

2012

January February March

April May June

July August September

October November December

## 2 E.ON Group Financial Highlights

E.ON Group Financial Highlights			
January 1-March 31	2012	2011	+/- %
Electricity sales <sup>1</sup>	208.6 billion kWh	186.2 billion kWh	+12
Gas sales <sup>1</sup>	389.1 billion kWh	373.2 billion kWh	+4
Sales	€35,731 million	€27,846 million	+28
EBITDA <sup>2</sup>	€3,770 million	€3,470 million	+9
EBIT <sup>2</sup>	€2,831 million	€2,568 million	+10
Net income	€1,876 million	€2,441 million	-23
Net income attributable to shareholders of E.ON AG	€1,719 million	€2,267 million	-24
Underlying net income	€1,665 million	€1,315 million	+27
Investments	€1,164 million	€1,164 million	-
Cash provided by operating activities of continuing operations (operating cash flow)	€448 million	€906 million	-51
Economic net debt (March 31 and December 31)	-€37,598 million	-€36,385 million	-1,213 <sup>3</sup>
Employees (March 31 and December 31)	78,506	78,889	-
Earnings per share attributable to shareholders of E.ON AG	€0.90	€1.19	-24
Weighted-average shares outstanding (in millions)	1,905	1,905	-

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

## Interim Report I/2012

January 1 – March 31, 2012

- EBITDA up by 9 percent, underlying net income up by 27 percent year on year
- Contracts signed with MPX for a joint venture that aims to become a leading privately owned energy company in Brazil
- Full-year EBITDA still expected to be between €9.6 and €10.2 billion, underlying net income between €2.3 and €2.7 billion

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Dear Shareholders,

As expected, our business performed positively in the first quarter of 2012. We've left the trough of the previous financial year—which was affected by extraordinary adverse factors that included the early shutdown of several of our nuclear power stations—distinctly behind us. Our sales rose to €35.7 billion. We posted EBITDA of around €3.8 billion and underlying net income of around €1.7 billion. The negative factors included price and volume effects in our power generation business; the positive factors included improvements at our wholesale gas business. From today's perspective, we therefore continue to expect our full-year 2012 EBITDA to be between €9.6 and €10.2 billion and our 2012 underlying net income to be between €2.3 and €2.7 billion.

Our positive first-quarter performance can't hide the fact that the energy and macroeconomic environment remains difficult. Our industry is in a phase of fundamental transformation. For the foreseeable future, our business will continue to be characterized by weak energy demand, keen competitive pressure (above all in our wholesale gas business), and occasionally erratic government intervention in the energy marketplace. Gas demand in Europe is at the level of 2001, power demand about at the level of 2004. In our power generation business, the effects of weak demand include lower capacity utilization, lower prices, and narrower margins. We'll therefore further optimize our conventional generation portfolio by reducing costs, by enhancing our assets' flexibility, and even by looking into closing assets where necessary. Our wholesale gas business also continues to require adjustments owing to the sharp decline in prices for gas products relative to the prices under our long-term import contracts. Here, however, we've already taken countermeasures. And following our recent agreement with one of our most important natural gas suppliers, Norway's Statoil, we've now successfully renegotiated about two thirds of our gas procurement portfolio. We're also attempting to reach a fair and reasonable agreement with Russia's Gazprom and are therefore well on our way to ensuring that over the medium term our wholesale gas business can again deliver adequate earnings.

Alongside these operational successes, we're moving systematically forward with the fundamental transformation of our company. We began this process early on, and in the first quarter of 2012 we made further progress. As part of our refocusing effort in Europe, we're working diligently to sell non-core businesses. We're in the final phase of the sales process for Open Grid Europe, and the sale of E.ON Energy from Waste is also moving forward according to plan. At the same time, we're accelerating the expansion of our renewables capacity. An example of this is Amrumbank West, a deepwater wind farm off the coast of Germany that will enter service in 2015 and supply enough electricity to power about 300,000 households. As planned, we're also increasing our activities in growth markets outside Europe. Alongside our successful businesses in North America (wind farms) and Russia (large-scale conventional power stations), we're now entering Brazil as our next growth market. Through our joint venture with Brazil's MPX, we plan to build 11 gigawatts of generating capacity. The further internationalization of our company will be reflected in the transformation of E.ON AG into a European Company (SE). A few days ago at our Annual Shareholders Meeting, a large majority of our shareholders voted in favor of the transformation.

In addition, we've laid the groundwork for lasting efficiency enhancements. In mid-January, we reached an agreement with trade unions ver.di and IG BCE on a collective-bargaining contract for the implementation of E.ON 2.0 in Germany. The contract establishes mechanisms and a framework for the staff reductions that are necessary at E.ON. It paves the way for us to implement E.ON 2.0 as planned and to achieve our goal of reducing controllable costs to €9.5 billion annually by 2015. This, along with swift decision-making processes and greater customer orientation, will give us flexibility for our investments in the future and thus also for long-term employment. And it will lay the foundation for E.ON to remain one of the most successful international energy companies in the years ahead.

Best wishes,



Dr. Johannes Teysen

## E.ON Stock

At the end of the first quarter of 2012, E.ON stock was 8 percent above its year-end closing price for 2011, thereby performing similarly to the EURO STOXX 50 index (+7 percent) and outperforming its peer index, the STOXX Utilities (+3 percent).

The number of E.ON shares traded in the first quarter declined by 8 percent year on year to 647 million shares. E.ON's stock-exchange trading volume declined by 31 percent to €11.1 billion due to the stock's lower average price.

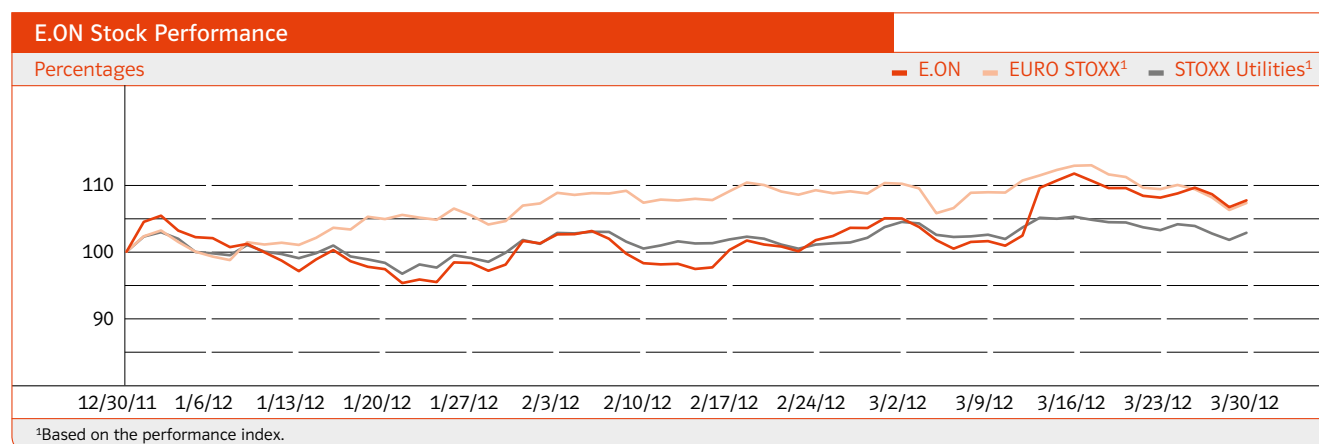
Visit [eon.com](http://eon.com) for the latest information about E.ON stock.

E.ON Stock		
	Mar. 31, 2012	Dec. 31, 2011
Shares outstanding (millions)	1,905	1,905
Closing price (€)	17.96	16.67
Market capitalization (€ in billions) <sup>1</sup>	34.2	31.8

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

Performance and Trading Volume		
January 1–March 31	2012	2011
High (€) <sup>1</sup>	18.64	25.11
Low (€) <sup>1</sup>	15.88	20.94
Trading volume <sup>2</sup>		
Millions of shares	646.7	701.6
€ in billions	11.1	16.2

<sup>1</sup>Xetra.  
<sup>2</sup>Source: Bloomberg (all German stock exchanges).



## 6 Interim Group Management Report



### Business and Operating Environment

#### Corporate Structure and Operations

E.ON is a major investor-owned energy company. Led by Group Management in Düsseldorf, our operations are segmented into global units and regional units.

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 Bulgaria. We manage our power generation business in Russia as a special-focus region.

### Energy Industry

According to preliminary figures from BDEW, the German Association of Energy and Water Industries, Germany consumed 3.7 percent less electricity in January and February of 2012 than in the same months of 2011. Mild weather in January and weak economies in other countries in both months were the reasons for the decline. Gas consumption increased by 6.6 percent owing to a relatively cold February and leap year (February 29, 2012).

Electricity consumption in England, Scotland, and Wales was about 85 billion kWh in the first quarter of 2012 compared with 86 billion kWh in the same period of 2011. Gas consumption (excluding power stations) fell from 220 billion kWh to 207 billion kWh. The declines were mainly the result of slightly higher temperatures in the current-year quarter, ongoing energy-efficiency measures, and changes in customer behavior.

The Nordic region consumed 111 billion kWh of electricity. This decline of about 3 billion kWh relative to the prior-year period was caused by higher temperatures. Net electricity exports to surrounding countries were about 3.3 billion kWh compared with net imports of about 7 billion kWh in the prior-year period.

At 8.8 billion kWh, Hungary's electricity consumption was at the prior-year level. Driven by weather factors, its gas consumption fell by 4 percent to 4,472 million cubic meters.

Italy consumed 83 billion kWh of electricity, 2 percent less than in the prior-year period (84.7 billion kWh). Gas consumption declined by 2.2 percent to 290.3 billion kWh (prior year: 296.9 billion kWh) owing to a reduction in deliveries to gas-fired power plants.

Peninsular electricity consumption in Spain was 67 billion kWh, 1.5 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 6.3 percent to 86 billion kWh.

