

# 2011

January February March

April May June

July August September

October November December

## 2 E.ON Group Financial Highlights

E.ON Group Financial Highlights <sup>1</sup>		2011	2010	+/- %
January 1– March 31				
Electricity sales <sup>2</sup>	282.2 billion kWh	252.4 billion kWh		+12
Gas sales <sup>2</sup>	524.0 billion kWh	465.3 billion kWh		+13
Sales	€27,846 million	€25,684 million		+8
Adjusted EBITDA	€3,470 million	€4,486 million		-23
Adjusted EBIT	€2,568 million	€3,580 million		-28
Net income	€2,441 million	€2,445 million		-
Net income attributable to shareholders of E.ON AG	€2,267 million	€2,278 million		-
Adjusted net income	€1,315 million	€2,004 million		-34
Investments	€1,164 million	€1,678 million		-31
Cash provided by operating activities of continuing operations	€906 million	€2,998 million		-70
Economic net debt (March 31 and December 31)	€-35,539 million	€-37,701 million		+2.162 <sup>3</sup>
Employees (March 31 and December 31)	85,616	85,105		+1
Earnings per share attributable to shareholders of E.ON AG	€1.19	€1.20		-1
Weighted-average shares outstanding (in millions)	1,905	1,905		-

<sup>1</sup>Adjusted for discontinued operations.

<sup>2</sup>Includes trading sales volume.

<sup>3</sup>Change in absolute terms.

### Glossary of Selected Financial Terms

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

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

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

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

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

January 1 - March 31, 2011

- Adjusted EBITDA down by 23 percent
- Sale of U.K. network business successfully completed
- Adjusted for portfolio effects, 2011 adjusted EBITDA expected to be between €10.7 and €11.4 billion

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## Dear Shareholders,

E.ON faces extraordinary business and energy-policy challenges. The impact of the economic crisis has reached our power business, and our gas business continues to be under margin pressure due to the disconnect between long-term, oil-indexed procurement prices and declining spot prices. These factors already impacted our first-quarter results. Although our sales increased by 8 percent year on year to €28 billion, adjusted EBITDA, our key earnings metric fell by 23 percent to €3.5 billion. Adjusted net income declined by 34 percent to €1.3 billion. Based on our current businesses and adjusted for portfolio effects, we expect our 2011 adjusted EBITDA to be between €10.7 and €11.4 billion, which is substantially below the prior-year level. We expect our full-year adjusted net income to be between €3 and €3.7 billion. We stand by this forecast despite the German government's order to temporarily shut down two of our nuclear power stations for three months. Germany's reevaluation of nuclear energy following the events in Fukushima affects a mainstay of our business and earnings, exacerbating an already difficult business environment. But we have reason to move forward with confidence. Because we've made our business more European and more international than most of our competitors. And because we've systematically diversified our power production in recent years. Our balanced generation portfolio consists of nuclear as well as large-scale onshore and offshore wind, coal as well as gas, hydro—the oldest form of renewable energy—as well as forward-looking solar technologies. Moreover, we're a specialist for natural gas, from production to micro generating units in single-family homes.

That's why we don't have to fundamentally rethink or revise the new strategy we began implementing in November 2010. On the contrary, it's a superb chart for staying strong and focused as we navigate shifting shoals of energy policy. And it's well suited to helping shape the business side of the transformation of Germany and Europe's energy systems. Because whatever Germany decides about its energy strategy for the future, energy has long since become a European market, a market that will continue to converge. The increase in Germany's power imports in recent weeks is another sign of this convergence. The EU aims to complete the internal market for energy by 2014. A truly competitive, truly European market will enable E.ON to leverage its strengths—in power generation and other areas—even more effectively. By commissioning technologically advanced gas-fired power plants we're expanding our generation portfolio at the best locations in Europe. By enlarging our pumped-storage hydroelectric capacity as we did at Waldeck power station in central Germany we're making it easier for wind and solar power to be integrated into the grid. We're also becoming more active in growth markets in other parts of the world. Our aim is to generate one quarter of our earnings outside Europe by 2015. We're making rapid progress. Just a few weeks ago, we began building our fourteenth large-scale wind farm in the United States. At the end of 2010, we commissioned a technologically advanced gas-fired generating unit in Russia, where we also have three more units under construction. And our internal processes are becoming more efficient all the time. As planned, our PerformtoWin program will deliver €1.5 billion in lasting earnings improvements by the end of 2011. By assessing the efficiency of every decision even more diligently, we intend to deliver an additional €600 million in savings by the end of 2013. This will enhance our investment strength, as will the reduction of our debt, which declined to €35.5 billion at the end of the first quarter. We achieved this significant debt reduction by delivering strong cash flow, streamlining our investments, and implementing our divestment program. We've already achieved more than €9 billion of our €15 billion divestment target for the end of 2013. Most recently, we sold our U.K. power distribution network for €4.6 billion. Our solid balance sheet will enable us to successfully meet the business challenges ahead and leverage our capabilities to help shape the energy future.

We intend to deploy our expertise and a significant share of our planned investments to help transform the energy world in the interest of our customers and in a way that makes social and economic sense. In the interest of our company and its shareholders, we've already made our willingness clear to policymakers. But we've made it just as clear that our ability to make investments is the prerequisite for our participation in this process. If the lifetime extension for nuclear power stations in Germany is rescinded, we would simply be unable to shoulder the financial burden of the nuclear-fuel tax, which currently would cost us €800 million per year. If there's no change in this policy, we would have to take legal action to protect our company's interests. This, too, would be in the interest of the company and its shareholders. A clear course, social responsibility, and public dialog are now more important than ever for E.ON to continue its success into the future.

Best wishes,



Dr. Johannes Teyssen

## E.ON Stock

E.ON stock finished the first quarter of 2011 6 percent below its year-end closing price for 2010, thereby underperforming its peer index (the STOXX Utilities rose by 2 percent during the same period), Germany's DAX index (+2 percent), and the EURO STOXX 50 index (+4 percent).

In the first quarter of 2011, the stock-exchange trading volume of E.ON stock increased by 18 percent year on year to €16.2 billion. The number of shares traded was also higher, rising by 38 percent.

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

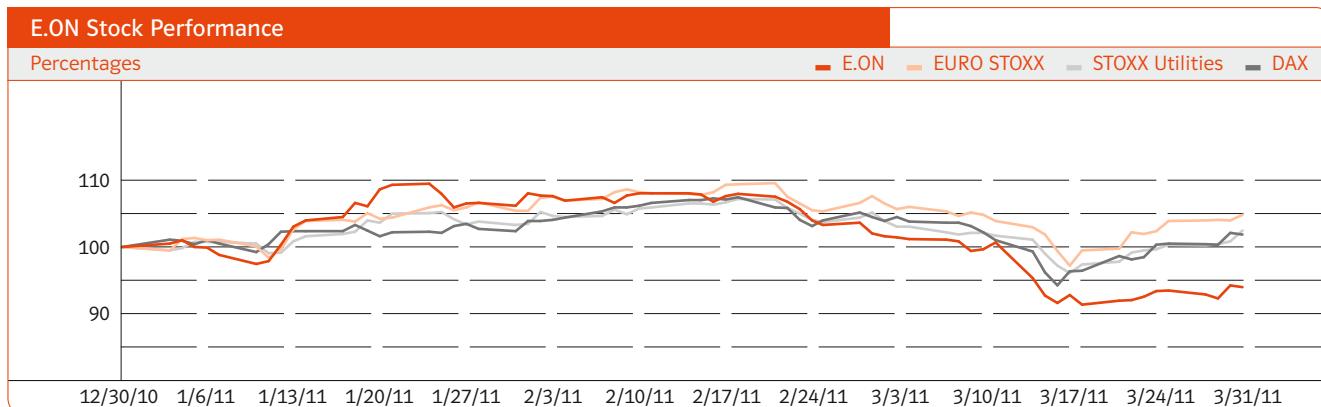
E.ON Stock		
	Mar. 31, 2011	Dec. 30, 2010
Shares outstanding (in millions)	1,905	1,905
Closing price (€)	21.55	22.94
Market capitalization (€ in billions) <sup>1</sup>	41.1	43.7

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

Performance and Trading Volume		
January 1-March 31	2011	2010
High (€) <sup>1</sup>	25.11	29.36
Low (€) <sup>1</sup>	20.94	25.60
Trading volume <sup>2</sup>		
Millions of shares	701.6	508.0
€ in billions	16.2	13.7

<sup>1</sup>Xetra.

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



## 6 Interim Group Management Report



### Business and Operating Environment

#### Corporate Structure and Operations

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

#### Group Management

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

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

#### Global Units

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

#### Conventional Generation

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

#### Renewables Generation

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

#### Global Gas

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

#### Trading

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

#### Regional Units

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

## Energy Industry

Germany's moratorium ordering the shutdown of seven nuclear power stations idled more than 7 GW of generating capacity, leading to higher wholesale prices across all products and substantial changes in the country's energy transfers. In the first half of March, Germany's net power exports came to about 70 to 150 GWh per day, a typical figure for this time of the year. Since March 17, 2011, by contrast, the shutdown has resulted in net power imports of more than 30 GWh per day.

Electricity consumption in England, Scotland, and Wales was 86 billion kWh in the first quarter of 2011 compared with 89 billion kWh in the first quarter of 2010. Gas consumption (excluding power stations) was 220 billion kWh compared with 248 billion kWh. Exceptionally cold weather in the prior-year quarter was the main factor in the decline.

The Nordic region consumed 114 billion kWh of electricity in the first quarter of 2011, about 4 billion kWh less than in the same period of 2010, which saw very cold temperatures. Net electricity imports to the Nordic region from surrounding countries were 7 billion kWh compared with 6.7 billion kWh in the prior-year period. Net imports from Germany were 1.9 billion kWh (prior year: 2.7 billion kWh).

Hungary consumed 8.5 billion kWh of electricity, roughly the same as in the prior-year quarter. Driven by weather factors, Hungary's gas consumption rose by 3.3 percent to 4,325 million cubic meters.

Italy consumed 83 billion kWh of electricity, an increase of 1.1 percent from the prior-year figure (82 billion kWh). Gas consumption declined by 2.2 percent to 299 billion kWh.

Peninsular electricity consumption in Spain was 68 billion kWh, about the same as the prior-year figure (1 percent higher if adjusted for differences in temperature and the number of working days). Retail gas consumption was also roughly unchanged at 81 billion kWh.

France's electricity consumption fell by 5.4 percent to 145 billion kWh (consumption rose by 1 percent if adjusted for differences in temperature and the number of working days). Due to the decline in consumption, power generation fell by 2.4 percent to 154 billion kWh.

