh of natural gas from producers in and outside Germany in the first nine months of 2010, about 14 percent more than in the prior-year period. The biggest suppliers were Russia (which accounted for 29 percent), Norway (27 percent), Germany (23 percent), and the Netherlands (16 percent).

Upstream Production

January 1–September 30	2010	2009	+/- %
Liquids/oil (million barrels)	3.8	4.2	-10
Gas (million standard cubic meters)	1,027	1,020	+1
Total (million barrels of oil equivalent)	**10.2**	**10.6**	**-3**

Pan-European Gas's gas production in the North Sea rose slightly year on year to 1,027 million cubic meters, primarily due to very good output at Rita field and the start of production at Babbage field in the British North Sea. Liquid and condensates production of 3.8 million barrels was slightly lower, mainly because of a natural production decline at older fields. In addition to its North Sea production, Pan-European Gas had 4.6 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. Pan-European Gas's own gas production thus increased by more than 400 percent relative to the prior-year period.

Trading Volume

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

Trading Volume

January 1–September 30	2010	2009	+/- %
Power (billion kWh)	1,137	911	+25
Gas (billion kWh)	1,479	1,069	+38
Carbon allowances (million metric tons)	525	383	+37
Oil (million metric tons)	61	46	+33
Coal (million metric tons)	176	148	+19

Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 26 percent, from 565.6 billion kWh in the first nine months of 2009 to 713 billion kWh in 2010. We supplied 241.9 billion kWh, or 5 percent, more electricity to end-customers and resellers.

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

U.K. sales to residential and small and medium-sized ("SME") customers increased by 3 percent. The increase in sales due to cold weather was largely offset by energy-efficiency measures and reduced customer numbers. Electricity sales to industrial and commercial ("I&C") customers rose significantly, largely as a result of successful sales rounds.

Nordic sold 5.6 billion kWh more electricity, mainly due to colder weather in 2010 and higher production volumes. Sales to retail customers, sales partners (including minority shareholders of nuclear power plants), and Energy Trading increased by 6.2 billion kWh, while sales to I&C customers declined by 0.6 billion kWh.

The New Markets segment sold 80.1 billion kWh (prior year: 91.9 billion kWh) of electricity. The breakdown is:

- Climate & Renewables 6.4 billion kWh (4.5 billion kWh)
- Russia 42.4 billion kWh (41 billion kWh)
- Italy 20.8 billion kWh (35.4 billion kWh)
- Spain 10.5 billion kWh (11 billion kWh).

Power Sales[1]

Jan. 1–Sep. 30	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Residential and SME	33.5	33.7	20.3	19.7	5.9	5.1	–	–	5.8	5.7	–	–	65.5	64.2
I&C	59.7	55.5	13.8	11.8	7.8	8.4	–	–	7.8	10.9	–	–	89.1	86.6
Sales partners	80.7	75.4	–	–	4.6	3.5	–	–	2.0	1.6	–	–	87.3	80.5
Customer segments	**173.9**	**164.6**	**34.1**	**31.5**	**18.3**	**17.0**	**–**	**–**	**15.6**	**18.2**	**–**	**–**	**241.9**	**231.3**
Wholesale market/ Energy Trading	114.8	110.3	22.0	25.8	20.7	16.4	550.0	413.2	64.5	73.7	-300.9	-305.1	471.1	334.3
Total	**288.7**	**274.9**	**56.1**	**57.3**	**39.0**	**33.4**	**550.0**	**413.2**	**80.1**	**91.9**	**-300.9**	**-305.1**	**713.0**	**565.6**

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

Climate & Renewables sold its power exclusively in non-regulated markets. Its power sales rose by 42 percent, mainly due to an increase in owned generation. Its prorated attributable generating capacity at the end of September 2010 was 3,192 MW (prior year: 2,652 MW) due to the commissioning of wind farms in the U.S. and U.K.

The Russia market unit sold 42.4 billion kWh on the wholesale market, about 3 percent more than in the prior-year period. The main factors were harsh weather in 2010 and higher output at Surgutskaya power station due to maintenance rescheduling.

Lower sales to Energy Trading and the carve-out of assets to A2A were the main reasons for the decline in Italy's power sales, which had the following breakdown by customer segment: 3.9 billion kWh to residential and SME customers, 4.8 billion kWh to I&C customers, 1.3 billion kWh to sales partners, 10.1 billion kWh to the wholesale market, and 0.7 billion kWh to E.ON Energy Trading S.p.A.

Spain's power sales declined by 0.5 billion kWh relative to the prior-year period. Spain sold less power to the wholesale market, mainly due to lower spreads.

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Gas Sales

On a consolidated basis, the E.ON Group's natural gas sales rose by 142.7 billion kWh relative to the prior-year figure.

Gas Sales[1]

January 1–September 30 Billion kWh	2010	2009	+/- %
Regional/municipal gas companies	290.8	274.6	+6
Industrial customers	71.4	51.8	+38
Outside Germany	120.8	101.4	+19
E.ON Ruhrgas AG sales	**483.0**	**427.8**	**+13**
Sales of other shareholdings	95.8	105.4	-9
Pan-European Gas internal sales	-53.7	-35.5	–
Pan-European Gas sales	**525.1**	**497.7**	**+6**
thereof intragroup sales	*-163.2*	*-120.9*	–
Other market units	591.0	433.4	+36
E.ON Group	**952.9**	**810.2**	**+18**

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

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

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E.ON Ruhrgas sold about 55 billion kWh more gas. The volume increase had the following main drivers. Cold weather, particularly in the first quarter, had a positive impact on sales volume to resellers (regional gas companies and municipal utilities). In addition, the onset of economic recovery had a positive effect on gas demand from industrial customers that E.ON Ruhrgas supplies indirectly through resellers. Economic recovery also led to an increase in sales to industrial customers supplied directly by E.ON Ruhrgas. Higher sales to customers outside Germany accounted for about 19 billion kWh of E.ON Ruhrgas's total volume growth, with additional amounts being supplied mainly to customers in Sweden, Austria, and Switzerland. An increase in short-term trading with Energy Trading was a further positive factor. Gas sales of other shareholdings were lower primarily due to a competition-driven decline in sales volume at E.ON Földgáz Trade in Hungary and from the absence of sales by the Thüga Group, which was sold in the fourth quarter of 2009.

U.K.'s gas sales to residential and SME customers increased by 8 percent. Most of this was due to very cold weather in January and February 2010. The remainder of the change is explained by increased customer numbers partially offset by continuing energy-efficiency measures. Sales of gas to I&C customers declined significantly due to changes in the customer portfolio. This was slightly offset by the positive effect of the colder weather.

Nordic's gas sales were down 0.1 billion kWh from the prior-year figure of 3.2 billion kWh, mainly due to loss of a large customer. This was partly offset by increased sales in the first half of 2010 due to cold weather. Heat sales of 5.8 billion kWh were up 10 percent from the prior-year figure of 5.2 billion kWh, mainly due to colder weather.