France's electricity consumption rose by 2.6 percent to 148.7 billion kWh (consumption rose by 0.8 percent if adjusted for differences in temperature and the number of working days). Total generation increased by 0.6 percent to 160.1 billion kWh.

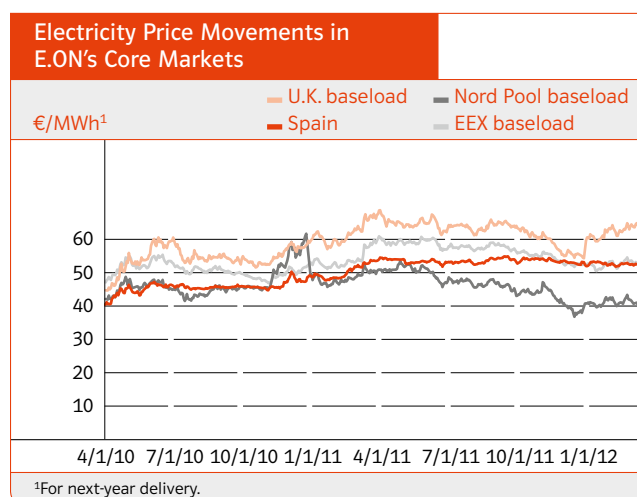
The Russian Federation generated about 291.9 billion kWh of electricity, 3.8 percent more than in the prior-year period.

### Energy Prices

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

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

Two of these factors—an extended period of cold weather in Europe and ongoing political unrest in the Middle East—had a particularly significant impact. At the end of March, prices were also influenced by the discovery of a gas leak on Elgin drilling platform in the U.K. North Sea. Positive economic data from the United States and China continued to be overshadowed by concerns about the debt crisis in the European Union, where the bond ratings of nine member states were downgraded.



Cold winter weather and international tension with Iran had a particularly strong impact on oil prices, which rose from \$110 per barrel at the start of the year to \$125 in March. This

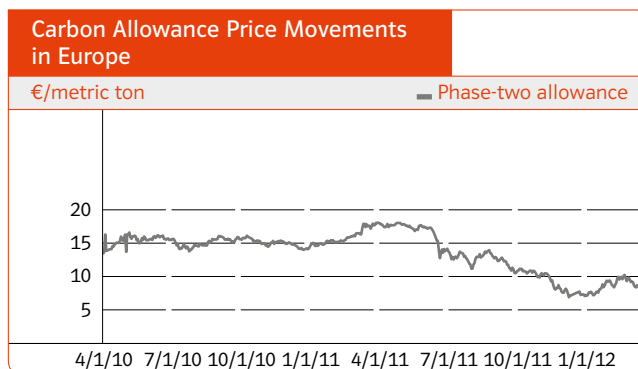
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upward trend received additional support from the political instability in Syria, south Sudan, and Yemen and the resulting supply disruptions.

Prices on Europe's coal market (as measured by the API#2 index), which began the year at \$117 per metric ton for next-year delivery, trended lower, falling during January to an intra-year low of \$111 per metric ton owing to lower demand that resulted from initially mild winter weather. Prices then crept a few dollars higher during the remainder of the quarter to roughly \$116 per metric ton at the end of March. One of the reasons for continued lower prices is the ongoing oversupply of coal in the Atlantic basin. The oversupply is caused by an increase in coal exports from the United States, where domestic coal is currently being crowded out by cheaper shale gas. The ongoing oversupply of ship capacity and the resulting low freight costs have led to an increasing number of shipments from Atlantic to Pacific markets, where coal prices remain higher.

European forward gas prices displayed a marked upward trend in the first quarter. At the U.K. hub, prices for next-year delivery began the year at about €26 per MWh but rose to more than €28 by the end of March owing to several factors: higher oil prices, cold weather across Europe in mid-February, and the expectation that developments in Japan (where most nuclear power stations remain out of service) would significantly restrict the availability of LNG for the European market. This trend was only slightly dampened by declining carbon prices and low output from gas-fired power stations and was further enhanced by the immediate production stoppage at Elgin platform after the discovery of the gas leak.

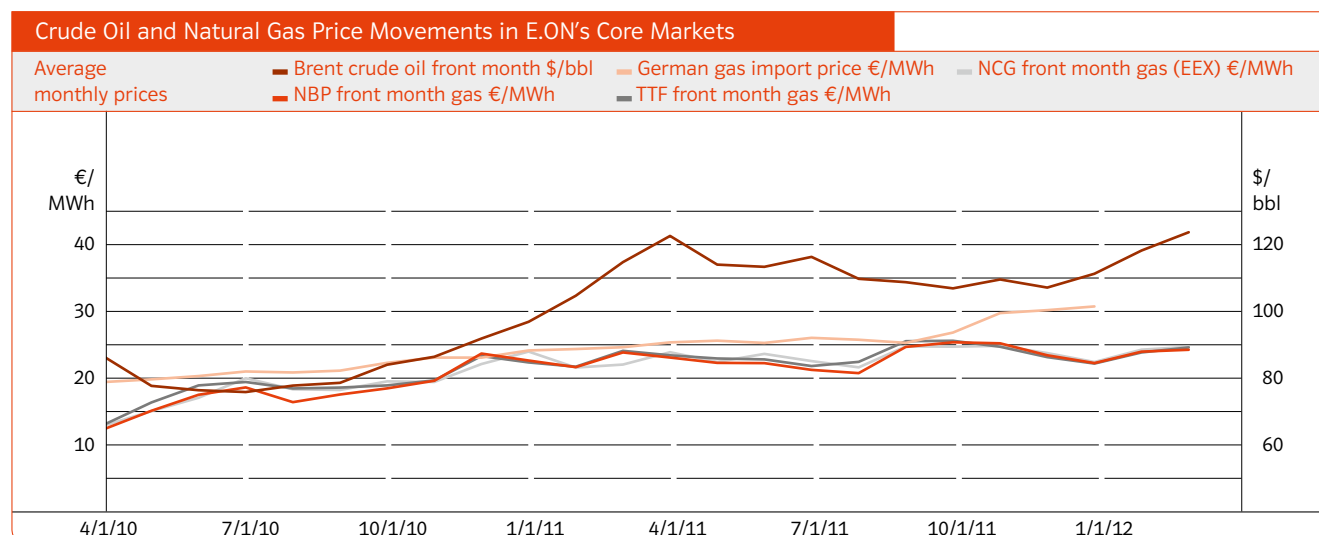
Prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme ("ETS") started January at about €7 per metric ton. EUA prices rose in anticipation of a vote by the European Parliament's Industry, Research, and Energy Committee on a draft EU directive on energy efficiency, reaching nearly €10 just prior to the vote at the end of February. The draft directive approved by the committee includes a proposal to withhold EUAs from the third phase of the ETS, although no exact figures were named. In the weeks after the vote, EUA prices fell to the level at the start of the year, driven lower by indications that some EU member states would not approve the directive.



In Germany, first-quarter prices for baseload electricity were strongly influenced by the good supply situation (particularly in neighboring countries) as well as by high renewables output and low carbon prices. The period of cold weather across Europe in February, which temporarily caused price spikes on Germany's spot market, had very little long-term impact. As a result, German power prices for next-year delivery finished the quarter slightly below the already low level (about €52 per MWh) at the start of the year. With natural gas prices relatively high, there was little incentive to invest in gas-fired generation in Germany, unlike in the United Kingdom, where power prices tended to track gas prices to a much greater degree. U.K. power prices for next-year delivery finished the quarter at roughly €64 per MWh, significantly above prices in Continental Europe. In the Nordic power market, water reservoir levels reached new all-time highs at the end of March after large inflows during the first quarter. Very cold weather in February and the limited availability of several nuclear power stations affected spot power prices but not forward prices. Prices for next-year delivery finished the quarter at about €40 per MWh, €1 below the price at the start of the year. Because Italy's power market is highly dependent on oil-indexed natural gas, in the first quarter of 2012 Italian power prices for next-year delivery continued to track oil prices, rising from €75 per MWh at the start of the quarter to €77. However, the increase in power prices did not cover the full increase in fuel costs. As a result, fossil-fueled power generation in Italy came under greater pressure in March, a situation that was exacerbated by low demand and higher output from renewables. In Spain, forward power prices fluctuated little during most of the first quarter. They trended slightly lower at the end of March owing to declining carbon prices and lower spot prices following the period of cold weather in February. At the end of the quarter, the price for next-year delivery stood at around €52 per MWh.

Prices in the European zone of Russia's power market were largely stable. The weighted-average spot price for the first quarter was RUB 871 (around €21) per MWh, close to the average price for the last quarter of 2011. Cold weather in February led to a marked consumption-driven increase in prices, which was counteracted primarily by the Russian government's decision to postpone the planned increase in gas tariffs. Reliable gas

supplies and an increase in generating capacity also had a dampening effect on prices. In the Siberian zone, the weighted-average spot price rose by 10 percent quarter on quarter to RUB 652 (around €16) per MWh. Commercial changes in the market environment constituted the main reason for the increase. Other factors, such as demand and output from hydroelectric and conventional power stations, were mostly unchanged.



### Power Procurement

The E.ON Group's owned generation rose by 4 percent, from 73 billion kWh in the first quarter of 2011 to 76 billion kWh in 2012. Power procured increased by 17 percent to 139 billion kWh.

Generation's owned generation was slightly above the prior-year level. The declines resulting in particular from the shut-down of nuclear power stations in Germany pursuant to the amendment of the Nuclear Energy Act and from a temporary production stoppage at Oskarshamn nuclear power station in

Sweden were more than offset, primarily by the commissioning of a new gas-fired power plant and significantly improved market conditions for coal-fired assets in the United Kingdom.