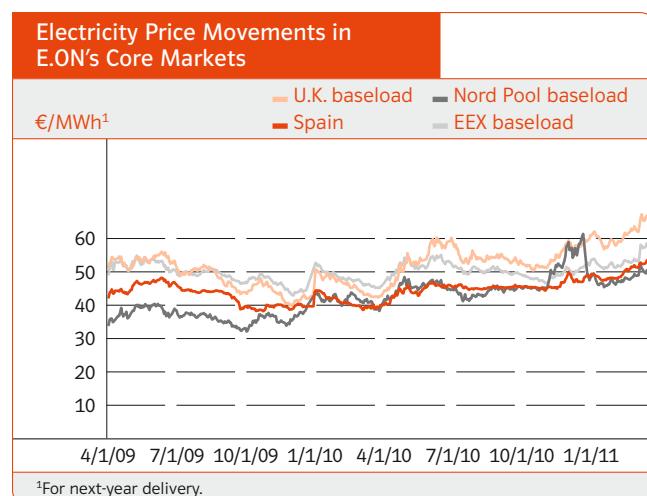
The Russian Federation generated about 290 billion kWh of electricity, roughly the same as in the prior-year quarter.

## Energy Prices

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

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

Energy markets were affected in particular by two events of global magnitude: the unrest in North Africa and the Middle East and the earthquake and tsunami in Japan and the response to them. Both events led to increases—in some cases significant increases—in fuel and electricity prices.



The price for Brent crude oil for next-month delivery rose sharply, primarily because of political unrest in North Africa and the Middle East. Prices reached nearly \$120 per barrel on concerns about a blockade of the Suez Canal, the outage of a considerable portion of Libya's oil production, and fears that unrest might move to other countries in the region. Prices were supported by a robust global economy and strong demand for oil worldwide, although demand was slightly lower than in the fourth quarter of 2010. Japan is expected to have greater demand for oil to fuel its reconstruction and because it will derive more of its electricity from oil.

## 8 Interim Group Management Report

As measured by the API#2 index, prices on Europe's coal market rose by about 9 percent to about \$130 per metric ton in the first quarter of 2011, the highest level since October 2008. The key factor was Germany's announcement of a moratorium affecting seven older nuclear power stations.

European forward gas prices continued their recovery from the prior year. This upward trend was driven by rising oil prices and the expectation that Japan's demand for LNG would increase because it would need to rely more on its gas-fired generating capacity to make up for the nuclear capacity damaged or idle after the earthquake. European spot gas prices declined through mid-February owing to high imports of LNG. They recovered through mid-March on higher oil prices before falling back to the level at the start of the year because of mild weather.

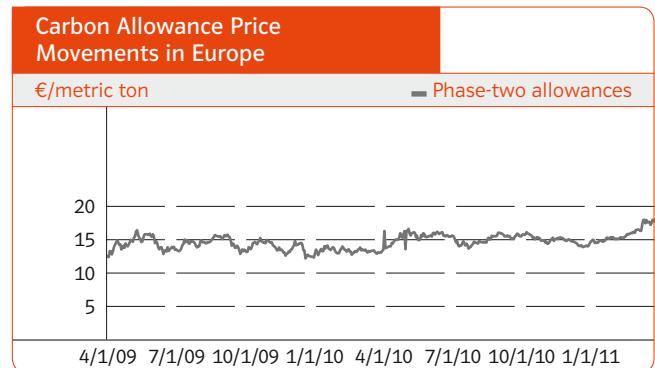
The December carbon contract for next-year delivery of EU allowances under the European Emissions Trading Scheme rose by about €2 during the first quarter of 2011, finishing March at roughly €17 per metric ton. A key reason for the increase was greater demand for carbon allowances to cover increased power generation from natural gas and coal due to Germany's moratorium.

In Germany, prices for baseload electricity for 2012 delivery increased by about 10 percent in the first quarter, mainly because of the Japan crisis, Germany's subsequent moratorium, and rising gas, coal, and carbon prices. In mid-March, prices jumped by €6 in just a few days to nearly €60 per MWh, the highest level since October 2008. The market does not anticipate that all of the nuclear power stations temporarily shut down will return to service. Germany's moratorium is benefiting its neighbors (particularly France), which are exporting more power to Germany.

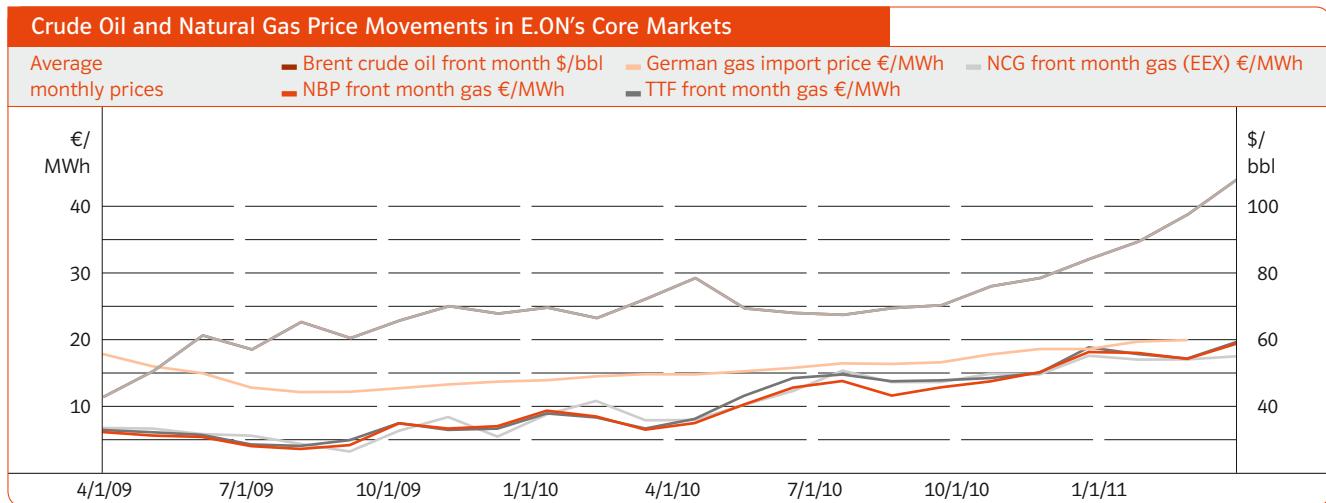
U.K. electricity prices moved in a similar pattern to Germany's, albeit at a higher level and with a greater impact from rising gas prices.

Electricity prices in the Nordic market, particularly spot prices, were influenced by continued low reservoir levels. This situation, along with periods of low temperatures, caused spot prices to jump to record levels of €66 per MWh on average (compared with a German average of about €52), despite the high availability of nuclear capacity. Prices for next-year delivery, which were lower than spot prices, recovered in March, finishing the quarter at around €50, the same level as at the start of the year.

In Italy and Spain, electricity prices for next-year delivery moved in a pattern similar to prices in Germany; liquidity remained low. Starting in February, prices rose through the end of March on higher fuel prices, reaching about €75 per MWh in Italy and €53 in Spain.



Electricity prices in Russia were higher, particularly in the European price zone, owing to higher fuel prices and slightly higher demand compared with the first quarter of 2010. Although average temperatures were roughly the same as in the prior-year period, the demand for electricity in some regions of the European price zone was higher because of the economic recovery; demand in the Siberian price zone was lower due to higher temperatures. The weighted-average price for the first quarter was RUB 973 (around €24) per MWh in the European price zone and RUB 537 (around €13) in the Siberian price zone.



### Power Procurement

The E.ON Group's owned generation declined by 2 percent, from 73.7 billion kWh in the first quarter of 2010 to 72.3 billion kWh in 2011. By contrast, power procured increased by 17 percent to 215.6 billion kWh.

The reduction in Conventional Generation's owned generation is primarily attributable to narrower margins in the United Kingdom, which made some plant less economic to operate. Lower demand from the market and reduced availability at fossil-fueled plants in Germany were also adverse factors, as was the German federal government's decision in mid-March 2011 to suspend the operation of older nuclear power stations (Unterweser and Isar 1) as part of its moratorium.

Renewables Generation's owned generation was essentially unchanged at 5.6 billion kWh. Owned generation in the Hydro reporting unit declined by 0.5 billion kWh to 3.2 billion kWh,

mainly because of lower hydro output in Sweden resulting from low inflow in the fall and winter of 2010-2011 and high production at the end of 2010 when reservoir levels were already low. By contrast, owned generation at the Wind/Solar/Other reporting unit rose by 33 percent to 2.4 billion kWh. Wind farms accounted for 96 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

Owned generation at the Germany regional unit's distributed generating facilities rose by 19 percent to 1.9 billion kWh (prior year: 1.6 billion kWh). Small-scale hydroelectric plants accounted for 32 percent of this output.

Other EU Countries' owned generation declined by 0.4 billion kWh, mainly because narrower margins in the United Kingdom made some gas-fired units less economic to operate.

Jan. 1-Mar. 31 Billion kWh	Power Procurement										Other EU Countries				Russia		Consolidation		E.ON Group	
	Conventional Generation		Renewables Generation		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Owned generation	47.0	48.6	5.6	5.5	-	-	1.9	1.6	1.9	2.3	15.9	15.7	-	-	72.3	73.7				
Purchases	11.1	11.5	1.3	1.4	237.3	191.0	46.4	52.0	43.3	42.5	1.0	1.0	-124.8	-114.6	215.6	184.8				
Jointly owned power plants	3.6	2.9	0.4	0.3	-	-	-	-	-	-	-	-	-	-	4.0	3.2				
Trading/outside sources	7.5	8.6	0.9	1.1	237.3	191.0	46.4	52.0	43.3	42.5	1.0	1.0	-124.8	-114.6	211.6	181.6				
<b>Total</b>	<b>58.1</b>	<b>60.1</b>	<b>6.9</b>	<b>6.9</b>	<b>237.3</b>	<b>191.0</b>	<b>48.3</b>	<b>53.6</b>	<b>45.2</b>	<b>44.8</b>	<b>16.9</b>	<b>16.7</b>	<b>-124.8</b>	<b>-114.6</b>	<b>287.9</b>	<b>258.5</b>				
Station use, line loss, etc.	-0.3	-0.4	-0.1	-0.2	-	-	-1.6	-1.8	-3.1	-3.2	-0.6	-0.5	-	-	-5.7	-6.1				
<b>Power sales</b>	<b>57.8</b>	<b>59.7</b>	<b>6.8</b>	<b>6.7</b>	<b>237.3</b>	<b>191.0</b>	<b>46.7</b>	<b>51.8</b>	<b>42.1</b>	<b>41.6</b>	<b>16.3</b>	<b>16.2</b>	<b>-124.8</b>	<b>-114.6</b>	<b>282.2</b>	<b>252.4</b>				

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Owned Generation by Energy Source													
	Conventional Generation		Renewables Generation		Germany		Other EU Countries		Russia		E.ON Group		
	Jan. 1-Mar. 31, 2011	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	20.3	43	-	-	-	-	-	-	-	-	-	20.3	28
Lignite	1.3	3	-	-	-	-	-	-	3.2	20	4.5	6	
Hard coal	15.6	33	-	-	-	-	-	-	-	-	15.6	22	
Natural gas, oil	9.7	21	-	-	-	-	1.5	79	12.7	80	23.9	33	
Hydro	-	-	3.2	57	0.6	32	-	-	-	-	3.8	5	
Wind	-	-	2.3	41	-	-	-	-	-	-	2.3	3	
Other	0.1	-	0.1	2	1.3	68	0.4	21	-	-	1.9	3	
<b>Total</b>	<b>47.0</b>	<b>100.0</b>	<b>5.6</b>	<b>100.0</b>	<b>1.9</b>	<b>100</b>	<b>1.9</b>	<b>100.0</b>	<b>15.9</b>	<b>100</b>	<b>72.3</b>	<b>100.0</b>	

The Russia unit generated about 94 percent of its total needs of 16.9 billion kWh at its own power stations. When it made business sense, Russia met its delivery obligations by purchasing electricity instead of producing it.