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

Jan. 1–Sep. 30 Billion kWh	Central Europe		U.K.		Nordic		Energy Trading		New Markets		Consolidation		E.ON Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Residential and SME	44.1	39.2	37.8	35.1	0.2	0.1	–	–	6.9	6.7	–	–	89.0	81.1
I&C	48.0	41.6	10.7	14.0	2.7	2.7	–	–	3.3	6.1	–	–	64.7	64.4
Sales partners	15.7	15.5	–	–	–	–	–	–	0.5	3.6	–	–	16.2	19.1
Customer segments	**107.8**	**96.3**	**48.5**	**49.1**	**2.9**	**2.8**	**–**	**–**	**10.7**	**16.4**	**–**	**–**	**169.9**	**164.6**
Wholesale market/ Energy Trading	3.4	4.2	–	–	0.2	0.4	589.4	515.4	2.2	3.6	-174.1	-254.8	421.1	268.8
Total	**111.2**	**100.5**	**48.5**	**49.1**	**3.1**	**3.2**	**589.4**	**515.4**	**12.9**	**20.0**	**-174.1**	**-254.8**	**591.0**	**433.4**

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

In the New Markets segment, Italy sold a total of 12.9 billion kWh of natural gas: 6.9 billion kWh to residential customers and SME, 3.3 billion kWh to I&C customers, 0.5 billion kWh to sales partners and 2.2 billion kWh to the wholesale market. The decline mainly reflects a smaller I&C customer base and the fact that gas sales to sales partners were close to zero in 2010.

Earnings Situation

Sales

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

Sales January 1–September 30 € in millions	2010	2009	+/- %
Central Europe	30,747	30,178	+2
Pan-European Gas	14,456	15,306	-6
U.K.	7,413	7,395	–
Nordic	3,206	2,430	+32
Energy Trading	31,457	29,504	+7
New Markets	4,905	5,709	-14
Corporate Center	-28,246	-32,695	–
Total	**63,938**	**57,827**	**+11**

Central Europe

Central Europe's sales rose by €0.6 billion relative to the prior-year period.

Sales January 1–September 30 € in millions	2010	2009	+/- %
Central Europe West	28,157	28,940	-3
Regulated	*8,250*	*8,866*	*-7*
Non-regulated	*19,907*	*20,074*	*-1*
Central Europe East	4,059	3,848	+5
Other/Consolidation	-1,469	-2,610	–
Central Europe	**30,747**	**30,178**	**+2**

Central Europe West Regulated's sales were down by €0.6 billion. A primarily regulation-driven increase in network charges in the distribution network was not sufficient to offset the reduction in sales resulting from the disposal of our ultrahigh-voltage transmission system in late February 2010.

Central Europe West Non-regulated's sales declined by €0.2 billion, primarily due to lower gas prices and to the disposal of power capacity in line with E.ON's commitment to the European Commission. These effects were partially offset by the additional marketing of electricity from procurement rights from nuclear power stations outside Germany obtained in these transactions and by the commissioning of new generating units.

Central Europe East's sales rose by €0.2 billion to €4.1 billion, mainly due to the addition of new gas companies in this reporting unit.

Sales reported under Other/Consolidation increased by €1.1 billion, primarily due to a reduction in intrasegment consolidation effects.

Pan-European Gas

Pan-European Gas's sales declined by 6 percent to €14.5 billion (prior year: €15.3 billion).

Sales January 1–September 30 € in millions	2010	2009	+/- %
Regulated	3,302	3,520	-6
Non-regulated	12,895	12,992	-1
Other/Consolidation	-1,741	-1,206	–
Pan-European Gas	**14,456**	**15,306**	**-6**

Regulated's sales fell by €218 million, or 6 percent. Volume and price effects in particular reduced sales at E.ON Földgáz Trade. By contrast, the transport business posted higher sales due to an increase in sales of control and balancing energy; this effect was partially mitigated by a reduction in sales for transport services following the introduction of cost-based charges.

Non-regulated's sales declined by €97 million, or 1 percent. Despite higher sales volume, sales at the gas wholesale business were down significantly due to lower prices. Upstream sales were sharply higher owing in particular to the inclusion of Yuzhno Russkoye gas field. Upstream sales from fields in the North Sea rose on higher oil prices.

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

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U.K.

U.K.'s sales increased slightly by €18 million in reporting currency but fell by 3 percent in local currency.

Sales January 1–September 30 € in millions	2010	2009	+/- %
Regulated	572	529	+8
Non-regulated	6,955	6,975	–
Other/Consolidation	-114	-109	–
U.K.	**7,413**	**7,395**	**–**
£ in millions			
Regulated	490	469	+4
Non-regulated	5,962	6,181	-4
Other/Consolidation	-97	-96	–
U.K.	**6,355**	**6,554**	**-3**

Regulated's sales increased by €43 million to €572 million due to increased tariffs, higher volumes, and currency movements (+€19 million).

Non-regulated's sales fell by €20 million to €6,955 million; currency movements had a positive impact of €227 million. Sales were lower as a result of retail price reductions (which were partially offset by higher revenues relating to the colder weather in the first three quarters of 2010) and decreased generation revenues.

Nordic

Nordic's sales increased by €776 million, or 32 percent. In local currency, sales were up by 19 percent.

Sales January 1–September 30 € in millions	2010	2009	+/- %
Regulated	678	524	+29
Non-regulated	2,512	1,893	+33
Other/Consolidation	16	13	+23
Nordic	**3,206**	**2,430**	**+32**
SEK in millions			
Regulated	6,541	5,611	+17
Non-regulated	24,239	20,277	+20
Other/Consolidation	157	138	+14
Nordic	**30,937**	**26,026**	**+19**

Regulated's sales increased by €154 million to €678 million primarily due to higher average tariffs and positive currency-translation effects.

Non-regulated's sales increased by €619 million mainly due to higher retail market prices, higher market-based transfer prices in the generation businesses as well as positive currency-translation effects.

Energy Trading

Energy Trading recorded sales of about €31 billion, up slightly from the prior-year figure due to higher trading volumes. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. This method resulted in the disclosure of negative sales.

Sales January 1–September 30 € in millions	2010	2009	+/- %
Proprietary Trading	-12	110	–
Optimization	31,469	29,394	+7
Energy Trading	**31,457**	**29,504**	**+7**

New Markets

Sales in this segment declined by 14 percent to €4.9 billion.

Sales January 1–September 30 € in millions	2010	2009	+/- %
Climate & Renewables	443	315	+41
Russia	972	689	+41
RUB in millions	*38,547*	*30,535*	*+26*
Italy	2,531	3,782	-33
Spain	959	923	+4
New Markets	**4,905**	**5,709**	**-14**

Climate & Renewables' sales increased by 41 percent. The main factors were a significant increase in installed capacity, predominantly in the United States, and a fully operational portfolio in Italy in the current-year period.

Russia's sales rose by 41 percent year on year due to higher electricity prices on the liberalized electricity market supported by signs of economic recovery and harsh weather. Higher output at Surgutskaya power station also had a positive impact on sales. The ruble's appreciation against the euro was another favorable factor.

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

Spain's sales surpassed the prior-year figure, mainly due to the addition of operations in Argentina.

Corporate Center

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

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

Own work capitalized increased by 44 percent, or €133 million, to €435 million (prior year: €302 million).

Other operating income declined by 43 percent to €11,266 million (prior year: €19,817 million). Lower income from exchange-rate differences of €4,135 million (€8,977 million) and from derivative financial instruments of €4,923 million (€7,078 million) were the main negative factors. In derivative financial instruments, there were significant effects from commodity derivatives in the prior-year period. These principally affected our coal, oil, and natural gas positions. Countervailing effects were recorded under other operating expenses. Gains on the disposal of securities, shareholdings, and fixed assets—primarily through the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission—amounted to €1,382 million (€3,136 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 €5,261 million to €48,837 million (prior year: €43,576 million), in particular due to an increase in business volume.

Personnel costs increased by €108 million to €3,876 million.

Depreciation charges rose significantly to €5,258 million (prior year: €2,688 million), primarily because of impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other assets, at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa (see Note 13 to the Condensed Consolidated Interim Financial Statements).

Other operating expenses declined by 44 percent, or €8,207 million, to €10,466 million (prior year: €18,673 million). This is mainly attributable to lower expenses relating to currency differences of €3,521 million (€9,161 million) and lower expenses relating to derivative financial instruments of €3,669 million (€5,347 million).

