Interim Report II/2012

2012

January February March

April May June

July August September

October November December

E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1–June 30	2012	2011	+/- %
Electricity sales[1]	376.3 billion kWh	376.7 billion kWh	–
Gas sales[1]	674.1 billion kWh	606.8 billion kWh	+11
Sales	€65,402 million	€53,048 million	+23
EBITDA[2]	€6,706 million	€4,325 million	+55
EBIT[2]	€4,874 million	€2,373 million	+105
Net income	€3,133 million	€948 million	+230
Net income attributable to shareholders of E.ON AG	€2,906 million	€691 million	+321
Underlying net income	€3,313 million	€933 million	+255
Investments	€2,720 million	€2,467 million	+10
Operating cash flow	€2,479 million	€2,362 million	+5
Economic net debt (June 30 and December 31)	-€41,087 million	-€36,385 million	-4,702[3]
Employees (June 30 and December 31)	75,521	78,889	-4
Earnings per share attributable to shareholders of E.ON AG	€1.53	€0.36	+325
Weighted-average shares outstanding (in millions)	1,905	1,905	–

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.
[2]Adjusted for extraordinary effects (see Glossary of Selected Financial Terms below).
[3]Change in absolute terms.

Glossary of Selected Financial Terms

EBIT Adjusted earnings before interest and taxes. As used by E.ON, EBIT 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.

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. It is equal to our definition of EBIT prior to depreciation and amortization.

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).

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

Underlying net income An earnings figure after interest income, income 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 non-controlling interests). Underlying net income also excludes special tax effects and income/loss from discontinued operations, net.

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January 1 – June 30, 2012

- EBITDA and underlying net income considerably above prior-year figures
- Agreement with Gazprom reached on long-term gas supply contracts
- Full-year EBITDA expected to be between €10.4 and €11 billion, underlying net income between €4.1 and €4.5 billion

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Dear Shareholders,

The E.ON Group's business continued to perform positively in the first half of 2012. We've left the trough of the previous financial year behind us and made tangible progress implementing our strategy. First-half sales of €65.4 billion were 23 percent above the prior-year figure. EBITDA was up by €2.4 billion to around €6.7 billion. Underlying net income rose by €2.4 billion to around €3.3 billion. These increases resulted primarily from our July agreement with Gazprom on lasting adjustments to our long-term supply contracts. This factor had a roughly €1 billion positive impact on our first-half EBITDA. In view of this agreement, we've upgraded our earnings forecast for full-year 2012. We now expect our 2012 EBITDA to be between €10.4 and €11 billion and our underlying net income to be between €4.1 and €4.5 billion. Underlying net income will be positively impacted by our EBITDA increase along with non-recurring effects in tax and interest earnings and an overall lower tax rate on our operating earnings. We continue to stand by our plan to pay out a dividend of €1.10 per share for the 2012 financial year.

Following our long-term agreement with Gazprom and those already reached with other suppliers, our gas business is no longer a strategic work in progress. Natural gas from E.ON can, in conjunction with the transformation of Europe's energy system, continue to play a key role in the future. Natural gas is an ideal partner for renewables, particularly in distributed generation. At the start of July, E.ON and K+S KALI GmbH commissioned a new, high-efficiency gas turbine in Philippsthal, Germany. The new unit has an electric generating capacity of 30 megawatts, produces up to 80 metric tons of process heat per hour, and has a thermal efficiency of 88 percent. It represents another tangible contribution to the expansion of distributed generation. And it's no coincidence that it's fueled by natural gas, which is justly recognized as a key energy source of a climate-friendly energy supply for the future. To play this role, gas must be available whenever it's needed and at affordable prices. We achieved a positive turnaround in our gas wholesale business. In our power generation business in Europe, however, reduced demand continues to adversely impact capacity utilization, prices, and margins. We'll therefore further optimize our conventional generation portfolio, reduce costs, enhance our assets' flexibility, and even explore closing assets where necessary. If certain assets in Germany can't be operated economically at this time but are important for ensuring the stability of the power supply, we're therefore working with the relevant agencies (the Federal Network Agency in Germany, for example) and with local system operators to find solutions that will allow these assets to stay in service as reserve capacity for a transition period.

Our effort to refocus our business in Europe is also moving forward according to plan. In May, we sold Open Grid Europe to a consortium of infrastructure investors for about €3.2 billion. The transaction, which closed in late July, takes us very close to our goal of generating roughly €15 billion through disposals by the end of 2013. As part of the refocusing of our regional business in Germany, we've entered into discussions to sell our stakes in three regional distribution companies. Going forward, we intend to focus on our four largest regional distribution companies. Together, they form a strong, efficient team that will play an active role in transforming Germany's energy system at a regional level by accelerating the expansion of networks and distributed generation.

Not even a year has passed since the launch of E.ON 2.0, but the first concrete changes are already visible. Since last August, we've revamped our organizational setup (mainly in Germany), radically reexamined our task areas and processes, and, above all, significantly simplified our administration functions. As part of this reorganization, we decided to set up shared services entities for certain human resources and accounting functions. These steps take us closer to achieving our goal of reducing our controllable costs to €9.5 billion annually by 2015.

After the first half of 2012, it's clear to me that the reorganization of our company has come very far in a short time. We're laying the foundation for E.ON to play a decisive role in transforming the world of energy and, in the years ahead, remain one of the most successful international energy companies.

Best wishes,

Dr. Johannes Teyssen

E.ON Stock

At the end of the first half of 2012, E.ON stock (factoring in reinvested dividends) was 8 percent above its year-end closing price for 2011, thereby outperforming its peer index, the STOXX Utilities (+4 percent over the same period) and the EURO STOXX 50 index (+1 percent).

The number of E.ON shares traded in the first half declined by 11 percent year on year to 1,272 million shares. E.ON's stock-exchange trading volume declined by 33 percent to €21 billion due to the stock's lower average price.

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

E.ON Stock

	June 30, 2012	Dec. 31, 2011
Shares outstanding (millions)	1,905	1,905
Closing price (€)	17.00	16.67
Market capitalization (€ in billions)[1]	32.4	31.8

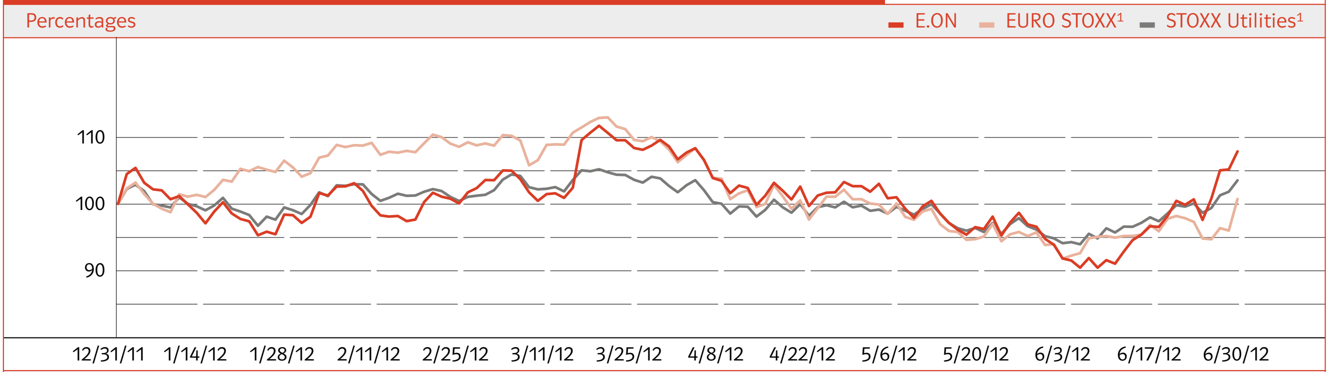
[1]Based on shares outstanding.

Performance and Trading Volume

January 1–June 30	2012	2011
High (€)[1]	18.64	25.11
Low (€)[1]	14.24	18.42
Trading volume[2]		
Millions of shares	*1,272.2*	*1,432.1*
€ in billions	*21.0*	*31.4*

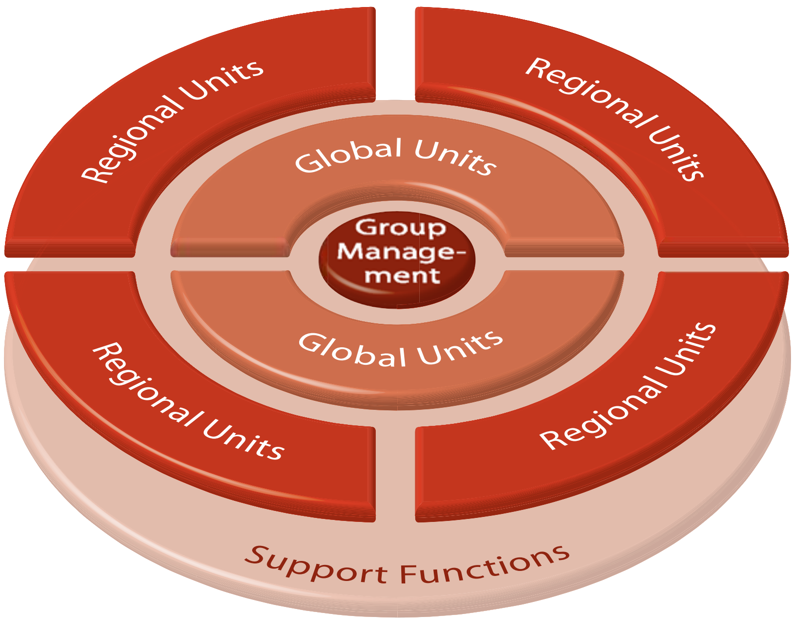
[1]Xetra.
[2]Source: Bloomberg (all German stock exchanges).

E.ON Stock Performance



[1]Based on the performance index.

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.

Several changes in our segmentation took effect on January 1, 2012: the businesses of our former Gas and Trading global units are now reported in a new segment called Optimization & Trading; the Exploration & Production unit, formerly part of Gas, is now its own segment; and a number of gas sales companies, also formerly part of Gas, are now reported under the Germany regional unit. Prior-year figures were adjusted accordingly.

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, continually optimizing the Group's business portfolio, and conducting stakeholder management.

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

Global Units

Our four global units are Generation, Renewables, Optimization & Trading, and Exploration & Production. In addition, a unit called New-Build & Technology brings together 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.

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

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.

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, our Optimization & Trading global unit buys and sells electricity, natural gas, liquefied natural gas, oil, coal, freight, biomass, and carbon allowances. In addition, it manages and develops assets at several stages of the gas value chain, including pipelines, long-term supply contracts, and storage facilities.

Exploration & Production

Our Exploration & Production segment is a growth business with good prospects for the future. It is active in four focus regions: the U.K. North Sea, the Norwegian North Sea, Russia, and North Africa.

Regional Units

Twelve regional units manage our distribution and sales operations (including distributed generation) in Europe: Germany, the United Kingdom, Sweden, Italy, Spain, France, the Netherlands, Hungary, the Czech Republic, Slovakia, Romania, and, through the end of June 2012, Bulgaria. We manage our power generation business in Russia as a special-focus region.

Energy Industry

According to figures from AGEB, an energy-industry working group, Germany's first-half energy consumption was at the prior-year level. The effect of factors that served to raise consumption (cool weather, a slight increase in economic growth, and leap year) was offset by more efficient energy use and effects from Germany's accelerated phaseout of nuclear energy. Gas consumption increased slightly (by 0.4 percent) owing to relatively cold weather.

Electricity consumption in England, Scotland, and Wales was about 157.4 billion kWh in the first half of 2012 compared with 156.8 billion kWh in the same period of 2011. Gas consumption (excluding power stations) increased from 313 billion kWh to 324 billion kWh. Low temperatures in the second quarter more than offset the declines of the first which were mainly the result of slightly higher temperatures, ongoing energy-efficiency measures, and changes in customer behavior.

Northern Europe consumed 197 billion kWh of electricity, about 1 billion kWh less than in the prior-year period. Net electricity exports to surrounding countries were about 8 billion kWh compared with net imports of about 9 billion kWh in the prior-year period.

At 16.9 billion kWh, Hungary's electricity consumption was 1 percent below the prior-year level. Driven by weather factors, its gas consumption fell by 3.5 percent to 5,998 million cubic meters.

Italy consumed 160.8 billion kWh of electricity, 2.8 percent less than in the prior-year period (165.4 billion kWh). Gas consumption declined by 2.3 percent to 433.9 billion kWh (prior year: 444.1 billion kWh) owing to a reduction in deliveries to gas-fired power plants.

Peninsular electricity consumption in Spain was 128 billion kWh, 1.7 percent below the prior-year figure (consumption fell by 2 percent if adjusted for differences in temperature and the number of working days). Retail gas consumption increased by 7.2 percent to 148 billion kWh.

France's electricity consumption rose by 3.4 percent to 257.8 billion kWh (consumption rose by 0.1 percent if adjusted for differences in temperature and the number of working days). Total generation increased by 0.1 percent to 281.9 billion kWh.