### Gas Procurement

E.ON Ruhrgas procured 203.9 billion kWh of natural gas from producers in and outside Germany in the first quarter of 2011, about 1 percent less than in the prior-year period. The biggest suppliers were Russia (which accounted for 29 percent), Norway (26 percent), the Netherlands (21 percent), and Germany (18 percent). E.ON Földgáz Trade of Hungary, whose biggest supplier is Russia, accounted for Global Gas's remaining procurement (roughly 19 billion kWh).

Global Gas's gas production in the North Sea rose by around 26 percent year on year to 441 million cubic meters. Oil and condensates production of 1.4 million barrels was also significantly above the prior-year figure. The increase is mainly attributable to the start of production at Babbage field in August 2010 and good output at Njord field. Altogether, upstream production of gas, liquids, and condensates rose by 22 percent to 4.2 million barrels of oil equivalent. In addition to its North Sea production, Global Gas had 1.7 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method.

Upstream Production			
January 1-March 31	2011	2010	+/- %
Oil/condensates (million barrels)	1.4	1.2	+17
Gas (million standard cubic meters)	441.4	351.3	+26
<b>Total (million barrels of oil equivalent)</b>	<b>4.2</b>	<b>3.4</b>	<b>+22</b>

### Trading Volume

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

Trading Volume		
January 1-March 31	2011	2010
Power (billion kWh)	531	360
Gas (billion kWh)	630	292
Carbon allowances (million metric tons)	162	190
Oil (million metric tons)	23	23
Coal (million metric tons)	62	77

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

### Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 12 percent, from 252.4 billion kWh in the first quarter of 2010 to 282.2 billion kWh in 2011. Higher trading sales volume was the main factor.

Conventional Generation sold 1.9 billion kWh less power than in the prior-year period. It sold about 2 billion kWh more power in Sweden and about 1 billion kWh more in Italy. These gains were offset by lower power sales of 3 billion kWh in the United Kingdom, where narrower margins made some plant less economic to operate. In addition, power sales in France were down by 1.5 billion kWh.

Renewables Generation sold about as much power as last year. Power sales at the Hydro reporting unit declined on lower output in Sweden and the resulting reduction in sales to Trading. Hydro power sales in Germany were slightly higher. Wind/Solar/Other, which sells its output exclusively in markets with incentive mechanisms for renewables, grew power sales by 23 percent, primarily because of an increase in its generating capacity.

The decline in power sales at the Germany regional unit primarily reflects the sale of our ultrahigh-voltage transmission system (transpower) in late February 2010.

Other EU Countries sold 0.5 billion kWh more power. Declines totaling 2.5 billion kWh (primarily in Italy, Sweden, and the Czech

Republic) were more than offset by gains of 3 billion kWh (primarily in the United Kingdom, France, and the Netherlands).

The Russia unit sold 16.3 billion kWh on the wholesale market, about the same figure as in the prior-year quarter.

Power Sales																	
Jan. 1-Mar. 31 Billion kWh	Conventional Generation		Renewables Generation		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Residential and SME	-	-	-	-	-	-	7.8	8.3	17.9	18.2	-	-	-	-	25.7	26.5	
I&C	1.5	4.2	-	0.5	-	-	7.9	6.7	20.3	18.7	-	-	-	-	29.7	30.1	
Sales partners	9.8	9.0	1.2	0.8	-	-	22.9	24.7	0.8	0.9	-	-	-	-	-2.1	34.7	33.3
Customer segments	11.3	13.2	1.2	1.3	-	-	38.6	39.7	39.0	37.8	-	-	-	-	-2.1	90.1	89.9
Wholesale market/ Trading	46.5	46.5	5.6	5.4	237.3	191.0	8.1	12.1	3.1	3.8	16.3	16.2	-124.8	-112.5	192.1	162.5	
<b>Total</b>	<b>57.8</b>	<b>59.7</b>	<b>6.8</b>	<b>6.7</b>	<b>237.3</b>	<b>191.0</b>	<b>46.7</b>	<b>51.8</b>	<b>42.1</b>	<b>41.6</b>	<b>16.3</b>	<b>16.2</b>	<b>-124.8</b>	<b>-114.6</b>	<b>282.2</b>	<b>252.4</b>	

## Gas Sales

On a consolidated basis, the E.ON Group increased its gas sales by 58.7 billion kWh, or 13 percent, from 465.3 billion kWh in the first quarter of 2010 to 524 billion kWh in 2011. Higher trading sales volume was the main factor.

Our Global Gas unit is responsible for procuring gas for our regional sales entities and for marketing gas in regions in which our sales and trading entities do not operate. This is reflected in Global Gas's sales volume.

Global Gas's sales volume, which is adjusted for intrasegment effects, consists of the gas sales of E.ON Ruhrgas, Ferngas Nordbayern, and E.ON Földgáz Trade. Global Gas sold a total of 245 billion kWh of gas, a reduction of 8 billion kWh, or roughly 3 percent, relative to the first quarter of 2010. Broken down by customer segment, Global Gas made 14 percent of its gas sales to sales partners, 55 percent to the Germany regional unit, 17 percent outside Germany, and 14 percent to the Trading unit. The sales partner segment consists mainly of E.ON sales entities supplied directly by Global Gas. The roughly 15 billion kWh decline in sales to this segment primarily reflects the very cold weather seen in the prior-year period which resulted in significantly higher sales volume. Sales volume was only slightly lower in Germany and almost unchanged outside Germany. Gas sales outside Germany consist mainly of the sales volume of E.ON Földgáz Trade, which sold about 30 billion

kWh of gas, roughly the same as in the prior-year period. Other gas sales outside Germany went mainly to E.ON Group companies. Gas sales to the Trading unit rose by about 12 billion kWh year on year owing to an increase in spot trading.

The Germany regional unit sold about 13 billion kWh less gas, mainly because of customer losses and weather effects.

Gas sales volume at Other EU Countries was down by 6.9 billion kWh. The main drivers were very cold weather in the prior-year period, ongoing energy-efficiency measures in the United Kingdom, and a reduction in deliveries to gas-fired power plants in Sweden.

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Gas Sales												
January 1-March 31 Billion kWh	Global Gas		Conventional Generation		Trading		Germany		Other EU Countries		Consolidation	E.ON Group
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	-	-	-	-	-	-	11.1	15.8	41.5	45.6	-	-
I&C	2.1	1.8	-	-	-	-	39.1	37.8	19.3	20.1	-6.3	-1.8
Sales partners	33.9	49.2	-	-	-	-	116.8	126.2	0.4	1.1	-39.2	-38.8
<b>Customer segments</b>	<b>36.0</b>	<b>51.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167.0</b>	<b>179.8</b>	<b>61.2</b>	<b>66.8</b>	<b>-45.5</b>	<b>-40.6</b>
Germany	134.5	139.4	-	-	-	-	-	-	-	-	-134.5	-139.4
Other countries	40.6	40.7	-	-	-	-	-	-	-	-	-19.7	-20.6
Wholesale market/Trading	33.5	21.3	0.1	0.8	360.5	258.3	-	-	3.4	4.7	-113.1	-96.9
<b>Total</b>	<b>244.6</b>	<b>252.4</b>	<b>0.1</b>	<b>0.8</b>	<b>360.5</b>	<b>258.3</b>	<b>167.0</b>	<b>179.8</b>	<b>64.6</b>	<b>71.5</b>	<b>-312.8</b>	<b>-297.5</b>
											<b>524.0</b>	<b>465.3</b>

### Earnings Situation

#### Sales

Our first-quarter sales rose by 8 percent year on year to approximately €28 billion. Almost all our units recorded higher sales and had a higher share of external sales. Currency-translation effects and higher prices also had a positive effect.

Sales			
January 1-March 31 € in millions	2011	2010	+/- %
Conventional Generation	4,505	3,706	+22
Renewables Generation	577	459	+26
Global Gas	7,040	6,417	+10
Trading	15,301	12,900	+19
Germany	10,151	10,620	-4
Other EU Countries	7,111	6,843	+4
Russia	415	343	+21
Group Management/ Consolidation	-17,254	-15,604	-
<b>Total</b>	<b>27,846</b>	<b>25,684</b>	<b>+8</b>

#### Conventional Generation

The Conventional Generation global unit increased its sales by €799 million relative to the prior-year figure.

Sales			
January 1-March 31 € in millions	2011	2010	+/- %
Nuclear	1,772	1,335	+33
Fossil	2,713	2,351	+15
Other/Consolidation	20	20	-
<b>Conventional Generation</b>	<b>4,505</b>	<b>3,706</b>	<b>+22</b>

The Nuclear reporting unit's first-quarter sales were up by €437 million. Higher market-based transfer prices for deliveries to our Trading unit in Germany constituted the main factor. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace three years prior to delivery. The resulting transfer prices, which our Trading unit pays our generation units for their output, were higher in 2011 than the prices for the 2010 delivery period. Nuclear's sales were also positively impacted by higher sales volume, higher average prices, and positive currency-translation effects in Sweden.

The Fossil reporting unit grew sales by €362 million on higher market-based transfer prices for deliveries to our Trading unit in Germany, in the United Kingdom, and the Netherlands.

#### Renewables Generation

Sales at Renewables Generation rose by €118 million.

Sales			
January 1-March 31 € in millions	2011	2010	+/- %
Hydro	359	315	+14
Wind/Solar/Other	218	144	+51
<b>Renewables Generation</b>	<b>577</b>	<b>459</b>	<b>+26</b>

The increase in sales recorded at the Hydro reporting unit is mainly attributable to higher market-based transfer prices for deliveries to our Trading unit in Germany and Sweden. Hydro also benefited from higher compensation for green certificates in Italy.

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

### Global Gas

Global Gas's sales were up by 10 percent to around €7 billion (prior year: €6.4 billion).

Sales			
January 1–March 31			
€ in millions	2011	2010	+/- %
Upstream	455	329	+38
Midstream	6,521	6,157	+6
Transport/Shareholdings	452	327	+38
Other/Consolidation	-388	-396	+2
<b>Global Gas</b>	<b>7,040</b>	<b>6,417</b>	<b>+10</b>

The Upstream reporting unit posted significantly higher sales on higher production in the United Kingdom and Norway and on price developments.

