Annual Report Part I/II

2009 Company Report

Energy is one of the most important factors in our lives. Energy issues like climate-friendly generation and efficient consumption increasingly affect international politics, the global economy, and our everyday lives. As a leading energy company with significant technological and financial capabilities, E.ON is committed to being a driving force in shaping a sustainable energy future.

E.ON drives change but is also prepared to change itself and adapt to the future. We think ahead. As part of this ongoing process, we ask ourselves questions. About the relationship between our company's size and its responsibilities. About our attractiveness to employees and investors. About our strategic focus and objectives. About our company's organizational setup. The answers to these questions guide our actions as we strive to achieve a balance between the three main energy-supply objectives—security, climate friendliness, and affordability—and thus to shape the future of energy.

Financial Report
Combined Group Management Report
Consolidated Financial Statements
Corporate Governance
Supervisory Board and Board of Management
Tables and Explanations

You can download our Financial Report,
or order the print version,
at eon.com/brochures.

The global economy hit bottom in 2009. The recession made things hard for many industries, including ours. It led to declines—in some case significant declines—in energy consumption. But we stayed on course in 2009. Just like we said we would. Our 2009 adjusted EBT of €9.6 billion was at the high prior-year level. As for adjusted net income, the slight upward correction we made to our forecast was right on target: at €5.3 billion, our 2009 adjusted net income was just 5 percent under the high prior-year figure. At the 2010 Annual Shareholders Meeting, we'll therefore propose that the cash dividend be kept stable at €1.50 per share, resulting in a payout ratio of 54 percent of adjusted net income. This means that we're also staying the course with our dividend policy, which is to pay out 50 to 60 percent of our adjusted net income.

We achieved these solid results primarily because we began—before the onset of the global financial and economic crisis—to enhance our company's efficiency through a Group-wide program called PerformtoWin. By 2011, we expect it to deliver €1.5 billion in earnings improvements. The first set of initiatives is already having a positive impact on our earnings. Along with enhancing our efficiency, we're investing in long-term growth and optimizing our portfolio so that we stay on our successful course even in difficult times.

In 2009, we sold our ultrahigh-voltage transmission system and sold or swapped about 5 GW of generation capacity in Germany. This largely fulfilled the commitments we'd made to the European Commission. In addition, we sold most of Thüga, a holding company with stakes in approximately 100 municipal utilities in Germany, for a very good price; Thüga assets not included in the deal will be sold separately. Through these transactions, we significantly reduced our position at all stages of the value chain in Germany, gave important impetus to competition, and at the same time established new positions in other European markets.

Streamlining our portfolio by selling our ultrahigh-voltage transmission system, generation capacity, and Thüga has already delivered about €6 billion in cash. This puts us well on the way to achieving our announced objective of generating more than €10 billion in cash through asset sales by the end of 2010. These funds will enhance our investment and financial strength, which will play a decisive role in enabling us to start strong when the recession ends.

Our investment strategy is guided by a clear vision of tomorrow's energy world. We believe that technological advances and a broad public consensus will enable the energy industry to undergo a fundamental transformation. Energy policymakers and the energy industry share the responsibility of ensuring that this transformation is gradual and stable so that consumers will continue to have a reliable, affordable supply of energy.

E.ON was one of the first companies to demonstrate its commitment to climate protection. In May 2007, we pledged to halve our generation fleet's specific carbon dioxide emissions by 2030. At the 2009 Climate Change Conference in Copenhagen, we stated that if a robust treaty was reached, E.ON would be prepared to achieve its 2030 target ten years earlier. No such treaty was signed. We'll therefore follow the negotiations in 2010 closely and continue to advocate the stable regulatory framework that's necessary for us to make long-term investments in low-carbon technologies. As a member of Combat Climate Change, we support its Copenhagen Scorecard, which calls for at least a 50-percent reduction in global carbon emissions by 2050 compared with 1990. Getting there will require ambitious medium-term targets for 2020 and 2030 that are international in scope and include all industrialized countries. Under such a framework, we'd be able to halve our generation fleet's specific carbon dioxide emissions by as early as 2020.

Smart grids—at the transmission and distribution level—will play a central role in tomorrow's energy system. We all know that today's grids weren't designed for increasingly decentralized, renewable generation technologies. Grids need to be upgraded and expanded. Without smart grids and high-capacity energy storage systems, wind and solar power can't serve as sources of baseload electricity, distributed generation technologies can't be properly integrated, smart meters can't be effectively utilized, and battery-powered cars can't be used as mobile storage devices. In short, smart grids are the key to the energy future. A future in which energy efficiency will be our most important energy source.