Renewables' owned generation of 6.9 billion kWh surpassed the prior-year figure (5.6 billion kWh). Owned generation at the Hydro reporting unit increased by 0.4 billion kWh owing to Sweden's high reservoir levels at the start of 2012 and consistently high inflow during the first quarter. Owned generation at the Wind/Solar/Other reporting unit rose by 38 percent

Power Procurement																
Jan. 1-Mar. 31 Billion kWh	Generation		Renewables		Optimization & Trading <sup>1</sup>		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Owned generation	47.3	47.1	6.9	5.6	-	-	1.6	1.9	2.4	2.5	17.8	15.9	-	-	76.0	73.0
Purchases	7.2	11.1	1.7	1.3	165.6	139.3	46.4	46.4	42.8	43.4	1.2	1.0	-125.9	-123.3	139.0	119.2
Jointly owned power plants	3.0	3.6	0.5	0.4	-	-	-	-	-	-	-	-	-	-	3.5	4.0
Optimization & Trading/ outside sources	4.2	7.5	1.2	0.9	165.6	139.3	46.4	46.4	42.8	43.4	1.2	1.0	-125.9	-123.3	135.5	115.2
<b>Total power procurement</b>	<b>54.5</b>	<b>58.2</b>	<b>8.6</b>	<b>6.9</b>	<b>165.6</b>	<b>139.3</b>	<b>48.0</b>	<b>48.3</b>	<b>45.2</b>	<b>45.9</b>	<b>19.0</b>	<b>16.9</b>	<b>-125.9</b>	<b>-123.3</b>	<b>215.0</b>	<b>192.2</b>
Station use, line loss, etc.	-0.6	-0.4	-0.2	-0.1	-	-	-1.6	-1.6	-3.4	-3.3	-0.6	-0.6	-	-	-6.4	-6.0
<b>Power sales</b>	<b>53.9</b>	<b>57.8</b>	<b>8.4</b>	<b>6.8</b>	<b>165.6</b>	<b>139.3</b>	<b>46.4</b>	<b>46.7</b>	<b>41.8</b>	<b>42.6</b>	<b>18.4</b>	<b>16.3</b>	<b>-125.9</b>	<b>-123.3</b>	<b>208.6</b>	<b>186.2</b>

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

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Owned Generation by Energy Source												
Jan. 1-Mar. 31 2012	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%	Billion kWh	%
Nuclear	15.6	33	-	-	-	-	-	-	-	-	15.6	21
Lignite	1.4	3	-	-	-	-	0.1	4	3.3	19	4.8	6
Hard coal	20.4	43	-	-	-	-	-	-	-	-	20.4	27
Natural gas, oil	9.9	21	-	-	0.4	25	1.9	79	14.5	81	26.7	35
Hydro	-	-	3.6	52	0.7	44	-	-	-	-	4.3	6
Wind	-	-	3.2	46	-	-	-	-	-	-	3.2	4
Other	-	-	0.1	2	0.5	31	0.4	17	-	-	1.0	1
<b>Total</b>	<b>47.3</b>	<b>100</b>	<b>6.9</b>	<b>100</b>	<b>1.6</b>	<b>100</b>	<b>2.4</b>	<b>100</b>	<b>17.8</b>	<b>100</b>	<b>76.0</b>	<b>100</b>

to 3.3 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 94 percent of its total needs of 17.8 billion kWh at its own power stations. It procured 1.2 billion kWh from outside sources.

### Gas Procurement

The Optimization & Trading unit procured about 400 billion kWh of natural gas from producers in and outside Germany in the first quarter of 2012. About half of this amount was procured under long-term contracts, the remainder at trading hubs. The biggest suppliers were Russia, Norway, 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-March 31	2012	2011
Power (billion kWh)	437	531
Gas (billion kWh)	578	630
Carbon allowances (million metric tons)	120	162
Oil (million metric tons)	35	23
Coal (million metric tons)	62	62

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

Exploration & Production's gas production in the North Sea declined to 267 million cubic meters. Oil and condensates production of 0.8 million barrels was also down, declining by 43 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord 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 40 percent to 2.5 million barrels of oil equivalent. In addition to its North Sea production, Exploration & Production had 1.7 billion cubic meters of output from Yuzhno Russkoye, a slight increase from the prior-year figure.

Upstream Production			
January 1-March 31	2012	2011	+/- %
Oil/condensates (million barrels)	0.8	1.4	-43
Gas (million standard cubic meters)	266.6	441.4	-40
<b>Total (million barrels of oil equivalent)</b>	<b>2.5</b>	<b>4.2</b>	<b>-40</b>

## Power Sales

On a consolidated basis, the E.ON Group increased its first-quarter power sales by 12 percent to 208.6 billion kWh. Higher trading sales volume was the main factor.

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 and a decrease in deliveries to Optimization & Trading from our power stations in Sweden, due in part to outages at Oskarshamn and Ringhals nuclear power stations.

Renewables sold 1.6 billion kWh more power than last year. Power sales at Hydro were higher primarily because of an increase in owned generation and in deliveries to Optimization & Trading in Sweden. 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 33 percent, chiefly because of an increase in installed generating capacity.

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

Other EU Countries sold 0.8 billion kWh less power. Declines of 2.5 billion kWh (due primarily to slightly higher temperatures in the United Kingdom, Italy, and Sweden) more than offset gains of 1.7 billion kWh (primarily in Czechia and Romania). Figures for 2012 and 2011 include output from combined-heat-and-power plants in the United Kingdom.

The Russia unit sold 18.4 billion kWh of electricity on the wholesale market. This 13-percent increase from the prior-year figure is mainly attributable to the commissioning of new generating capacity at Surgut and Yaiva power stations.

Power Sales																
Jan. 1-Mar. 31 Billion kWh	Generation		Renewables		Optimization & Trading <sup>1</sup>		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	-	-	-	-	-	-	7.5	7.8	18.4	18.7	-	-	-	-	25.9	26.5
I&C	1.0	1.5	-	-	-	-	8.8	7.9	18.2	19.5	-	-	-	-	28.0	28.9
Sales partners	9.6	9.8	1.3	1.2	-	-	22.4	22.9	0.1	0.8	-	-	-	-	33.4	34.7
<b>Customer segments</b>	<b>10.6</b>	<b>11.3</b>	<b>1.3</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>38.7</b>	<b>38.6</b>	<b>36.7</b>	<b>39.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87.3</b>	<b>90.1</b>
Wholesale market/ Optimization & Trading	43.3	46.5	7.1	5.6	165.6	139.3	7.7	8.1	5.1	3.6	18.4	16.3	-125.9	-123.3	121.3	96.1
<b>Total</b>	<b>53.9</b>	<b>57.8</b>	<b>8.4</b>	<b>6.8</b>	<b>165.6</b>	<b>139.3</b>	<b>46.4</b>	<b>46.7</b>	<b>41.8</b>	<b>42.6</b>	<b>18.4</b>	<b>16.3</b>	<b>-125.9</b>	<b>-123.3</b>	<b>208.6</b>	<b>186.2</b>

<sup>1</sup>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-quarter gas sales by 15.9 billion kWh, or 4 percent, to 389.1 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 at 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 134 billion kWh were also at the prior-year level. Gas sales outside Germany fell by about 4 billion kWh owing to a reduction in deliveries to E.ON Földgáz Trade.

The Germany regional unit recorded a primarily weather-driven decline in gas sales volume.

On balance, Other EU Countries sold 5.6 billion kWh more gas than in the prior-year period. Gas sales rose by a total of 6.8 billion kWh in several countries, particularly in Romania and Czechia (owing to higher wholesale sales volume) and in France (owing to adjustments to a gas supply contract). Gas sales fell by a total of 1.2 billion kWh in the United Kingdom, Italy, and Sweden. The main factors were generally warmer weather, energy-efficiency measures and lower demand in response to higher prices in the United Kingdom, lower retail sales in Italy, and a reduction in deliveries to gas-fired power plants in Sweden.

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Gas Sales										
January 1-March 31 Billion kWh	Optimization & Trading <sup>1</sup>		Germany		Other EU Countries		Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	-	-	10.3	11.1	44.0	41.9	-	-	54.3	53.0
I&C	5.4	0.1	36.0	39.1	17.7	18.9	-2.0	-4.3	57.1	53.8
Sales partners	25.1	29.9	113.4	116.8	-	0.4	-26.4	-35.2	112.1	111.9
<b>Customer segments</b>	<b>30.5</b>	<b>30.0</b>	<b>159.7</b>	<b>167.0</b>	<b>61.7</b>	<b>61.2</b>	<b>-28.4</b>	<b>-39.5</b>	<b>223.5</b>	<b>218.7</b>
Germany	134.1	134.5	-	-	-	-	-134.1	-134.5	-	-
Other countries	32.7	36.8	-	-	-	-	-12.4	-15.9	20.3	20.9
Wholesale market/ Optimization & Trading	190.2	189.5	-	-	8.6	3.5	-53.5	-59.4	145.3	133.6
<b>Total</b>	<b>387.5</b>	<b>390.8</b>	<b>159.7</b>	<b>167.0</b>	<b>70.3</b>	<b>64.7</b>	<b>-228.4</b>	<b>-249.3</b>	<b>389.1</b>	<b>373.2</b>

<sup>1</sup>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-quarter sales rose by 28 percent year on year to €35.7 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 substantially.

Sales			
January 1-March 31 € in millions	2012	2011	+/- %
Generation	3,759	4,505	-17
Renewables	617	577	+7
Optimization & Trading	27,470	20,041	+37
Exploration & Production	447	455	-2
Germany	11,208	10,161	+10
Other EU Countries	7,389	7,111	+4
Russia	486	415	+17
Group Management/ Consolidation	-15,645	-15,419	-
<b>Total</b>	<b>35,731</b>	<b>27,846</b>	<b>+28</b>

## Generation

First-quarter sales declined by €746 million, or 17 percent.

Sales			
January 1-March 31 € in millions	2012	2011	+/- %
Nuclear	1,193	1,772	-33
Fossil	2,548	2,713	-6
Other	18	20	-10
<b>Generation</b>	<b>3,759</b>	<b>4,505</b>	<b>-17</b>

The Nuclear reporting unit's sales were €579 million, or 33 percent, below the prior-year level. In Germany, the main reason for the decrease was the shutdown of nuclear power stations pursuant to the amendment of the Nuclear Energy Act. In Sweden, sales declined on lower internal transfer prices on deliveries to Optimization & Trading and outages at Oskarshamn and Ringhals nuclear power stations.