The Midstream reporting unit's gas wholesale business grew sales by 6 percent. Lower sales volume was more than offset by higher sales prices.

Higher sales of control and balancing energy at the regulated transport business led to an increase in sales at Transport/Shareholdings. This was partially offset by lower sales of transport capacity.

### Trading

Trading recorded sales of about €15 billion in the first quarter of 2011. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. The increase in sales resulted mainly from higher sales volumes, particularly of power and gas.

Sales			
January 1–March 31			
€ in millions	2011	2010	+/- %
Proprietary Trading	-14	17	-
Optimization	15,315	12,883	+19
<b>Trading</b>	<b>15,301</b>	<b>12,900</b>	<b>+19</b>

### Germany

Sales at the Germany regional unit declined by €469 million.

Sales			
January 1–March 31			
€ in millions	2011	2010	+/- %
Distribution Networks	2,699	2,561	+5
Non-regulated/Other	7,452	8,059	-8
<b>Germany</b>	<b>10,151</b>	<b>10,620</b>	<b>-4</b>

The Distribution Networks reporting unit grew sales by €138 million. The increase is primarily attributable to higher sales in conjunction with Germany's Renewable Energy Law. Lower network charges constituted the main negative factor.

Sales at the Non-regulated/Other reporting unit fell by €607 million, mainly because of lower retail gas sales volume. Another factor is that the prior-year figure includes two months of sales from transpower's transmission business.

### Other EU Countries

Other EU Countries grew sales by €268 million.

Sales			
January 1–March 31			
€ in millions	2011	2010	+/- %
U.K.	2,739	2,625	+4
Sweden	1,013	1,043	-3
Czech Republic	829	717	+16
Hungary	626	624	-
Other	1,904	1,834	+4
<b>Other EU Countries</b>	<b>7,111</b>	<b>6,843</b>	<b>+4</b>

Sales at the U.K. regional unit rose by €114 million. Sales in local currency were £2,339 million (prior year: £2,329 million). Sales at the regulated business (Central Networks) increased by €88 million to €285 million, primarily because of increased tariffs and currency movements (+€11 million); the disposal of this business closed following the end of the first quarter. Sales in other business areas increased by €27 million to €2,454 million. Positive currency-translation effects of €93 million were partially offset by lower retail prices.

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The Sweden regional unit's sales decreased by €30 million, despite positive currency-translation effects of €110 million. In local currency, sales declined from SEK 10,379 million in the prior-year period to SEK 8,978 million, primarily because of lower retail sales which reflect a decline in spot prices from the high prior-year level.

Sales in the Czech Republic rose by €112 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

Sales at the Hungary regional unit were at the prior-year level.

Sales at the other reporting units rose by €70 million, in particular because of price and volume effects in the Netherlands, France, and Spain.

### Russia

An increase in generating capacity along with higher power prices enabled the Russia region to grow sales by 21 percent, from €343 million in the first quarter of 2010 to €415 million in 2011. The ruble's appreciation against the euro was another positive factor. In local currency, sales were up by 18 percent, from RUB 14,103 million to RUB 16,614 million.

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

Own work capitalized increased by 86 percent, or €83 million, to €180 million (prior year: €97 million). This is chiefly attributable to engineering services performed in our network business in conjunction with new-build projects.

Other operating income rose by 36 percent to €7,149 million (prior year: €5,242 million). Higher income from exchange-rate differences of €2,101 million (€1,798 million) and from derivative financial instruments of €3,838 million (€2,394 million) were the main positive factors. In derivative financial instruments, there were significant effects from commodity derivatives, as 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, fixed assets, and shareholdings amounted to €740 million (€733 million). In the current-year period, these gains are primarily attributable to the sale of Gazprom

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

Costs of materials rose by €3,142 million to €22,811 million (prior year: €19,669 million), in particular due to an increase in business volume.

Personnel costs of €1,301 million were on par with the prior-year figure.

Depreciation charges increased to €993 million (prior year: €896 million).

Other operating expenses rose by 46 percent, or €2,035 million, to €6,493 million (prior year: €4,458 million). This is mainly attributable to higher expenditures relating to currency differences of €2,080 million (€1,428 million) and higher expenditures relating to derivative financial instruments of €3,095 million (€2,097 million).

Income from companies accounted for under the equity method was €182 million, roughly on par with the prior-year figure of €181 million.

## Adjusted EBITDA

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

Our first-quarter adjusted EBITDA was down by about €1 billion year on year. The main reasons were:

- substantial pressure on margins in the gas wholesale business at our Global Gas unit
- adverse price developments at our Trading unit.

Adjusted EBITDA				
January 1–March 31	€ in millions	2011	2010	+/- %
Conventional Generation		1,460	1,203	+21
Renewables Generation		396	309	+28
Global Gas		138	810	-83
Trading		-223	350	-
Germany		755	768	-2
Other EU Countries		941	953	-1
Russia		153	99	+55
Group Management/Consolidation		-150	-6	-
<b>Total</b>		<b>3,470</b>	<b>4,486</b>	<b>-23</b>

## Conventional Generation

Conventional Generation's adjusted EBITDA increased by €257 million, or 21 percent.

Conventional Generation					
January 1–March 31	€ in millions	Adjusted EBITDA		Adjusted EBIT	
		2011	2010	2011	2010
Nuclear		984	655	937	616
Fossil		519	539	358	376
Other/Consolidation		-43	9	-45	-11
<b>Total</b>		<b>1,460</b>	<b>1,203</b>	<b>1,250</b>	<b>981</b>

The Nuclear reporting unit's adjusted EBITDA rose by €329 million. In Germany, higher market-based transfer prices for deliveries to our Trading unit constituted the main positive factor. Earnings were reduced by €41 million by the German federal government's decision in mid-March 2011 to temporarily suspend lifetime extensions for nuclear power plants ("NPPs") and to order the shutdown of older NPPs, which affected two of our plants (Unterweser and Isar I). In Sweden, adjusted EBITDA rose by €142 million, primarily because of higher availability of NPPs, higher average prices, and positive currency-translation effects.

Adjusted EBITDA at the Fossil reporting unit declined by €20 million. Positive effects, which included higher market-based transfer prices for peakload output in the United Kingdom, where more than offset by a number of negative effects, in particular narrower margins in Italy and Spain and a positive one-off tax item recorded in the prior-year period in the United Kingdom.

## Renewables Generation

Adjusted EBITDA at Renewables Generation rose by €87 million, or 28 percent.

Renewables Generation					
January 1–March 31	€ in millions	Adjusted EBITDA		Adjusted EBIT	
		2011	2010	2011	2010
Hydro		222	199	194	171
Wind/Solar/Other		174	110	114	64
<b>Total</b>		<b>396</b>	<b>309</b>	<b>308</b>	<b>235</b>

The Hydro reporting unit's adjusted EBITDA rose by 12 percent to €222 million, chiefly because of higher market-based transfer prices for deliveries to our Trading unit, slightly higher in sales volume in Germany, and higher earnings on green certificates in Italy. Earnings were adversely affected by lower output and hedging effects in Spain.

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

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### Global Gas

Global Gas's adjusted EBITDA of €138 million was sharply lower than the prior-figure of €810 million.

Global Gas		Adjusted EBITDA		Adjusted EBIT	
January 1-March 31	€ in millions	2011	2010	2011	2010
Upstream	263	171	191	103	
Midstream	-296	460	-326	433	
Transport/Shareholdings	151	148	116	115	
Other/Consolidation	20	31	20	32	
<b>Total</b>	<b>138</b>	<b>810</b>	<b>1</b>	<b>683</b>	

Upstream's adjusted EBITDA rose mainly because of higher production and prices.

Midstream's first-quarter earnings development reflected the considerable margin pressure faced by the gas wholesale business because of the ongoing disconnect between oil-indexed procurement prices and gas wholesale prices. Lower sales volume was another negative factor. Our gas-storage business, which is also part of the Midstream reporting unit, recorded slightly higher earnings.

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

### Trading

Trading's adjusted EBITDA was -€223 million. Optimization, whose main purpose is to limit risks and to optimize the deployment of the E.ON Group's generation and production assets, had earnings of -€192 million, mainly because of higher transfer prices paid to generation units' non-fossil portfolio and lower achieved prices. Proprietary Trading, which recorded a loss of €31 million, was adversely affected by market developments following the German government's announcement of a nuclear-power moratorium.

Trading		Adjusted EBITDA		Adjusted EBIT	
January 1-March 31	€ in millions	2011	2010	2011	2010
Proprietary Trading	-31	-2	-31	-2	
Optimization	-192	352	-194	350	
<b>Total</b>	<b>-223</b>	<b>350</b>	<b>-225</b>	<b>348</b>	

### Germany

Adjusted EBITDA at the Germany regional unit declined by €13 million.

Germany		Adjusted EBITDA		Adjusted EBIT	
January 1-March 31	€ in millions	2011	2010	2011	2010
Distribution Networks	527	609	377	456	
Non-regulated/Other	228	159	161	90	
<b>Total</b>	<b>755</b>	<b>768</b>	<b>538</b>	<b>546</b>	

Distribution Networks' adjusted EBITDA declined by €82 million, in particular because of a regulation-driven reduction in power and gas network charges.

Adjusted EBITDA at Non-regulated/Other rose by €69 million from €159 million in 2010. The key drivers were positive developments in the retail business and higher earnings in the heat and waste-incineration business. The departure of the ultrahigh-voltage transmission system (transpower) in late February 2010 had an adverse impact on earnings.

### Other EU Countries

Other EU Countries' adjusted EBITDA declined by 1 percent, or €12 million.

Other EU Countries		Adjusted EBITDA		Adjusted EBIT	
January 1-March 31	€ in millions	2011	2010	2011	2010
U.K.	195	379	145	323	
Sweden	232	195	172	143	
Czech Republic	241	135	214	108	
Hungary	93	98	63	69	
Other	180	146	144	95	
<b>Total</b>	<b>941</b>	<b>953</b>	<b>738</b>	<b>738</b>	

The U.K. regional unit's adjusted EBITDA decreased by €184 million in reporting currency and by £170 million in local currency. Earnings at the regulated business (Central Networks) rose by €22 million on increased tariffs; the disposal of this business closed following the end of the first quarter. Adjusted EBITDA at other business areas fell by €206 million, primarily because of higher costs in the wholesale market and a weather-driven decline in sales volume.

The Sweden regional unit's adjusted EBITDA increased by €37 million. In local currency, it was SEK 2,057 million (prior year: SEK 1,938 million). Positive currency-translation effects of €25 million and operating improvements stemming from wider retail margins were the main positive factors. Earnings were also higher on improved margins in the heating business.