E.ON has set up company-wide working groups for three key energy technologies of the future: electromobility, smart energy technologies, and energy efficiency. We're working hard to find solutions to the many unresolved issues in these areas and will help make the necessary investments when the regulatory environment enables us to justify such a decision. This applies in particular to network investments. To expand and upgrade networks, we need a regulatory framework that's part of a comprehensive energy strategy that gives the right investment incentives. Only this kind of framework will enable companies like E.ON to invest systematically in further growth.

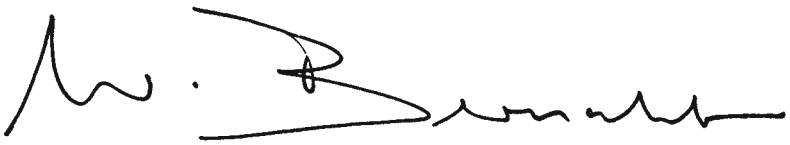
Our investments focus on three main areas: power generation (which already accounts for more than half of our EBIT), infrastructure, and upstream natural gas. Investments in generation—in conventional and in renewable technologies—are investments in the future. All indicators suggest that electricity demand will increase slightly in the years ahead and that Europe will have to add more generation capacity beginning in 2015 at the latest. That's why we're investing in technologically advanced coal-fired and gas-fired generating units at locations across Europe. The current focus of our renewables investments is on expanding our wind capacity. In the last two years, we've achieved unprecedented growth in wind power and have already become one of the world's largest wind-power producers. In 2009, we established solar energy as our second key

renewables technology. Expanding our upstream gas portfolio is another focus of our investment strategy. Right now, the earnings situation in the gas business is difficult and only slowly starting to improve. We believe this is temporary. Forecasts call for global gas consumption to increase by 50 percent by 2030 to 4.3 to 4.8 trillion cubic meters per year. We're working with producer countries to adjust our long-term supply contracts to the current demand situation. But with greater demand around the corner, long-term contracts will remain just as important for ensuring supply security as expanding our own production portfolio.

Together with the streamlining of our portfolio and our current projects to enhance efficiency, these investments will help create a solid platform from which E.ON can start off strong when the current economic crisis ends. So that E.ON will remain a profitable and solid investment for the long term.

The E.ON Supervisory Board appointed Johannes Teyssen to be Chairman of the E.ON Board of Management and CEO effective May 1, 2010. Johannes has been our Chief Operating Officer for the last two years. I'm certain that under his skilled leadership, E.ON will move steadily forward on its highly successful course. I wish him, his management team, and our employees all the best as they continue to think ahead and shape tomorrow's energy world.

Sincerely yours,



Dr. Wulf H. Bernotat

What's the relationship between our size and our responsibility?

Our Company

E.ON is one of the world's largest investor-owned power and gas companies. This fact alone puts us in an important position—and in the public spotlight. We have a clear obligation to be socially responsible, an obligation that increases with the size of our company. Being a large company also gives us a greater scope for action which we actively make use of in all our business areas and with all our stakeholders. Some of the ways we meet our social responsibilities are by conserving resources, by continually enhancing occupational safety for our employees, by making our prices fair and transparent for our customers, and by being a good neighbor in the communities near our facilities.

Our main responsibility is to ensure that tomorrow's energy supply is secure and efficient. We know a lot about producing energy efficiently, and we seek opportunities to enable decision-making processes to benefit from our extensive expertise. E.ON supports energy policies that maintain a balance between climate protection, affordability, and supply security. Maintaining this balance is the only way we'll retain the public's support and trust, both of which we need in order to build tomorrow's sustainable energy supply system. It's also the only way the energy industry can undergo the necessary transformation process to make this future a reality. We're actively meeting this responsibility.

Who we are. An overview.

We make, move, and market energy. We're building on our broad international footprint, our deep experience, and our commitment to innovation to help shape tomorrow's energy world. Resolutely and responsibly.

E.ON Group financial highlights (€ in millions)

	2009	2008	+/- %
Electricity sales (billion kWh)	815.9	597.4	+37
Gas sales (billion kWh)	1,217.7	1,208.6	+1
Sales	81,817	86,753	-6
Adjusted EBITDA	13,526	13,385	+1
Adjusted EBIT	9,646	9,878	-2
Adjusted net income	5,328	5,597	-5
Cash-effective investments	9,200	18,406	-50
Employees (at year-end)	88,227	93,538	-6

Our business

We operate along the entire value chain in power and gas. Our objective is to provide our customers with a secure, affordable, and climate-friendly supply of energy. We combine a broad international footprint with local expertise and share promising ideas and best practices across our organization.

In areas where we can seize opportunities created by the ongoing integration of Europe's energy markets—primarily power generation, energy trading, and gas supply—we run our business on a European scale. These strengths enable us to create superior value for our shareholders and excellent prospects for our customers and employees.