The Russian Federation generated about 533.4 billion kWh of electricity, 1.6 percent more than in the prior-year period.

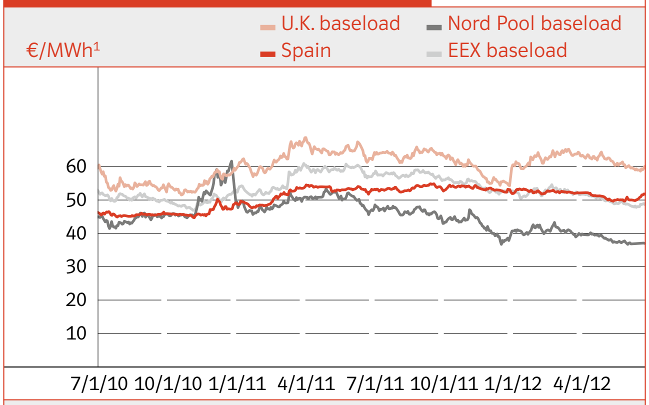
Energy Prices

Four main factors drove electricity and natural gas markets in Europe and the electricity market in Russia in the first half of 2012:

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

Whereas an extended period of cold weather in Europe and political unrest in the Middle East had driven energy prices in the first quarter, global economic developments became a decisive factor in the second quarter. The adverse impact of the ongoing crisis in the euro zone was exacerbated by disappointing economic data in the United States and growing concern about a slowdown in China's economic growth.

Electricity Price Movements in E.ON's Core Markets



[1]For next-year delivery.

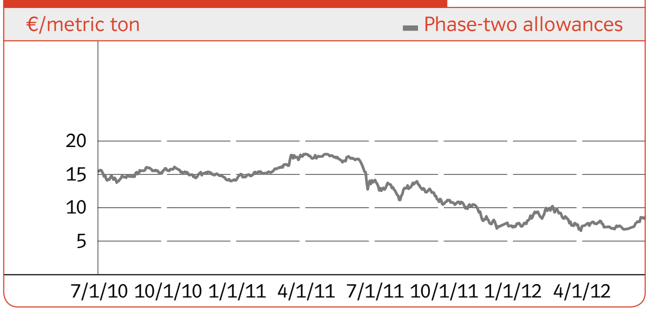
As a result, Brent crude oil did not continue its upward trend of the first quarter, during which it surpassed $125 per barrel. It fell sharply in the second quarter and, for the first time since December 2010, dipped below $90. Besides weak economic data, a key reason for the decline was the apparent lessening of tension between the West and Iran. In addition, shortly before U.S. sanctions and the EU oil embargo against Iran took full effect, figures showed that OPEC's crude oil production of 31.8 million barrels per day was the highest it had been since 2008.

Interim Group Management Report

Prices on Europe's coal market (as measured by the API#2 index), which had begun the year at $117 per metric ton for next-year delivery, fell by nearly 16 percent to $98 at the end of June. Prices reached a low point for the year on June 12. The main factors were a decline in demand from China (a key coal market), historically high inventory levels, and the failure of some coal importers to meet their offtake obligations. Another factor was that in the United States cheaper shale gas continued to crowd out domestic coal, particularly in power generation. Supported by very low freight costs, a significant amount of U.S. coal continued to be shipped from Atlantic to Pacific markets, where prices remained higher. With Chinese prices dropping, however, arbitrage opportunities became much scarcer toward the end of June.

European forward gas prices also moved markedly lower in the second quarter. After rising to roughly €30 per MWh in the first quarter on cold weather across Europe and a production stoppage at Elgin drilling platform, U.K. hub prices for next-year delivery fell to €27 per MWh by the end of June. The main drivers were weak oil prices und greater macroeconomic uncertainty. Nevertheless, natural-gas prices declined much less sharply than oil prices. An indication of this is that on June 22 forward gas prices at the Dutch hub were closer to the prices of oil-indexed long-term contracts than they had been in 18 months. The primary reason was that Japan's increased demand for gas continued to significantly restrict the availability of LNG for the European market.

Carbon Allowance Price Movements in Europe

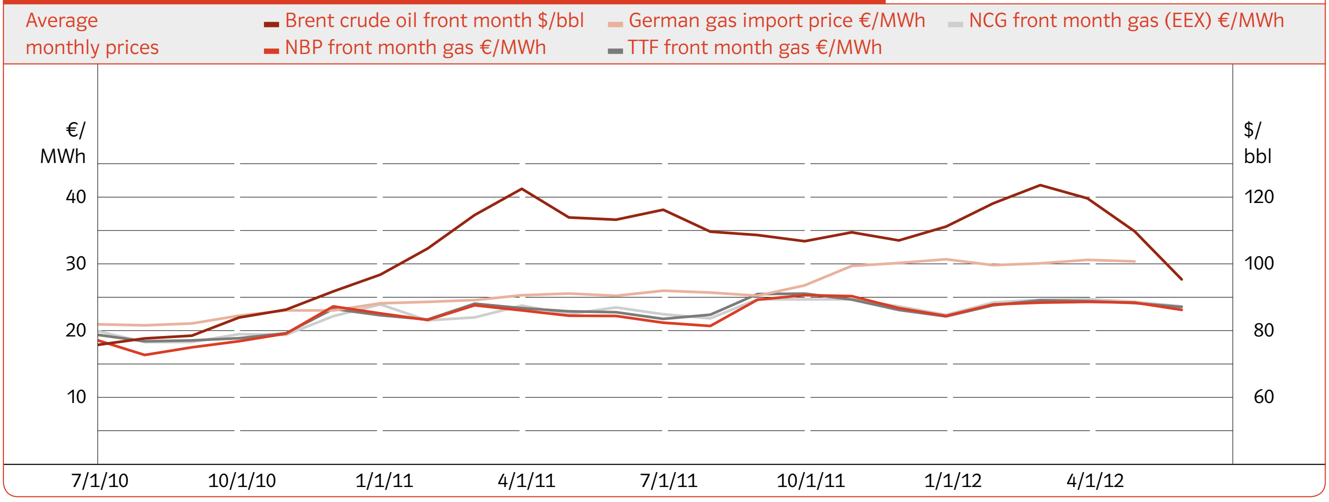


Prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme ("ETS") continued their sideways trend from the first quarter. With a few exceptions, prices stayed in a range of €7 to €8 per metric ton. EUAs fell to a record low of €5.99 after the publication of EU emissions figures for 2011, which, contrary to the market's expectations, were significantly below the figures for 2010. This lead to debate among policymakers about how to intervene in the market to support EUA prices. In response to this debate, EUAs rose above €7.50 per metric ton. The European Commission is expected to propose specific price-support measures soon.

Germany's forward electricity market was strongly influenced by fundamentals in the second quarter of 2012. The prospect of new coal-fired generating capacity entering service next year combined with the ongoing addition of new solar and wind capacity put downward pressure on prices. As a result, German baseload electricity for next-year delivery fell to under €48 per MWh, €4 below the level at the start of the year. With natural gas prices still relatively high, there was little incentive to invest in gas-fired generation. U.K. power prices also moved lower in the second quarter, with power for next-year delivery finishing the quarter at around €60 per MWh, roughly the same as at the start of the year. This trend was driven by declining fuel prices (for gas and coal) and by lower carbon prices, which resulted from sterling's strength against the euro. Another factor was a good supply situation, which resulted from the recent commissioning of new generating capacity and substantial power imports from the Continent. The Nordic power market continued to see considerable reservoir inflows in the second quarter. Nevertheless, reservoir levels fell from the records highs at the end of the first quarter to an average level because the snowmelt in the spring was delayed by below-average temperatures. Prices for next-year delivery declined by €2 during the second quarter, finishing at about €38 per MWh, €3 below the price at the start of the year. Although prices for next-year delivery in Italy rose by €2 in the first quarter to €77 per MWh due to the Italian power market's high dependence on oil-indexed natural gas, in the second quarter Italy's weak economy began to have an adverse impact on power consumption. This effect, along with an increase in solar-power feed-in, pushed prices below €70 per MWh. After fluctuating little in the first quarter, the price of power for next-year delivery in Spain fell from about €52 to under €50 per MWh in the first half of the second quarter owing to lower fuel prices. Power prices then rose in response to higher carbon prices and the Spanish government's announcement that it planned to pass a resolution in July to introduce a new tax on power generation. As a result, Spanish forward power prices finished the second quarter about where they had started it.

Prices in the European zone of Russia's power market were largely stable, in part due to the Russian government's decision to postpone the planned increase in gas tariffs. The weighted-average spot price for the first half was RUB 875 (nearly €22) per MWh. This incremental decrease compared with the average price for the second half of 2011 resulted from new generating capacity entering service as planned. In the Siberian zone, the weighted-average spot price rose slightly quarter on quarter to RUB 655 (around €16) per MWh. This 16-percent increase relative to the second half of 2011 is mainly attributable to commercial changes in the market environment along with below-average reservoir inflow and lower hydro output.

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



Power Procurement

The E.ON Group's owned generation declined by 2 percent, from 132.6 billion kWh in the first half of 2011 to 129.6 billion kWh in 2012. Power procured increased by 1 percent, from 254.6 billion kWh to 257.4 billion kWh.

Generation's owned generation was 6.3 billion kWh below the prior-year level. The decline resulted in particular from the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act, a decline in availability at Oskarshamn nuclear power station in Sweden, and lower demand in Italy. The commissioning of new gas-fired power plants in the United Kingdom and Germany and significantly improved market conditions for coal-fired assets in the United Kingdom and Spain constituted the main positive factors.

Renewables' owned generation of 13.6 billion kWh surpassed the prior-year figure (11.6 billion kWh) by 2 billion kWh. Owned generation at the Hydro reporting unit rose by 1.1 billion kWh owing to an increase in output in Sweden due to high reservoir

Power Procurement

January 1–June 30	Generation		Renewables		Optimization & Trading[1]		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Owned generation	77.2	83.5	13.6	11.6	–	–	3.1	3.5	3.5	3.9	32.2	30.1	–	–	129.6	132.6
Purchases	13.6	18.8	3.7	2.9	287.8	283.9	87.9	89.6	76.9	80.1	2.3	2.0	-214.8	-222.7	257.4	254.6
Jointly owned power plants	*5.7*	*6.2*	*1.1*	*0.8*	–	–	*0.1*	*0.1*	–	–	–	–	–	–	*6.9*	*7.1*
Optimization & Trading/ outside sources	*7.9*	*12.6*	*2.6*	*2.1*	*287.8*	*283.9*	*87.8*	*89.5*	*76.9*	*80.1*	*2.3*	*2.0*	*-214.8*	*-222.7*	*250.5*	*247.5*
Total power procurement	**90.8**	**102.3**	**17.3**	**14.5**	**287.8**	**283.9**	**91.0**	**93.1**	**80.4**	**84.0**	**34.5**	**32.1**	**-214.8**	**-222.7**	**387.0**	**387.2**
Station use, line loss, etc.	-1.1	-1.1	-0.4	-0.3	–	–	-2.9	-2.9	-5.2	-5.3	-1.1	-0.9	–	–	-10.7	-10.5
Power sales	**89.7**	**101.2**	**16.9**	**14.2**	**287.8**	**283.9**	**88.1**	**90.2**	**75.2**	**78.7**	**33.4**	**31.2**	**-214.8**	**-222.7**	**376.3**	**376.7**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Owned Generation by Energy Source	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
January 1–June 30	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	26.2	34	–	–	–	–	–	–	–	–	26.2	20
Lignite	2.5	3	–	–	–	–	0.2	6	5.5	17	8.2	6
Hard coal	33.7	44	–	–	–	–	–	–	–	–	33.7	26
Natural gas, oil	14.8	19	–	–	0.6	19	2.7	77	26.7	83	44.8	35
Hydro	–	–	7.6	56	1.4	45	0.1	3	–	–	9.1	7
Wind	–	–	5.8	43	–	–	–	–	–	–	5.8	5
Other	–	–	0.2	1	1.1	36	0.5	14	–	–	1.8	1
Total	**77.2**	**100**	**13.6**	**100**	**3.1**	**100**	**3.5**	**100**	**32.2**	**100**	**129.6**	**100**

levels at the start of 2012 and good stream flow in Germany; this was partially mitigated by lower water levels in Italy. Owned generation at the Wind/Solar/Other reporting unit rose by 18 percent to 6 billion kWh (prior year: 5.1 billion kWh). Wind farms accounted for 97 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

The decline in owned generation at the Germany regional unit is primarily attributable to the leasing of Plattling and Grenzach-Wyhlen power plants effective the second half of 2011. Renewables accounted for 50 percent of this unit's owned generation.

Other EU Countries' owned generation declined incrementally.

The Russia unit generated about 93 percent of its total needs of 34.5 billion kWh at its own power stations. It procured 2.3 billion kWh from outside sources.