Adjusted EBITDA in the Czech Republic rose by €106 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

The Hungary regional unit posted adjusted EBITDA of €93 million. The biggest earnings contributions came from its distribution network business (€64 million) and its retail business (€24 million). The decline from the prior-year figure is attributable to Hungary's revenue-based crisis tax introduced in 2010.

Adjusted EBITDA at the other reporting units rose by €34 million, mainly because of improved margins in Italy, the Netherlands, and Spain. Narrower margins in the gas business in Romania had an adverse impact on earnings.

## Russia

The Russia unit's adjusted EBITDA rose by €54 million, from €99 million in the prior-year period to €153 million, mainly because of an improved power margin. Adjusted EBIT was €124 million (€74 million). Adjusted EBITDA in local currency increased by 50 percent, from RUB 4,089 million to RUB 6,139 million. Adjusted EBIT was RUB 4,960 million (RUB 3,022 million).

## Net Income

Net income attributable to shareholders of E.ON AG of €2,267 million was at the prior-year level. Corresponding earnings per share of €1.19 were 1 percent lower than the prior-year figure of €1.20.

Net Income			
January 1–March 31	€ in millions	2011	2010
<b>Adjusted EBITDA</b>		<b>3,470</b>	<b>4,486</b>
Depreciation and amortization		-914	-894
Impairments (-)/ Reversals (+) <sup>1</sup>		12	-12
<b>Adjusted EBIT</b>		<b>2,568</b>	<b>3,580</b>
Adjusted interest income (net)		-500	-557
Net book gains/losses		675	666
Restructuring/Cost-management expenses		-117	-127
Other non-operating earnings		497	803
<b>Income/Loss (-) from continuing operations before taxes</b>		<b>3,123</b>	<b>4,365</b>
Income taxes		-695	-1,121
<b>Income/Loss (-) from continuing operations</b>		<b>2,428</b>	<b>3,244</b>
Income/Loss (-) from discontinued operations, net		13	-799
<b>Net income</b>		<b>2,441</b>	<b>2,445</b>
Attributable to shareholders of E.ON AG		2,267	2,278
Attributable to non-controlling interests		174	167

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

Our adjusted interest expense (net) declined by €57 million, mainly because of the reduction in the E.ON Group's net debt.

Adjusted Interest Expense (Net)			
January 1–March 31	€ in millions	2011	2010
Interest expense shown in Consolidated Statements of Income		-630	-530
Interest income (-)/expense (+) not affecting net income		130	-27
<b>Total</b>		<b>-500</b>	<b>-557</b>

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First-quarter net book gains of €675 million were at the prior-year level. In the current-year period, book gains were recorded mainly on the sale of Gazprom equity and securities; in the prior-year period, on the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission.

Restructuring and cost-management expenditures declined by €10 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional utilities in Germany. The current-year figure also includes costs relating to the restructuring of our IT organization.

Other non-operating earnings include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in a positive effect of €773 million at March 31, 2011, compared with €784 million at March 31, 2010. In addition, in the current-year period we recorded prepayment penalties in connection with our announced debt reduction to the extent that such penalties have a tangible relationship to disposal proceeds.

Our tax expense fell by €426 million compared with the prior-year quarter, principally because of the decline in our earnings and an increase in tax-free earnings. Our tax rate was 22 percent compared with 26 percent in the prior-year period.

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

### Adjusted Net Income

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

Adjusted Net Income			
January 1-March 31 € in millions	2011	2010	+/- %
Net income attributable to shareholders of E.ON AG	2,267	2,278	-
Net book gains	-675	-666	-
Restructuring and cost-management expenses	117	127	-
Other non-operating earnings	-497	-803	-
Taxes and minority interests on non-operating earnings	145	278	-
Special tax effects	-29	-9	-
Income/Loss from discontinued operations, net	-13	799	-
<b>Total</b>	<b>1,315</b>	<b>2,004</b>	<b>-34</b>

## Financial Condition

### Investments

Our investments declined to €1.2 billion in the first quarter of 2011. We invested about €1.1 billion in property, plant, and equipment and in intangible assets (prior year: €1.6 billion). Share investments totaled €38 million versus €40 million in the prior-year period.

Investments				
January 1–March 31	€ in millions	2011	2010	+/- %
Conventional Generation		356	752	-53
Renewables Generation		147	123	+20
Global Gas		165	190	-13
Trading		3	2	+50
Germany		124	136	-9
Other EU Countries		292	300	-3
Russia		58	156	-63
Group Management/Other		19	19	-
<b>Total</b>		<b>1,164</b>	<b>1,678</b>	<b>-31</b>
<i>Maintenance investments</i>		177	126	+40
<i>Growth and replacement investments</i>		987	1,552	-36

Conventional Generation invested about €396 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €399 million to €331 million. The high prior-year figure mainly reflects expenditures on generation projects in Gönyü (Hungary), Málzénice (Slovakia), Irsching (Germany), and Algeciras (Spain) that are now largely completed.

Investments at Renewables Generation were up by €24 million. Hydro's investments of €19 million were roughly on par with the prior-year figure of €18 million. Wind/Solar/Other's investments rose by 22 percent, from €105 million in the prior-year period to €128 million. This reflects the ongoing development of wind-power projects in Europe and the United States.

Global Gas invested €165 million. Of this figure, €140 million (prior year: €185 million) went towards property, plant, and equipment and towards intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €25 million (prior-year: €5 million) were chiefly attributable to the repurchase of E.ON Biogas from E.ON Climate & Renewables.

The Germany regional unit invested €12 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €14 million to €121 million, owing principally to high expenditures in the prior year for Plattling power station and waste-incineration projects. Share investments totaled €3 million.

Investments at Other EU Countries were on par with the prior-year figure. The U.K. regional unit invested about €147 million (prior year: €137 million) in property, plant, and equipment and intangible assets. U.K.'s expenditure mainly related to its distribution network and meter installations. The Sweden unit invested €11 million more than in the prior-year period. It invested €60 million (prior year: €49 million) in intangible assets and property, plant, and equipment to maintain and expand distributed generating units and to upgrade and modernize its distribution network. The increase primarily reflects currency-translation effects. Share investments totaled €1 million, as in the prior-year period.

The Russia unit invested €58 million (prior year: €156 million), mainly in its new-build program.

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### Cash Flow and Financial Position

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

At €0.9 billion, our cash provided by operating activities of continuing operations was considerably below the prior-year figure of €3 billion. The main reasons for the decline were cash-effective items in conjunction with the decrease in adjusted EBITDA, a non-recurring adverse effect relating to the refunding of pension assets in the United Kingdom, and net negative working-capital effects. Other negative factors included legally mandated changes in payment schedules in Russia and the Czech Republic, lower subsidy payments for wind farms in the United States recorded in the prior-year period, and effects from our trading business. Effects relating to gas-storage usage had a positive impact on cash provided by operating activities.

Cash provided by investing activities of continuing operations amounted to -€0.3 billion in the first quarter of 2011 (prior year: -€0.9 billion), primarily because of lower investment expenditures on property, plant, and equipment.

Cash provided by financing activities of continuing operations of -€2.1 billion in the first quarter of 2011 (prior year: -€0.9 billion) primarily reflects the repayment of financial liabilities ahead of schedule.

Compared with the figure recorded at December 31, 2010 (-€37,701 million), our economic net debt improved by €2,162 million to -€35,539 million. €0.7 billion of this change is attributable to the reclassification of our U.K. network business as an asset held for sale, which also applies to this entity's debt; this has since been sold. Our cash provided by operating activities and disposal proceeds on the second tranche of Gazprom stock exceeded our significant investments in property, plant, and equipment. A decline in provisions for pensions also had a positive impact on our economic net debt.

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		Mar. 31, 2011	Dec. 31, 2010
€ in millions			
Liquid funds	6,632	8,273	
Non-current securities	4,314	3,903	
<b>Total liquid funds and non-current securities</b>	<b>10,946</b>	<b>12,176</b>	
Financial liabilities to banks and third parties	-29,024	-31,799	
Financial liabilities resulting from interests in associated companies and other shareholdings	-772	-692	
<b>Total financial liabilities</b>	<b>-29,796</b>	<b>-32,491</b>	
<b>Net financial position</b>	<b>-18,850</b>	<b>-20,315</b>	
Fair value (net) of currency derivatives used for financing transactions <sup>1</sup>	401	334	
Provisions for pensions	-2,526	-3,250	
Asset-retirement obligations	-16,076	-15,968	
Less prepayments to Swedish nuclear fund	1,512	1,498	
<b>Economic net debt</b>	<b>-35,539</b>	<b>-37,701</b>	

<sup>1</sup>Does not include transactions relating to our operating business or asset management.

E.ON did not issue bonds in the first quarter of 2011. In line with the announcement we made in November 2010 that we would use a portion of disposal proceeds to reduce our debt, we repaid or cancelled, ahead of schedule, about €0.5 billion in promissory notes in the first quarter of 2011. In addition, on January 24, 2011, we made a two-stage offer to repurchase, ahead of schedule, bonds with a face value of about €7 billion. We repurchased about €1.8 billion in bonds under this offer. Together with the debt-reduction measures taken in the fourth quarter of 2010, E.ON reduced its gross financial liabilities ahead of schedule by a total of roughly €3.4 billion.

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

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A2. The short-term ratings are A-1 (S&P) and P-1 (Moody's). The ratings assigned by both agencies are in line with E.ON's rating target ("solid single A"). Both S&P and Moody's confirmed their long-term and short-term ratings for E.ON, all with a stable outlook, in March 2011.

## Asset Situation

Non-current assets at March 31, 2011, declined by 3 percent compared with the figure at year-end 2010, mainly due to the reclassification of the assets of our U.K. network business as a discontinued operation. This effect was partially offset by investments in property, plant, and equipment and by higher receivables from non-current derivative financial instruments.

Current assets rose by 19 percent from year-end 2010, mainly because of an increase in operating receivables and the reclassification of the assets of our U.K. network business as a discontinued operation.

Our equity ratio of 30 percent was unchanged from the figure recorded at year-end 2010.

Non-current liabilities declined by 4 percent relative to year-end 2010, primarily because of the repayment of non-current debt. This effect was partially mitigated by an increase in liabilities from non-current derivative financial instruments.

Current liabilities rose by 17 percent relative to year-end 2010 owing to an increase in operating liabilities and the reclassification of non-current debt in connection with the disposal of our U.K. network business.

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 46 percent (December 31, 2010: 43 percent).
- Non-current assets are covered by long-term capital at 111 percent (December 31, 2010: 108 percent).

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

Consolidated Assets, Liabilities, and Equity		Mar. 31, 2011		Dec. 31, 2010	
€ in millions			%		%
Non-current assets	103,730	65	106,657	70	
Current assets	55,021	35	46,224	30	
<b>Total assets</b>	<b>158,751</b>	<b>100</b>	<b>152,881</b>	<b>100</b>	
Equity	47,783	30	45,585	30	
Non-current liabilities	66,893	42	69,580	45	
Current liabilities	44,075	28	37,716	25	
<b>Total equity and liabilities</b>	<b>158,751</b>	<b>100</b>	<b>152,881</b>	<b>100</b>	

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### Employees

As of March 31, 2011, the E.ON Group had 85,616 employees worldwide, slightly more than at year-end 2010. E.ON also had 2,075 apprentices and 318 board members and managing directors.