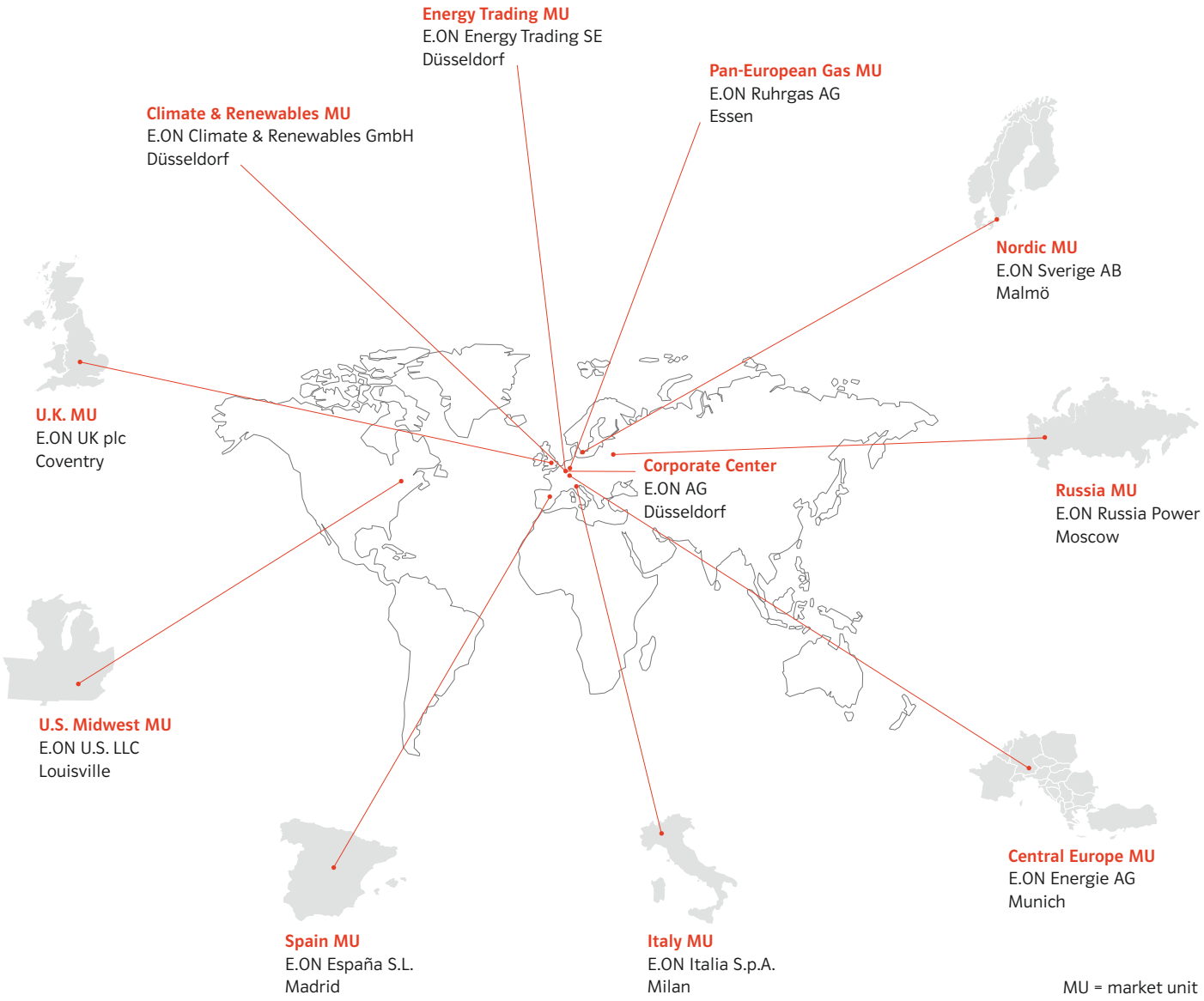
E.ON is one of the world's largest investor-owned power and gas companies. Our operations extend across Europe, Russia, and North America. Our more than 88,000 employees generated just under €82 billion in sales in 2009.

Our roots

E.ON was created by the merger of two large German conglomerates—VEBA and VIAG—in June 2000. After the merger, E.ON began focusing solely on its power and gas business. Energy isn't just our present and our future. It's also where we come from: we've been generating and supplying electricity since the 1920s.

Our corporate structure

E.ON AG, Düsseldorf, is the E.ON Group's Corporate Center. Its main tasks are to chart E.ON's strategic course and to steer the overall business across all our markets. Our business is segmented into ten market units, which have a geographic or functional focus. The lead company of each market unit is responsible for managing and coordinating operations across its target market. Business units conduct day-to-day operations at a national or regional level. You'll find more detailed information about our market units starting on page 46.



Our objectives

Integrated, competitive, nondiscriminatory, transparent, and climate-friendly. That's the European Commission's vision for the EU's internal energy market. The Commission aims to use climate-protection mechanisms like emissions trading to fundamentally change the makeup of Europe's generation fleet. They're good ideas. And E.ON supports them. Because we're convinced that the systematic integration of Europe's energy markets, effective competition along the entire value chain, and lasting climate protection are good for everyone.