Income from companies accounted for under the equity method was €403 million compared with €819 million in the year-earlier period. The decline is primarily attributable to the absence of income from Thüga shareholdings that we sold in the fourth quarter of 2009.

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Adjusted EBIT

Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss from continuing operations before interest and taxes and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals and other non-operating income and expenses of a non-recurring or rare nature (see commentary in Note 14 to the Condensed Consolidated Interim Financial Statements).

Our adjusted EBIT in the first nine months of 2010 was €684 million above the prior-year figure despite the loss of earnings streams due to disposal of power capacity, the ultrahigh-voltage transmission system, and Thüga shareholdings. The main drivers were:

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

Adjusted EBIT January 1–September 30 € in millions	2010	2009	+/- %
Central Europe	3,253	3,720	-13
Pan-European Gas	1,642	1,379	+19
U.K.	767	375	+105
Nordic	606	403	+50
Energy Trading	1,301	803	+62
New Markets	590	732	-19
Corporate Center	-135	-72	–
Total	**8,024**	**7,340**	**+9**

Central Europe

Central Europe's adjusted EBIT declined by €467 million.

Central Europe January 1–September 30 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Central Europe West	3,633	4,346	2,768	3,512
Regulated	*1,274*	*1,146*	*810*	*674*
Non-regulated	*2,359*	*3,200*	*1,958*	*2,838*
Central Europe East	695	477	475	281
Other/Consolidation	109	29	10	-73
Total	**4,437**	**4,852**	**3,253**	**3,720**

Central Europe West Regulated's adjusted EBIT was adversely affected by the disposal of our ultrahigh-voltage transmission system in late February 2010. This was more than offset, in particular by a regulation-driven increase in power and gas network charges. Adjusted EBIT rose by €136 million from the prior-year figure (€674 million).

Central Europe West Non-regulated's adjusted EBIT declined by €880 million. The absence of earnings streams due in part to the disposal of power capacity along with narrower margins in the gas business were not entirely offset by efficiency improvements and the commissioning of new generating units.

Central Europe East's adjusted EBIT rose by €194 million. The increase resulted from a positive earnings performance (mainly in Hungary), the inclusion of new gas companies, less adverse impact from the recession, and positive currency-translation effects.

Adjusted EBIT recorded under Other/Consolidation increased to €10 million, due in part to the absence of adverse earnings effects recorded in the prior-year period in conjunction with the economic and financial crisis.

Pan-European Gas

Pan-European Gas's adjusted EBIT rose by €263 million, or 19 percent, to €1,642 million.

Pan-European Gas January 1–September 30 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Regulated	553	674	444	552
Non-regulated	1,434	755	1,149	560
Other/Consolidation	49	296	49	267
Total	**2,036**	**1,725**	**1,642**	**1,379**

Regulated's adjusted EBIT declined by €108 million, or 20 percent, to €444 million. Earnings at the transport business were down, mainly due to the application of cost-based charges effective October 1, 2009, and to lower equity earnings from associated companies. E.ON Ruhrgas International's earnings were slightly higher, primarily because of improved earnings at E.ON Földgáz Trade. In the prior-year period, an increase in procurement prices resulting from higher oil prices and a weak Hungarian forint could not be fully passed through to sales markets. Furthermore, regulatory compensation payments in 2010 for losses in earlier periods had a positive impact on earnings. On the negative side, E.ON Ruhrgas International recorded lower equity earnings from associated companies.

Non-regulated's adjusted EBIT improved by €589 million. E.ON Ruhrgas's gas wholesale business and the upstream business contributed to the increase. The improved performance of E.ON Ruhrgas's gas wholesale business is mainly attributable to higher gas sales volume and to the positive impact of price negotiations in the prior year. By contrast, earnings from gas-storage usage were lower. Significantly less gas was withdrawn from storage this year than last year; in addition, the difference between the injection price and withdrawal price was less favorable this year. The dividend on our Gazprom stake was higher than in the prior year. Upstream adjusted EBIT was higher, mainly due to the inclusion of Yuzhno Russkoye gas field and higher oil prices.

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

U.K.

U.K.'s adjusted EBIT increased by €392 million.

U.K.				
January 1–September 30	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	419	389	324	298
Non-regulated	745	345	510	114
Other/Consolidation	-57	-31	-67	-37
Total	**1,107**	**703**	**767**	**375**
£ in millions				
Regulated	360	345	278	264
Non-regulated	639	306	437	101
Other/Consolidation	-50	-27	-57	-32
Total	**949**	**624**	**658**	**333**

Regulated's adjusted EBIT increased by €26 million due to increased tariffs and higher volumes.

Non-regulated's adjusted EBIT increased by €396 million, predominantly due to the impact of the colder weather, improved margins in the retail business compared with the exceptionally narrow margins of the prior-year period, and efficiency improvements. We do not expect the earnings increase to continue at this magnitude for the rest of the year due to rising wholesale prices and the customer price reduction in the first quarter.

Nordic

Nordic's adjusted EBIT in reporting currency increased by €203 million, or 50 percent. In local currency, it was up by 35 percent.

Nordic				
January 1–September 30	Adjusted EBITDA		Adjusted EBIT	
€ in millions	2010	2009	2010	2009
Regulated	330	256	233	171
Non-regulated	551	367	381	250
Other/Consolidation	16	4	-8	-18
Total	**897**	**627**	**606**	**403**
SEK in millions				
Regulated	3,188	2,740	2,244	1,832
Non-regulated	5,315	3,932	3,672	2,674
Other/Consolidation	156	50	-65	-186
Total	**8,659**	**6,722**	**5,851**	**4,320**

Regulated's adjusted EBIT rose by €62 million, or 36 percent, due primarily to a weather-driven increase in sales volume and higher tariffs. Power distribution tariffs were increased effective January 1 to cover the higher costs of other system operators (particularly Svenska Kraftnät) and substantial investments in supply security. Currency-translation effects constituted another positive factor.

Non-regulated's adjusted EBIT increased by €131 million, or 52 percent, mainly due to higher market-based transfer prices and higher sales volumes. Currency-translation effects constituted another positive factor.

Energy Trading

Energy Trading recorded an adjusted EBIT of €1,301 million. Optimization, whose main purpose is to limit risks and optimize the deployment of the E.ON Group's generation and production assets, contributed €1,369 million, mainly due to wider margins in the power and gas portfolio. Proprietary Trading, which recorded a loss of €68 million, was adversely affected by a challenging market.

Energy Trading

January 1–September 30 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Proprietary Trading	-66	65	-68	63
Optimization	1,373	744	1,369	740
Total	**1,307**	**809**	**1,301**	**803**

New Markets

Adjusted EBIT in this segment declined by 19 percent to €590 million.

New Markets

January 1–September 30 € in millions	Adjusted EBITDA 2010	Adjusted EBITDA 2009	Adjusted EBIT 2010	Adjusted EBIT 2009
Climate & Renewables	311	207	159	104
Russia	272	132	172	44
RUB in millions	*10,781*	*5,879*	*6,827*	*1,969*
Italy	347	705	170	502
Spain	175	158	89	82
Total	**1,105**	**1,202**	**590**	**732**

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

Russia's adjusted EBIT rose by €128 million, mainly due to an improved energy margin.

Italy posted an adjusted EBIT of €170 million. The decline is primarily attributable to a one-off effect in the prior year relating to the renegotiation of power contracts and to the carve-out of assets to A2A in June 2009.

Spain posted an adjusted EBIT of €89 million, of which €38 million came from its generation business and €48 million from its distribution business. Wider margins constituted the main positive factor in both businesses. The addition of operations in Argentina also had a positive effect.