As of the same date, 49,965 employees, or 58 percent of all staff, were working outside Germany, nearly unchanged from year-end 2010.

Employees <sup>1</sup>	Mar. 31, 2011	Dec. 31, 2010	+/- %		
				Conventional Generation	Renewables Generation
Conventional Generation	10,957	10,997	-		
Renewables Generation	1,743	1,737	-		
Global Gas	3,160	3,189	-1		
Trading	1,041	1,062	-2		
Germany	21,471	21,084	+2		
Other EU Countries	37,562	37,403	-		
Russia	4,886	4,812	+2		
Group Management/Other <sup>2</sup>	4,796	4,821	-1		
<b>Total</b>	<b>85,616</b>	<b>85,105</b>	<b>+1</b>		

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

<sup>2</sup>Includes E.ON IT.

The number of employees at Trading declined compared with year-end 2010 because of the expiration of temporary employment contracts that were part of this unit's transition to greater centralization.

The headcount at the Germany unit rose by about 2 percent owing mainly to temporary hiring related to the establishment of service companies. This effect was partially offset by the transfer of employees to Group Management.

Russia's workforce increased by about 2 percent because of the expansion of a central repair shop created in the fourth quarter of 2010.

Two countervailing effects resulted in a decline in the number of employees at the Group Management/Other segment. First, the implementation of our new organizational setup calls for the centralization of some functions, which caused Group Management's headcount to rise by about 1 percent. Second, primarily the deconsolidation of the E.ON IT Group's Swedish subsidiary caused its headcount to decline.

### Risk Situation

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

#### Market Risks

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

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

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

#### Commodity Price Risks

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to binding Group-wide guidelines and Group-wide reporting system, the

use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. To limit commodity price risks, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The Trading unit aggregates and consistently manages the price risks we face on Europe's liquid commodity markets.

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

### Financial Risks

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

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

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

E.ON's operating activities and use of derivative financial instruments expose E.ON to credit-default risks. We use a Group-wide credit risk management system to systematically monitor the creditworthiness of our business partners on the basis

of Group-wide minimum standards. We manage our credit-default risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about all material credit-default risks.

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

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

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

### Strategic Risks

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

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

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

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

### Operational Risks

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

network. Nevertheless, our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities could negatively impact our earnings.

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

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

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

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that price-adjustment clauses of years past are invalid in the special-customer segment. In July 2010, the Federal Court of Justice issued a ruling against EWE AG pertaining to the validity of gas-price adjustments and the legal status of uncontested payments. 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 did not suspend the fine, which was paid, by the deadline, in October 2009. We cannot rule out the possibility of subsequent lawsuits.

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's Development Plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the Development Plan did not sufficiently take into consideration binding state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, rendering the ruling legally binding. However, the SAC's ruling does not forbid the construction of a hard-coal-fired power plant at the planned site. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a new Development Plan. On December 13, 2010, the Ruhr Regional Association passed a resolution to institute a regional plan-alteration process; the opinion of independent legal experts will be solicited in order to establish a solid legal foundation for this process. The new planning process must address and resolve the SAC's objections in order to reestablish a secure planning foundation for the Datteln power plant. In view of the planning processes under way, we currently anticipate that the Datteln plant will enter service later than originally planned. However, we remain convinced that the plant will be successfully completed. In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by conducting appropriate project management.

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

E.ON Ruhrgas currently obtains about one fourth of its total natural gas supply from Russia pursuant to long-term supply contracts with Gazprom. In addition, E.ON Ruhrgas currently obtains natural gas from five other supply countries, giving it one of the most diversified gas procurement portfolios in Europe. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe

about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control.

### External Risks

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

The eleventh amended version of Germany's Nuclear Energy Act codified the extension of the operating lives of nuclear power plants ("NPPs") in Germany as stipulated by the coalition agreement. 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. A significant 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. In addition, a nuclear fuel tax will be levied. The details of the promotion payments are specified in the Promotion Fund Agreement, which was concluded between NPP operators, their parent companies, and the Federal Republic of Germany. In response to the dramatic events at Fukushima NPP on March 11, 2011, the German federal government proclaimed a three-month moratorium during which current plans will be reevaluated and safety inspections will be conducted at all NPPs in Germany. The government has assigned commissions (the Reactor Safety Commission and an Ethics Commission) to carry out these tasks. It plans to present its revised energy strategy by June 2011. The results of these processes could lead to risks for the E.ON Group, principally that the operating-life extension will be rescinded (particularly for older NPPs) or that operating lives will be further curtailed. In addition, several lawsuits have been filed against the operating-life extension, although their chances of success are thought to be slim.

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

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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.

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. Initial negotiations about these issues will take place at the BNetzA's offices in the first half of 2011.

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

The supraregional transport business of Open Grid Europe (formerly E.ON Gastransport) was to be migrated to incentive-based regulation in 2010. Prior to migration, the BNetzA is to benchmark Germany's small and very heterogeneous group of supraregional gas TSOs. The preliminary individual efficiency factor was communicated to the TSOs in late March 2010. As part of the ongoing benchmarking process, amended efficiency factors were communicated to some

TSOs in February 2011. The amendments result from modifications the BNetzA made to its benchmarking parameters. We anticipate that the BNetzA will issue a final decision on individual efficiency factors and revenues caps (which are determined by the individual efficiency factor) in the second quarter of 2011.

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 member states are currently transposing the directives into national law.

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

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

### IT Risks

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

## Evaluation of the Risk Situation

During the year under review, the risk situation of the E.ON Group's operating business deteriorated slightly compared with year-end 2010. Depending on its outcome, the current political discussion regarding the operating lives of nuclear power stations in Germany could have a negative impact on our earnings situation. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

## Forecast

### Earnings

Due to the current discussion about nuclear energy, our full-year forecast is subject to substantial uncertainty. Despite the efficiency enhancements we have already achieved and those in planning, we also face considerable business challenges in the years ahead. In particular, Germany's nuclear-fuel tax, the full auctioning of EU carbon allowances starting in 2013, the altered market environment in the gas business, and narrower wholesale margins will put considerable pressure on our earnings performance. From today's perspective, we anticipate that our 2011 adjusted EBITDA will be between €10.7 and €11.4 billion. This confirms our previous forecast, adjusted for portfolio effects. We expect our 2011 adjusted net income to be in a range from €3 billion to €3.7 billion.

We expect Conventional Generation's 2011 adjusted EBITDA to be between €3.6 and €3.9 billion. Higher market-based transfer prices paid to our generation units by Trading will offset the adverse impact of the nuclear-energy moratorium and the nuclear-fuel tax Germany enacted in 2010.

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

We expect Global Gas's 2011 adjusted EBITDA to be between €0.8 and €1.3 billion. The gas wholesale business remains under considerable margin pressure due to continued keen competition and the ongoing disconnect between oil-indexed procurement prices and gas wholesale prices. This situation has led to negotiations with producers to reduce procurement

costs, which creates considerable planning uncertainty for this segment. Upstream earnings will be higher on increased production as new fields come on stream. This forecast represents a slight improvement relative to our previous guidance for Global Gas. The transport business and operations in Hungary will continue to be under regulatory pressure in 2011.

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

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

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

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

### Opportunities

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

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 2010 Annual Report.

## 28 Review Report

To E.ON AG, Düsseldorf

We have reviewed the Condensed Consolidated Interim Financial Statements—comprising the balance sheet, income statement, statement of recognized income and expenses, condensed cash flow statement, statement of changes in equity and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to March 31, 2011, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the interim group management report based on our review.

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

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

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

Düsseldorf, May 10, 2011

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

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

E.ON AG and Subsidiaries Consolidated Statements of Income		Note	2011	2010
January 1–March 31	€ in millions			
Sales including electricity and energy taxes			28,497	26,326
Electricity and energy taxes			-651	-642
<b>Sales</b>	(12)		<b>27,846</b>	<b>25,684</b>
Changes in inventories (finished goods and work in progress)			-21	15
Own work capitalized			180	97
Other operating income			7,149	5,242
Cost of materials			-22,811	-19,669
Personnel costs			-1,301	-1,301
Depreciation, amortization and impairment charges			-993	-896
Other operating expenses			-6,493	-4,458
Income/Loss (-) from companies accounted for under the equity method			182	181
<b>Income/Loss (-) from continuing operations before financial results and income taxes</b>			<b>3,738</b>	<b>4,895</b>
Financial results	(6)		-615	-530
<i>Income/Loss (-) from equity investments</i>			15	-
<i>Income from other securities, interest and similar income</i>			167	124
<i>Interest and similar expenses</i>			-797	-654
Income taxes			-695	-1,121
<b>Income/Loss (-) from continuing operations</b>			<b>2,428</b>	<b>3,244</b>
Income/Loss (-) from discontinued operations, net	(4)		13	-799
<b>Net income</b>			<b>2,441</b>	<b>2,445</b>
<i>Attributable to shareholders of E.ON AG</i>			2,267	2,278
<i>Attributable to non-controlling interests</i>			174	167
<b>in €</b>				
<b>Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted</b>	(7)			
from continuing operations			1.18	1.62
from discontinued operations			0.01	-0.42
<b>from net income</b>			<b>1.19</b>	<b>1.20</b>

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses		2011	2010
January 1–March 31	€ in millions		
<b>Net income</b>		<b>2,441</b>	<b>2,445</b>
Cash flow hedges		89	14
<i>Unrealized changes</i>		135	74
<i>Reclassification adjustments recognized in income</i>		-46	-60
Available-for-sale securities		-678	-57
<i>Unrealized changes</i>		42	-13
<i>Reclassification adjustments recognized in income</i>		-720	-44
Currency translation adjustments		194	858
<i>Unrealized changes</i>		194	858
<i>Reclassification adjustments recognized in income</i>		-	-
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations		324	-306
Companies accounted for under the equity method		29	34
<i>Unrealized changes</i>		29	34
<i>Reclassification adjustments recognized in income</i>		-	-
Income taxes		-182	144
<b>Total income and expenses recognized directly in equity</b>		<b>-224</b>	<b>687</b>
<b>Total recognized income and expenses (total comprehensive income)</b>		<b>2,217</b>	<b>3,132</b>
<i>Attributable to shareholders of E.ON AG</i>		2,000	2,851
<i>Attributable to non-controlling interests</i>		217	281