Gas Procurement, Trading Volume, and Gas Production

The Optimization & Trading unit procured about 666 billion kWh of natural gas from producers in and outside Germany in the first half of 2012. About half of this amount was procured under long-term contracts, the remainder at trading hubs. The biggest suppliers were Norway, Russia, Germany, and the Netherlands.

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

Trading Volume January 1–June 30	2012	2011
Power (billion kWh)[1]	832	902
Gas (billion kWh)	1,115	1,263
Carbon allowances (million metric tons)	223	318
Oil (million metric tons)	40	49
Coal (million metric tons)	159	106

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

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

Exploration & Production's gas production in the North Sea declined to 404 million cubic meters. Oil and condensates production of 1.1 million barrels was also down, declining by 48 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord, Elgin/Franklin, and Rita fields and natural production declines at older fields. Together, these factors caused total upstream production of gas, liquids, and condensates to fall by 45 percent to 3.6 million barrels of oil equivalent. In addition to its North Sea production, Exploration & Production had 3.2 billion cubic meters of output from Yuzhno Russkoye, somewhat lower than the prior-year figure.

Upstream Production January 1–June 30	2012	2011	+/- %
Oil/condensates (million barrels)	1.1	2.1	-48
Gas (million standard cubic meters)	404	720	-44
Total (million barrels of oil equivalent)	**3.6**	**6.6**	**-45**

Power Sales

On a consolidated basis, the E.ON Group's first-half power sales of 376.3 billion kWh were at the prior-year level.

The decline in Generation's power sales is mainly attributable to the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act, lower demand in Italy, and a decrease in deliveries to Optimization & Trading from our power stations in Sweden. Power sales benefited from the significantly improved market conditions for coal-fired assets in the United Kingdom and the commissioning of new gas-fired power plants in the United Kingdom and Germany.

Renewables sold 2.7 billion kWh more power than last year. Power sales at Hydro were 1.8 billion kWh higher primarily because of an increase in owned generation and in deliveries to Optimization & Trading in Sweden and Germany. Wind/Solar/Other, which sells its output exclusively in markets with incentive mechanisms for renewables, grew its power sales by 0.9 billion kWh, or 16 percent, chiefly because of an increase in installed generating capacity.

Power sales at the Germany regional unit were nearly at the prior-year level.

Other EU Countries sold 3.5 billion kWh less power. Declines of 6 billion kWh (primarily in the United Kingdom, Italy, Sweden, France, and the Netherlands) more than offset gains of 2.5 billion kWh (primarily in Spain, Czechia, and Romania). Figures for 2012 and 2011 include output from combined-heat-and-power plants in the United Kingdom.

The Russia unit sold 33.4 billion kWh of electricity on the wholesale market, a 7-percent increase from the prior-year figure. The main factor was the addition of new generating capacity at Surgut and Yaiva power stations, which entered service in the second half of 2011.

Power Sales

January 1–June 30 Billion kWh	Generation 2012	Generation 2011	Renewables 2012	Renewables 2011	Optimization & Trading[1] 2012	Optimization & Trading[1] 2011	Germany 2012	Germany 2011	Other EU Countries 2012	Other EU Countries 2011	Russia 2012	Russia 2011	Consolidation 2012	Consolidation 2011	E.ON Group 2012	E.ON Group 2011
Residential and SME	–	–	–	–	–	–	12.6	13.3	31.6	31.8	–	–	–	–	44.2	45.1
I&C	1.9	1.8	–	–	–	–	17.5	15.7	34.2	39.5	–	–	-0.2	-0.1	53.4	56.9
Sales partners	16.5	18.0	2.5	2.5	–	–	42.6	44.0	0.3	0.8	–	–	-2.6	-2.5	59.3	62.8
Customer segments	**18.4**	**19.8**	**2.5**	**2.5**	**–**	**–**	**72.7**	**73.0**	**66.1**	**72.1**	**–**	**–**	**-2.8**	**-2.6**	**156.9**	**164.8**
Wholesale market/ Optimization & Trading	71.3	81.4	14.4	11.7	287.8	283.9	15.4	17.2	9.1	6.6	33.4	31.2	-212.0	-220.1	219.4	211.9
Total	**89.7**	**101.2**	**16.9**	**14.2**	**287.8**	**283.9**	**88.1**	**90.2**	**75.2**	**78.7**	**33.4**	**31.2**	**-214.8**	**-222.7**	**376.3**	**376.7**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Gas Sales

On a consolidated basis, the E.ON Group increased its first-half gas sales by 67.3 billion kWh, or 11 percent, to 674.1 billion kWh.

Optimization & Trading's gas sales were almost unchanged relative to the prior-year figure. Gas sales to industrial and commercial ("I&C") customers and sales partners were slightly below the prior-year level. The change in these two segments' respective share of total gas sales results from the reclassification of some customers. Gas sales to the Germany regional unit of 230 billion kWh were slightly above the prior-year level. Gas sales outside Germany declined slightly (by about 11 billion kWh) owing to a reduction in deliveries to E.ON Földgáz Trade. The wholesale market shows an increase compared to last year driven predominantly by higher UK retail demand.

The Germany regional unit recorded an increase in gas sales volume, mainly because of the acquisition of new customers in the sales partners segment.

On balance, Other EU Countries sold 11.6 billion kWh more gas than in the prior-year period. Gas sales rose by a total of 12.7 billion kWh in several countries, particularly in Romania and Czechia (on higher wholesale sales volume) and in the United Kingdom (owing to lower temperatures in the second quarter), in Spain (on higher I&C sales volume), and in the Netherlands (on higher sales volume to Optimization & Trading). Gas sales fell by a total of 0.9 billion kWh owing to a reduction in deliveries to gas-fired power plants in Sweden.

Gas Sales

January 1–June 30 Billion kWh	Optimization & Trading[1] 2012	Optimization & Trading[1] 2011	Germany 2012	Germany 2011	Other EU Countries 2012	Other EU Countries 2011	Consolidation 2012	Consolidation 2011	E.ON Group 2012	E.ON Group 2011
Residential and SME	–	–	14.5	14.8	59.2	52.7	–	–	73.7	67.5
I&C	5.9	–	65.6	68.2	27.4	27.7	-2.9	-5.6	96.0	90.3
Sales partners	39.5	47.6	189.7	172.0	0.1	0.5	-39.4	-52.5	189.9	167.6
Customer segments	**45.4**	**47.6**	**269.8**	**255.0**	**86.7**	**80.9**	**-42.3**	**-58.1**	**359.6**	**325.4**
Germany	230.1	215.7	–	–	–	–	-230.1	-215.7	–	–
Other countries	49.7	61.1	–	–	–	–	-17.2	-25.6	32.5	35.5
Wholesale market/ Optimization & Trading	347.6	334.3	–	–	12.4	6.6	-78.0	-95.0	282.0	245.9
Total	**672.8**	**658.7**	**269.8**	**255.0**	**99.1**	**87.5**	**-367.6**	**-394.4**	**674.1**	**606.8**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; the prior-year figure was adjusted accordingly.

Earnings Situation

Transfer Price System

Deliveries from our generation units to Optimization & Trading are settled according to a market-based transfer price system. 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 for power deliveries in 2012 were lower than the prices for deliveries in 2011.

Sales

Our first-half sales rose by 23 percent year on year to €65.4 billion. Our Optimization & Trading and Germany segments recorded particularly significant sales increases. Overall, the share of external sales was higher. By contrast, Generation's sales declined.

Sales

January 1–June 30 € in millions	2012	2011	+/- %
Generation	6,225	7,577	-18
Renewables	1,202	1,132	+6
Optimization & Trading	48,665	38,129	+28
Exploration & Production	766	815	-6
Germany	20,692	18,755	+10
Other EU Countries	12,666	11,906	+6
Russia	887	780	+14
Group Management/ Consolidation	-25,701	-26,046	–
Total	**65,402**	**53,048**	**+23**

Generation

Generation's first-half sales declined by €1.4 billion, or 18 percent.

Sales

January 1–June 30 € in millions	2012	2011	+/- %
Nuclear	2,078	2,695	-23
Fossil	4,136	4,806	-14
Other	11	76	-86
Generation	**6,225**	**7,577**	**-18**

The Nuclear reporting unit's sales were €617 million, or 23 percent, below the prior-year level. The main reason for the decrease was the shutdown of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act. Sales also declined on lower internal transfer prices on deliveries to Optimization & Trading and lower sales volume in Sweden.

The Fossil reporting unit's sales were €670 million, or 14 percent, lower. The decline resulted primarily from a significant reduction in sales volume in Italy and lower internal transfer prices. Sales were higher in the United Kingdom due to the commissioning of a new gas-fired power plant and improved market conditions for coal-fired assets, and in Spain due to an increase in sales volume.

Renewables

Sales at Renewables rose by €70 million.

Sales January 1–June 30 € in millions	2012	2011	+/- %
Hydro	686	716	-4
Wind/Solar/Other	516	416	+24
Renewables	**1,202**	**1,132**	**+6**

Sales at Hydro declined by 4 percent to €686 million, mainly because of lower sales volume in Italy and a weather-driven reduction in output in Spain, particularly in the first quarter. Sales were higher in Sweden and Germany due to higher sales volume and the favorable hydrological situation in the first half of 2012.

The predominant reason for the €100 million increase in Wind/Solar/Other's sales was a considerable increase in installed generating capacity, particularly in the United States.

Optimization & Trading

Optimization & Trading's sales were up by 28 percent to around €48.7 billion (prior year: €38.1 billion).

Sales January 1–June 30 € in millions	2012	2011	+/- %
Proprietary Trading	3	20	-85
Optimization	48,467	37,964	+28
Transmission/Shareholdings/ Other	195	145	+34
Optimization & Trading	**48,665**	**38,129**	**+28**

The Optimization reporting unit consists of our wholesale gas business, gas storage business, and asset optimization. Continuing the trend from the fourth quarter of 2011, sales were higher due to an increase in trading activity, primarily in power and gas. On the gas side, hedging in conjunction with long-term supply contracts and the optimization of E.ON-owned gas-fired power plants led to a significant increase in sales, as did the shift to an annual rolling hedging strategy. Sales at the wholesale gas business also rose owing primarily to higher sales prices and higher sales volume. On the power side, sales rose in particular because of an increase in trading activities to optimize the value of E.ON's generation portfolio. The increase in sales is reflected almost identically in the increase in cost of materials, since optimization involves buying quantities and then reselling them. The Consolidated Statements of Income include Proprietary Trading's sales net of the associated cost of materials.

At the Transmission/Shareholdings/Other reporting unit, lower sales of control and balancing energy resulted in a decrease in sales in the gas transport business. This was more than offset by consolidation effects.

Exploration & Production

Sales at Exploration & Production declined by 6 percent to €766 million (prior year: €815 million) owing to a decline in production at our North Sea fields. This effect was partially offset by positive price developments, particularly for sales volume from Yuzhno Russkoye gas field in Siberia.

Germany

Sales at the Germany regional unit increased by €1.9 billion.

Sales January 1–June 30 € in millions	2012	2011	+/- %
Distribution Networks	6,448	5,651	+14
Non-regulated/Other	14,244	13,104	+9
Germany	**20,692**	**18,755**	**+10**

The Distribution Networks reporting unit grew sales by €0.8 billion. The increase is mainly attributable to significantly higher sales in conjunction with Germany's Renewable Energy Law and to a regulation-driven increase in power network charges.

Sales at the Non-regulated/Other reporting unit rose by €1.1 billion, chiefly because of the acquisition of new retail gas customers.

Other EU Countries

Other EU Countries grew sales by €760 million to €12.7 billion.

Sales January 1–June 30 € in millions	2012	2011	+/- %
UK (£ in millions)	4,976 (4,093)	4,367 (3,791)	+14 (+8)
Sweden (SEK in millions)	1,491 (13,243)	1,662 (14,861)	-10 (-11)
Czechia (CZK in millions)	1,590 (40,026)	1,429 (34,795)	+11 (+15)
Hungary (HUF in millions)	995 (293,903)	1,054 (283,982)	-6 (+3)
Remaining regional units	3,614	3,394	+6
Other EU Countries	**12,666**	**11,906**	**+6**

Sales at the UK regional unit rose by €609 million, primarily because of currency-translation effects. Higher retail sales were partially offset by the disposal of the regulated business (Central Networks) at the end of the first quarter of 2011.

The Sweden regional unit's sales decreased by €171 million, mainly because of lower retail sales which resulted from lower variable prices and sales volume.

Sales in Czechia rose by €161 million owing primarily to higher sales prices in the retail gas business and higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network. These factors were mitigated to a slight degree by adverse currency-translation effects.

Sales at the Hungary regional unit declined by €59 million. Adverse currency-translation effects were partially offset by higher sales prices.

Sales at the remaining regional units rose by €220 million, in particular because of positive volume effects in the power and gas business in Romania and Spain. Higher prices in the gas business in Spain constituted another positive factor. Sales in France declined on lower volume and prices.