E.ON already has one of the most balanced and flexible generation mixes in Europe. We have the capability to optimize our operations across our markets and leverage synergies from this broad European market position. Going forward, we intend to systematically enhance our generation fleet's efficiency and reduce its carbon emissions.

We also intend to further strengthen our position in European gas supply. By acquiring a stake in one of the world's largest gas fields (Yuzhno Russkoye in Siberia) and by boosting production at our fields in the North Sea (like Skarv-Idun in Norway), we're already close to our ambitious objective of obtaining 10 billion cubic meters of natural gas production annually from our own assets.

Let's talk—about the future of energy

Rising global consumption, rising global temperatures, and declining fossil reserves. Our industry faces huge challenges. To meet these challenges we need to fundamentally change the energy supply system. To do that, we need to think ahead. We've defined clear positions on the key role of renewables, on enhancing energy efficiency, and on a climate-friendly energy mix for the future. We don't claim to have all the answers. That's why we invite you to join us and others in an ongoing dialog. Talking with other people and organizations gives us the chance to try out our ideas and refine them.

Contact us:
energyfuture@eon.com

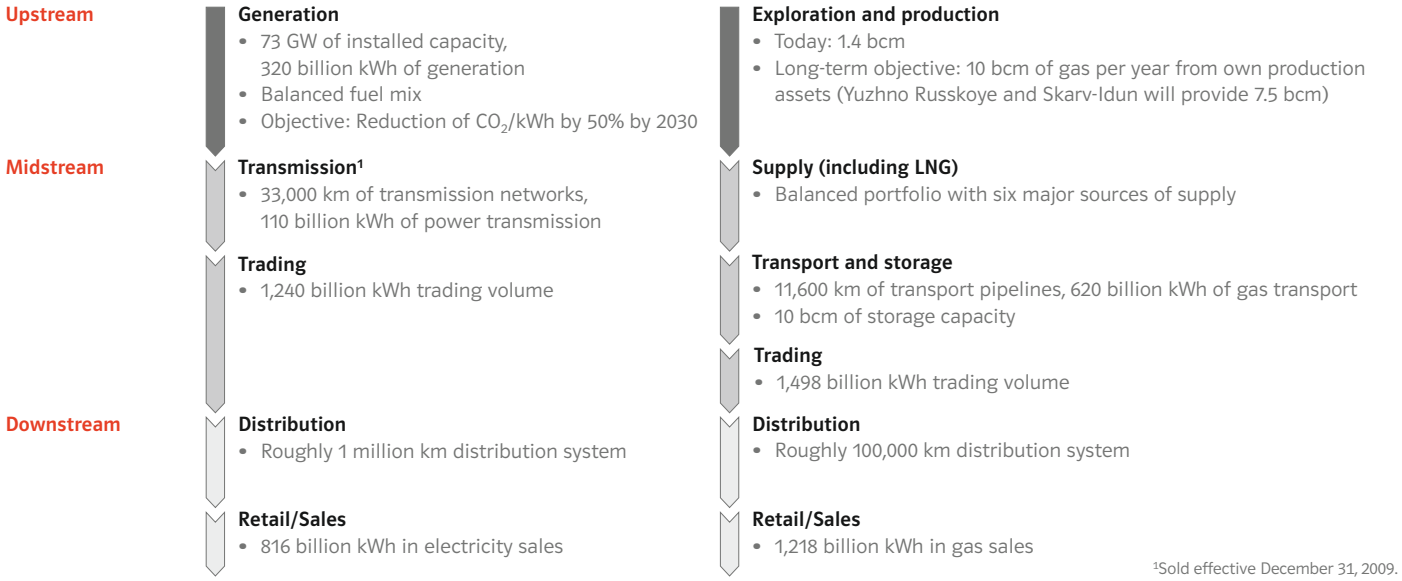
Power and gas. A broad presence, a balanced mix.

Our business combines presence and balance along the entire value chain in power and gas. We have one of the broadest geographic footprints in the industry plus one of the most balanced fuel mixes in power and one of the most balanced supply portfolios in gas. These strengths make us superbly positioned to meet the challenges of our markets and help shape the future of energy supply.

Our business is power and gas.

Making, moving, and marketing energy.

Our positions along the value chain.



[1]Sold effective December 31, 2009.

Power

We have 73 gigawatts ("GW") of generation capacity. We're one of the world's most geographically diversified power producers, with major asset positions in Germany, the U.K., Sweden, Russia, the U.S., Italy, Spain, France, and the Benelux countries. We also have one of the broadest and most balanced fuel mixes in the industry. At year-end 2009, 38 percent of our capacity was gas-and oil-fired, 34 percent coal-fired, 15 percent nuclear, 7 percent hydro, and 6 percent wind and other renewables.