Net Income

Net income attributable to shareholders of E.ON AG of €3.5 billion and corresponding earnings per share of €1.85 were both down by 42 percent (prior year: €6.1 billion and €3.20).

Net Income

January 1–September 30 € in millions	2010	2009	+/- %
Adjusted EBIT	**8,024**	**7,340**	**+9**
Adjusted interest expense (net)	-1,610	-1,533	–
Net book gains/losses	893	2,115	–
Restructuring and cost-management expenses	-363	-262	–
Other non-operating earnings	-766	666	–
Income/Loss from continuing operations before income taxes	**6,178**	**8,326**	**-26**
Income taxes	-1,728	-2,045	–
Income/Loss from continuing operations	**4,450**	**6,281**	**-29**
Income/Loss from discontinued operations, net	-669	23	–
Net income	**3,781**	**6,304**	**-40**
Shareholders of E.ON AG	*3,522*	*6,103*	*-42*
Minority interests	*259*	*201*	*+29*

Compared with the prior-year figure, our adjusted interest expense (net) rose by €77 million to -€1.6 billion. The main factor was an increase in the interest expense on provisions.

Adjusted Interest Expense (Net)

January 1–September 30 € in millions	2010	2009
Interest expense shown in Consolidated Statements of Income	-1.626	-1.598
Interest income (-)/expense (+) not affecting net income	16	65
Total	**-1,610**	**-1,533**

Net book gains in the first nine months of 2010 were €1.2 billion below the prior-year level. This is mainly attributable to the sale of power capacity in line with our commitment to the European Commission. The resulting book gains were significantly higher in 2009 than in 2010. The current-year figure includes the book gain on the sale of our ultrahigh-voltage transmission system (transpower).

Restructuring and cost-management expenses rose by about €101 million. As in the prior-year period, a significant portion of these expenses resulted from restructuring measures at our regional utilities in Germany and from the continued implementation of the changes to the E.ON Group's organizational structure decided on in 2008. In addition, our PerformtoWin project led to higher expenses than in the prior-year period.

Other non-operating earnings primarily reflect impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other assets, mainly at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa (see Note 13 to the Condensed Consolidated Interim Financial Statements). By contrast, the marking to market of derivatives resulted in a positive effect of about €1.9 billion at September 30, 2010, compared with about €1.2 billion at September 30, 2009. We use derivatives to shield our operating business from price fluctuations.

Our continuing operations recorded a tax expense of €1.7 billion in the first nine months of 2010. Our effective tax rate was 28 percent compared with 25 percent in the prior-year period.

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

Adjusted Net Income

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

Adjusted Net Income

January 1–September 30 € in millions	2010	2009	+/- %
Net income attributable to shareholders of E.ON AG	3,522	6,103	-42
Net book gains/losses	-893	-2,115	–
Restructuring and cost-management expenses	363	262	–
Other non-operating earnings	766	-666	–
Taxes and minority interests on non-operating earnings	4	745	–
Special tax effects	-72	-32	–
Income/Loss from discontinued operations, net	669	-20	–
Total	**4,359**	**4,277**	**+2**

Financial Condition

Cash-Effective and Economic Investments

Our cash-effective investments declined to €5.6 billion in the first nine months of 2010. We invested about €5.2 billion in property, plant, and equipment and in intangible assets (prior year: €5.5 billion). Share investments totaled €340 million versus €545 million in the prior-year period.

Cash-Effective Investments January 1-September 30 € in millions	2010	2009	+/- %
Central Europe	2,098	2,205	-5
Pan-European Gas	763	1,195	-36
U.K.	705	638	+11
Nordic	474	865	-45
Energy Trading	7	14	-50
New Markets	1,446	1,358	+6
Corporate Center	80	-188	–
Total	**5,573**	**6,087**	**-8**

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

Economic Investments January 1-September 30 € in millions	2010	2009
Cash-effective investments	5,573	6,087
Debt acquired	–	–
Asset swaps	149	3
Total	**5,722**	**6,090**

Central Europe invested €107 million less in the first nine months of 2010 than in the prior-year period. Investments in property, plant, and equipment and in intangible assets declined by €72 million to €2,029 million. Central Europe's investments in power generation assets rose by €24 million to €1,273 million. Higher expenditures for the Gönyü, Malzenice, and Maasvlakte power-plant projects were nearly offset by lower expenditures for in 2010 completed power plants. Investments in network assets of €621 million were €75 million lower, mainly due to the sale of the ultrahigh-voltage transmission system; investments for this voltage level were included for the entire prior year and reflected in particular connections for offshore wind farms. Share investments of €69 million were €35 million below the prior-year figure.

Pan-European Gas invested €763 million. Of this figure, €637 million (prior year: €817 million) went towards property, plant, and equipment and in intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €126 million were lower than the high prior-year figure (€378 million).

U.K. invested €682 million (prior year: €638 million) in property, plant, and equipment and intangible assets. U.K.'s expenditure mainly related to investments in its generation fleet (including the construction of Grain gas-fired CHP plant) and in its distribution network. Share investments were €23 million.

Nordic invested €391 million less than in the prior-year period. It invested €471 million (prior year: €573 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize its distribution network. Share investments were €3 million (€292 million). The high prior-year figure contains a compensation payment to Statkraft.

The New Markets segment invested €1,446 million (prior-year: €1,358 million). Climate & Renewables invested €808 million (prior-year: €752 million). The slight increase is due to the completion of Rødsand II offshore wind park in Denmark. Russia invested €366 million (€273 million), mainly in its new-build program. Italy's investments of €74 million (€137 million) went mainly towards the retrofit of Terni hydroelectric station and its distribution grid. Spain's investments of €198 million (€196 million) mainly reflect expenditure on the CCGT under construction in Algeciras.

Cash Flow and Financial Condition

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

Our cash provided by operating activities of continuing operations rose by 37 percent, from €6.7 billion in the prior-year period to €9.2 billion. The main drivers were working-capital improvements at Central Europe and Energy Trading along with operating cash-effective effects in conjunction with the increase in adjusted EBITDA. In addition, our prior-year adjusted EBITDA included a number of non-recurring non-cash-effective items, such as the renegotiation of power supply contracts at Italy. Effects from gas storage usage constituted the main negative factor in the current-year period. Other improvements reflect lower tax payments and tax refunds.

Consolidated Statements of Cash Flows (Extract)

January 1–September 30 € in millions	2010	2009	+/-
Cash provided by operating activities of continuing operations	9,161	6,695	+2,466
Cash provided by (used for) investing activities of continuing operations	-3,759	-3,901	+142
Maintenance investments	*-670*	*-738*	*+68*
Growth and replacement investments, acquisitions, other	*-4.903*	*-5,349*	*+446*
Cash-effective effects from disposals	*1.848*	*2,089*	*-241*
Cash provided by (used for) financing activities of continuing operations	-7,488	-3,437	-4,051

Cash provided by investing activities of continuing operations amounted to -€3.8 billion in the first nine months of 2010 (prior year: -€3.9 million). Compared with the prior-year period, positive effects came from lower net investments in property, plant, and equipment and lower net share investments. These were partially offset by an increase in restricted cash and cash equivalents.

Cash provided by financing activities of continuing operations of -€7.5 billion (prior year: -€3.4 billion) in the first nine months of 2010 primarily reflects the repayment of bonds and payments to minority shareholders.

Compared with the figure recorded at December 31, 2009 (-€27,991 million), our net financial position improved by €1,303 million to -€26,688 million, mainly because our strong cash provided by operating activities more than offset our investments in property, plant, and equipment and E.ON AG's dividend payout. By contrast, our economic net debt increased slightly, by €276 million, from -€44,665 million at December 31, 2009, to -€44,941 million at September 30, 2010. This is attributable to an increase in provisions for pensions due to a reduction in actuarial discount rates.