Russia

The Russia unit to grow its first-half sales by 14 percent to €887 million (prior year: €780 million). The reason for the increase was higher volume resulting from new generating capacity. In local currency, sales were up by 13 percent, from RUB 31,294 million to RUB 35,222 million.

Significant Line Items from the Consolidated Statements of Income

Own work capitalized of €135 million was 47 percent below the prior-year figure (€255 million). The main reason is that relative to the prior-year period significantly fewer engineering services were performed owing to the completion of a number of generation new-build projects.

Other operating income declined by 27 percent to €5,676 million (prior year: €7,792 million). Lower income from exchange-rate differences of €2,155 million (€3,174 million) and lower income from derivative financial instruments of €2,290 million (€2,465 million) constituted the main factors. Among derivative financial instruments, there were significant effects from commodity derivatives in the first half of 2012. These principally affected our power, natural gas, coal, and oil positions. Gains on the sale of securities, fixed assets, and shareholdings amounted to €254 million (€1,321 million). In the current-year period, these gains resulted primarily from the sale of fixed assets and securities; in the prior-year period, primarily from the sale of additional shares of Gazprom stock. 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 €10,089 million to €55,921 million (prior year: €45,832 million), primarily owing to a substantial increase in trading volume at Optimization & Trading, since optimization involves buying quantities and then reselling them. Our agreement with Gazprom, which retroactively affected price terms for the period since the fourth quarter of 2010, had positive effect in the amount of approximately €1 billion in the current-year period.

Personnel costs declined slightly (by 2 percent) to €2,457 million (prior year: €2,517 million).

Depreciation charges of €1,890 million were below the prior-year figure of €2,137 million. The amendment of Germany's Nuclear Energy Act (which called for the early, unplanned shutdown of nuclear power stations in Germany) made it necessary to record impairment charges in the prior-year period.

Other operating expenses declined by 17 percent to €7,411 million (prior year: €8,882 million). This is mainly attributable to lower expenditures relating to currency differences of €2,106 million (€3,829 million), which were partially offset by higher expenditures relating to derivative financial instruments of €3,036 million (€2,096 million), especially relating to commodity derivatives.

Income from companies accounted for under the equity method increased to €501 million (€245 million) and consisted mainly of income from shareholdings in the gas business. In addition, this item was adversely affected in the prior-year period by impairment charges resulting from the amendment of Germany's Nuclear Energy Act which called for the early, unplanned shutdown of nuclear power stations in Germany.

EBITDA

Our key figure for purposes of internal management control and as an indicator of our units' long-term earnings power is earnings before interest, taxes, depreciation, and amortization ("EBITDA"), which we adjust to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature. EBITDA is unaffected by investment and depreciation cycles and also provides an indication of our cash-effective earnings (see the commentary in Note 12 to the Condensed Consolidated Interim Financial Statements).

Our first-half EBITDA was up by about €2.4 billion year on year. The main factors were:

- significant improvements in our wholesale gas business
- the absence of the adverse impact, recorded in the prior-year period, of the amended Nuclear Energy Act
- the operation of new gas-fired generating units at Surgut and Yaiva power stations in Russia.

EBITDA[1]

January 1–June 30 € in millions	2012	2011	+/- %
Generation	1,161	558	+108
Renewables	661	753	-12
Optimization & Trading	1,805	-20	–
Exploration & Production	337	421	-20
Germany	1,250	1,301	-4
Other EU Countries	1,303	1,255	+4
Russia	350	252	+39
Group Management/ Consolidation	-161	-195	–
Total	**6,706**	**4,325**	**+55**

[1]Adjusted for extraordinary effects.

Generation

Generation's EBITDA increased by €603 million.

Generation

January 1–June 30 € in millions	EBITDA[1]		EBIT[1]	
	2012	2011	2012	2011
Nuclear	357	-293	261	-514
Fossil	856	857	521	516
Other	-52	-6	-55	-10
Total	**1,161**	**558**	**727**	**-8**

[1]Adjusted for extraordinary effects.

Nuclear's first-half EBITDA was positively affected by the absence of a non-recurring effect recorded in the second quarter of 2011 relating to the shutdown of nuclear power stations in Germany pursuant to the amended Nuclear Energy Act. Earnings in Germany were adversely affected by lower market-based transfer prices for deliveries to Optimization & Trading and by higher expenditures for the nuclear-fuel tax. Lower sales volume and transfer prices in Sweden also served to reduce earnings.

Fossil's earnings were at the prior-year level. The positive factors included the commissioning of new gas-fired power plants in Germany and the United Kingdom as well as improved margins in France and Spain. Lower internal transfer prices and a volume-driven narrowing of margins in Italy had an adverse impact on earnings.

Renewables

Renewables' EBITDA decreased by €92 million, or 12 percent.

Renewables

January 1–June 30 € in millions	EBITDA[1]		EBIT[1]	
	2012	2011	2012	2011
Hydro	358	449	300	392
Wind/Solar/Other	303	304	164	186
Total	**661**	**753**	**464**	**578**

[1]Adjusted for extraordinary effects.

EBITDA at Hydro declined by 20 percent year on year to €358 million, mainly because of lower sales volume in Italy, an increase in provisions relating to the refurbishment of a pumped-storage hydroelectric station in Germany, and a weather-driven reduction in output in Spain (particularly in the first quarter). Higher output and sales volume in Sweden had a positive effect on earnings.

Wind/Solar/Other's EBITDA was only at the prior-year level due to a non-recurring effect in the first quarter of 2011.

Optimization & Trading

Optimization & Trading's EBITDA surpassed the prior-year figure by €1,825 million.

Optimization & Trading January 1–June 30 € in millions	EBITDA[1] 2012	EBITDA[1] 2011	EBIT[1] 2012	EBIT[1] 2011
Proprietary Trading	-31	-14	-32	-17
Optimization	1,282	-404	1,212	-471
Transmission/ Shareholdings/Other	554	398	499	328
Total	**1,805**	**-20**	**1,679**	**-160**

[1]Adjusted for extraordinary effects.

Proprietary Trading's EBITDA was below the prior-year figure because of the non-recurrence of a positive effect in the gas portfolio recorded in the first half of 2011 and a decline in earnings in the power portfolio in the current-year period, particularly in Eastern Europe.

EBITDA at Optimization was significantly above the prior-year level, primarily because of our gas business, where negotiations with all suppliers to adjust purchase prices to market levels were successful, leading to a substantial earnings improvement relative to the prior-year period. Depending on the producer, some price adjustments are attributable to earlier reporting periods, in some cases going back as far as the fourth quarter of 2010. Earnings on the optimization of the E.ON Group's generation and production assets were still adversely affected by the difference between the high transfer prices paid to our generation units and lower achieved prices. Nevertheless, EBITDA in this area improved significantly relative to the prior-year period.

Earnings at Transmission/Shareholdings/Other surpassed the prior-year level owing to higher equity earnings from associated companies.

Exploration & Production

EBITDA at Exploration & Production declined by 20 percent to €337 million (prior year: €421 million) owing mainly to a decline in production at our North Sea fields. This effect was partially offset by higher sales from Yuzhno Russkoye gas field in Siberia. Exploration & Production recorded first-half EBIT of €197 million (€295 million).

Germany

EBITDA at the Germany regional unit declined by €51 million.

Germany January 1–June 30 € in millions	EBITDA[1] 2012	EBITDA[1] 2011	EBIT[1] 2012	EBIT[1] 2011
Distribution Networks	933	807	610	500
Non-regulated/Other	317	494	171	335
Total	**1,250**	**1,301**	**781**	**835**

[1]Adjusted for extraordinary effects.

Distribution Networks grew its earnings by €126 million. A regulation-driven increase in power network charges and improvements achieved through cost-cutting measures more than offset the effect of lower gas network charges.

EBITDA at Non-regulated/Other declined by €177 million. The main reason was that positive developments in the retail and waste-incineration businesses in the first half of 2011 were not repeated in the current-year period.

Other EU Countries

Other EU Countries' EBITDA of €1.3 billion was 4 percent, or €48 million, above the prior-year figure.

Other EU Countries January 1–June 30 € in millions	EBITDA[1] 2012	EBITDA[1] 2011	EBIT[1] 2012	EBIT[1] 2011
UK (£ in millions)	297 (245)	228 (198)	242 (199)	156 (135)
Sweden (SEK in millions)	390 (3,467)	371 (3,318)	269 (2,393)	252 (2,256)
Czechia (CZK in millions)	252 (6,337)	256 (6,233)	198 (4,974)	201 (4,894)
Hungary (HUF in millions)	93 (27,522)	139 (37,410)	43 (12,809)	78 (21,057)
Remaining regional units	271	261	220	192
Total	**1,303**	**1,255**	**972**	**879**

[1]Adjusted for extraordinary effects.

EBITDA at the UK regional unit rose by €69 million, primarily because of improved retail margins. The disposal of the regulated business (Central Networks) in April 2011 had an adverse impact on earnings.

The Sweden regional unit's EBITDA increased by €19 million. The main positive factors were new network connections for wind farms, higher network fees, and the sale of a subsidiary. Retail earnings were adversely affected by higher procurement costs and lower sales volume.

EBITDA in Czechia declined by €4 million, primarily because of currency-translation effects and higher procurement costs for the mandatory purchase of renewable-source electricity in the distribution network.

The main contributions to the Hungary regional unit's EBITDA came from its distribution network business (€100 million) and its retail business (-€13 million). The decline from the prior-year figure is chiefly attributable to narrower margins and currency-translation effects.

EBITDA at the remaining regional units increased by €10 million, or 4 percent. The main positive factors were the disposal of our stake in an energy-services provider in the Netherlands, the absence of allowances for overdue receivables recorded in the prior-year period in Italy, and improved margins in the gas business in Romania. Earnings were adversely affected by regulatory changes and lower sales volume in the power business along with narrower margins in the gas business in France, the sale of our distribution network business in Italy, as well as regulatory changes and the sale of equity interests in the prior-year period in Spain.

Russia

The Russia unit's EBITDA rose by €98 million, or 39 percent, to €350 million (prior year: €252 million), mainly because of higher sales volume resulting from an increase in generating capacity. EBIT was €251 million (€195 million). EBITDA in local currency increased by 37 percent, from RUB 10,128 million to RUB 13,896 million. EBIT was RUB 9,981 million (RUB 7,812 million).

Net Income

Net income attributable to shareholders of E.ON AG of €2,906 million and corresponding earnings per share of €1.53 were considerably above the respective prior-year figures, €691 million and €0.36.

Net Income

January 1–June 30 € in millions	2012	2011
EBITDA[1]	**6,706**	**4,325**
Depreciation and amortization	-1,778	-1,960
Impairments (-)/Reversals (+)[2]	-54	8
EBIT[1]	**4,874**	**2,373**
Economic interest expense	-722	-846
Net book gains/losses	67	1,162
Restructuring/cost-management expenses	-144	-255
Other non-operating earnings	-676	-1,426
Income/Loss (-) from continuing operations before taxes	**3,399**	**1,008**
Income taxes	-293	-73
Income/Loss (-) from continuing operations	**3,106**	**935**
Income/Loss (-) from discontinued operations, net	27	13
Net income	**3,133**	**948**
Attributable to shareholders of E.ON AG	*2,906*	*691*
Attributable to non-controlling interests	*227*	*257*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the 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 improvement in our economic interest expense is primarily attributable to the release of provisions recorded in previous years. The principal countervailing effect was the absence of a non-recurring item relating to a renewables support fund.

Economic Interest Expense

January 1–June 30 € in millions	2012	2011
Interest expense shown in Consolidated Statements of Income	-766	-1,027
Interest income (-)/expense (+) not affecting net income	44	181
Total	**-722**	**-846**

First-half net book gains were €1.1 billion, or 94 percent, below the prior-year level. In the current-year period, book gains were recorded mainly on disposals from our network business in Germany and the sale of securities; in the prior-year period, on the sale of Gazprom stock, our U.K. network business, and securities.

Restructuring and cost-management expenditures declined by €111 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional units and internal cost-cutting programs.

Other non-operating earnings of -€676 million (prior year: -€1,426 million) include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in negative effects at both June 30, 2012 (-€759 million) and June 30, 2011 (-€225 million). Non-operating earnings were positively affected in the current-year period by the €233 million reduction (€240 million including interest) of the fine that the European Commission had levied against E.ON for an alleged market-sharing agreement with GdF Suez. A number of smaller items (such as impairment charges on securities, impairment charges on fixed assets at Other EU Countries, and currency-hedging costs) adversely impacted non-operating earnings. Negative effects in the prior-year period resulted from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup, from impairment charges related to the amendment of Germany's Nuclear Energy Act, from early redemption fees in connection with our debt reduction, and from writedowns on production licenses at Exploration & Production.

The increase in our tax expense compared with the first half of 2011 is mainly attributable to the increase in our earnings. Our tax rate was 9 percent compared with 7 percent in the prior-year period.

Income/loss from discontinued operations, net, consists of the earnings from contractual obligations of operations that have already been sold. Pursuant to IFRS, these earnings are reported separately in the Consolidated Statements of Income.