The Fossil reporting unit's sales were €165 million, or 6 percent, lower. The decline resulted primarily from lower internal transfer prices. Sales were higher in the United Kingdom owing to the commissioning of a new gas-fired power plant and improved market conditions for coal-fired assets.

## Renewables

Sales at Renewables rose by €40 million.

Sales			
January 1–March 31 € in millions	2012	2011	+/- %
Hydro	342	359	-5
Wind/Solar/Other	275	218	+26
<b>Renewables</b>	<b>617</b>	<b>577</b>	<b>+7</b>

Sales at Hydro declined by 5 percent to €342 million, mainly because of lower sales volume in Italy and a weather-driven reduction in output in Spain. Sales were higher in Sweden and Germany due to higher sales volume and the favorable hydrological situation in the first quarter of 2012.

The predominant reason for the €57 million increase in Wind/Solar/Other's sales was a considerable increase in installed generating capacity, particularly in the United States and Southern Europe.

## Optimization & Trading

Optimization & Trading's sales were up by 37 percent to around €27.5 billion (prior year: €20 billion).

Sales			
January 1–March 31 € in millions	2012	2011	+/- %
Proprietary Trading	13	-14	-
Optimization	27,373	19,928	+37
Gas Transport/Shareholdings/ Other	84	127	-34
<b>Optimization &amp; Trading</b>	<b>27,470</b>	<b>20,041</b>	<b>+37</b>

The Optimization reporting unit consists of our wholesale gas business, gas storage business, and asset optimization. As in 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 an adjustment of our hedging strategy. Sales at the wholesale gas business also rose owing primarily to higher sales prices and slightly higher sales volume. Sales at the gas storage business were

lower primarily because of lower storage usage. On the power side, sales rose in particular because of the marketing of additional output from E.ON-owned power plants and from 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 Gas Transport/Shareholdings/Other reporting unit, lower sales of control and balancing energy resulted in a decrease in sales in the gas transport business. This was partially offset by consolidation effects.

## Exploration & Production

Sales at Exploration & Production declined by 2 percent to €447 million (prior year: €455 million) owing to a decline in production at our gas fields in the North Sea. This effect was partially offset by positive price developments for sales volume from Yuzhno Russkoye gas field in Siberia.

## Germany

Sales at the Germany regional unit increased by €1.0 billion.

Sales			
January 1–March 31 € in millions	2012	2011	+/- %
Distribution Networks	3,208	2,699	+19
Non-regulated/Other	8,000	7,462	+7
<b>Germany</b>	<b>11,208</b>	<b>10,161</b>	<b>+10</b>

The Distribution Networks reporting unit grew sales by €0.5 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 €0.5 billion, primarily because of higher retail sales.

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### Other EU Countries

Other EU Countries grew sales by €278 million to €7.4 billion.

Sales			
January 1-March 31			
€ in millions	2012	2011	+/- %
UK (£ in millions)	2,806 (2,342)	2,739 (2,339)	+2 (-)
Sweden (SEK in millions)	916 (8,110)	1,013 (8,978)	-10 (-10)
Czechia (CZK in millions)	945 (23,710)	829 (20,205)	+14 (+17)
Hungary (HUF in millions)	568 (168,721)	626 (170,657)	-9 (-1)
Remaining regional units	2,154	1,904	+13
<b>Other EU Countries</b>	<b>7,389</b>	<b>7,111</b>	<b>+4</b>

Sales at the UK regional unit rose by €67 million, primarily because of currency-translation effects; in local currency, sales were unchanged. 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 €97 million, mainly because of lower retail sales (which reflect a decline in the number of I&C customers), lower spot prices, and generally warmer weather.

Sales in Czechia rose by €116 million owing primarily to higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network, higher power sales volume, and higher sales prices in the retail gas business.

Sales at the Hungary regional unit declined by €58 million owing to lower sales volume and sales prices in the power business.

Sales at the remaining regional units rose by €250 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.

### Russia

An increase in generating capacity enabled the Russia unit to grow its first-quarter sales by 17 percent to €486 million (prior year: €415 million). In local currency, sales were up by 16 percent, from RUB 16,614 million to RUB 19,238 million.

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

Own work capitalized of €31 million was 83 percent below the prior-year figure (€180 million). The main reason is that relative to the prior-year period fewer engineering services were performed owing to the completion of a number of generation new-build projects.

Other operating income declined by 55 percent to €3,186 million (prior year: €7,149 million). Lower income from exchange-rate differences of €1,104 million (€2,101 million) and lower income from derivative financial instruments of €1,588 million (€3,838 million) constituted the main factors. Among derivative financial instruments, there were significant effects from commodity derivatives in the first quarter of 2012. These principally affected our power, natural gas, oil, and emission-allowance positions. Gains on the sale of securities, fixed assets, and shareholdings amounted to €162 million (€740 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 €7,626 million to €30,437 million (€22,811 million), primarily owing to an increase in sales at our Optimization & Trading unit, since optimization involves buying quantities and then reselling them.

Personnel costs declined by €106 million to €1,195 million (€1,301 million) owing in particular to the sale of Central Networks effective April 1, 2011. Restructuring measures constituted one of the other factors.

Depreciation charges of €942 million were slightly below the prior-year figure of €993 million.

Other operating expenses declined by 40 percent, or €2,629 million, to €3,864 million (€6,493 million). This is mainly attributable to lower expenditures relating to currency differences of €1,024 million (€2,080 million) and lower expenditures relating to derivative financial instruments of €1,659 (€3,095), especially relating to commodity derivatives.

Income from companies accounted for under the equity method increased to €250 million (€182 million) and consisted mainly of income from shareholdings in the gas business.

## 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-quarter EBITDA was up by about €0.3 billion year on year. The main positive factors were:

- significant improvements in our wholesale gas business
- new generating capacity at Surgut and Yaiva power stations in Russia.

The main negative factor was:

- the adverse impact of the amended Nuclear Energy Act which called for the shutdown of some nuclear power stations in Germany.

EBITDA <sup>1</sup>			
January 1–March 31 € in millions	2012	2011	+/- %
Generation	1,131	1,460	-23
Renewables	379	396	-4
Optimization & Trading	197	-369	-
Exploration & Production	228	258	-12
Germany	741	768	-4
Other EU Countries	911	941	-3
Russia	200	153	+31
Group Management/ Consolidation	-17	-137	-
<b>Total</b>	<b>3,770</b>	<b>3,470</b>	<b>+9</b>

<sup>1</sup>Adjusted for extraordinary effects.

## Generation

Generation's EBITDA declined by €329 million.

Generation				
January 1–March 31 € in millions	EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	2012	2011	2012	2011
Nuclear	582	984	534	937
Fossil	599	519	432	358
Other	-50	-43	-50	-45
<b>Total</b>	<b>1,131</b>	<b>1,460</b>	<b>916</b>	<b>1,250</b>

<sup>1</sup>Adjusted for extraordinary effects.

Compared with the prior-year period, Nuclear's first-quarter earnings were adversely affected by the absence of earnings from nuclear power stations in Germany that had been shut down pursuant to the amended Nuclear Energy Act. Low

market-based transfer prices, particularly in Germany and Sweden, for deliveries to Optimization & Trading also constituted a negative factor, as did outages at Oskarshamn and Ringhals nuclear power stations in Sweden.

By contrast, Fossil's earnings were higher. The principal factors were the commissioning of a new gas-fired power plant and improved market conditions for coal-fired assets in the United Kingdom and improved margins in France and Spain.

## Renewables

Renewables' EBITDA decreased by €17 million, or 4 percent.

Renewables				
January 1–March 31 € in millions	EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	2012	2011	2012	2011
Hydro	205	222	177	194
Wind/Solar/Other	174	174	106	114
<b>Total</b>	<b>379</b>	<b>396</b>	<b>283</b>	<b>308</b>

<sup>1</sup>Adjusted for extraordinary effects.

EBITDA at Hydro declined by 8 percent year on year to €205 million, mainly because of lower sales volume in Italy and a weather-driven reduction in output in Spain. Higher output and sales volume in Sweden and Germany had a positive effect on earnings. Lower internal transfer prices had a negative effect on earnings.

Wind/Solar/Other's EBITDA was unchanged due to a non-recurring effect in the prior-year period.

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### Optimization & Trading

Optimization & Trading's EBITDA of €197 million was €566 million above the prior-year figure of -€369 million.

Optimization & Trading				
January 1-March 31 € in millions	EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	2012	2011	2012	2011
Proprietary Trading	-4	-31	-4	-31
Optimization	-79	-507	-115	-538
Gas Transport/ Shareholdings/Other	280	169	244	135
<b>Total</b>	<b>197</b>	<b>-369</b>	<b>125</b>	<b>-434</b>

<sup>1</sup>Adjusted for extraordinary effects.

Proprietary Trading's EBITDA was slightly above the prior-year figure, which was adversely affected by market developments following the nuclear disaster in Japan and the German government's announcement of a nuclear-energy moratorium.

EBITDA at Optimization was significantly above the prior-year level, primarily because of our gas business. Negotiations with some suppliers to adjust purchase prices were partially successful, leading to a significant earnings improvement relative to the prior-year period. On balance, however, earnings at the wholesale gas business remained negative owing to the disconnect between gas and oil prices. The prices of some of our purchase contracts continue to be above the prices we can achieve on the sales side, which reflect spot prices at Europe's gas trading hubs. Earnings at the gas storage business were lower primarily because of lower storage usage in Hungary. Earnings on the optimization of the E.ON Group's generation and production assets, are 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 Gas Transport/Shareholdings/Other surpassed the prior-year level owing to positive consolidation effects.

### Exploration & Production

EBITDA at Exploration & Production declined by 12 percent to €228 million (prior year: €258 million) owing mainly to a decline in production at our gas fields in the North Sea. This effect was partially offset by higher sales volume from Yuzhno Russkoye gas field in Siberia. Exploration & Production recorded first-quarter EBIT of €134 million (prior year: €186 million).