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

Economic Net Debt

€ in millions	Sep. 30, 2010	Dec. 31, 2009
Liquid funds	4,807	6,116
Non-current securities	3,636	3,670
Total liquid funds and non-current securities	**8,443**	**9,786**
Financial liabilities to banks and third parties	-33,423	-35,579
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,708	-2,198
Total financial liabilities	**-35,131**	**-37,777**
Net financial position	**-26,688**	**-27,991**
Fair value (net) of currency derivatives used for financing transactions[1]	219	-6
Provisions for pensions	-4,595	-2,884
Asset-retirement obligations	-15,331	-15,050
Less prepayments to Swedish nuclear fund	1,454	1,266
Economic net debt	**-44,941**	**-44,665**

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

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

On October 18, 2010, E.ON concluded a five-year, €6 billion syndicated credit facility. Effective November 25, 2010, it will replace E.ON's existing credit facility, whose two tranches expire in November 2010 and December 2011, respectively. The new facility serves as a general liquidity reserve as part of E.ON's liquidity management.

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

Asset Situation

Non-current assets as of September 30, 2010, declined by 5 percent compared with the figure at year-end 2009, mainly due to the reclassification of U.S. Midwest's assets as discontinued operations. Impairment charges on goodwill and on other assets, mainly at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa, also served to reduce non-current assets. These effects were partially offset by investments in property, plant, and equipment.

Current assets rose by 7 percent from year-end 2009. The main factor was the reclassification of U.S. Midwest's non-current assets as discontinued operations. These factors were partially mitigated by a decrease in receivables from derivatives.

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

Non-current liabilities are on par with year-end 2009. Current liabilities declined by 5 percent from year-end 2009, chiefly due to a decrease in derivative liabilities.

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

- Non-current assets are covered by equity at 40 percent (December 31, 2009: 39 percent).
- Non-current assets are covered by long-term capital at 106 percent (December 31, 2009: 102 percent).

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

Consolidated Assets, Liabilities, and Equity

€ in millions	Sep. 30, 2010	%	Dec. 31, 2009	%
Non-current assets	107,322	72	113,046	74
Current assets	42,268	28	39,568	26
Total assets	**149,590**	**100**	**152,614**	**100**
Equity	42,783	29	43,986	29
Non-current liabilities	70,852	47	70,775	46
Current liabilities	35,955	24	37,853	25
Total equity and liabilities	**149,590**	**100**	**152,614**	**100**

Employees

As of September 30, 2010, the E.ON Group had 85,111 employees worldwide, roughly unchanged from year-end 2009. E.ON also had 2,509 apprentices and 308 board members and managing directors.

Employees[1]

	Sep. 30, 2010	Dec. 31, 2009	+/- %
Central Europe	49,167	48,126	+2
Pan-European Gas	3,183	3,143	+1
U.K.	14,467	16,098	-10
Nordic	5,292	5,570	-5
Energy Trading	1,081	1,075	+1
New Markets	8,355	7,976	+5
Corporate Center[2]	3,566	3,120	+14
Total	**85,111**	**85,108**	**–**
Discontinued operations[3]	3,143	3,119	+1

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

As of the same date, 49,670 employees, or 58 percent of all staff, were working outside Germany, also nearly unchanged from year-end 2009.

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

The decline in U.K.'s headcount is mainly attributable to efficiency-enhancement measures in the retail business, the transfer of E.ON IT employees, and the exiting of a business stream in the energy-services business.

Nordic's workforce declined in part because of restructuring measures and the transfer of IT staff to E.ON IT.

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

Corporate Center's headcount rose mainly due to the transfer of IT staff to E.ON IT.

Risk Situation

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

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

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

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

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

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

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

A further risk could result from the European Commission's planned regulations for derivatives traded over the counter ("OTC"). The Commission is considering introducing mandatory clearing for energy OTC trades whose monetary value exceeds a certain amount. This would increase the margin requirements for such transactions, which could have a negative impact on our economic net debt. The regulations, currently in draft form, are not expected to affect our margin requirements until 2013.

The current financial environment also impacts E.ON. Despite the largely non-cyclical nature of the energy industry, production declines in cyclical industries due to the financial and economic crisis 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. Furthermore, some of our business partners and end-customers could default on their payments to us. We are addressing this increase in credit-default risk by stepping up our risk-management efforts, particularly with regard to financial institutions.

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

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

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

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

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

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices.

The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that price-adjustment clauses are invalid in the special-customer segment. In July 2010, the Federal Court of Justice issued a ruling against EWE AG pertaining to the validity of gas-price adjustments and the legal status of uncontested payments. At the present time, we cannot conclusively evaluate this ruling's possible consequences for E.ON Group companies.

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

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's Development Plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the Development Plan did not sufficiently take into consideration binding state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, which is now legally binding. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a new Development Plan. The new planning process must address and resolve the SAC's objections so that a secure planning foundation is established for the Datteln power plant. In view of these matters, we cannot rule out the possibility that the Datteln power plant will enter service at a later date (currently most probable scenario 2012) than originally planned. In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by monitoring planning and consents processes.

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

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

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

In its October 2009 coalition agreement, the German federal government agreed in principle to extend the operating lives of nuclear power plants ("NPPs") in Germany. The government's new energy strategy, passed in September 2010, calls for NPP operating lives to be extended by an arithmetical average of 12 years. Under the 11th amended version of Germany's Nuclear Energy Act, older NPPs (those that entered service through 1980) will be allowed additional power output equal to an 8-year extension of their operating lives; new NPPs will be allowed additional output equal to a 14-year extension. The 12th amended version of the Nuclear Energy Act will codify the EU nuclear safety directive. At the same time, safety requirements will be made even more stringent than currently. A portion of the additional profits resulting from the extension of operating lives will go to the German federal treasury in the form of promotion payments as part of an Energy and Climate Fund. The details will be specified in an agreement, called the Promotion Fund Agreement, between NPP operators, their parent companies, and the Federal Republic of Germany. To help consolidate the federal budget, the government also plans to introduce a temporary nuclear fuel tax of €145 per gram of uranium or plutonium consumed between 2011 and 2016. The tax is expected to generate up to €2.3 billion in federal tax revenue annually. The energy industry has grave concerns that the planned nuclear fuel tax contravenes European law and Germany's constitution. The German federal government's nuclear-energy legislation creates a stable environment and is therefore a welcome development. But it also presents NPP operators with considerable financial challenges. Based on the additional output and factoring in income tax, the federal treasury will skim off well over half of NPP operators' additional profits.

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

Amendments to several German regulatory ordinances relating to gas network access and network charges for power and gas (the ordinances are known by their German acronyms: GasNZV, ARegV, Strom/GasNEV) took effect on September 9, 2010. How these amendments affect gas network access and network revenues will depend to a large degree on how they are applied in practice.

As established in its coalition agreement, the German federal government began the process of lifting the Gorleben moratorium. The study of Gorleben will now continue in a multi-stage, open-ended process. The Federal Ministry of the Environment does not expect the preparatory phase (which will determine whether Gorleben is suitable and end, if such a determination is made, with the drafting of new nuclear-energy legislation) to be completed before the end of the next legislative period.

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

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

The supraregional transport business of Open Grid Europe (formerly E.ON Gastransport) will be migrated to incentive-based regulation in 2010. Prior to migration, the BNetzA will conduct a benchmarking of Germany's ten gas TSOs, which vary considerably in terms of transport mission, size, and network history. The preliminary individual efficiency factor was communicated to companies in late March 2010. However, the BNetzA has not issued a decision on the final efficiency factors and has instead defined preliminary revenues caps for 2010 and 2011. These caps are identical to those defined in the BNetzA's cost ruling of September 30, 2009. They will remain in effect until the BNetzA defines final caps. The BNetzA is currently considering whether to modify its current benchmarking method (which is based on three parameters) yet again. The individual efficiency factor will have an impact on the revenue cap. We cannot rule out the possibility of additional risks arising from the regulation of transport charges.