Underlying Net Income

Net income reflects not only our operating performance but also special effects, such as the marking to market of derivatives. Underlying 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 non-controlling interests) of a special or rare nature. Underlying net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and interests without a controlling influence), as well as special tax effects.

Underlying Net Income

January 1–June 30 € in millions	2012	2011	+/- %
Net income attributable to shareholders of E.ON AG	2,906	691	+321
Net book gains	-67	-1,162	–
Restructuring and cost-management expenses	144	255	–
Other non-operating earnings	676	1,426	–
Taxes and non-controlling interests on non-operating earnings	-292	-211	–
Special tax effects	-27	-53	–
Income/Loss from discontinued operations, net	-27	-13	–
Total	**3,313**	**933**	**+255**

Financial Condition

Investments

Our first-half investments were €253 million above the prior-year level. We invested about €2.3 billion in property, plant, and equipment and intangible assets (prior year: €2.4 billion). Share investments totaled €0.4 billion versus €0.1 billion in the prior-year period.

Investments January 1–June 30 € in millions	2012	2011	+/- %
Generation	485	641	-24
Renewables	731	419	+74
Optimization & Trading	199	214	-7
Exploration & Production	255	255	-
Germany	297	307	-3
Other EU Countries	367	495	-26
Russia	123	111	+11
Group Management/ Consolidation	263	25	-
Total	**2,720**	**2,467**	**+10**
Maintenance investments	*364*	*404*	*-10*
Growth and replacement investments	*2,356*	*2,063*	*+14*

Generation invested €156 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €206 million, from €614 million to €408 million. The main reason for the decline was the completion of new-build projects in Slovakia (Malzenice), Germany (Irsching), and Spain (Algeciras).

Investments at Renewables were up by €312 million. Hydro's investments of €25 million were 24 percent below the prior-year figure of €33 million. Wind/Solar/Other's investments rose by 83 percent, from €386 million to €706 million. These expenditures went towards the development and construction of wind farms in Europe and the United States.

Optimization & Trading invested €199 million. Of this figure, €176 million (prior year: €169 million) was invested in property, plant, and equipment and intangible assets. Most of these investments were in gas infrastructure. Share investments of €23 million (€45 million) were chiefly attributable to a capital increase at the Nord Stream pipeline company.

Exploration & Production invested €255 million (prior year: €255 million) in property, plant, and equipment and intangible assets. Investments in Skarv field amounted to €116 million (€176 million).

The Germany regional unit invested €10 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets totaled €294 million. Of these investments, €231 million went towards the network business and €34 million towards the district-heating business. Share investments totaled €3 million.

Investments at Other EU Countries were €128 million below the prior-year figure. The UK regional unit invested about €52 million (prior year: €154 million). The sale of Central Networks was the main cause for the decline. The Sweden unit's investments decreased by €5 million, from €137 million to €132 million; investments served to maintain and expand distributed generating units and to expand and upgrade the distribution network and to add connections. Investments totaled €51 million (€64 million) in Czechia, €58 million (€72 million) in Hungary, and €74 million (€68 million) in the remaining EU countries.

The Russia unit invested €123 million (prior year: €111 million), mainly in its new-build program.

Investments recorded under Group Management/Consolidation were considerably higher because we made initial payments of €0.3 billion as part of our joint venture with Brazil's MPX.

Cash Flow and Financial Position

E.ON presents its financial condition using, among other financial measures, operating cash flow and economic net debt.

At €5,200 million, our operating cash flow before interest and taxes was significantly above the prior-year figure of €3,586 million. Positive factors were the EBITDA increase, the nonrecurrence of the refunding of pension assets in the United Kingdom recorded in 2011, and a smaller increase in working capital. The recording of receivables, particularly for the outstanding one-off payment from Gazprom, had an adverse impact on cash flow.

At €2,479 million, our operating cash flow was only slightly above the prior-year figure of €2,362 million. It was adversely affected by an investment-income tax which we expect to be refunded in the second half of 2012. The absence of an early redemption fee recorded in 2011 and lower interest payments had a positive effect on operating cash flow.

Cash provided by investing activities of continuing operations amounted to approximately -€3.1 billion (prior year: +€2.8 billion). Although investment expenditures were only incrementally above the prior-year level, cash from the sale of shareholdings was considerably lower. This mainly reflects the significant cash recorded on the sale of Central Networks and our remaining Gazprom stock in the prior-year period.

Cash provided by financing activities of continuing operations amounted to -€1.6 billion (prior year: -€6 billion). This development was mainly due to a higher net repayment of financial liabilities in the prior-year period and a lower dividend payout in the current-year period.

Compared with the figure recorded at December 31, 2011 (-€36,385 million), our economic net debt rose by €4,702 million to -€41,087 million. The main reasons for the increase were E.ON AG's dividend payout and the fact that our operating cash flow was not sufficient to fully cover our investment expenditures. Higher provisions for pensions, relating mainly to a decline in discount rates, also increased 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

€ in millions	June 30, 2012	Dec. 31, 2011
Liquid funds	5,015	7,020
Non-current securities	4,921	4,904
Total liquid funds and non-current securities	**9,936**	**11,924**
Financial liabilities to banks and third parties	-29,553	-28,490
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,592	-1,424
Total financial liabilities	**-31,145**	**-29,914**
Net financial position	**-21,209**	**-17,990**
Fair value (net) of currency derivatives used for financing transactions[1]	451	524
Provisions for pensions	-4,614	-3,245
Asset-retirement obligations	-17,380	-17,269
Less prepayments to Swedish nuclear fund	1,665	1,595
Economic net debt	**-41,087**	**-36,385**

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

E.ON did not issue or repurchase bonds in the first half of 2012. Regular bond maturities amounted to €0.9 billion. On balance, E.ON's gross financial liabilities to financial institutions and third parties rose by €1.1 billion to €29.6 billion, mainly because of an increase in the amount of commercial paper outstanding, part of which was issued in connection with the dividend payment.

In April 2012, 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 €21 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 A3. Both of these ratings have a stable outlook. The short-term ratings are A-2 (S&P) and P-2 (Moody's). In July 2012, S&P downgraded its A rating to A- with a stable outlook and its short-term rating from A-1 to A-2. The ratings assigned by both agencies remain in line with E.ON's rating target (solid single A).

Asset Situation

Non-current assets at June 30, 2012, increased slightly compared with the figure at year-end 2011, in particular because of investments in property, plant, and equipment and higher receivables from derivative financial instruments, which resulted in part from the reclassification of the assets of our gas transmission system operator, Open Grid Europe, as a disposal group.

Current assets declined by 9 percent from year-end 2011. The main factors were reductions in operating receivables, in receivables from derivative financial instruments, and liquid funds. This was partially offset by the reclassification of assets of our gas transmission system operator, Open Grid Europe, as a disposal group.

After paying out a dividend of €1.9 billion to E.ON shareholders in the second quarter of 2012, our equity ratio at June 30, 2012, was 26 percent, the same as at year-end 2011.

Non-current liabilities were also at the prior year-end level. Higher pension obligations (resulting primarily from a decline in discount rates in Germany and the United Kingdom) and higher liabilities from derivative financial instruments were offset in particular by lower non-current financial liabilities.

Current liabilities declined by 9 percent relative to year-end 2011, mainly because of a decrease in operating liabilities and in liabilities from derivative financial instruments. These effects were partially offset by the reclassification of bonds scheduled to mature in 2013.

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 38 percent (December 31, 2011: 39 percent).
- Non-current assets are covered by long-term capital at 104 percent (December 31, 2011: 104 percent).

Consolidated Assets, Liabilities, and Equity

€ in millions	June 30, 2012	%	Dec. 31, 2011	%
Non-current assets	102,365	69	102,221	67
Current assets	46,151	31	50,651	33
Total assets	**148,516**	**100**	**152,872**	**100**
Equity	39,329	26	39,613	26
Non-current liabilities	66,979	45	67,129	44
Current liabilities	42,208	29	46,130	30
Total equity and liabilities	**148,516**	**100**	**152,872**	**100**

Employees

As of June 30, 2012, the E.ON Group had 75,521 employees worldwide, 4 percent less than at year-end 2011. E.ON also had 1,928 apprentices and 279 board members and managing directors.

As of the same date, 41,160 employees, or 55 percent of all staff, were working outside Germany, the same percentage as at year-end 2011.

Employees[1]

	June 30, 2012	Dec. 31, 2011	+/- %
Generation	10,417	10,578	-2
Renewables	1,799	1,808	–
Optimization & Trading	3,876	3,941	-2
Exploration & Production	200	203	-1
Germany	21,174	21,602	-2
Other EU Countries	29,167	31,909	-9
Russia	5,049	4,896	+3
Group Management/Other[2]	3,839	3,952	-3
Total	**75,521**	**78,889**	**-4**

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

The headcount at Generation was lower due mainly to the expiration of temporary contracts in Germany and the transfer of employees from Generation to the UK regional unit.

The decline in the number of employees at Optimization & Trading is largely attributable to fluctuation and to staff reductions as part of E.ON 2.0.

The headcount at the Germany regional unit was lower mainly because of the closure of the Brienner Straße office in Munich and E.ON 2.0 efficiency-enhancement measures.

The decline in the number of employees at Other EU Countries is chiefly attributable to the sale of the Bulgaria regional unit and of a waste-incineration subsidiary in Sweden. Efficiency-enhancement measures, primarily in the United Kingdom, constituted another factor.

The headcount at Russia increased because of hiring for new-build projects and maintenance work.

Group Management/Other's headcount declined owing to fluctuation and staff reductions as part of E.ON 2.0.

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. The E.ON Group, and thus E.ON AG, is exposed to the following main categories of risk:

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. Our Optimization & Trading global unit continues to face considerable competitive pressure in its gas business. 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, price risks result from the fact that gas procurement prices are partially indexed to oil prices, whereas sales prices are guided by wholesale gas prices. Generally, contracts between producers and importers include the possibility of adjusting them to reflect continually changing market conditions. On this basis, we conduct ongoing, intensive negotiations with our producers. In July 2012, a mutually acceptable solution was reached in the arbitration process we had opened against Gazprom.

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 policies and a 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 & Optimization 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 euro zone are translated into euros and entered into our Consolidated Financial Statements. We limit currency risk by conducting systematic currency management involving derivative and underlying financial instruments. Currency-translation risk results mainly from transactions denominated in U.S. dollars, pounds sterling, Swedish kroner, Russian rubles, 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 faces 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.

In view of the tense financial situation in many EU member states, a worsening of the euro crisis would, on balance, lead to an increase in financial risks.

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 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 used in the production and distribution of energy. Germany's Renewable Energy Law and the transformation of the country's energy system are resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network. On a regional level, the increase in decentralized feed-in (primarily from renewables) has led to a shift in load flows. 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 (including new-build projects) as well as environmental damage could negatively impact our earnings and/or affect our cost situation. In addition, problems with the development of new gas fields could lead to lower than expected earnings.

Climate change has become a central risk factor. For example, E.ON's operations could be adversely affected by the absence of precipitation or above-average temperatures that reduce the cooling efficiency of our generation assets and may make it necessary to shut them down. Extreme weather or long-term climatic change could also affect wind power generation. Alongside risks to our energy production, there are also risks that could lead to the disruption of offsite activities, such as transportation, communications, water supply, waste removal, and so forth. Increasingly, our investors and customers expect us to play an active leadership role in environmental issues like climate change and water conservation. Our failure to meet these expectations could increase the risk to our business by reducing the capital market's willingness to invest in our company and the public's trust in our brand.

To limit these risks, we will continue to improve our network management and the optimal dispatch of our generation assets. At the same time, we are implementing operational and infrastructure improvements that will enhance the reliability of our generation assets and distribution networks, even under extraordinarily adverse conditions. In addition, we have factored the operational and financial effects of environmental risks into our emergency plan. They are part of a catalog of crisis and system-failure scenarios prepared for the Group by our incident and crisis management team.

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 anti-competitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that certain contractual price-adjustment clauses of years past are invalid. Additional risks may result from submissions by Germany's Federal Court of Justice to the European Court of Justice to determine whether standard price-adjustment clauses in sales contracts with residential customers (clauses that are also used by E.ON) and whether Germany's Basic Supply Ordinances (*Grundversorgungsverordnungen*) for Power and Gas comply with European law.

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 General Court of the European Union to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. On June 29, 2012, the General Court issued a ruling overturning a portion of the European Commission's decision and reduced the fine to €233 million. From today's perspective, we see no risks to our balance sheet. However, the parties can appeal the General Court's ruling to the European Court of Justice. We cannot rule out the possibility of subsequent lawsuits.

In September 2011, the European Commission undertook inspections at the premises of several gas supply companies in Central and Eastern Europe, including at E.ON Group companies. The Commission is investigating potential anticompetitive practices by Gazprom, possibly in collusion with other companies. The Commission points out that the fact that it carries out such inspections does not mean that a company is guilty of anticompetitive practices.