### Germany

EBITDA at the Germany regional unit declined by €27 million.

Germany				
January 1-March 31 € in millions	EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	2012	2011	2012	2011
Distribution Networks	595	527	439	377
Non-regulated/Other	146	241	80	172
<b>Total</b>	<b>741</b>	<b>768</b>	<b>519</b>	<b>549</b>

<sup>1</sup>Adjusted for extraordinary effects.

Distribution Networks grew its earnings by €68 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 €95 million from the prior-year figure of €241 million. The main reason was that positive developments in the retail and waste-incineration businesses in the first quarter of 2011 were not repeated in the current-year period.

### Other EU Countries

Other EU Countries' EBITDA of €911 million was 3 percent, or €30 million, below the prior-year figure.

Other EU Countries				
January 1-March 31 € in millions	EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	2012	2011	2012	2011
UK (£ in millions)	221 (184)	195 (167)	193 (162)	145 (124)
Sweden (SEK in millions)	232 (2,050)	232 (2,057)	171 (1,515)	172 (1,525)
Czechia (CZK in millions)	203 (5,102)	241 (5,858)	175 (4,340)	214 (5,227)
Hungary (HUF in millions)	53 (15,660)	93 (25,305)	28 (8,354)	63 (17,168)
Remaining regional units	202	180	177	144
<b>Total</b>	<b>911</b>	<b>941</b>	<b>744</b>	<b>738</b>

<sup>1</sup>Adjusted for extraordinary effects.

EBITDA at the UK regional unit rose by €26 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 was at the prior-year level. Although the distribution network business benefited from newly connected wind farms, the sales business lost I&C customers and achieved narrower margins owing to a shift from variable-price products to fixed-price products.

EBITDA in Czechia declined by €38 million, primarily because of higher procurement costs for the mandatory purchase of renewable-source electricity in the distribution network. In particular, photovoltaic installations produced considerably more electricity than in the prior-year period.

The main contributions to the Hungary regional unit's EBITDA came from its distribution network business (€44 million) and its retail business (€4 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 €22 million, or 12 percent. The main positive factors were the disposal of our stake in an energy-services provider in the Netherlands and improved margins in the gas business in Romania and the distribution network business in Spain. Earnings were adversely affected by the absence of a positive one-off effect relating to a regulatory year-end settlement recorded in the prior-year period and narrower margins in the gas business in France and by the sale of our distribution network business in Italy.

## Russia

The Russia unit's EBITDA rose by €47 million, or 31 percent, to €200 million (prior year: €153 million), mainly because of the commissioning of new generating units at Surgut and Yaiva power stations in the second half of 2011. EBIT was €145 million (prior year: €124 million). EBITDA in local currency increased by 29 percent, from RUB 6,139 million to RUB 7,903 million. EBIT was RUB 5,746 million (RUB 4,960 million).

## Net Income

Net income attributable to shareholders of E.ON AG of €1,719 million and corresponding earnings per share of €0.90 were 24 percent below the respective prior-year figures, €2,267 million and €1.19.

Net Income		
January 1–March 31		
€ in millions	2012	2011
<b>EBITDA<sup>1</sup></b>	<b>3,770</b>	<b>3,470</b>
Depreciation and amortization	-902	-914
Impairments (-)/Reversals (+) <sup>2</sup>	-37	12
<b>EBIT<sup>1</sup></b>	<b>2,831</b>	<b>2,568</b>
Economic interest expense	-496	-500
Net book gains/losses	92	675
Restructuring/cost-management expenses	-39	-117
Other non-operating earnings	-79	497
<b>Income/Loss (-) from continuing operations before taxes</b>	<b>2,309</b>	<b>3,123</b>
Income taxes	-460	-695
<b>Income/Loss (-) from continuing operations</b>	<b>1,849</b>	<b>2,428</b>
Income/Loss (-) from discontinued operations, net	27	13
<b>Net income</b>	<b>1,876</b>	<b>2,441</b>
Attributable to shareholders of E.ON AG	1,719	2,267
Attributable to non-controlling interests	157	174

<sup>1</sup>Adjusted for extraordinary effects.  
<sup>2</sup>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.

Our economic interest expense was at the prior-year level.

Economic Interest Expense		
January 1–March 31		
€ in millions	2012	2011
Interest expense shown in Consolidated Statements of Income	-505	-630
Interest income (-)/expense (+) not affecting net income	9	130
<b>Total</b>	<b>-496</b>	<b>-500</b>

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First-quarter net book gains were €583 million, or 86 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 equity and securities.

Restructuring and cost-management expenditures declined by €78 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 -€79 million (prior year: €497 million) include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in a negative effect of €19 million at March 31, 2012, compared with a positive effect of €773 million at March 31, 2011. In the current-year period, we also recorded impairment charges on fixed assets at Other EU Countries; in the prior-year period, there were also negative effects from early redemption fees in connection with our announced debt reduction (to the extent that such penalties have a tangible relationship to disposal proceeds) and from writedowns on production licenses at Exploration & Production.

Our tax expense declined by €235 million compared with the prior-year period, principally because of changes in our earnings. Our tax rate amounts to 20 percent compared with 22 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-March 31			
€ in millions	2012	2011	+/- %
Net income attributable to shareholders of E.ON AG	1,719	2,267	-24
Net book gains	-92	-675	-
Restructuring and cost-management expenses	39	117	-
Other non-operating earnings	79	-497	-
Taxes and non-controlling interests on non-operating earnings	-26	145	-
Special tax effects	-27	-29	-
Income/Loss from discontinued operations, net	-27	-13	-
<b>Total</b>	<b>1,665</b>	<b>1,315</b>	<b>+27</b>

## Financial Condition

### Investments

Our first-quarter investments were at the prior-year level. We invested about €1.1 billion in property, plant, and equipment and intangible assets (prior year: €1.1 billion). Share investments totaled €84 million versus €38 million in the prior-year period.

Investments			
January 1-March 31 € in millions	2012	2011	+/- %
Generation	277	356	-22
Renewables	357	147	+143
Optimization & Trading	78	92	-15
Exploration & Production	130	76	+71
Germany	123	124	-1
Other EU Countries	154	292	-47
Russia	70	58	+21
Group Management/ Consolidation	-25	19	-
<b>Total</b>	<b>1,164</b>	<b>1,164</b>	<b>-</b>
<i>Maintenance investments</i>	137	177	-23
<i>Growth and replacement investments</i>	1,027	987	4

Generation invested €79 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets declined by €129 million, from €331 million to €202 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 €210 million. Hydro's investments of €9 million were 53 percent below the prior-year figure of €19 million. Wind/Solar/Other's investments rose by 172 percent, from €128 million to €348 million. These expenditures went towards the development and construction of wind farms in Europe and the United States.

Optimization & Trading invested €78 million. Of this figure, €76 million (prior year: €67 million) was invested in property, plant, and equipment and intangible assets. Most of these investments were in gas infrastructure. Share investments of €2 million (prior year: €25 million) were chiefly attributable to a capital increase at the Nord Stream pipeline company.

Exploration & Production invested €130 million (prior year: €76 million) in property, plant, and equipment and intangible assets. Investments in Skarv gas field amounted to €67 million (€38 million).

The Germany regional unit invested €1 million less than in the prior-year period. Investments in property, plant, and equipment and intangible assets totaled €121 million, unchanged from the prior-year period. Of these investments, €89 million went towards the network business and €18 million towards the district-heating business. Share investments totaled €2 million.

Investments at Other EU Countries were €138 million below the prior-year figure. The UK regional unit invested about €25 million (prior year: €147 million). The sale of Central Networks was the main cause for the decline. The Sweden unit's investments decreased by €16 million, from €61 million to €45 million; investments served to maintain and expand distributed generating units and to expand and upgrade the distribution network and to add connections. Investments totaled €16 million (€23 million) in Czechia, €34 million (€30 million) in Hungary, and €34 million (€31 million) in the remaining EU countries.

The Russia unit invested €70 million (prior year: €58 million), mainly in its new-build program.

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### Cash Flow and Financial Position

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

At €2,555 million, our operating cash flow before interest and taxes was significantly above the prior-year figure of €1,741 million. Along with the increase in our EBITDA, the main positive factors were the non-recurrence of the refunding of pension assets in the United Kingdom recorded in 2011 and a smaller increase in working capital.

At €448 million, our operating cash flow was considerably below the prior-year figure of €906 million. The decline primarily reflects the obligation to pay withholding tax on an intra-group dividend distribution. This investment income tax is fully creditable. A refund of the amount paid is expected 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 -€0.9 billion (prior year: -€0.3 billion). Although investment expenditures were on the prior-year level, cash from the sale of shareholdings was lower.

Cash provided by financing activities of continuing operations of -€1.2 billion (prior year: -€2.1 billion) primarily reflects a higher net repayment of financial liabilities than in the prior-year period.

Compared with the figure recorded at December 31, 2011 (-€36,385 million), our economic net debt rose by €1,213 million to -€37,598 million. In the first quarter of 2012, our operating cash flow was not sufficient to fully cover our investment expenditures. Higher provisions for pensions, relating mainly to a decline in the discount rate in Germany, 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	Mar. 31, 2012	Dec. 31, 2011
Liquid funds	5,448	7,020
Non-current securities	5,165	4,904
<b>Total liquid funds and non-current securities</b>	<b>10,613</b>	<b>11,924</b>
Financial liabilities to banks and third parties	-27,484	-28,490
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,451	-1,424
<b>Total financial liabilities</b>	<b>-28,935</b>	<b>-29,914</b>
<b>Net financial position</b>	<b>-18,322</b>	<b>-17,990</b>
Fair value (net) of currency derivatives used for financing transactions <sup>1</sup>	364	524
Provisions for pensions	-3,921	-3,245
Asset-retirement obligations	-17,359	-17,269
Less prepayments to Swedish nuclear fund	1,640	1,595
<b>Economic net debt</b>	<b>-37,598</b>	<b>-36,385</b>

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

E.ON did not issue or repurchase bonds in the first quarter of 2012, nor did any bonds mature. On balance, E.ON reduced its gross financial liabilities to financial institutions and third parties by €1 billion to roughly €27.5 billion, mainly because of a reduction in the amount of commercial paper outstanding.