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

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

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

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

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

Subsequent Events

In April 2010, E.ON sold the power and gas business of E.ON U.S. to PPL Corporation. The agreed-on purchase price is €7.6 billion (see also Note 5 to the Condensed Consolidated Interim Financial Statements). The transaction closed on November 1, 2010.

Forecast

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

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

Our forecast by market unit:

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

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

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

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

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

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

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

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

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

Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, statement of recognised income and expenses, condensed cash flow statement, statement of changes in equity and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to September 30, 2010, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

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

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

Düsseldorf, November 8, 2010

PricewaterhouseCoopers
Aktiengesellschaft
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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

€ in millions	Notes	July 1–Sep. 30 2010	July 1–Sep. 30 2009	Jan. 1–Sep. 30 2010	Jan. 1–Sep. 30 2009
Sales including electricity and energy taxes		19,979	16,680	65,370	59,224
Electricity and energy taxes		-345	-373	-1,432	-1,397
Sales	(14)	**19,634**	**16,307**	**63,938**	**57,827**
Changes in inventories (finished goods and work in progress)		38	15	84	56
Own work capitalized		178	116	435	302
Other operating income		2,699	5,295	11,266	19,817
Cost of materials		-15,305	-11,869	-48,837	-43,576
Personnel costs		-1,273	-1,233	-3,876	-3,768
Depreciation, amortization and impairment charges	(13)	-3,461	-972	-5,258	-2,688
Other operating expenses		-2,698	-4,999	-10,466	-18,673
Income/Loss (–) from companies accounted for under the equity method		60	225	403	819
Income/Loss (–) from continuing operations before financial results and income taxes		**-128**	**2,885**	**7,689**	**10,116**
Financial results	(7)	-467	-591	-1,511	-1,790
Income from equity investments		*23*	*-65*	*115*	*-192*
Income from other securities, interest and similar income		*232*	*129*	*541*	*527*
Interest and similar expenses		*-722*	*-655*	*-2,167*	*-2,125*
Income taxes		118	-552	-1,728	-2,045
Income/Loss (–) from continuing operations		**-477**	**1,742**	**4,450**	**6,281**
Income/Loss (–) from discontinued operations, net	(5)	89	69	-669	23
Net income		**-388**	**1,811**	**3,781**	**6,304**
Attributable to shareholders of E.ON AG		*-389*	*1,796*	*3,522*	*6,103*
Attributable to minority interests		*1*	*15*	*259*	*201*
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(8)				
from continuing operations		–0.25	0.90	2.20	3.19
from discontinued operations		0.05	0.04	-0.35	0.01
from net income		**–0.20**	**0.94**	**1.85**	**3.20**

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

€ in millions	July 1–Sep. 30 2010	July 1–Sep. 30 2009	Jan. 1–Sep. 30 2010	Jan. 1–Sep. 30 2009
Net income	**-388**	**1,811**	**3,781**	**6,304**
Cash flow hedges	-99	19	-167	172
Unrealized changes	*-307*	*102*	*-165*	*143*
Reclassification adjustments recognized in income	*208*	*-83*	*-2*	*29*
Available-for-sale securities	20	861	-504	2,363
Unrealized changes	*52*	*884*	*-394*	*2,392*
Reclassification adjustments recognized in income	*-32*	*-23*	*-110*	*-29*
Currency translation adjustments	-791	-98	91	-661
Unrealized changes	*-709*	*-518*	*392*	*-316*
Reclassification adjustments recognized in income	*-82*	*420*	*-301*	*-345*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-1,354	-740	-2,054	-1,198
Companies accounted for under the equity method	-41	-22	5	-10
Unrealized changes	*-41*	*-22*	*5*	*-10*
Reclassification adjustments recognized in income	–	–	–	–
Income taxes	200	77	667	454
Total income and expenses recognized directly in equity	**-2,065**	**97**	**-1,962**	**1,120**
Total recognized income and expenses (total comprehensive income)	**-2,453**	**1,908**	**1,819**	**7,424**
Attributable to shareholders of E.ON AG	*-2,287*	*1,927*	*1,626*	*7,282*
Attributable to minority interests	*-166*	*-19*	*193*	*142*

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets			
€ in millions	Notes	Sep. 30, 2010	Dec. 31, 2009
Assets			
Goodwill		14,574	16,901
Intangible assets		7,828	8,665
Property, plant and equipment		58,832	60,327
Companies accounted for under the equity method	(9)	6,308	7,342
Other financial assets	(9)	8,613	9,131
Equity investments		*4,977*	*5,461*
Non-current securities		*3,636*	*3,670*
Financial receivables and other financial assets		3,199	2,652
Operating receivables and other operating assets		3,699	3,388
Income tax assets		1,102	1,549
Deferred tax assets		3,167	3,091
Non-current assets		**107,322**	**113,046**
Inventories		4,859	4,518
Financial receivables and other financial assets		1,207	1,729
Trade receivables and other operating assets		21,368	23,007
Income tax assets		2,656	1,925
Liquid funds		4,807	6,116
Securities and fixed-term deposits		*2,005*	*1,722*
Restricted cash and cash equivalents		*536*	*184*
Cash and cash equivalents		*2,266*	*4,210*
Assets held for sale	(5)	7,371	2,273
Current assets		**42,268**	**39,568**
Total assets		**149,590**	**152,614**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		25,788	26,609
Accumulated other comprehensive income		997	1,552
Treasury shares	(10)	-3,530	-3,530
Equity attributable to shareholders of E.ON AG		**39,003**	**40,379**
Minority interests (before reclassification)		4,324	4,157
Reclassification related to put options		-544	-550
Minority interests		**3,780**	**3,607**
Equity		**42,783**	**43,986**
Financial liabilities		29,628	30,657
Operating liabilities		6,905	7,773
Income taxes		2,875	3,124
Provisions for pensions and similar obligations	(12)	4,595	2,884
Miscellaneous provisions		19,304	18,808
Deferred tax liabilities		7,545	7,529
Non-current liabilities		**70,852**	**70,775**
Financial liabilities		5,503	7,120
Trade payables and other operating liabilities		21,120	23,099
Income taxes		2,991	1,643
Miscellaneous provisions		4,484	4,715
Liabilities associated with assets held for sale	(5)	1,857	1,276
Current liabilities		**35,955**	**37,853**
Total equity and liabilities		**149,590**	**152,614**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