E.ON is building a hard-coal-fired power plant in Datteln, Germany ("Datteln 4"). 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 ruling on September 3, 2009, that declares void the City of Datteln's legally binding land-use plan (No. 105 E.ON Kraftwerk). In the ruling, which was upheld by the Federal Administrative Court in Leipzig, the SAC criticized errors in judgment and in particular that the land-use plan did not sufficiently take into consideration binding state-level planning rules. However, the ruling did not forbid the realization of a hard-coal-fired power plant at the planned site. Consequently, a new planning process is being conducted to address and resolve the SAC's objections in order to reestablish a reliable planning basis for Datteln 4. In view of the ongoing planning processes, the SAC's ruling issued on June 12, 2012, (which declares void the preliminary decision), and other lawsuits still pending, we currently anticipate additional delays relative to Datteln 4's originally planned date of commissioning. To ensure the supply of district heating and of traction power until Datteln 4 becomes operational, E.ON has taken provisional measures regarding Datteln 1 to 3 and Shamrock power plants in parallel to the legal proceedings regarding the continued operation of these plants. In principle, these types of risks as well as technology-related 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 and Central Europe about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control. The Nord Stream pipeline entered service in November 2011, establishing the first direct link between Russia's large gas reserves and Western European gas markets. Nord Stream will play an important role in diversifying gas procurement and enhancing Europe's supply security.

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 reactor accident in Fukushima led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") in the fall of 2010 in line with the stipulations of the coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Nuclear Energy Act ("the Act") and established a number of stricter rules. In addition to rescinding the eleventh amendment's operating-life extension, the newly amended Act calls for a gradual phaseout of nuclear power by 2022 and for the seven NPPs that entered service before year-end 1980 (which had been shut down temporarily by the moratorium) and for Krümmel NPP to be permanently shut down as of the date the Act took effect. This affected two NPPs for which E.ON has operational responsibility: Unterweser and Isar 1. There is a risk that the remaining NPPs may not be able to make full use of their assigned production volumes before their respective operating lives expire. E.ON is implementing the political majority's decision on an earlier phase-out of nuclear energy. At the same time, however, E.ON believes that the nuclear phaseout, under the current legislation, is irreconcilable with our constitutionally protected right to property and right to operate a business. In any case, such an intervention is unconstitutional unless compensation is granted for the rights so deprived. Consequently, we expect appropriate compensation for the billions of euros in stranded assets created by this deprivation. In mid-November 2011, E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Constitutional Court in Karlsruhe. The nuclear-fuel tax remains at its original level after the rescission of operating-life extensions. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal questions. E.ON is therefore instituting administrative proceedings and taking legal action against the tax. The proceedings regarding Gundremmingen B and C, Grohnde, Grafenrheinfeld, Emsland, Brokdorf, and Isar 2 NPPs have already begun. Conclusive court rulings will be handed down some time in the future.

As established in its coalition agreement, the German federal government lifted the Gorleben moratorium. The study of the Gorleben site will now continue, albeit with a number of subsequently stipulated restrictions. In the first half of this year, policymakers discussed whether to cancel the study. It now appears that this will not happen, since an extension has been filed to extend, under Germany's mining laws, the main operating plan for the study through the end of the year. In order to be able to make an initial determination, during the current legislative period, of whether the Gorleben salt dome is a suitable site, the Federal Ministry of the Environment had intended to conduct a preliminary safety analysis of Gorleben. Since then, the ministry has made statements distancing itself from this position. As such, it is unlikely that a full preliminary safety analysis will be conducted. The ministry also formed a working group, which includes the federal states, that will draft legislation by mid-2012 that stipulates the search process for a final storage site. The initial draft legislation is intended to "stipulate the individual procedural steps for searching for and selecting a site for the safe storage of heat-generating, radioactive waste." The draft legislation mentions Gorleben as a possible site but does not seem to conclusively clarify what Gorleben's status will be in the planned search process for a final storage site. It is also unclear whether the federal-state working group will reach a consensus, all the more so because the working group's negotiations grow increasingly protracted and because Lower Saxony, where Gorleben is located, is holding elections to its parliament at the start of 2013. After being updated on February 2, 2012, the initial draft legislation contains a passage for amending Section 21b of Germany's Nuclear Energy Act such that the costs for "conducting a site-selection process pursuant to the Site Selection Act" are considered a necessary expense subject to passthrough and thus are to be born by entities with a disposal obligation. This was not changed in the new draft dated June 13, 2012. According to a correct (albeit not undisputed) interpretation of the law, such a passthrough of costs is unconstitutional as long Gorleben has not been deemed unsuitable.

On June 22, 2011, the European Commission issued recommendations for a directive on energy efficiency. The recommendations include requiring all energy distributors and all energy retailers to achieve annual savings of 1.5 percent on the amount of energy they sell to their customers. The European legislative process for this directive has led to an initial consensus between the Commission, the European Council, and the European Parliament. At this intermediate stage, it is difficult to foresee whether such an energy-saving obligation would create risks for E.ON or, if so, what those risks would be.

In the context of discussions about Europe's ability to meet its long-term climate-protection targets in 2050, adjustments to European emissions-trading legislation are under consideration. They include reducing the number of carbon allowances available during the next phase (2013–2020) of the EU Emissions Trading Scheme. Policymakers hope that reducing the number of allowances will lead to higher carbon prices, which would create additional incentives for investments in low-carbon generating capacity. The risks of potentially higher carbon prices for E.ON's current fossil-fueled generation portfolio in the EU can only be assessed when greater clarity exists about the measures under consideration.

The EU Agency for the Cooperation of Energy Regulators ("ACER") issued recommendations for framework guidelines on a capacity-allocation mechanism for gas transmission system operators ("TSOs"). The European Network of Transmission System Operators for Gas ("ENTSOG") is tasked with designing network codes that, through the comitology process, will become legally binding for Europe's TSOs. The codes currently under discussion refer to interconnection points between member states and to interconnection points between different gas TSOs in a single member state. In parallel, the European Commission is drafting market rules for congestion management at interconnection points. ENTSOG's and the Commission's proposals may create risks for existing supply contracts and for intraday flexibility. It is anticipated that the comitology process will be completed in 2012 and that, after a transition period, new market rules will become legally binding for all member states.

In mid-July, the European Network of Transmission System Operators for Gas ("ENTSO-E") issued draft EU-wide network codes that set minimum technical requirements for connecting generating facilities to distribution and transmission systems. The codes could increase requirements for new and, in some cases, existing generating facilities. In the weeks ahead, ACER and the European Commission will review the draft codes and initiate the comitology process, through which the codes become legally binding.

E.ON restructured its six regional distribution companies ("RDCs") in Germany in 2008. As part of this process, system operations were reintegrated into the RDCs so that they function as the distribution system operator. At the same time, generation and retail operations were transferred to subsidiaries and the retail subsidiaries placed under central management. The regulatory agency (the German Federal Network Agency, known by its German acronym, "BNetzA") views RDCs having ownership interests in the retail subsidiaries as a violation of unbundling requirements. In early February 2012, the BNetzA issued a ruling in the test case against one RDC (E.ON Bayern) and E.ON Energie. The ruling requires the RDC to relinquish its ownership interest in the management company and the regional sales subsidiary within six months of the date the ruling takes effect. E.ON Energie and E.ON Bayern filed an appeal, to the State Superior Court (*Oberlandesgericht*, or "OLG") in Düsseldorf, against the BNetzA's ruling in the test case and will seek to have the ruling be subject to legal review. If, at the end of the multi-year legal process, the BNetzA's ruling is deemed legal, the RDCs affected by the ruling would have to be restructured.

Capacity markets will play an important role for E.ON in a number of the electricity markets where it operates. Russia and Spain already have capacity markets, and Sweden has a peak-load reserve capacity market. France and Italy have decided to create capacity markets, and the U.K. government has recommended taking the same step. Germany and Belgium are also weighing the issue. This could result in market-design risks for E.ON, which could face a competitive disadvantage, particularly if there is a focus on specific generating technologies or if some existing assets are not included.

The U.K. government is implementing a number of reforms to the country's wholesale power market with the aim of providing incentives for investments in low-carbon generation and to maintain a reliable supply of electricity. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and power plants equipped with carbon capture and storage. The introduction of a capacity market is intended to support generating capacity that operates at lower load factors to help maintain security of supply. It is anticipated that the drafting of legislation to implement these reforms will continue in 2012 and that the measures will be fully implemented by the end of 2014. These reforms could affect E.ON's generation activities in the United Kingdom.

In view of the current economic and financial crisis in many EU member states, political and regulatory intervention (such as additional taxes, price moratoriums, and changes to support schemes for renewables) is becoming increasingly apparent. Such intervention could pose a risk to E.ON's operations in these countries. In particular, the refinancing situation of many European countries could have a direct impact on the E.ON Group's cost of capital, which could create the risk of impairment charges.

To improve its fiscal situation, the Netherlands is introducing a coal tax. The parliament and senate passed law that calls for a tax of €13.73 per metric ton to be levied starting in 2013. The tax will increase the costs of coal-fired power stations in the Netherlands. It remains uncertain whether market prices for power in the Netherlands will rise in parallel and thus reduce the tax's adverse financial impact on E.ON.

In the first quarter of 2012, Spain's government took its first measures to reduce the tariff deficit (the long-standing difference between revenues from regulated end-customer prices and actual expenditures). The deficit has increased massively since 2007 and, in the interim, must be financed by energy suppliers. E.ON is among the companies whose operations are affected by the measures to reduce the deficit. The main measures announced so far involve the reduction of compensation to distribution system operators, capacity payments, and subsidies for the use of domestic coal. More measures are anticipated. A decision is expected by the end of August 2012.

Further risks may result from the EU's planned European Market Infrastructure Regulation ("EMIR") for derivatives traded over the counter ("OTC") and the possible rescission of energy-trading companies' exemption from the Markets in Financial Instruments Directive ("MiFID"). The European Commission is introducing mandatory central clearing of all OTC trades. This would increase the margin requirements for such transactions, which could lead to an increased cash liquidity risk.

Non-financial firms will be exempt from the clearing requirement as long as it can be proven that these are risk-reducing transactions or if they remain below certain monetary thresholds. The amount of these thresholds, as well as other key details, have yet to be determined.

In 2012, Sweden introduced a new regulatory scheme for its distribution networks that is intended to provide adequate returns on network investments. However, there will be an 18-year transition phase during which revenues will initially be lowered and then gradually raised to the higher target level. E.ON's distribution network in Sweden is among those that are affected by the transitional phase. E.ON has filed a lawsuit against the decision to institute a transitional phase. At the same time, E.ON's distribution network company is studying ways to adjust its cost and revenue basis to respond to the changes to its regulatory environment.

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. We outsourced our IT infrastructure to an external service provider in 2011. 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.

Management's Evaluation of the Risk Situation

In the first half of 2012, the risk situation of the E.ON Group's operating business changed positively compared with year-end 2011, in particular because of the outcomes of our negotiations regarding gas supply contracts. In the future, increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could 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

Overall, we reaffirm the forecast for our full-year 2012 earnings contained in our ad hoc release from early July.

Our forecast is based on the following effects relative to the prior year:

- the absence of an adverse, one-off effect recorded in 2011 owing to the German federal government's decision regarding the early shutdown of nuclear power stations
- disposals (among others, Central Networks and Open Grid Europe)
- agreement with Gazprom regarding long-term gas supply contracts
- lower earnings at our generation business.

From today's perspective, we continue to anticipate that our 2012 EBITDA will be between €10.4 and €11 billion and that our 2012 underlying net income will be between €4.1 and €4.5 billion.

Our forecast by segment:

We expect Generation's 2012 EBITDA to surpass the prior-year figure. Earnings will be positively impacted by the absence of the adverse, one-off effect recorded in 2011 owing to the German federal government's decision regarding the early shutdown of nuclear power stations. The negative factors compared with 2011 include narrower wholesale margins, higher nuclear-fuel taxes due to overhaul scheduling, and the absence of earnings from shut-down nuclear power stations which were operational in the first quarter of 2011.

We anticipate Renewables' earnings will be lower in 2012, in particular because declining prices for hydroelectricity will not be offset by increases in installed wind and solar capacity.

Our Optimization & Trading segment faces significant margin pressure in both its wholesale power and gas businesses. On the power side, this is principally because internal transfer prices are declining relative to 2011 but still high. This factor, along with low market prices, means that we can anticipate only a limited recovery of power margins, which remain negative. On the gas side, in the first half of 2012 we achieved good outcomes in negotiations with all suppliers, including Statoil, GasTerra, and Gazprom. Owing in particular to these successes, we expect Optimization & Trading's 2012 EBITDA to surpass the prior-year level.

We expect the Exploration & Production segment's 2012 EBITDA to be below the prior-year figure. The main reasons are a longer shut-in of Njord field for maintenance and tie-in of satellite fields as well as the shut-in of Elgin/Franklin due to the gas field incident. Earnings from our stake in Yuzhno Russkoye gas field in Russia and higher energy prices will partly offset these negative effects.