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. The short-term ratings are A-1 (S&P) and P-2 (Moody's). In July 2011, S&P confirmed its A rating and changed the outlook from stable to negative. In October 2011, Moody's downgraded E.ON's short-term rating from P-1 to P-2 and its long-term rating from A2 to A3 with a stable outlook. The ratings assigned by both agencies therefore remain in line with E.ON's rating target (solid single A).

## Asset Situation

Non-current assets at March 31, 2012, increased by 3 percent compared with the figure at year-end 2011, in particular because of investments in property, plant, and equipment and higher deferred tax assets.

Current assets declined by 5 percent from year-end 2011. The main factors were a seasonal decline in natural gas inventories, lower receivables from derivative financial instruments, lower income tax claims, and a reduction in liquid funds. These factors were partially offset by an increase in operating receivables.

Compared with the figure at year-end 2011, our equity ratio increased by one percentage point to 27 percent.

Non-current liabilities rose by 3 percent relative to year-end 2011, primarily because of higher pension obligations and higher deferred tax liabilities.

Current liabilities declined by 6 percent relative to year-end 2011, mainly because of a decrease in income tax liabilities, the repayment of debt, and lower liabilities from derivative financial instruments.

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 39 percent (December 31, 2011: 39 percent).
- Non-current assets are covered by long-term capital at 105 percent (December 31, 2011: 104 percent).

Consolidated Assets, Liabilities, and Equity				
€ in millions	Mar. 31, 2012	%	Dec. 31, 2011	%
Non-current assets	105,223	69	102,221	67
Current assets	48,254	31	50,651	33
<b>Total assets</b>	<b>153,477</b>	<b>100</b>	<b>152,872</b>	<b>100</b>
Equity	41,225	27	39,613	26
Non-current liabilities	68,835	45	67,129	44
Current liabilities	43,417	28	46,130	30
<b>Total equity and liabilities</b>	<b>153,477</b>	<b>100</b>	<b>152,872</b>	<b>100</b>

## Employees

As of March 31, 2012, the E.ON Group had 78,506 employees worldwide, slightly less than at year-end 2011. E.ON also had 2,062 apprentices and 287 board members and managing directors.

As of the same date, 43,576 employees, or 55 percent of all staff, were working outside Germany, the same percentage as at year-end 2011.

Employees <sup>1</sup>			
	Mar. 31, 2012	Dec. 31, 2011	+/- %
Generation	10,420	10,578	-1
Renewables	1,810	1,808	-
Optimization & Trading	3,910	3,941	-1
Exploration & Production	195	203	-4
Germany	21,523	21,602	-
Other EU Countries	31,763	31,909	-
Russia	4,969	4,896	+1
Group Management/Other <sup>2</sup>	3,916	3,952	-1
<b>Total</b>	<b>78,506</b>	<b>78,889</b>	<b>-</b>

<sup>1</sup>Does not include board members, managing directors, or apprentices.  
<sup>2</sup>Includes E.ON IT Group.

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

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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 Briener Straße office in Munich.

The decline in the number of employees at Other EU Countries is chiefly attributable to efficiency-enhancement measures, primarily in the United Kingdom and Romania.

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

Group Management/Other's headcount declined owing to the implementation 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 the gas marketplace. Competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable risks for natural gas purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are predominantly indexed to oil prices, whereas sales prices are guided by wholesale prices. Generally, contracts between producers and importers are subject to periodic adjustments to the current market situation. E.ON Ruhrgas is conducting intensive negotiations with producers. After unsuccessful negotiations with Gazprom, E.ON Ruhrgas exercised its contractual option of opening an arbitration process 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 guidelines 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 could face liquidity risks due to margin calls resulting from adverse price developments of derivative financial instruments.

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

### 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.

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### 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 European Court of First Instance to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. We cannot rule out the possibility of subsequent lawsuits.

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 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 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, 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

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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 phaseout of nuclear energy. At the same time, however, E.ON believes that the nuclear phaseout, under the current legislation, is irreconcilable with our constitutional right to property and our constitutional freedom 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 decision. 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. However, the federal government apparently plans to discontinue the study this year, after which operations at Gorleben would be restricted to those necessary to keep the site open. 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 unclear whether a full preliminary safety analysis will be conducted. The ministry also formed a working group, which includes representatives of 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 be able to reach a consensus. 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. According to a correct (albeit not undisputed) interpretation of the law, such a passthrough of costs is unconstitutional as long as 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 just begun. Consequently, it cannot yet be determined 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 the emissions-trading directive 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. Market participants had an opportunity to take part in an official consultation concerning the recommendations, which may create risks for existing supply contracts and for intraday flexibility.

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 is 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 investment in more flexible 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 the first half of 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.

In the first quarter of 2012, Spain's government announced the 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. The measures announced by the government would rescind the legal guarantee that the deficit will be repaid to energy suppliers. E.ON is among the companies whose operations are affected by the planned 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.

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 plans to introduce mandatory central clearing of all OTC trades. This would increase the margin requirements for such transactions, which could lead to an increased liquidity risk. Non-financial firms will be exempt from the clearing requirement for hedging transactions that remain below a certain monetary threshold. The amount of this threshold, and other key details, have yet to be determined.

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Open Grid Europe ("OGE," formerly E.ON Gastransport) is supposed to have been subject to incentive-based regulation since the start of 2010. In mid-2011, OGE made available to the BNetzA documents the agency will use to set OGE's initial revenue cap for the second regulatory period (2013–2017). We anticipate that the BNetzA's cost analysis, including the process of seeking clarifications from OGE, will last until the summer of 2012. It will be followed by a new efficiency benchmarking, and a new assigning to groups, of Germany's highly heterogeneous gas TSOs. The BNetzA will derive the revenue caps for 2013–2017 from the individual efficiency factor it calculates for each TSO. On November 2, 2011, the BNetzA announced its decision regarding return on equity, which will be reduced from the formerly applicable 9.29 percent to 9.05 percent for new assets and from 7.56 percent to 7.14 percent for old assets. OGE filed a complaint against this decision.

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 quarter of 2012, the risk situation of the E.ON Group's operating business did not change significantly compared with year-end 2011. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

### Subsequent Events

In mid-April, E.ON and MPX Energia, the energy subsidiary of Brazil's EBX Group, signed contracts to form a joint venture whose aim is to become Brazil's largest privately owned energy company (see Note 13 to the Condensed Consolidated Interim Financial Statements).

### Forecast

#### Earnings

Overall, we reaffirm our forecast for our full-year 2012 earnings. Our forecast continues to be influenced to a significant degree by the difficult business environment in the energy industry.

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

- the absence of an adverse, one-off effect recorded in 2011 due to the German federal government's decision regarding the early shutdown of nuclear power stations
- positive volume and price developments in the Exploration & Production and Russia segments
- disposals (among others, Central Networks)
- lower earnings at our generation business.

From today's perspective, we continue to anticipate that our 2012 EBITDA will be between €9.6 and €10.2 billion and our 2012 underlying net income will be between €2.3 and €2.7 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 due 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 new Optimization & Trading segment, which combines the optimization activities of our former Trading and Gas global units, faces significant margin pressure in both the wholesale power and gas businesses. On balance, we expect Optimization & Trading's EBITDA to be below the prior-year level. On the power side, this is principally because the internal transfer prices that Optimization & Trading pays our generation units are declining relative to 2011 but still high. This factor, along with the low market prices achievable for external sales, means that we can anticipate only a limited recovery of power margins, which remain negative. On the gas side, we expect earnings at the transport and storage businesses to be stable. The main focus for the wholesale gas business is on negotiating with producers to achieve lasting reductions in procurement costs. Our outlook does not factor in any negotiation outcomes beyond those already achieved.

We expect the Exploration & Production segment's 2012 EBITDA to surpass the prior-year figure. Its main earnings driver is its North Sea production, including new fields that come on stream. Earnings from our stake in Yuzhno Russkoye gas field in Russia and higher energy prices will also be positive factors. Delays on individual projects could be a source of risks.

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

Adjusted for portfolio effects, EBITDA at Other EU Countries is expected to be below the prior-year figure. The decline is mainly attributable 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 generating capacity 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.

## 30 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 flows statement, statement of changes in equity and selected explanatory notes—and the Interim Group Management Report of E.ON AG, Düsseldorf, for the period from January 1 to March 31, 2012 which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

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

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

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

Düsseldorf, May 8, 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			
January 1–March 31 € in millions	Note	2012	2011
Sales including electricity and energy taxes		36,344	28,497
Electricity and energy taxes		-613	-651
<b>Sales</b>	(12)	<b>35,731</b>	<b>27,846</b>
Changes in inventories (finished goods and work in progress)		42	-21
Own work capitalized		31	180
Other operating income		3,186	7,149
Cost of materials		-30,437	-22,811
Personnel costs		-1,195	-1,301
Depreciation, amortization and impairment charges		-942	-993
Other operating expenses		-3,864	-6,493
Income/Loss (-) from companies accounted for under the equity method		250	182
<b>Income/Loss (-) from continuing operations before financial results and income taxes</b>		<b>2,802</b>	<b>3,738</b>
Financial results	(6)	-493	-615
Income/Loss (-) from equity investments		12	15
Income from other securities, interest and similar income		179	167
Interest and similar expenses		-684	-797
Income taxes		-460	-695
<b>Income/Loss (-) from continuing operations</b>		<b>1,849</b>	<b>2,428</b>
Income/Loss (-) from discontinued operations, net	(4)	27	13
<b>Net income</b>		<b>1,876</b>	<b>2,441</b>
Attributable to shareholders of E.ON AG		1,719	2,267
Attributable to non-controlling interests		157	174
in €			
<b>Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted</b>	(7)		
from continuing operations		0.89	1.18
from discontinued operations		0.01	0.01
<b>from net income</b>		<b>0.90</b>	<b>1.19</b>