January 1–September 30 € in millions	2010	2009
Net income	3,781	6,304
Income from discontinued operations, net	669	-23
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	5,257	2,687
Changes in provisions	213	-835
Changes in deferred taxes	363	820
Other non-cash income and expenses	130	-12
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-1,274	-2,975
Changes in operating assets and liabilities and in income taxes	22	729
Cash provided by operating activities of continuing operations (operating cash flow)	**9,161**	**6,695**
Cash provided by operating activities of discontinued operations	454	376
Cash provided by operating activities	**9,615**	**7,071**
Proceeds from disposal of	1,848	2,089
Intangible assets and property, plant and equipment	*87*	*155*
Equity investments	*1,761*	*1,934*
Purchase of investments in	-5,573	-6,087
Intangible assets and property, plant and equipment	*-5,233*	*-5,542*
Equity investments	*-340*	*-545*
Changes in securities and fixed-term deposits	325	325
Changes in restricted cash and cash equivalents	-359	-228
Cash used for investing activities of continuing operations	**-3,759**	**-3,901**
Cash used for investing activities of discontinued operations	-320	-847
Cash used for investing activities	**-4,079**	**-4,748**
Payments received/made from changes in capital	-353	-4
Payments for treasury shares, net	–	–
Cash dividends paid to shareholders of E.ON AG	-2,858	-2,857
Cash dividends paid to minority shareholders	-229	-292
Changes of financial liabilities	-4,048	-284
Cash used for financing activities of continuing operations	**-7,488**	**-3,437**
Cash provided by (used for) financing activities of discontinued operations	10	–
Cash used for financing activities	**-7,478**	**-3,437**
Net increase/decrease in cash and cash equivalents	**-1,942**	**-1,114**
Effect of foreign exchange rates on cash and cash equivalents	3	37
Cash and cash equivalents at the beginning of the year	4,210	3,671
Cash and cash equivalents at the end of the quarter	**2,271**	**2,594**
less: Cash and cash equivalents of discontinued operations at the end of the quarter	**5**	**14**
Cash and cash equivalents of continuing operations at the end of the quarter	**2,266**	**2,580**

Condensed Consolidated Interim Financial Statements

Statement of Changes in Equity

				Accumulated other comprehensive income		
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2009	**2,001**	**13,741**	**22,181**	**-2,547**	**2,676**	**-19**
Changes in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,857			
Other changes						
Share additions			-9			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			5,281	-301	2,210	92
Net income			*6,103*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-822*			
Other comprehensive income				*-301*	*2,210*	*92*
Balance as of September 30, 2009	**2,001**	**13,741**	**24,596**	**-2,848**	**4,886**	**73**
Balance as of January 1, 2010	**2,001**	**13,747**	**26,609**	**-2,005**	**3,511**	**46**
Changes in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Other changes						
Share additions			-144			
Net additions/disposals from the reclassification related to put options						
Total comprehensive income			2,181	74	-518	-111
Net income			*3,522*			
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-1,341*			
Other comprehensive income				*74*	*-518*	*-111*
Balance as of September 30, 2010	**2,001**	**13,747**	**25,788**	**-1,931**	**2,993**	**-65**

Treasury shares	Equity attributable to shareholders of E.ON AG	Minority interests (before reclassification)	Reclassification related to put options	Minority interests	Total
-3,549	**34,484**	**4,538**	**-578**	**3,960**	**38,444**
		-26		-26	-26
					0
		-7		-7	-7
	-2,857	-264		-264	-3,121
		12		12	12
	-9				-9
			8	8	8
	7,282	142		142	7,424
	6,103	*201*		*201*	*6,304*
	-822	*-31*		*-31*	*-853*
	2,001	*-28*		*-28*	*1,973*
-3,549	**38,900**	**4,395**	**-570**	**3,825**	**42,725**
-3,530	**40,379**	**4,157**	**-550**	**3,607**	**43,986**
		166		166	166
		58		58	58
		-41		-41	-41
	-2,858	-209		-209	-3,067
		-3		-3	-3
	-144	3		3	-141
			6	6	6
	1,626	193		193	1,819
	3,522	*259*		*259*	*3,781*
	-1,341	*-97*		*-97*	*-1,438*
	-555	*31*		*31*	*-524*
-3,530	**39,003**	**4,324**	**-544**	**3,780**	**42,783**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Basis of Presentation

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

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

Furthermore, Corporate Center/Consolidation contains E.ON AG itself ("E.ON" or the "Company"), the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level. Note 14 provides additional information about the segments.

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

(2) Summary of Significant Accounting Policies

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

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

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

(3) Newly Adopted Standards and Interpretations

IFRS 3, "Business Combinations"

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

IAS 27, "Consolidated and Separate Financial Statements"

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

IFRIC 12, "Service Concession Arrangements"

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

IFRIC 18, "Transfers of Assets from Customers"

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

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

(4) Scope of Consolidation

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

Scope of Consolidation	Domestic	Foreign	Total
Consolidated companies as of December 31, 2009	145	441	586
Additions	7	15	22
Disposals/Mergers	7	48	55
Consolidated companies as of September 30, 2010	**145**	**408**	**553**

As of September 30, 2010, 117 companies were accounted for under the equity method (December 31, 2009: 131).

(5) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations in 2010

U.S. Midwest

At the end of April 2010, E.ON and Pennsylvania Power & Light Corporation ("PPL"), Allentown, Pennsylvania, U.S., signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities was approximately $7.6 billion (equivalent to approximately €5.6 billion as of September 30, 2010). We also transferred pension obligations in the amount of approximately $0.8 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The U.S. Midwest market unit had been classified as a discontinued operation since April, because the criteria for such classification were not met until the disposal process took greater shape in April 2010. The transaction closed on November 1, 2010.

Notes to the Condensed Consolidated Interim Financial Statements

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

Major Balance Sheet Line Items—U.S. Midwest (Summary)	
€ in millions	Sep. 30, 2010
Intangible assets and property, plant and equipment	6,167
Other assets	575
Total assets	**6,742**
Total liabilities	1,857

Selected Financial Information—U.S. Midwest (Summary)		
January 1–September 30 € in millions	2010	2009
Sales	1,577	1,432
Other income/expenses, net	-2,103	-1,661
Loss from continuing operations before income taxes and minority interests	**-526**	**-229**
Income tax benefit	-143	252
Loss from discontinued operations	**-669**	**23**

Disposal Groups and Assets Held for Sale in 2010

HSE

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

Europgas

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

BKW

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

Agreement with the European Commission

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

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

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

Acquisitions in 2009

Yuzhno-Russkoye

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

The following data refer to ZAO Gazprom YRGM Development:

Major Balance Sheet Line Items—ZAO Gazprom YRGM Development

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

Significant assets in the purchase price allocation include favorable gas supply contracts, which account for the majority of the difference. Non-current liabilities consist exclusively of deferred taxes. The remaining difference at the project company, recognized as goodwill, is €138 million. The purchase price allocation was finalized as of September 30; no further adjustments were required.

Langerlo-Vilvoorde NV

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

The purchase price allocation remains preliminary as of September 30, 2010, because in addition to the final amount to be paid in cash, there are environmental obligations that have yet to be determined.

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

Disposal Groups and Assets Held for Sale in 2009

Endesa Europa/Viesgo

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

Interest in OAO Gazprom

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

Thüga

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

VKE Asset Restructuring

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

(6) Research and Development Costs

The E.ON Group's research and development costs amounted to €36 million in the first nine months of 2010 (first nine months of 2009: €35 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	2010	2009	2010	2009
Income from companies in which equity investments are held	26	33	136	122
Impairment charges/reversals on other financial assets	-3	-98	-21	-314
Income from equity investments	**23**	**-65**	**115**	**-192**
Income from securities, interest and similar income	232	129	541	527
Interest and similar expenses	-722	-655	-2,167	-2,125
Interest and similar expenses (net)	**-490**	**-526**	**-1,626**	**-1,598**
Financial results	**-467**	**-591**	**-1,511**	**-1,790**

(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	2010	2009	2010	2009
Income/Loss (–) from continuing operations	-477	1,742	4,450	6,281
less: Minority interests	-1	-13	-259	-198
Income/Loss (–) from continuing operations (attributable to shareholders of E.ON AG)	**-478**	**1,729**	**4,191**	**6,083**
Income/Loss (–) from discontinued operations, net	89	69	-669	23
less: Minority interests	–	-2	–	-3
Net income attributable to shareholders of E.ON AG	**-389**	**1,796**	**3,522**	**6,103**
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	-0.25	0.90	2.20	3.19
from discontinued operations	0.05	0.04	-0.35	0.01
from net income	**-0.20**	**0.94**	**1.85**	**3.20**
Weighted-average number of shares outstanding (in millions)	1,905	1,905	1,905	1,905

Notes to the Condensed Consolidated Interim Financial Statements

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

Note 10 provides additional information.