## 30 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets		Note	Mar. 31, 2011	Dec. 31, 2010
€ in millions				
<b>Assets</b>				
Goodwill			14,160	14,588
Intangible assets			8,173	8,070
Property, plant and equipment			56,234	60,870
Companies accounted for under the equity method	(8)		6,481	6,343
Other financial assets	(8)		6,620	6,104
<i>Equity investments</i>			2,306	2,201
<i>Non-current securities</i>			4,314	3,903
Financial receivables and other financial assets			3,372	3,357
Operating receivables and other operating assets			5,984	4,022
Income tax assets			777	822
Deferred tax assets			1,929	2,481
<b>Non-current assets</b>			<b>103,730</b>	<b>106,657</b>
Inventories			3,288	4,064
Financial receivables and other financial assets			1,450	1,674
Trade receivables and other operating assets			34,401	27,492
Income tax assets			2,680	2,678
Liquid funds			6,632	8,273
<i>Securities and fixed-term deposits</i>			1,771	1,697
<i>Restricted cash and cash equivalents</i>			272	433
<i>Cash and cash equivalents</i>			4,589	6,143
Assets held for sale	(4)		6,570	2,043
<b>Current assets</b>			<b>55,021</b>	<b>46,224</b>
<b>Total assets</b>			<b>158,751</b>	<b>152,881</b>
<b>Equity and Liabilities</b>				
Capital stock			2,001	2,001
Additional paid-in capital			13,747	13,747
Retained earnings			31,506	29,026
Accumulated other comprehensive income			-71	410
Treasury shares	(9)		-3,531	-3,531
<b>Equity attributable to shareholders of E.ON AG</b>			<b>43,652</b>	<b>41,653</b>
Non-controlling interests (before reclassification)			4,718	4,532
Reclassification related to put options			-587	-600
<b>Non-controlling interests</b>			<b>4,131</b>	<b>3,932</b>
<b>Equity</b>			<b>47,783</b>	<b>45,585</b>
Financial liabilities			26,363	28,880
Operating liabilities			7,889	6,506
Income taxes			3,098	3,406
Provisions for pensions and similar obligations	(11)		2,526	3,250
Miscellaneous provisions			20,364	20,381
Deferred tax liabilities			6,653	7,157
<b>Non-current liabilities</b>			<b>66,893</b>	<b>69,580</b>
Financial liabilities			3,433	3,611
Trade payables and other operating liabilities			30,666	26,357
Income taxes			2,589	2,578
Miscellaneous provisions			5,194	4,950
Liabilities associated with assets held for sale	(4)		2,193	220
<b>Current liabilities</b>			<b>44,075</b>	<b>37,716</b>
<b>Total equity and liabilities</b>			<b>158,751</b>	<b>152,881</b>

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1–March 31	2011	2010
€ in millions		
Net income	2,441	2,445
Income from discontinued operations, net	-13	799
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	993	896
Changes in provisions	14	425
Changes in deferred taxes	431	570
Other non-cash income and expenses	-349	-419
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-717	-714
Changes in operating assets and liabilities and in income taxes	-1,894	-1,004
<b>Cash provided by operating activities of continuing operations (operating cash flow)</b>	<b>906</b>	<b>2,998</b>
Cash provided by operating activities of discontinued operations	-	124
<b>Cash provided by operating activities</b>	<b>906</b>	<b>3,122</b>
Proceeds from disposal of		
<i>Intangible assets and property, plant and equipment</i>	1,078	1,045
<i>Equity investments</i>	167	31
<i>Intangible assets and property, plant and equipment</i>	911	1,014
Purchases of investments in		
<i>Intangible assets and property, plant and equipment</i>	-1,164	-1,678
<i>Equity investments</i>	-1,126	-1,638
<i>Intangible assets and property, plant and equipment</i>	-38	-40
Changes in securities and fixed-term deposits	-389	-173
Changes in restricted cash and cash equivalents	162	-58
<b>Cash used for investing activities of continuing operations</b>	<b>-313</b>	<b>-864</b>
Cash provided by (used for) investing activities of discontinued operations	-	-86
<b>Cash used for investing activities</b>	<b>-313</b>	<b>-950</b>
Payments received/made from changes in capital	-	-354
Payments for treasury shares, net	-	-
Cash dividends paid to shareholders of E.ON AG	-	-
Cash dividends paid to non-controlling interests	-17	-60
Changes in financial liabilities	-2,123	-494
<b>Cash used for financing activities of continuing operations</b>	<b>-2,140</b>	<b>-908</b>
Cash provided by financing activities of discontinued operations	-	10
<b>Cash used for financing activities</b>	<b>-2,140</b>	<b>-898</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-1,547</b>	<b>1,274</b>
Effect of foreign exchange rates on cash and cash equivalents	-	22
Cash and cash equivalents at the beginning of the year	6,143	4,210
<b>Cash and cash equivalents at the end of the quarter</b>	<b>4,596</b>	<b>5,506</b>
<b>less: Cash and cash equivalents of discontinued operations at the end of the quarter</b>	<b>0</b>	<b>10</b>
<b>Cash and cash equivalents of continuing operations at the end of the quarter<sup>1</sup></b>	<b>4,596</b>	<b>5,496</b>

<sup>1</sup>Cash and cash equivalents of continuing operations include an amount of €7 million attributable to the companies reported as a disposal group.

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Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
<b>Balance as of January 1, 2010</b>	<b>2,001</b>	<b>13,747</b>	<b>26,609</b>	<b>-2,005</b>	<b>3,511</b>	<b>46</b>
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid						
Share additions			-125			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			2,091	823	-72	9
<i>Net income</i>			2,278			
<i>Other comprehensive income</i>			-187	823	-72	9
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			-187			
<i>Changes in accumulated other comprehensive income</i>				823	-72	9
<b>Balance as of March 31, 2010</b>	<b>2,001</b>	<b>13,747</b>	<b>28,575</b>	<b>-1,182</b>	<b>3,439</b>	<b>55</b>
<b>Balance as of January 1, 2011</b>	<b>2,001</b>	<b>13,747</b>	<b>29,026</b>	<b>-1,570</b>	<b>1,923</b>	<b>57</b>
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid						
Share additions			-1			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			2,481	87	-647	79
<i>Net income</i>			2,267			
<i>Other comprehensive income</i>			214	87	-647	79
<i>Changes in actuarial gains/losses of defined benefit pension plans and similar obligations</i>			214			
<i>Changes in accumulated other comprehensive income</i>				87	-647	79
<b>Balance as of March 31, 2011</b>	<b>2,001</b>	<b>13,747</b>	<b>31,506</b>	<b>-1,483</b>	<b>1,276</b>	<b>136</b>

Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-3,530	40,379	4,157	-550	3,607	43,986
		115		115	115
		15		15	15
		-3		-3	-3
		-40		-40	-40
	-125	-4		-4	-129
			3	3	3
	2,851	281		281	3,132
	2,278	167		167	2,445
	573	114		114	687
	-187	-11		-11	-198
	760	125		125	885
-3,530	43,105	4,521	-547	3,974	47,079
-3,531	41,653	4,532	-600	3,932	45,585
					0
		22		22	22
		-24		-24	-24
		-18		-18	-18
	-1	-11		-11	-12
			13	13	13
	2,000	217		217	2,217
	2,267	174		174	2,441
	-267	43		43	-224
	214	19		19	233
	-481	24		24	-457
-3,531	43,652	4,718	-587	4,131	47,783

## 34 Notes to the Condensed Consolidated Interim Financial Statements

### **(1) Summary of Significant Accounting Policies**

The Interim Report for the three months ended March 31, 2011, has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective and adopted for use in the European Union ("EU").

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

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

### **(2) Newly Adopted Standards and Interpretations**

#### **IAS 24, "Related Party Disclosures"**

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

#### **Omnibus Standard to Amend Multiple International Financial Reporting Standards**

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

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

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

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

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

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

#### **Amendments to IFRIC 14—Prepayments of a Minimum Funding Requirement**

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

### IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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

### (3) Scope of Consolidation

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

Scope of Consolidation			
	Domestic	Foreign	Total
Consolidated companies as of December 31, 2010	146	334	480
Additions	1	3	4
Disposals/Mergers	1	3	4
<b>Consolidated companies as of March 31, 2011</b>	<b>146</b>	<b>334</b>	<b>480</b>

As of March 31, 2011, 104 companies were accounted for under the equity method (December 31, 2010: 106).

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

#### Disposal Groups and Assets Held for Sale in 2011

##### Central Networks

In line with the strategy to divest €15 billion in assets by the end of 2013, E.ON sold its U.K. power distribution network operator to PPL Corporation ("PPL"), Allentown, Pennsylvania, U.S., effective April 1, 2011. The purchase price for the equity and for the assumption of certain liabilities is approximately £4.1 billion (equivalent to €4.6 billion as of March 31, 2011). In addition, provisions for pensions of about £0.1 billion were also transferred. As negotiations had already reached an advanced stage by March 1, 2011, the activities had to be presented as a disposal group as of that date. Held in the United Kingdom regional unit, Central Networks had net assets before consolidation effects of approximately £2.0 billion (equivalent to €2.3 billion) as of March 31, 2011. Its major balance sheet line items were non-current assets (€5.0 billion), operating receivables (€0.4 billion) intragroup liabilities (€1.2 billion) and financial liabilities to non-Group third parties (€0.6 billion), as well as pension and other provisions (€0.7 billion) and liabilities (€0.6 billion). OCI as of March 31, 2011, consisted primarily of foreign exchange translation differences totaling -€0.6 billion.

##### E.ON Rete

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

##### Stadtwerke Duisburg/Stadtwerke Karlsruhe

Following the disposal of the Thüga group, the shareholdings in Stadtwerke Duisburg Aktiengesellschaft (20 percent), Duisburg, Germany, and in Stadtwerke Karlsruhe GmbH (10 percent), Karlsruhe, Germany, both accounted for in the former Pan-European Gas market unit, were classified as assets held for sale as of December 31, 2010. The sale of the interest in Stadtwerke Karlsruhe GmbH to fellow shareholder KVVH - Karlsruher Versorgungs-, Verkehrs- und Hafen GmbH, Karlsruhe, Germany, was agreed during the fourth quarter of 2010. The transaction closed at the beginning of 2011. The intention is to close the sale of the stake in Stadtwerke Duisburg AG during the first half of 2011 as well.

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### HSE

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

### BKW

In the context of portfolio streamlining, E.ON made the decision to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction, in which BKW itself and Groupe E SA, Fribourg, Switzerland, paid a purchase price of approximately €0.3 billion for a roughly 14-percent stake, was completed in July 2010. The carrying amount of all the shares, accounted for in the Central Europe market unit using the equity method, was approximately €0.6 billion as of June 30, 2010; foreign exchange translation differences recognized in equity amounted to approximately €0.1 billion. The transaction closed in July 2010. A material net book gain was not realized. The remaining approximately 7 percent of the shares, on which BKW has a purchase option until September 2011, continue to be reported as an asset held for sale and are measured at fair value. The carrying amount as of March 31, 2011, is approximately €0.2 billion.