Our generation fleet—one third of which already consists of zero-emission technologies—is becoming climate-friendlier all the time.[2] We aim to halve our specific carbon dioxide emissions by 2030. To get there, we're rapidly expanding our renewables portfolio (we added 1 GW of renewables capacity in 2009 alone), building the world's most climate-friendly fossil-fueled power plants, preparing to extend the operating lives of our nuclear power stations in Germany, and participating in projects to build new nuclear plants in several European countries.

On the infrastructure side, we operate a high-voltage transmission system in Germany (we sold our ultrahigh-voltage transmission system as part of our commitment to the European Commission, effective December 31, 2009). By buying and selling power and other commodities in a competitive marketplace, we play a vital role in helping to ensure fair prices and secure long-term energy supplies for our customers across Europe. Our regional utilities in Germany, the U.K., Sweden, Spain, Eastern Europe, and the Midwestern United States operate distribution systems that deliver electricity safely and reliably to homes and businesses.

In the power sales business, our national and regional retail organizations offer a wide range of electricity products and personalized service to about 30 million industrial, commercial, residential, and municipal customers across Europe.

Gas

E.ON is one of Europe's largest gas companies and a pillar of gas supply security in Europe.

Our exploration and production ("E&P") business has its geographical focus in the North Sea and Siberia; both are E&P regions with considerable growth potential. On the basis of the investments we've alredy made, we'll achieve our strategic long-term objective of producing 10 billion cubic meters ("bcm") of gas annually from our own assets by 2012.

The backbone of our current gas supply is a geographically diverse portfolio of long-term supply contracts with key producing countries. In 2009, we procured 624.1 billion kWh of gas under these contracts. Gas is transported from its production region to us via long-distance pipelines.

We intend to supplement our gas supply with an increasing share of liquefied natural gas ("LNG"), using a blend of spot purchases and long-term supply contracts. As part of this effort, we're exploring opportunities to develop selected LNG projects in West Africa and the Middle East. We're also involved in a number of regasification terminals in Northwestern and Southern Europe so that in the future we'll be capable of supplying all key European markets with LNG.

Our energy trading arm, which buys and sells gas and similar commodities in more than 40 countries around the world and at all of Europe's major energy exchanges, is a key link between E.ON and the world's wholesale energy markets.

[2]As used in this report, the terms zero carbon and zero emission refer to power generation operations only, not to a generating unit's entire lifecycle.

Pulling on the same rope is teamwork.
Feeling the same pride while you do it is shared identity.

Corporate culture is about sharing values. That's easier said than done in a company with over 88,000 employees in more than 30 countries. That's why we've defined shared values and behaviors. Agreeing on values is important. It lays the foundation for us to work together successfully across organizational and national boundaries. It also builds trust—our trust in each other and other people's trust in our company. On the next page are some of the ways we foster an employee- and performance-oriented culture at E.ON: from our newest employees (those who join us as apprentices and as employees of new E.ON companies) to those who've been with us the longest.

Fostering values from the start

From the start, we familiarize our more than 2,000 apprentices in Germany with our values and their significance. It's working. Our apprentices have demonstrated their initiative and dedication by developing a special activity module that takes an entertaining approach to conveying general knowledge about E.ON, our organizational setup, our various businesses, and our corporate culture. At the same time, it fosters teamwork across organizational boundaries and encourages apprentices to develop their own joint projects. Developed by apprentices, the module is used to introduce E.ON to new apprentices. Behind it all is the objective of motivating them to actively embrace our values and behaviors.

Integrating new employees

Integrating new companies into the E.ON corporate culture presents management and employees with special challenges. Promoting cultural exchange is particularly important during the integration phase. To support our employees during this process, we've put together a toolbox of integration materials consisting of slide presentations, videos, and communications modules. Managers can draw on these materials selectively. The purpose of the toolbox is to familiarize all new employees with the E.ON values and behaviors so that they can put them into action in the workplace. The toolbox does more than convey our values in the abstract. Activities like an interactive workshop give employees the chance to experience teamwork in practice.

Our motto is OneE.ON

OneE.ON Day, which has become an integral part of our corporate culture, is a way we promote a sense of togetherness. One day a year, employees and managers at all of our offices and facilities come together to talk about issues relevant to our company. In 2009, OneE.ON Day offered an opportunity to address a key issue in our current situation: which E.ON values and behaviors are important during times of change? Events focusing on issues like social responsibility and teamwork across organizational boundaries also reflected core E.ON values.

Our Values

- Integrity
  We do what we say.
- Openness
  We say what we think.
- Trust and Mutual Respect
  We treat others as we would like to be treated.
- Courage
  We do and say what we believe is right.
- Social Responsibility
  We act in the long-term interest of society.