We expect the Germany regional unit's 2012 EBITDA to be at the prior-year level.

Other EU Countries' EBITDA for 2012 is expected to be below the prior-year figure. The decline is mainly attributable to the sale of Central Networks and to higher costs for legally mandated energy-efficiency measures in the United Kingdom.

We expect Russia's 2012 EBITDA to be above the prior-year level. The full-year operation of new gas-fired generating units at Surgut and Yaiva will be a positive factor.

We expect 2012 EBITDA in the Group Management/Consolidation segment to be above the prior-year figure.

Opportunities

Positive developments in foreign-currency rates and market prices for commodities such as electricity, natural gas, coal, oil, and carbon 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.

The internal EU energy market is supposed to be completed by 2014 and serve as the first step towards a long-term European energy strategy. Nevertheless, many member states pursue their own agenda, aspects of which are not compatible with EU policy objectives. An example of this is the different approaches member states are taking with regard to capacity markets. We believe that an interconnected European market and nationally oriented markets will develop in parallel. This could lead to a situation in which E.ON, which operates across Europe, will have to look for opportunities in a fragmented regulatory environment

In the period under review, our opportunities did not change significantly relative to those described in the Combined Group Management Report of our 2011 Annual Report.

Review Report

To E.ON AG, Düsseldorf

We have reviewed the condensed consolidated interim financial statements—comprising the balance sheet, income statement, statement of 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 June 30, 2012, which are part of the half-year financial report pursuant to § (Article) 37w 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, August 9, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Schwieters	Michael Reuther
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income

€ in millions	Note	April 1–June 30 2012	April 1–June 30 2011	January 1–June 30 2012	January 1–June 30 2011
Sales including electricity and energy taxes		30,092	25,672	66,436	54,169
Electricity and energy taxes		-421	-470	-1,034	-1,121
Sales	(12)	**29,671**	**25,202**	**65,402**	**53,048**
Changes in inventories (finished goods and work in progress)		54	27	96	6
Own work capitalized		104	75	135	255
Other operating income		2,490	643	5,676	7,792
Cost of materials		-25,484	-23,021	-55,921	-45,832
Personnel costs		-1,262	-1,216	-2,457	-2,517
Depreciation, amortization and impairment charges		-948	-1,144	-1,890	-2,137
Other operating expenses		-3,547	-2,389	-7,411	-8,882
Income/Loss (-) from companies accounted for under the equity method		251	63	501	245
Income/Loss (-) from continuing operations before financial results and income taxes		**1,329**	**-1,760**	**4,131**	**1,978**
Financial results	(6)	-239	-355	-732	-970
Income/Loss (-) from equity investments		*22*	*42*	*34*	*57*
Income from other securities, interest and similar income		*386*	*191*	*565*	*358*
Interest and similar expenses		*-647*	*-588*	*-1,331*	*-1,385*
Income taxes		167	622	-293	-73
Income/Loss (-) from continuing operations		**1,257**	**-1,493**	**3,106**	**935**
Income/Loss (-) from discontinued operations, net	(4)	–	–	27	13
Net income/loss (-)		**1,257**	**-1,493**	**3,133**	**948**
Attributable to shareholders of E.ON AG		*1,187*	*-1,576*	*2,906*	*691*
Attributable to non-controlling interests		*70*	*83*	*227*	*257*
in €					
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(7)				
from continuing operations		0.63	-0.83	1.52	0.35
from discontinued operations		0.00	0.00	0.01	0.01
from net income/loss (-)		**0.63**	**-0.83**	**1.53**	**0.36**

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

€ in millions	April 1–June 30 2012	April 1–June 30 2011	January 1–June 30 2012	January 1–June 30 2011
Net income/loss (-)	**1,257**	**-1,493**	**3,133**	**948**
Cash flow hedges	-61	77	-168	166
Unrealized changes	*14*	*155*	*-103*	*290*
Reclassification adjustments recognized in income	*-75*	*-78*	*-65*	*-124*
Available-for-sale securities	-18	-30	-94	-708
Unrealized changes	*1*	*-13*	*-51*	*29*
Reclassification adjustments recognized in income	*-19*	*-17*	*-43*	*-737*
Currency translation adjustments	-373	549	274	743
Unrealized changes	*-335*	*-6*	*319*	*188*
Reclassification adjustments recognized in income	*-38*	*555*	*-45*	*555*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-883	51	-1,640	375
Companies accounted for under the equity method	-19	-42	-16	-13
Unrealized changes	*-19*	*-42*	*-16*	*-13*
Reclassification adjustments recognized in income	–	–	–	–
Income taxes	372	70	571	-112
Total income and expenses recognized directly in equity	**-982**	**675**	**-1,073**	**451**
Total recognized income and expenses (total comprehensive income)	**275**	**-818**	**2,060**	**1,399**
Attributable to shareholders of E.ON AG	*327*	*-900*	*1,882*	*1,100*
Attributable to non-controlling interests	*-52*	*82*	*178*	*299*

Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets			
€ in millions	Note	June 30, 2012	Dec. 31, 2011
Assets			
Goodwill		13,848	14,083
Intangible assets		6,951	7,372
Property, plant and equipment		54,963	55,869
Companies accounted for under the equity method	(8)	6,343	6,325
Other financial assets	(8)	6,600	6,812
Equity investments		*1,679*	*1,908*
Non-current securities		*4,921*	*4,904*
Financial receivables and other financial assets		3,666	3,619
Operating receivables and other operating assets		3,779	2,842
Income tax assets		146	147
Deferred tax assets		6,069	5,152
Non-current assets		**102,365**	**102,221**
Inventories		4,403	4,828
Financial receivables and other financial assets		2,603	1,789
Trade receivables and other operating assets		27,235	31,714
Income tax assets		2,932	4,680
Liquid funds		5,015	7,020
Securities and fixed-term deposits		*2,911*	*3,079*
Restricted cash and cash equivalents		*439*	*89*
Cash and cash equivalents		*1,665*	*3,852*
Assets held for sale	(4)	3,963	620
Current assets		**46,151**	**50,651**
Total assets		**148,516**	**152,872**
Equity and Liabilities			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		23,735	23,796
Accumulated other comprehensive income		-225	-277
Treasury shares	(9)	-3,530	-3,530
Equity attributable to shareholders of E.ON AG		**35,728**	**35,737**
Non-controlling interests (before reclassification)		4,202	4,484
Reclassification related to put options		-601	-608
Non-controlling interests		**3,601**	**3,876**
Equity		**39,329**	**39,613**
Financial liabilities		22,265	24,029
Operating liabilities		7,686	7,057
Income taxes		2,849	3,585
Provisions for pensions and similar obligations	(11)	4,614	3,245
Miscellaneous provisions		22,536	22,427
Deferred tax liabilities		7,029	6,786
Non-current liabilities		**66,979**	**67,129**
Financial liabilities		8,880	5,885
Trade payables and other operating liabilities		27,110	30,729
Income taxes		1,124	4,425
Miscellaneous provisions		4,014	4,985
Liabilities associated with assets held for sale	(4)	1,080	106
Current liabilities		**42,208**	**46,130**
Total equity and liabilities		**148,516**	**152,872**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

January 1–June 30 € in millions	2012	2011
Net income	3,133	948
Income from discontinued operations, net	-27	-13
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,890	2,137
Changes in provisions	-771	115
Changes in deferred taxes	458	-151
Other non-cash income and expenses	-501	967
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-177	-609
Changes in operating assets and liabilities and in income taxes	-1,526	-1,032
Cash provided by operating activities of continuing operations (operating cash flow)[1]	**2,479**	**2,362**
Proceeds from disposal of	635	5,647
Intangible assets and property, plant and equipment	*157*	*198*
Equity investments	*478*	*5,449*
Purchases of investments in	-2,720	-2,467
Intangible assets and property, plant and equipment	*-2,330*	*-2,389*
Equity investments	*-390*	*-78*
Changes in securities and fixed-term deposits	-648	-685
Changes in restricted cash and cash equivalents	-342	318
Cash provided by (used for) investing activities of continuing operations	**-3,075**	**2,813**
Payments received/made from changes in capital[2]	-167	13
Cash dividends paid to shareholders of E.ON AG	-1,905	-2,858
Cash dividends paid to non-controlling interests	-149	-171
Changes in financial liabilities	623	-2,937
Cash used for financing activities of continuing operations	**-1,598**	**-5,953**
Net increase/decrease in cash and cash equivalents	**-2,194**	**-778**
Effect of foreign exchange rates on cash and cash equivalents	4	-2
Cash and cash equivalents at the beginning of the year[3]	3,855	6,143
Cash and cash equivalents of continuing operations at the end of the quarter	**1,665**	**5,363**

[1]Additional information on operating cash flow is provided in Note 12.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents of continuing operations include an amount of €3 million at the beginning of 2012 at E.ON Bulgaria, which is reported as a disposal group.

Condensed Consolidated Interim Financial Statements

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
Balance as of January 1, 2011	**2,001**	**13,747**	**29,026**	**-1,570**	**1,923**	**57**
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			17			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			942	715	-681	124
Net income			*691*			
Other comprehensive income			*251*	*715*	*-681*	*124*
Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations			*251*			
Changes in accumulated other comprehensive income				*715*	*-681*	*124*
Balance as of June 30, 2011	**2,001**	**13,747**	**27,127**	**-855**	**1,242**	**181**
Balance as of January 1, 2012	**2,001**	**13,747**	**23,796**	**-1,117**	**895**	**-55**
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid			-1,905			
Share additions			14			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			1,830	340	-138	-150
Net income			*2,906*			
Other comprehensive income			*-1,076*	*340*	*-138*	*-150*
Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations			*-1,076*			
Changes in accumulated other comprehensive income				*340*	*-138*	*-150*
Balance as of June 30, 2012	**2,001**	**13,747**	**23,735**	**-777**	**757**	**-205**

	Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
	-3,531	**41,653**	**4,532**	**-600**	**3,932**	**45,585**
			-105		-105	-105
			32		32	32
			-29		-29	-29
		-2,858	-175		-175	-3,033
		17	-30		-30	-13
				-15	-15	-15
		1,100	299		299	1,399
		691	*257*		*257*	*948*
		409	*42*		*42*	*451*
		251	*14*		*14*	*265*
		158	*28*		*28*	*186*
	-3,531	**39,912**	**4,524**	**-615**	**3,909**	**43,821**
	-3,530	**35,737**	**4,484**	**-608**	**3,876**	**39,613**
			-75		-75	-75
			17		17	17
			-9		-9	-9
		-1,905	-179		-179	-2,084
		14	-214		-214	-200
				7	7	7
		1,882	178		178	2,060
		2,906	*227*		*227*	*3,133*
		-1,024	*-49*		*-49*	*-1,073*
		-1,076	*-95*		*-95*	*-1,171*
		52	*46*		*46*	*98*
	-3,530	**35,728**	**4,202**	**-601**	**3,601**	**39,329**

Notes to the Condensed Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

The Interim Report for the six months ended June 30, 2012, 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 2011 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, 2011, which provide the basis for this Interim Report.

(2) Newly Adopted Standards and Interpretations

Amendments to IFRS 7, "Financial Instruments: Disclosures"—Disclosures—Transfers of Financial Assets

In October 2010, the IASB issued amendments to IFRS 7. The new version of the standard seeks to allow users of financial statements to improve their understanding of the transfer of financial assets (for example, securitizations of debt). The amendments relate in particular to the disclosure of potential risks that remain with the entity that transferred the assets as a consequence of continuing involvement. The amendments have been transferred by the EU into European law and thus they are to be applied for fiscal years beginning on or after July 1, 2011. They have no impact on the E.ON 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, 2011	161	314	475
Additions	4	5	9
Disposals/Mergers	5	17	22
Consolidated companies as of June 30, 2012	**160**	**302**	**462**

As of June 30, 2012, 103 companies were accounted for under the equity method (December 31, 2011: 105).

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2012

Open Grid Europe

In line with the strategy to divest €15 billion in assets by the end of 2013, E.ON sold its shares in the gas transmission company Open Grid Europe GmbH, Essen, Germany, to a consortium of infrastructure investors effective July 23, 2012. The preliminary purchase price is approximately €3.2 billion and includes the assumption of pension obligations and certain assets. As negotiations had already reached an advanced stage by May 2012, the activities have been presented as a disposal group as of that date. Held in the Optimization & Trading global unit, Open Grid Europe had net assets of approximately €3.2 billion as of June 30, 2012. The major balance sheet line items were €3.1 billion in intangible assets and property, plant and equipment, €0.5 billion in financial assets and €0.7 billion in current assets, as well as €0.6 billion in deferred tax liabilities and €0.5 billion in other liabilities. Given the preliminary nature of the purchase price, a gain or loss on the disposal cannot be specified at this time.