### Interest in OAO Gazprom

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

### Discontinued Operations in 2010

#### U.S. Midwest

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

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

Selected Financial Information— U.S. Midwest (Summary)			
January 1–March 31	2011		2010
€ in millions			
Sales	-	543	
Other income/expenses, net	18	-1,292	
<b>Income/Loss (-) from continuing operations before income taxes and non-controlling interests</b>	<b>18</b>	<b>-749</b>	
Income tax benefit	-6	-50	
<b>Income/Loss (-) from discontinued operations</b>	<b>12</b>	<b>-799</b>	

## Disposal Groups and Assets Held for Sale in 2010

### Europgas

As part of a series of portfolio optimizations, E.ON sought to sell its 50-percent stake in Europgas a.s., Prague, 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.

### Agreement with the European Commission

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

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

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

## (5) Research and Development Costs

The E.ON Group's research and development costs amounted to €12 million in the first quarter of 2011 (first quarter of 2010: €12 million).

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### (6) Financial Results

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

Financial Results		2011	2010
January 1-March 31	€ in millions		
Income from companies in which equity investments are held		13	10
Impairment charges/reversals on other financial assets		2	-10
<b>Income/Loss (-) from equity investments</b>		<b>15</b>	<b>0</b>
Income from securities, interest and similar income		167	124
Interest and similar expenses		-797	-654
<b>Interest and similar expenses (net)</b>		<b>-630</b>	<b>-530</b>
<b>Financial results</b>		<b>-615</b>	<b>-530</b>

### (7) Earnings per Share

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

Earnings per Share		2011	2010
January 1-March 31	€ in millions		
Income/Loss (-) from continuing operations		2,428	3,244
less: Non-controlling interests		-174	-167
<b>Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)</b>		<b>2,254</b>	<b>3,077</b>
Income/Loss (-) from discontinued operations, net		13	-799
<b>Net income attributable to shareholders of E.ON AG</b>		<b>2,267</b>	<b>2,278</b>
<b>in €</b>			
<b>Earnings per share (attributable to shareholders of E.ON AG)</b>			
from continuing operations		1.18	1.62
from discontinued operations		0.01	-0.42
<b>from net income</b>		<b>1.19</b>	<b>1.20</b>
Weighted-average number of shares outstanding (in millions)		1,905	1,905

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

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

The following table shows the structure of financial assets:

Companies Accounted for under the Equity Method and Other Financial Assets		
€ in millions	Mar. 31, 2011	Dec. 31, 2010
Companies accounted for under the equity method	6,481	6,343
Equity investments	2,306	2,201
Non-current securities	4,314	3,903
<b>Total</b>	<b>13,101</b>	<b>12,447</b>

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

## (10) Dividends Paid

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

## (9) Treasury Shares

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

## 40 Notes to the Condensed Consolidated Interim Financial Statements

### (11) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations decreased compared with year-end 2010 primarily due to net actuarial gains resulting mainly from higher discount rates and from employer contributions to plan assets. Provisions were further reduced by the balance sheet reclassification to "Liabilities associated with assets held for sale" of the provisions for pensions at units that are being sold.

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

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

Net Amount Recognized € in millions		
	Mar. 31, 2011	Dec. 31, 2010
Present value of all defined benefit obligations	13,274	16,514
Fair value of plan assets	-10,749	-13,263
<b>Funded status</b>	<b>2,525</b>	<b>3,251</b>
Unrecognized past service cost	-11	-11
<b>Net amount recognized</b>	<b>2,514</b>	<b>3,240</b>
<i>Thereof presented as operating receivables</i>	-12	-10
<i>Thereof presented as provisions for pensions and similar obligations</i>	2,526	3,250

The change in the provisions is virtually replicated in the decrease of the funded status compared with year-end 2010. Taking into account the net periodic pension cost, net pension payments and currency-translation effects, it is primarily attributable to net actuarial gains in the present value of all defined benefit obligations and in the plan assets, and to employer contributions to plan assets. The balance sheet reclassification to "Liabilities associated with assets held for sale" of the present value of the defined benefit obligation and of the plan assets at units that are being sold also has the effect of reducing the funded status.

The net periodic pension cost for defined benefit plans included in the provisions for pensions and similar obligations as well as in operating receivables breaks down as shown in the following table. The figure for the comparative period no longer includes the net periodic pension cost for the defined benefit pension plans at U.S. Midwest (see also Note 4).

Net Periodic Pension Cost for Defined Benefit Plans			
January 1-March 31	€ in millions	2011	2010
Employer service cost		62	57
Interest cost		209	207
Expected return on plan assets		-169	-166
Past service cost		2	2
<b>Total</b>		<b>104</b>	<b>100</b>

## (12) Segment Information

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

### Global Units

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

#### Conventional Generation

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

#### Renewables Generation

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

#### Global Gas

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

#### Trading

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

## 42 Notes to the Condensed Consolidated Interim Financial Statements

### Regional Units

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

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

Financial Information by Business Segment		Conventional Generation		Renewables Generation		Global Gas	
January 1-March 31 € in millions		2011	2010	2011	2010	2011	2010
External sales		1,198	1,080	234	132	1,513	1,508
Intersegment sales		3,307	2,626	343	327	5,527	4,909
<b>Sales</b>		<b>4,505</b>	<b>3,706</b>	<b>577</b>	<b>459</b>	<b>7,040</b>	<b>6,417</b>
<b>Adjusted EBITDA</b> <i>Earnings from companies accounted for under the equity method<sup>1</sup></i>		<b>1,460</b>	<b>1,203</b>	<b>396</b>	<b>309</b>	<b>138</b>	<b>810</b>
		2	8	5	2	128	114
<b>Operating cash flow before interest and taxes</b>		<b>1,207</b>	<b>1,558</b>	<b>211</b>	<b>333</b>	<b>1,223</b>	<b>1,132</b>
<b>Investments</b>		<b>356</b>	<b>752</b>	<b>147</b>	<b>123</b>	<b>165</b>	<b>190</b>

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

Financial Information by Business Segment—Presentation of Other EU Countries		United Kingdom		Sweden		Czech Republic	
January 1-March 31 € in millions		2011	2010	2011	2010	2011	2010
External sales		2,723	2,425	869	939	800	647
Intersegment sales		16	200	144	104	29	70
<b>Sales</b>		<b>2,739</b>	<b>2,625</b>	<b>1,013</b>	<b>1,043</b>	<b>829</b>	<b>717</b>
<b>Adjusted EBITDA</b> <i>Earnings from companies accounted for under the equity method<sup>1</sup></i>		<b>195</b>	<b>379</b>	<b>232</b>	<b>195</b>	<b>241</b>	<b>135</b>
		-	-	2	4	8	6
<b>Operating cash flow before interest and taxes</b>		<b>-470</b>	<b>6</b>	<b>193</b>	<b>218</b>	<b>-7</b>	<b>28</b>
<b>Investments</b>		<b>147</b>	<b>137</b>	<b>61</b>	<b>50</b>	<b>23</b>	<b>25</b>

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

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

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

Trading		Germany		Other EU countries		Russia		Group Management/Consolidation		E.ON Group	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
8,120	6,227	9,548	9,859	6,796	6,335	415	343	22	200	27,846	25,684
7,181	6,673	603	761	315	508	-	-	-17,276	-15,804	0	0
<b>15,301</b>	<b>12,900</b>	<b>10,151</b>	<b>10,620</b>	<b>7,111</b>	<b>6,843</b>	<b>415</b>	<b>343</b>	<b>-17,254</b>	<b>-15,604</b>	<b>27,846</b>	<b>25,684</b>
-223	350	755	768	941	953	153	99	-150	-6	3,470	4,486
-	-	15	26	30	29	-	-	2	5	182	184
<b>205</b>	<b>604</b>	<b>-509</b>	<b>-109</b>	<b>-250</b>	<b>98</b>	<b>51</b>	<b>97</b>	<b>-397</b>	<b>16</b>	<b>1,741</b>	<b>3,729</b>
<b>3</b>	<b>2</b>	<b>124</b>	<b>136</b>	<b>292</b>	<b>300</b>	<b>58</b>	<b>156</b>	<b>19</b>	<b>19</b>	<b>1,164</b>	<b>1,678</b>

Hungary		Other regional units		Other EU countries	
2011	2010	2011	2010	2011	2010
622	608	1,782	1,716	6,796	6,335
4	16	122	118	315	508
<b>626</b>	<b>624</b>	<b>1,904</b>	<b>1,834</b>	<b>7,111</b>	<b>6,843</b>
93	98	180	146	941	953
-	-	20	19	30	29
-22	4	56	-158	-250	98
<b>30</b>	<b>24</b>	<b>31</b>	<b>64</b>	<b>292</b>	<b>300</b>

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

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

Operating Cash Flow		January 1–March 31 € in millions	2011	2010	Difference
Operating cash flow before interest and taxes	Interest payments				
<b>1,741</b>	-427	<b>3,729</b>	<b>-1,988</b>		
Interest payments		-295	-132		
Income tax payments		-436	28		
<b>906</b>	<b>2,998</b>				<b>-2,092</b>

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

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

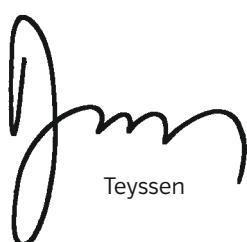
The following table shows the reconciliation of adjusted EBITDA to net income as reported in the IFRS Consolidated Financial Statements:

Net Income			
January 1-March 31			
€ in millions		2011	2010
<b>Adjusted EBITDA</b>	<b>3,470</b>	<b>4,486</b>	
Depreciation and amortization	-914	-894	
Impairments (-) / Reversals (+) <sup>1</sup>	12	-12	
<b>Adjusted EBIT</b>	<b>2,568</b>	<b>3,580</b>	
Adjusted interest income (net)	-500	-557	
Net book gains/losses	675	666	
Restructuring/Cost-management expenses	-117	-127	
Other non-operating earnings	497	803	
<b>Income/Loss (-) from continuing operations before taxes</b>	<b>3,123</b>	<b>4,365</b>	
Income taxes	-695	-1,121	
<b>Income/Loss (-) from continuing operations</b>	<b>2,428</b>	<b>3,244</b>	
Income/Loss (-) from discontinued operations, net	13	-799	
<b>Net income</b>	<b>2,441</b>	<b>2,445</b>	
Attributable to shareholders of E.ON AG	2,267	2,278	
Attributable to non-controlling interests	174	167	

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

The goodwill impairment of €0.9 billion recognized in the context of the U.S. Midwest disposal (see also Note 4) is included in the net income/loss from discontinued operations for the comparative period.

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



Teyssen



Kildahl



Maubach



Reutersberg



Schenck



Stachelhaus

## Financial Calendar

August 10, 2011	Interim Report: January - June 2011
November 9, 2011	Interim Report: January - September 2011
March 14, 2012	Release of the 2011 Annual Report
May 3, 2012	2012 Annual Shareholders Meeting
May 4, 2012	Dividend Payout
May 9, 2012	Interim Report: January - March 2012
August 13, 2012	Interim Report: January - June 2012
November 13, 2012	Interim Report: January - September 2012

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