Our Behaviors

- Customer Orientation
- Drive for Excellent Performance
- Change Initiation
- Teamwork
- Leadership
- Diversity and Development

Listening to our employees

Openness is another core E.ON value. That's why an important component of our corporate culture is our employee opinion survey ("EOS"). The EOS, which has been conducted at regular intervals since 2004, is an effective management tool and well accepted by management and employees alike. The most recent EOS, a sample survey conducted in fall 2009, had a very good Group-wide participation rate of about 78 percent.

> We take negative feedback seriously, carefully analyze its causes, and implement targeted improvement measures across our company.

The results of the 2009 EOS show that our employees' dedication continues to be high, in absolute terms and especially compared with other companies. A clear majority of respondents said they put our core values and behaviors into practice in the workplace. Their responses about their work environment and the cooperation within their team also paint a generally positive picture and surpass comparable results at other companies. But our employees also provided helpful criticism. For example, they said that we could do a better job of organizing change processes and telling them about the company's objectives. We take this feedback seriously, carefully analyze its causes, and implement targeted improvement measures in all parts and at all levels of our company.

Want to find out more?
eon.com/corporateculture

The shape of corporate identity: employees formed the E.ON logo, creating a winning entry in a company photo competition.

Without people's trust, we can't do our job.

To produce and market energy we need resources. Material resources like fuel and capital. And non-material resources like trust. The trust of the people who live near our facilities. And also the trust of our customers, our employees, the companies we do business with, the general public, policymakers, and government agencies. We can only earn this trust by taking our stakeholders' expectations into account as we meet our significant economic, environmental, and social responsibilities. We do this by implementing appropriate projects at our facilities and offices.

The challenge for the upcoming decade is for our industry to improve its credibility and engender greater trust. They are the prerequisites for us to be able to produce and distribute energy affordably, safely, and with a minimum of environmental impact. As one of the world's largest energy companies, E.ON has a responsibility—and an interest—in playing a big role in earning and retaining the public's trust.

The energy world is undergoing profound change. It needs to. Because the challenges it faces are of global magnitude. First, people around the world are consuming more and more energy. Second, the fossil resources commonly used to meet this demand are finite and carbon-intensive. Third, the use of fossil fuels is causing the climate to change, and all of us—people, companies, and governments—need to take action to slow this process and ultimately stop it.

This transformation process will involve huge economic, environmental, and social challenges. So huge, in fact, that no single company or government can deliver the necessary solutions. These challenges will require new partnerships, significant changes in consumer behavior, and a magnitude and speed of technological innovation unprecedented in the energy industry.

Responsible procurement—along our entire supply chain

We use a lot of resources. To fuel our power plants, to maintain our assets, and to give our over 88,000 employees the tools they need—from hard hats to note pads—to do their jobs. Our responsibility begins long before these resources arrive at our facilities. It begins in the countries and communities where they're produced. To meet this truly global responsibility, we've instituted a Group-wide responsible procurement policy ("RPP"). It helps us to ensure that the uranium we procure is extracted and enriched under safe conditions and that the coal we buy is mined with minimum of environmental impact and without harming the health of mine employees. In 2009, we defined a new responsible-biomass policy under which we'll only use certified products and products that don't endanger food security in other parts of the world. More generally, we make every effort to ensure that all the products we source—no matter where they're from—are produced in accordance with our RPP's minimum standards for human rights, workers' rights, environmental protection, and business ethics.

E.ON is determined to play a leadership role in this transition and is actively meeting these global challenges by:

- setting tough environmental targets and halving, by 2030, our generation fleet's carbon intensity compared with 1990; in 2009 we achieved a 1.6 percent year-on-year reduction to 0.476 metric tons of CO_2 per MWh
- expanding renewables to about one third of our total generation capacity by 2030 and working to make carbon capture and storage commercially viable by 2020
- building more efficient fossil-fueled power plants, thereby reducing our climate impact compared with older, less efficient plants
- helping our customers use energy more wisely through a wide range of products, services, and reward programs
- devoting €17 million to university research into key energy technologies in 2009
- investing in LNG and natural gas to safeguard supply and to provide a lower-carbon alternative to oil and coal
- engaging in an ongoing dialog with non-governmental organizations and other stakeholders so that we can continually reevaluate and refine our ideas and initiatives.

E.ON Chair in Corporate Responsibility: Instilling responsible leadership in tomorrow's managers
CR and sustainability are mandatory parts of the MBA curriculum at an increasing number of business schools around the world. The trend is significant, from one third of business schools in 2001 to over two thirds in 2009. In 2009, E.ON endowed the E.ON Chair in Corporate Responsibility at the European School of Management and Technology in Berlin. The endowed chair, which is held by Prof. C. B. Bhattachary, is a reflection of our support for research into how CR can add value to businesses and society as a whole and for teaching the resulting insights to tomorrow's managers.