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets € in millions	Sep. 30, 2010	Dec. 31, 2009
Companies accounted for under the equity method	6,308	7,342
Equity investments	4,977	5,461
Non-current securities	3,636	3,670
Total	**14,921**	**16,473**

(10) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a *et seq.* AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel treasury shares without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of September 30, 2010, was 1,905,457,754 (December 31, 2009: 1,905,456,817).

As of September 30, 2010, E.ON AG and one of its subsidiaries held a total of 95,542,246 treasury shares (December 31, 2009: 95,543,183) having a consolidated book value of €3,530 million (equivalent to 4.77 percent or €95,542,246 of the capital stock).

(11) Dividends Paid

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

(12) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations increased by €1,711 million over year-end 2009. The change is primarily due to net actuarial losses resulting mainly from lower discount rates. This increase is partially offset by a balance sheet reclassification of provisions for pensions and similar obligations of the U.S. Midwest market unit to the "Liabilities associated with assets held for sale" line item.

Discount Rate Percentages	Sep. 30, 2010	Dec. 31, 2009
Germany	4.25	5.50
U.K.	5.00	5.70

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

Net Amount Recognized € in millions	Sep. 30, 2010	Dec. 31, 2009
Present value of all defined benefit obligations	17,897	16,087
Fair value of plan assets	-13,296	-13,205
Funded status	**4,601**	**2,882**
Unrecognized past service cost	-8	-10
Net amount recognized	**4,593**	**2,872**
Thereof presented as operating receivables	*-2*	*-12*
Thereof presented as provisions for pensions and similar obligations	*4,595*	*2,884*

Taking into account the periodic additions and pension payments in the present value of the defined benefit obligations and in the plan assets, the funded status has increased by €1,719 million over year-end 2009. While net actuarial losses have the effect of increasing the funded status, the balance sheet reclassification to the "Liabilities associated with assets held for sale" line item of the present value of the defined benefit obligation and of the plan assets of the U.S. Midwest market unit has had an offsetting effect of reducing the funded status.

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

Net Periodic Pension Cost for Defined Benefit Plans

€ in millions	July 1–Sep. 30		Jan. 1–Sep. 30	
	2010	2009	2010	2009
Employer service cost	59	47	175	137
Interest cost	213	200	630	596
Expected return on plan assets	-171	-143	-506	-425
Past service cost	3	3	7	9
Total	**104**	**107**	**306**	**317**

(13) Other Significant Issues

Since the last comprehensive valuation performed at the end of 2009 in connection with the goodwill impairment tests, the market environment for our power utilities in Italy, Spain and France has deteriorated markedly due to the negative impact of the financial and economic crisis, which has endured for longer than expected. Developments in electricity and commodity prices have led to in part significantly reduced margins and capacity utilization in the stated markets. This overall negative environment is exacerbated by market-specific factors in these countries.

In Italy, aside from the impact of the economic crisis and the unexpectedly slow progress of the economic recovery, infrastructure projects in Sardinia and excess capacity in general have driven down margins and capacity utilization, thereby also depressing earnings. In France, our older coal plants are especially badly affected as they are suffering from unanticipated price collapses, especially during peak hours. Price developments in Spain have led to a collapse in gas power plant margins in particular. Furthermore, in addition to the economic crisis, high generation output of renewable energy in Spain has led to additional price and margin pressure.

All of these factors taken together have caused E.ON's expectations for earnings in these markets to deteriorate in the medium to long term. In the third quarter of 2010, this gave rise to the recognition of impairment under IAS 36 primarily in the operations acquired from Enel/Acciona and Endesa in the stated countries; approximately €1.1 billion was charged to goodwill and approximately €1.5 billion was charged to other non-current assets.

Notes to the Condensed Consolidated Interim Financial Statements

(14) Segment Information

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

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

Financial Information by Business Segment

January 1–September 30 € in millions	Central Europe 2010	Central Europe 2009	Pan-European Gas 2010	Pan-European Gas 2009	U.K. 2010	U.K. 2009
External sales	25,117	24,451	10,469	11,423	6,122	6,104
Intersegment sales	5,630	5,727	3,987	3,883	1,291	1,291
Sales	**30,747**	**30,178**	**14,456**	**15,306**	**7,413**	**7,395**
Adjusted EBITDA	4,437	4,852	2,036	1,725	1,107	703
Depreciation and amortization	-1,142	-1,126	-385	-314	-337	-328
Impairments (–)/Reversals (+)[1]	-42	-6	-9	-32	-3	–
Adjusted EBIT	**3,253**	**3,720**	**1,642**	**1,379**	**767**	**375**
Earnings from companies accounted for under the equity method[1]	*198*	*212*	*310*	*599*	*-12*	*7*
Operating cash flow	5,292	4,084	891	507	1,223	1,195
Investments	2,098	2,205	763	1,195	705	638
Intangible assets and property, plant and equipment	*2,029*	*2,101*	*637*	*817*	*682*	*638*
Equity investments[2]	*69*	*104*	*126*	*378*	*23*	*–*

[1]Impairments recognized in adjusted EBIT differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings. Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively.

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

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

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

	Nordic		Energy Trading		New Markets		Corporate Center/ Consolidation		E.ON Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	2,241	1,807	15,483	9,803	4,548	4,316	-42	-77	63,938	57,827
	965	623	15,974	19,701	357	1,393	-28,204	-32,618	–	–
	3,206	**2,430**	**31,457**	**29,504**	**4,905**	**5,709**	**-28,246**	**-32,695**	**63,938**	**57,827**
	897	627	1,307	809	1,105	1,202	-80	-7	10,809	9,911
	-286	-224	-6	-4	-495	-466	-55	-64	-2,706	-2,526
	-5	–	–	-2	-20	-4	–	-1	-79	-45
	606	**403**	**1,301**	**803**	**590**	**732**	**-135**	**-72**	**8,024**	**7,340**
	12	*-1*	–	–	*14*	*7*	–	*-5*	*522*	*819*
	604	315	1,450	1,284	790	855	-1,089	-1,545	9,161	6,695
	474	865	7	14	1,446	1,358	80	-188	5,573	6,087
	471	*573*	*7*	*3*	*1,311*	*1,284*	*96*	*126*	*5,233*	*5,542*
	3	*292*	–	*11*	*135*	*74*	*-16*	*-314*	*340*	*545*

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

Net Income

January 1–September 30 € in millions	2010	2009
Adjusted EBIT	8,024	7,340
Adjusted interest income (net)	-1,610	-1,533
Net book gains/losses	893	2,115
Restructuring/Cost management expenses	-363	-262
Other non-operating earnings	-766	666
Income/Loss (–) from continuing operations before taxes	**6,178**	**8,326**
Income taxes	-1,728	-2,045
Income/Loss (–) from continuing operations	**4,450**	**6,281**
Income/Loss (–) from discontinued operations, net	-669	23
Net income	**3,781**	**6,304**
Attributable to shareholders of E.ON AG	*3,522*	*6,103*
Attributable to minority interests	*259*	*201*

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

Other non-operating earnings include the goodwill impairment of approximately €1.1 billion and the impairments of approximately €1.5 billion on other non-current assets, which were recognized primarily in the operations acquired from Enel/Acciona and Endesa in Italy, Spain and France.

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

Teyssen　　Kildahl　　Maubach

Reutersberg　　Schenck　　Stachelhaus

Financial Calendar

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

Further information

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

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

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

Investor Relations
T +49 211-4579-549
investorrelations@eon.com

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

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