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses			
January 1–March 31 € in millions		2012	2011
<b>Net income</b>		<b>1,876</b>	<b>2,441</b>
Cash flow hedges		-107	89
Unrealized changes		-117	135
Reclassification adjustments recognized in income		10	-46
Available-for-sale securities		-76	-678
Unrealized changes		-52	42
Reclassification adjustments recognized in income		-24	-720
Currency translation adjustments		647	194
Unrealized changes		654	194
Reclassification adjustments recognized in income		-7	-
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations		-757	324
Companies accounted for under the equity method		3	29
Unrealized changes		3	29
Reclassification adjustments recognized in income		-	-
Income taxes		199	-182
<b>Total income and expenses recognized directly in equity</b>		<b>-91</b>	<b>-224</b>
<b>Total recognized income and expenses (total comprehensive income)</b>		<b>1,785</b>	<b>2,217</b>
Attributable to shareholders of E.ON AG		1,555	2,000
Attributable to non-controlling interests		230	217

## 32 Condensed Consolidated Interim Financial Statements

E.ON AG and Subsidiaries Consolidated Balance Sheets			
€ in millions	Note	Mar. 31, 2012	Dec. 31, 2011
<b>Assets</b>			
Goodwill		14,192	14,083
Intangible assets		7,566	7,372
Property, plant and equipment		56,562	55,869
Companies accounted for under the equity method	(8)	6,591	6,325
Other financial assets	(8)	6,953	6,812
<i>Equity investments</i>		1,788	1,908
<i>Non-current securities</i>		5,165	4,904
Financial receivables and other financial assets		3,683	3,619
Operating receivables and other operating assets		3,038	2,842
Income tax assets		152	147
Deferred tax assets		6,486	5,152
<b>Non-current assets</b>		<b>105,223</b>	<b>102,221</b>
Inventories		3,789	4,828
Financial receivables and other financial assets		1,523	1,789
Trade receivables and other operating assets		32,782	31,714
Income tax assets		4,182	4,680
Liquid funds		5,448	7,020
<i>Securities and fixed-term deposits</i>		2,915	3,079
<i>Restricted cash and cash equivalents</i>		259	89
<i>Cash and cash equivalents</i>		2,274	3,852
Assets held for sale	(4)	530	620
<b>Current assets</b>		<b>48,254</b>	<b>50,651</b>
<b>Total assets</b>		<b>153,477</b>	<b>152,872</b>
<b>Equity and Liabilities</b>			
Capital stock		2,001	2,001
Additional paid-in capital		13,747	13,747
Retained earnings		25,019	23,796
Accumulated other comprehensive income		69	-277
Treasury shares	(9)	-3,530	-3,530
<b>Equity attributable to shareholders of E.ON AG</b>		<b>37,306</b>	<b>35,737</b>
Non-controlling interests (before reclassification)		4,522	4,484
Reclassification related to put options		-603	-608
<b>Non-controlling interests</b>		<b>3,919</b>	<b>3,876</b>
<b>Equity</b>		<b>41,225</b>	<b>39,613</b>
Financial liabilities		23,912	24,029
Operating liabilities		6,851	7,057
Income taxes		3,567	3,585
Provisions for pensions and similar obligations	(11)	3,921	3,245
Miscellaneous provisions		22,705	22,427
Deferred tax liabilities		7,879	6,786
<b>Non-current liabilities</b>		<b>68,835</b>	<b>67,129</b>
Financial liabilities		5,023	5,885
Trade payables and other operating liabilities		30,770	30,729
Income taxes		2,586	4,425
Miscellaneous provisions		4,963	4,985
Liabilities associated with assets held for sale	(4)	75	106
<b>Current liabilities</b>		<b>43,417</b>	<b>46,130</b>
<b>Total equity and liabilities</b>		<b>153,477</b>	<b>152,872</b>

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows		
January 1–March 31 € in millions	2012	2011
Net income	1,876	2,441
Income from discontinued operations, net	-27	-13
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	942	993
Changes in provisions	288	14
Changes in deferred taxes	-117	431
Other non-cash income and expenses	-475	-349
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (>3 months)	-142	-717
Changes in operating assets and liabilities and in income taxes	-1,897	-1,894
<b>Cash provided by operating activities of continuing operations (operating cash flow)<sup>1</sup></b>	<b>448</b>	<b>906</b>
Proceeds from disposal of	183	1,078
<i>Intangible assets and property, plant and equipment</i>	138	167
<i>Equity investments</i>	45	911
Purchases of investments in	-1,164	-1,164
<i>Intangible assets and property, plant and equipment</i>	-1,080	-1,126
<i>Equity investments</i>	-84	-38
Changes in securities and fixed-term deposits	261	-389
Changes in restricted cash and cash equivalents	-162	162
<b>Cash used for investing activities of continuing operations</b>	<b>-882</b>	<b>-313</b>
Payments received/made from changes in capital <sup>2</sup>	-116	-
Cash dividends paid to non-controlling interests	-33	-17
Changes in financial liabilities	-1,028	-2,123
<b>Cash used for financing activities of continuing operations</b>	<b>-1,177</b>	<b>-2,140</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-1,611</b>	<b>-1,547</b>
Effect of foreign exchange rates on cash and cash equivalents	32	-
Cash and cash equivalents at the beginning of the year <sup>3</sup>	3,855	6,143
<b>Cash and cash equivalents of continuing operations at the end of the quarter<sup>3</sup></b>	<b>2,276</b>	<b>4,596</b>

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

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Statement of Changes in Equity						
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income		
				Currency translation adjustments	Available-for-sale securities	Cash flow hedges
<b>Balance as of January 1, 2011</b>	<b>2,001</b>	<b>13,747</b>	<b>29,026</b>	<b>-1,570</b>	<b>1,923</b>	<b>57</b>
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid						
Share additions			-1			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			2,481	87	-647	79
<i>Net income</i>			2,267			
<i>Other comprehensive income</i>			214	87	-647	79
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			214			
<i>Changes in accumulated other comprehensive income</i>				87	-647	79
<b>Balance as of March 31, 2011</b>	<b>2,001</b>	<b>13,747</b>	<b>31,506</b>	<b>-1,483</b>	<b>1,276</b>	<b>136</b>
<b>Balance as of January 1, 2012</b>	<b>2,001</b>	<b>13,747</b>	<b>23,796</b>	<b>-1,117</b>	<b>895</b>	<b>-55</b>
Change in scope of consolidation						
Capital increase						
Capital decrease						
Dividends paid						
Share additions			14			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			1,209	532	-104	-82
<i>Net income</i>			1,719			
<i>Other comprehensive income</i>			-510	532	-104	-82
<i>Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations</i>			-510			
<i>Changes in accumulated other comprehensive income</i>				532	-104	-82
<b>Balance as of March 31, 2012</b>	<b>2,001</b>	<b>13,747</b>	<b>25,019</b>	<b>-585</b>	<b>791</b>	<b>-137</b>

Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
<b>-3,531</b>	<b>41,653</b>	<b>4,532</b>	<b>-600</b>	<b>3,932</b>	<b>45,585</b>
					0
		22		22	22
		-24		-24	-24
		-18		-18	-18
	-1	-11		-11	-12
			13	13	13
	2,000	217		217	2,217
	2,267	174		174	2,441
	-267	43		43	-224
	214	19		19	233
	-481	24		24	-457
<b>-3,531</b>	<b>43,652</b>	<b>4,718</b>	<b>-587</b>	<b>4,131</b>	<b>47,783</b>
<b>-3,530</b>	<b>35,737</b>	<b>4,484</b>	<b>-608</b>	<b>3,876</b>	<b>39,613</b>
		-23		-23	-23
		12		12	12
		-1		-1	-1
		-42		-42	-42
	14	-138		-138	-124
			5	5	5
	1,555	230		230	1,785
	1,719	157		157	1,876
	-164	73		73	-91
	-510	-26		-26	-536
	346	99		99	445
<b>-3,530</b>	<b>37,306</b>	<b>4,522</b>	<b>-603</b>	<b>3,919</b>	<b>41,225</b>

## 36 Notes to the Condensed Consolidated Interim Financial Statements

### (1) Summary of Significant Accounting Policies

The Interim Report for the three months ended March 31, 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			Total
	Domestic	Foreign	
Consolidated companies as of December 31, 2011	161	314	475
Additions	3	3	6
Disposals/Mergers	3	7	10
<b>Consolidated companies as of March 31, 2012</b>	<b>161</b>	<b>310</b>	<b>471</b>

As of March 31, 2012, 102 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

##### E.ON Bulgaria

In line with the strategy to divest €15 billion in assets by the end of 2013, 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 is expected to close in the first half of 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 Süd Hessische 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 carrying amount of the ownership interest is approximately €0.3 billion. The contract for the sale was signed in February 2012. The transaction still requires the approval of various municipal committees of the city of Darmstadt and is expected to close in the first half 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. The carrying amount is €0.1 billion.

### 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 €8 million in the first quarter of 2012 (first quarter of 2011: €12 million).