Our commitment to exemplary corporate responsibility ("CR") is also about meeting challenges on a less global scale. For example, we promote early childhood education on responsible energy use and environmental protection through our Energy for Children program. We established the Environmental Champions program to support and encourage our employees to use resources efficiently and be more environmentally aware. In addition, we work to protect biodiversity at and near our facilities, foster a safety and health culture across our company, encourage our employees to volunteer in their community, and provide assistance to our vulnerable customers.

From global to local, we monitor our progress in these areas using key performance indicators and report on our progress regularly. Our CR reporting is conducted in accordance with guidelines laid down by the Global Reporting Initiative and the United Nations' Global Compact. Key reporting data are independently verified and audited.

Want to find out more?
eon.com/responsibility

Supporting the development of tomorrow's energy technologies. **Today.**

As an energy company, E.ON has a responsibility to help deliver the technological advances that will enable renewables to be commercially viable on an industrial scale. We're already a leading renewables player. And, in projects around the world, we're investing billions of euros in promising technologies, mainly in wind and solar power, but also in biomass and biomethane.

At E.ON, we take a two-pronged approach to research and development ("R&D"). First, we continually optimize our existing facilities and their operating processes. Second, we develop the key energy technologies of tomorrow that have the potential to significantly enhance resource conservation and climate protection.

Thanks to our broad international footprint, our R&D network extends across countries and continents, enabling us to draw on a broad range of expertise and experience. This network ensures that innovative, low-carbon solutions are found, shared, and implemented as quickly as possible across our company.

In addition, E.ON provides direct financial support to more than ten universities. Our flagship project is the E.ON Energy Research Center, a public-private partnership with RWTH Aachen University. We're funding the E.ON Energy Research Center with €40 million over a ten-year period. In 2009, faculty and staff of the center's five institutes moved into its first new building.

E.ON Energy Research Center: Taking a holistic approach to complex issues
Founded in 2006, the E.ON Energy Research Center is a public-private partnership between E.ON and RWTH Aachen University. Its mission is to foster major technological and conceptual breakthroughs that promote an efficient, sustainable, and climate-friendly energy supply. Its approach is holistic: instead of looking for solutions to isolated technical problems, it designs comprehensive, interdisciplinary solutions that address all aspects of complex energy issues. It has five institutes: Automation of Complex Power Systems, Energy-Efficient Buildings and Indoor Climates, Future Energy Consumer Needs and Behavior, Applied Geophysics and Geothermal Energy, and Power Generation and Storage Systems.

Laboratory researchers: E.ON provides financial support to more than ten universities.

Biomethane production plant in Germany: E.ON invests in innovative technologies.

Carbon capture and storage: three ways to make coal climate-friendlier
Carbon-capture technology already exists and has long been used in the chemicals industry. Our industry's challenge is to develop capture techniques that work well for large-scale power generation where the amount of CO_2 to be captured is very big. There are three main techniques:

- oxyfuel: coal is burned in pure oxygen (instead of air), resulting in an exhaust stream of almost pure CO_2 and water
- pre-combustion capture: coal is first gasified; the CO_2 is removed from this gas, leaving clean-burning hydrogen as a fuel
- post-combustion capture: chemical solvents are used to scrub CO_2 from a power plant's exhaust stream.

All three techniques have pros and cons. We're focusing on post-combustion capture because—just like any other emission-abatement equipment—it can be retrofitted onto existing power stations and thus offers greater potential for climate protection.

Focusing on the most promising options: our innovate.on initiative

There's no silver bullet to stop climate change. No single technology is enough. Our Group-wide innovation effort is aimed at finding the best technology options and taking them from the test lab to commercial-scale applications, primarily in ten areas:

- high-efficiency coal-fired generation
- carbon capture and storage ("CCS")
- next-generation nuclear power
- offshore wind
- biomethane
- concentrated solar power
- smart grids
- micro combined heat and power
- natural gas heat pumps
- electromobility.

CCS and offshore wind were particularly important areas for demonstration projects in 2009.

Getting to zero

Carbon capture and storage

CCS could reduce the carbon emissions of fossil-fueled power generation to nearly zero. That's why we're working hard to make CCS commercially viable by 2020. We're actively involved in the R&D of several capture methods, particularly post-combustion capture, which could be retrofitted onto existing power plants. Here are some of our 2009 CCS highlights:

- In February, E.ON Benelux and Rotterdam Climate Initiative agreed to conduct a joint CCS feasibility study for the new 1.1 GW high-efficiency coal-fired generating unit under construction at Maasvlakte power station in Rotterdam harbor.
- In May, E.ON Gas Storage filed for permission to conduct a five-year geological survey of the Weser river valley in northwest Germany to determine whether the area is suitable for an underground carbon storage facility.
- In July, we applied for financial support under the European Economic Program for Recovery for the demonstration phase of two post-combustion-capture projects: Kingsnorth in the U.K. and Maasvlakte in the Netherlands.
- In September, E.ON Kraftwerke began 16 months of operational testing of Siemens equipment that will capture CO_2 from a portion of the exhaust stream of a coal-fired unit at Staudinger power station in central Germany.
- In September, the U.S. Department of Energy agreed to continue funding the design phase of FutureGen, a 275 MW coal-fired plant to be equipped with pre-combustion capture. E.ON U.S. is a member of the FutureGen Industrial Alliance. Construction of the plant could now start in 2010.