E.ON Bulgaria

In line with the divestment strategy, E.ON signed an agreement with the Czech company ENERGO-PRO on the disposal of its wholly-owned subsidiary E.ON Bulgaria in December 2011. The purchase price was approximately €0.1 billion. The major asset items on the balance sheet were property, plant and equipment (€0.2 billion) and current assets (€0.1 billion). Provisions and liabilities amounted to €0.1 billion in total. The agreement on the purchase price necessitated the recognition in December 2011 of impairment charges on goodwill and non-current assets totaling about €0.1 billion. The transaction closed at the end of June 2012. The Bulgarian activities are reported under "Other regional units." These activities are presented as a disposal group on grounds of materiality.

HSE
Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südhessische Energie AG, Darmstadt, Germany, accounted for in the Gas global 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 book value and the purchase price of the ownership interest both amount to approximately €0.3 billion. The contract for the sale was signed in February 2012. The transaction closed at the end of June 2012.

Interconnector
As part of a series of portfolio optimizations, a sale of the 15.09-percent shareholding in Interconnector (UK) Ltd., London, England, is also envisaged. In line with the stage of negotiations on that date, the ownership interest was presented as an asset held for sale as of June 30, 2012. This equity investment, which is accounted for in the Optimization & Trading global unit, had a carrying amount of approximately €0.1 billion as of June 30, 2012. The transaction is expected to close in the third quarter of 2012.

Disposal Groups and Assets Held for Sale in 2011

Central Networks
In line with the divestment strategy, 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 April 1, 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 been 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 April 1, 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). The disposal gain before foreign exchange translation differences amounts to about £0.5 billion. OCI as of April 1, 2011, consisted primarily of foreign exchange translation differences totaling -€0.2 billion; the resulting gain on disposal thus amounted to €0.4 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 were €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 with a minor book gain on the disposal.

Stadtwerke Duisburg/Stadtwerke Karlsruhe
Following the disposal of the Thüga group, the shareholdings in Stadtwerke Karlsruhe GmbH (10 percent), Karlsruhe, Germany, and in Stadtwerke Duisburg Aktiengesellschaft (20 percent), Duisburg, Germany, both accounted for in the Gas global unit, were classified as assets held for sale as of December 31, 2010. The sales closed at the beginning of 2011 and in July 2011, respectively.

BKW
Also in the context of portfolio streamlining, E.ON decided to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction was completed in July 2010, when BKW itself and Groupe E SA, Fribourg, Switzerland, acquired a stake of approximately 14 percent. The remaining approximately 7 percent of the shares have been reported as a financial asset since the fourth quarter of 2011.

Interest in OAO Gazprom
The portfolio streamlining efforts further 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 Gas global 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.

(5) Research and Development Costs

The E.ON Group's research and development costs totaled €17 million in the first six months of 2012 (first six months of 2011: €23 million).

(6) Financial Results

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

Financial Results	April 1–June 30		January 1–June 30	
€ in millions	2012	2011	2012	2011
Income from companies in which equity investments are held	47	50	61	63
Impairment charges/reversals on other financial assets	-25	-8	-27	-6
Income/Loss (-) from equity investments	**22**	**42**	**34**	**57**
Income from securities, interest and similar income	386	191	565	358
Interest and similar expenses	-647	-588	-1,331	-1,385
Interest and similar expenses (net)	**-261**	**-397**	**-766**	**-1,027**
Financial results	**-239**	**-355**	**-732**	**-970**

(7) Earnings per Share

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

Earnings per Share	April 1–June 30		January 1–June 30	
€ in millions	2012	2011	2012	2011
Income/Loss (-) from continuing operations	1,257	-1,493	3,106	935
Less: Non-controlling interests	-70	-83	-227	-257
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	**1,187**	**-1,576**	**2,879**	**678**
Income/Loss (-) from discontinued operations, net	–	–	27	13
Net income/loss (-) attributable to shareholders of E.ON AG	**1,187**	**-1,576**	**2,906**	**691**
in €				
Earnings per share (attributable to shareholders of E.ON AG)				
from continuing operations	0.63	-0.83	1.52	0.35
from discontinued operations	0.00	0.00	0.01	0.01
from net income/loss (-)	**0.63**	**-0.83**	**1.53**	**0.36**
Weighted-average number of shares outstanding (in millions)	1,905	1,905	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	June 30, 2012	Dec. 31, 2011
Companies accounted for under the equity method	6,343	6,325
Equity investments	1,679	1,908
Non-current securities	4,921	4,904
Total	**12,943**	**13,137**

(9) Treasury Shares

Pursuant to a resolution from the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. 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 June 30, 2012, was 1,905,470,456 (December 31, 2011: 1,905,470,135).

As of June 30, 2012, E.ON AG and one of its subsidiaries held a total of 95,529,544 treasury shares (December 31, 2011: 95,529,865) having a consolidated book value of €3,530 million (equivalent to 4.77 percent or €95,529,544 of the capital stock).

(10) Dividends Paid

At the Annual Shareholders Meeting on May 3, 2012, shareholders voted to distribute a dividend of €1.00 (2011: €1.50) for each dividend-paying ordinary share. The total dividend payout was €1,905 million (2011: €2,858 million).

(11) Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations were higher compared with year-end 2011. The increase was caused in large part by net actuarial losses attributable primarily to the decrease in the discount rates that were used for E.ON Group companies in Germany and in the United Kingdom. Additions attributable to the net periodic pension cost further increased provisions for pensions. The increase was partly offset by employer contributions to plan assets and 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 Rates

Percentages	June 30, 2012	Dec. 31, 2011
Germany	3.75	4.75
U.K.	4.20	4.60

The funded status, which is equal to the difference between the present value of the defined benefit obligations 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	June 30, 2012	Dec. 31, 2011
Present value of all defined benefit obligations	16,331	14,607
Fair value of plan assets	-11,714	-11,359
Funded status	**4,617**	**3,248**
Unrecognized past service cost	-9	-9
Net amount recognized	**4,608**	**3,239**
Thereof presented as operating receivables	*-6*	*-6*
Thereof presented as provisions for pensions and similar obligations	*4,614*	*3,245*

The change in the provisions is virtually replicated in the increase of the funded status compared with year-end 2011. Taking into account the net pension payments and currency translation effects, this increase is largely attributable to net actuarial losses in the present value of all defined benefit obligations and in the plan assets. The funded status was increased further by additions attributable to the net periodic pension cost. The increase was offset in part by the employer contributions to plan assets during the first six months of 2012 and by the balance sheet reclassification to "Liabilities associated with assets held for sale" of the relevant present values of defined benefit obligations at units that are being sold, which had 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:

Net Periodic Pension Cost for Defined Benefit Plans

	April 1–June 30		January 1–June 30	
€ in millions	2012	2011	2012	2011
Employer service cost	62	57	121	119
Interest cost	169	171	337	380
Expected return on plan assets	-137	-135	-272	-304
Past service cost	4	–	6	2
Total	**98**	**93**	**192**	**197**

Notes to the Condensed Consolidated Interim Financial Statements

(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"). Since the beginning of 2012, the businesses of the existing Gas and Trading global units are reported collectively within the new Optimization & Trading segment. The exploration and production business previously held within the Gas global unit has become its own segment. Furthermore, a number of gas distribution companies previously assigned to the Gas global unit are being reported within the Germany regional unit since the beginning of the year. The corresponding prior-year figures have been adjusted.

Global Units

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

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

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.

Financial Information by Business Segment

January 1–June 30 € in millions	Generation		Renewables		Optimization & Trading	
	2012	2011	2012	2011	2012	2011
External sales	1,509	1,901	420	378	29,822	20,137
Intersegment sales	4,716	5,676	782	754	18,843	17,992
Sales	**6,225**	**7,577**	**1,202**	**1,132**	**48,665**	**38,129**
EBITDA[1]	**1,161**	**558**	**661**	**753**	**1,805**	**-20**
Earnings from companies accounted for under the equity method[2]	*8*	*9*	*8*	*8*	*338*	*194*
Operating cash flow before interest and taxes	**1,843**	**2,098**	**629**	**575**	**725**	**-107**
Investments	**485**	**641**	**731**	**419**	**199**	**214**

[1]Adjusted for extraordinary effects.
[2]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 EBITDA.

Financial Information by Business Segment—Presentation of Other EU Countries

January 1–June 30 € in millions	UK		Sweden		Czechia	
	2012	2011	2012	2011	2012	2011
External sales	4,976	4,328	1,388	1,519	1,498	1,369
Intersegment sales	–	39	103	143	92	60
Sales	**4,976**	**4,367**	**1,491**	**1,662**	**1,590**	**1,429**
EBITDA[1]	**297**	**228**	**390**	**371**	**252**	**256**
Earnings from companies accounted for under the equity method[2]	–	–	*7*	*5*	*16*	*21*
Operating cash flow before interest and taxes	**-62**	**-363**	**315**	**343**	**241**	**89**
Investments	**52**	**154**	**132**	**137**	**51**	**64**

[1]Adjusted for extraordinary effects.
[2]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 EBITDA.

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, the Optimization and Trading global unit buys and sells electricity, natural gas, liquefied natural gas (LNG), oil, coal, freight, biomass, and carbon allowances. It additionally manages and develops assets at different levels in the gas market's value chain.

Exploration & Production

E.ON's exploration and production business is a segment active in the focus regions North Sea (U.K., Norway), Russia and North Africa.

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, Czechia and Hungary regional units are reported separately. E.ON's power generation business in Russia is additionally reported as a special-focus region.

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.

Exploration & Production		Germany		Other EU Countries without Consolidation		Russia		Group Management/ Consolidation		E.ON Group	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
656	636	19,956	17,778	12,112	11,408	887	780	40	30	65,402	53,048
110	179	736	977	554	498	–	–	-25,741	-26,076	0	0
766	**815**	**20,692**	**18,755**	**12,666**	**11,906**	**887**	**780**	**-25,701**	**-26,046**	**65,402**	**53,048**
337	**421**	**1,250**	**1,301**	**1,303**	**1,255**	**350**	**252**	**-161**	**-195**	**6,706**	**4,325**
34	*43*	*40*	*34*	*54*	*62*	–	–	*1*	–	*483*	*350*
419	**509**	**931**	**853**	**917**	**354**	**328**	**228**	**-592**	**-924**	**5,200**	**3,586**
255	**255**	**297**	**307**	**367**	**495**	**123**	**111**	**263**	**25**	**2,720**	**2,467**

Hungary		Other regional units		Other EU Countries without Consolidation	
2012	2011	2012	2011	2012	2011
964	1,045	3,286	3,147	12,112	11,408
31	9	328	247	554	498
995	**1,054**	**3,614**	**3,394**	**12,666**	**11,906**
93	**139**	**271**	**261**	**1,303**	**1,255**
–	–	*31*	*36*	*54*	*62*
75	**24**	**348**	**261**	**917**	**354**
58	**72**	**74**	**68**	**367**	**495**

Notes to the Condensed Consolidated Interim Financial Statements

Since January 1, 2011, EBITDA has been the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude certain extraordinary effects. The adjustments include economic 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–June 30 € in millions	2012	2011	Difference
Operating cash flow before interest and taxes	**5,200**	**3,586**	**1,614**
Interest payments	-609	-834	225
Tax payments	-2,112	-390	-1,722
Operating cash flow	**2,479**	**2,362**	**117**

Operating cash flow is virtually unchanged. It is diminished by a withholding tax, which E.ON expects to be refunded during the second half of 2012.

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

Economic net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding extraordinary effects, namely, 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 our EBITDA to net income as reported in the IFRS Consolidated Financial Statements:

Page 17 of the Interim Group Management Report provides a more detailed explanation of the reconciliation of our EBITDA to net income.

Net Income

January 1–June 30 € in millions	2012	2011
EBITDA[1]	**6,706**	**4,325**
Depreciation and amortization	-1,778	-1,960
Impairments (-)/Reversals (+)[2]	-54	8
EBIT[1]	**4,874**	**2,373**
Economic interest income (net)	-722	-846
Net book gains/losses	67	1,162
Restructuring/cost-management expenses	-144	-255
Other non-operating earnings	-676	-1,426
Income/Loss (-) from continuing operations before taxes	**3,399**	**1,008**
Income taxes	-293	-73
Income/Loss (-) from continuing operations	**3,106**	**935**
Income/Loss (-) from discontinued operations, net	27	13
Net income	**3,133**	**948**
Attributable to shareholders of E.ON AG	*2,906*	*691*
Attributable to non-controlling interests	*227*	*257*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the 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.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Condensed Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, Germany, August 9, 2012

The Board of Management

Teyssen

Kildahl

Maubach

Reutersberg

Schenck

Stachelhaus

Financial Calendar

November 13, 2012	Interim Report: January – September 2012
March 13, 2013	Release of the 2012 Annual Report
May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payout
May 8, 2013	Interim Report: January – March 2013
August 13, 2013	Interim Report: January – June 2013
November 13, 2013	Interim Report: January – September 2013

Further information

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

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

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

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

Creditor Relations
T +49 211-4579-262
creditorrelations@eon.com

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