## 38 Notes to the Condensed Consolidated Interim Financial Statements

**(6) Financial Results**

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

<b>Financial Results</b>		
January 1-March 31 € in millions	2012	2011
Income from companies in which equity investments are held	14	13
Impairment charges/reversals on other financial assets	-2	2
<b>Income/Loss (-) from equity investments</b>	<b>12</b>	<b>15</b>
Income from securities, interest and similar income	179	167
Interest and similar expenses	-684	-797
<b>Interest and similar expenses (net)</b>	<b>-505</b>	<b>-630</b>
<b>Financial results</b>	<b>-493</b>	<b>-615</b>

**(7) Earnings per Share**

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

<b>Earnings per Share</b>		
January 1-March 31 € in millions	2012	2011
Income/Loss (-) from continuing operations	1,849	2,428
Less: Non-controlling interests	-157	-174
<b>Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)</b>	<b>1,692</b>	<b>2,254</b>
Income/Loss (-) from discontinued operations, net	27	13
<b>Net income attributable to shareholders of E.ON AG</b>	<b>1,719</b>	<b>2,267</b>
<b>in €</b>		
<b>Earnings per share (attributable to shareholders of E.ON AG)</b>		
from continuing operations	0.89	1.18
from discontinued operations	0.01	0.01
<b>from net income</b>	<b>0.90</b>	<b>1.19</b>
Weighted-average number of shares outstanding (in millions)	1,905	1,905

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

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

The following table shows the structure of financial assets:

<b>Companies Accounted for under the Equity Method and Other Financial Assets</b>		
€ in millions	Mar. 31, 2012	Dec. 31, 2011
Companies accounted for under the equity method	6,591	6,325
Equity investments	1,788	1,908
Non-current securities	5,165	4,904
<b>Total</b>	<b>13,544</b>	<b>13,137</b>

## (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 March 31, 2012, was 1,905,470,135 (December 31, 2011: 1,905,470,135).

As of March 31, 2012, E.ON AG and one of its subsidiaries held a total of 95,529,865 treasury shares (December 31, 2011: 95,529,865) having a consolidated book value of €3,530 million (equivalent to 4.77 percent or €95,529,865 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 principal causes of the increase were net actuarial losses attributable primarily to the decrease in the discount rate that was used for E.ON Group companies in Germany, as well as additions attributable to the net periodic pension cost. The increase was partly offset by employer contributions to plan assets.

Discount Rate		
Percentages	Mar. 31, 2012	Dec. 31, 2011
Germany	4.25	4.75
U.K.	4.60	4.60

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

Net Amount Recognized		
€ in millions	Mar. 31, 2012	Dec. 31, 2011
Present value of all defined benefit obligations	15,558	14,607
Fair value of plan assets	-11,635	-11,359
<b>Funded status</b>	<b>3,923</b>	<b>3,248</b>
Unrecognized past service cost	-9	-9
<b>Net amount recognized</b>	<b>3,914</b>	<b>3,239</b>
<i>    Thereof presented as operating receivables</i>	<i>-7</i>	<i>-6</i>
<i>    Thereof presented as provisions for pensions and similar obligations</i>	<i>3,921</i>	<i>3,245</i>

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 primarily attributable to net actuarial losses in the present value of all defined benefit obligations and in the plan assets, as well as to the additions of the net periodic pension cost. They are offset in part by the employer contributions to plan assets during the first quarter, which have 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		
January 1–March 31 € in millions	2012	2011
Employer service cost	59	62
Interest cost	168	209
Expected return on plan assets	-135	-169
Past service cost	2	2
<b>Total</b>	<b>94</b>	<b>104</b>

## 40 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-March 31 € in millions	Generation		Renewables		Optimization & Trading	
	2012	2011	2012	2011	2012	2011
External sales	811	1,198	196	234	15,970	9,169
Intersegment sales	2,948	3,307	421	343	11,500	10,872
<b>Sales</b>	<b>3,759</b>	<b>4,505</b>	<b>617</b>	<b>577</b>	<b>27,470</b>	<b>20,041</b>
<b>EBITDA<sup>1</sup></b>	<b>1,131</b>	<b>1,460</b>	<b>379</b>	<b>396</b>	<b>197</b>	<b>-369</b>
<i>Earnings from companies accounted for under the equity method<sup>2</sup></i>	9	2	6	5	171	102
<b>Operating cash flow before interest and taxes</b>	<b>1,250</b>	<b>1,207</b>	<b>288</b>	<b>211</b>	<b>1,296</b>	<b>1,052</b>
<b>Investments</b>	<b>277</b>	<b>356</b>	<b>357</b>	<b>147</b>	<b>78</b>	<b>92</b>

<sup>1</sup>Adjusted for extraordinary effects.

<sup>2</sup>Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

**Financial Information by Business Segment—Presentation of Other EU Countries**

January 1-March 31 € in millions	U.K.		Sweden		Czechia	
	2012	2011	2012	2011	2012	2011
External sales	2,776	2,723	839	869	891	800
Intersegment sales	30	16	77	144	54	29
<b>Sales</b>	<b>2,806</b>	<b>2,739</b>	<b>916</b>	<b>1,013</b>	<b>945</b>	<b>829</b>
<b>EBITDA<sup>1</sup></b>	<b>221</b>	<b>195</b>	<b>232</b>	<b>232</b>	<b>203</b>	<b>241</b>
<i>Earnings from companies accounted for under the equity method<sup>2</sup></i>	-	-	3	2	7	8
<b>Operating cash flow before interest and taxes</b>	<b>-107</b>	<b>-470</b>	<b>194</b>	<b>193</b>	<b>100</b>	<b>-7</b>
<b>Investments</b>	<b>25</b>	<b>147</b>	<b>45</b>	<b>61</b>	<b>16</b>	<b>23</b>

<sup>1</sup>Adjusted for extraordinary effects.

<sup>2</sup>Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of 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		Russia		Group Management/ Consolidation		E.ON Group	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
371	334	10,813	9,678	7,057	6,796	486	415	27	22	35,731	27,846
76	121	395	483	332	315	-	-	-15,672	-15,441	0	0
<b>447</b>	<b>455</b>	<b>11,208</b>	<b>10,161</b>	<b>7,389</b>	<b>7,111</b>	<b>486</b>	<b>415</b>	<b>-15,645</b>	<b>-15,419</b>	<b>35,731</b>	<b>27,846</b>
<b>228</b>	<b>258</b>	<b>741</b>	<b>768</b>	<b>911</b>	<b>941</b>	<b>200</b>	<b>153</b>	<b>-17</b>	<b>-137</b>	<b>3,770</b>	<b>3,470</b>
22	25	17	16	26	30	-	-	-1	2	250	182
<b>282</b>	<b>289</b>	<b>-599</b>	<b>-422</b>	<b>170</b>	<b>-250</b>	<b>193</b>	<b>51</b>	<b>-325</b>	<b>-397</b>	<b>2,555</b>	<b>1,741</b>
<b>130</b>	<b>76</b>	<b>123</b>	<b>124</b>	<b>154</b>	<b>292</b>	<b>70</b>	<b>58</b>	<b>-25</b>	<b>19</b>	<b>1,164</b>	<b>1,164</b>

Hungary		Other regional units		Other EU Countries	
2012	2011	2012	2011	2012	2011
549	622	2,002	1,782	7,057	6,796
19	4	152	122	332	315
<b>568</b>	<b>626</b>	<b>2,154</b>	<b>1,904</b>	<b>7,389</b>	<b>7,111</b>
<b>53</b>	<b>93</b>	<b>202</b>	<b>180</b>	<b>911</b>	<b>941</b>
-	-	16	20	26	30
<b>15</b>	<b>-22</b>	<b>-32</b>	<b>56</b>	<b>170</b>	<b>-250</b>
<b>34</b>	<b>30</b>	<b>34</b>	<b>31</b>	<b>154</b>	<b>292</b>

## 42 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-March 31 € in millions	2012	2011	Differ- ence
<b>Operating cash flow before interest and taxes</b>	<b>2,555</b>	<b>1,741</b>	<b>814</b>
Interest payments	-213	-427	214
Tax payments	-1,894	-408	-1,486
<b>Operating cash flow</b>	<b>448</b>	<b>906</b>	<b>-458</b>

The decline in operating cash flow primarily reflects the obligation to pay withholding tax on an intragroup dividend distribution. This withholding tax is fully creditable. E.ON expects a refund of the amount paid 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.

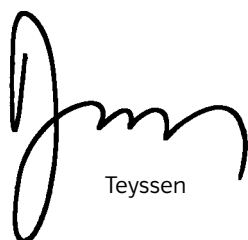
Net Income		
January 1-March 31		
€ in millions	2012	2011
<b>EBITDA<sup>1</sup></b>	<b>3,770</b>	<b>3,470</b>
Depreciation and amortization	-902	-914
Impairments (-)/Reversals (+) <sup>2</sup>	-37	12
<b>EBIT<sup>1</sup></b>	<b>2,831</b>	<b>2,568</b>
Economic interest income (net)	-496	-500
Net book gains/losses	92	675
Restructuring/cost-management expenses	-39	-117
Other non-operating earnings	-79	497
<b>Income/Loss (-) from continuing operations before taxes</b>	<b>2,309</b>	<b>3,123</b>
Income taxes	-460	-695
<b>Income/Loss (-) from continuing operations</b>	<b>1,849</b>	<b>2,428</b>
Income/Loss (-) from discontinued operations, net	27	13
<b>Net income</b>	<b>1,876</b>	<b>2,441</b>
<i>Attributable to shareholders of E.ON AG</i>	<i>1,719</i>	<i>2,267</i>
<i>Attributable to non-controlling interests</i>	<i>157</i>	<i>174</i>

<sup>1</sup>Adjusted for extraordinary effects.  
<sup>2</sup>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.

## 44 Notes to the Condensed Consolidated Interim Financial Statements

**(13) Material Events after the Balance Sheet Date**

In mid-April 2012, MPX Energia S.A. ("MPX"), Rio de Janeiro, Brazil, the energy subsidiary of Brazil's EBX Group, and E.ON AG signed final contracts on establishing a joint venture that will create the largest private energy company in Brazil. The two companies will each hold 50 percent of the joint venture. Together the companies will develop efficient conventional generation, renewable power and related supply and trading activities in Brazil and Chile. To finalize the establishment of the joint venture, creditors holding MPX convertible debentures will convert their debentures into MPX common stock; a coal mine will be spun off to form a company fully independent from MPX, with MPX transferring cash to the new company; and MPX will raise some R\$1 billion (about €400 million) through a capital increase. In this transaction, E.ON will invest approximately €350 million to reach a 10-percent stake in MPX.



Teyssen



Kildahl



Maubach



Reutersberg



Schenck



Stachelhaus

## Financial Calendar

August 13, 2012	Interim Report: January - June 2012
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

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

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