Want to find out more?
eon.com/innovation
eon.com/ccs

CCS equipment at Staudinger power station in Germany: E.ON is working to make CCS commercially viable by 2020.

Pilot project to test battery-powered cars: an E.ON recharging station in Munich.

Alpha ventus: a pilot project that's providing us with valuable experience for future deepwater wind farms.

Where there's a wind, there's a way

Offshore wind projects

Despite the challenges (particularly in deep water), the future of European wind power is offshore: the winds are steadier, and there's lots of open space. Our 2009 highlights:

- In January, an E.ON-led consortium called Helm Wind received funding from the Energy Technology Institute, a public-private partnership between energy companies and the U.K. government. Helm Wind's mission is to produce a design and feasibility study for an optimized next-generation offshore wind farm.

- In August, alpha ventus, Germany's first offshore wind farm, began delivering green electricity to the mainland. The 60 MW farm (a project by E.ON, Vattenfall, and EWE) is sited in the North Sea 45 km off the Frisian Islands. A pioneering technical achievement, alpha ventus is a valuable learning platform for future deepwater wind farms. We have numerous deepwater projects at various stages of development in the North Sea and the Baltic Sea.

Beyond CCS and offshore wind, we also made progress with other innovative technologies in 2009:

Joint pilot project with BMW

Low-carbon mobility

In July, E.ON Energie began a 12-month project in Munich to test 15 BMW battery-powered Minis and a recharging station that's powered by zero-carbon hydroelectricity. The purpose is to learn more about the auto world of the future; for example, the kind of recharging infrastructure that would be necessary to handle the 1 million electric cars Germany is expected to have by 2020.

Biogas fuel cell at a brewery

Distributed generation

Beer is carbonated. But a joint project by MTU Onsite Energy and E.ON is demonstrating that you can reduce carbon emissions while brewing it. A brewery in Erding, Germany, became Europe's first to be powered in part by a fuel cell that runs on biogas derived from brewing by-products. The fuel cell's net electric capacity is 214 kW, its thermal capacity 200 kW. It will prevent the emission of up to 1,200 metric tons of CO_2 each year.

Biomethane plants open in Sweden and Germany

Biomethane

Two new E.ON biomethane plants entered service in Falkenberg (southwest Sweden) and Einbeck (north-central Germany). Together, the plants transform 170,000 metric tons of organic material into 32 million cubic meters of carbon-neutral biomethane annually, enough to heat 10,000 homes or fuel 30,000 vehicles.

Strategic research agenda

Next-generation nuclear power

In May, the Sustainable Nuclear Energy Technology Platform ("SNETP"), a Europe-wide organization of which E.ON is a member, defined a strategic research agenda and implementation plan to ensure that nuclear power is an essential part of the low-carbon energy mix of the future. The agenda covers areas like enhanced safety, next-generation reactor design, and new uses for nuclear power such as process heat and hydrogen production.

Pacesetter in smart technologies

Smart meters

E.ON will install a total of 1.8 million smart meters as part of a unique European test program. With smart meters, customers can monitor their energy use in real time on the internet and then respond to what they see. One million smart meters are already in use in Sweden; 752,000 more will be installed in Spain by 2014. In early 2009, an entire town in Bavaria was equipped with more than 5,000 smart meters. This is just one of the areas that makes us a European pacesetter for promising technologies.

E.ON Research Award: promoting cutting-edge university research

For the second year, in April 2009 the E.ON Research Award was given to outstanding projects from universities and research institutes from around the world. The 2008 Award—and a total of €6 million in funding—went to nine innovative energy applications of nanotechnology. The projects range from advanced photovoltaic cells to high-efficiency heating and cooling systems for buildings. The topic of the 2009 Award, which will be conferred in 2010, is heat storage for concentrated solar power. Over a more than ten-year period, E.ON will provide a total of €60 million in grants for research projects worldwide and €40 million in support for the E.ON Energy Research Center (see textbox on page 16). In 2009, E.ON provided €17 million of support for current programs in energy-technology research at universities.

2009

January

E.ON and RWE found Horizon Nuclear Power, a joint venture to develop up to 6 GW of new nuclear capacity in the United Kingdom in order to make the country's future energy supply more secure, climate-friendly, and affordable. Horizon begins operations in November.

February

E.ON and Rotterdam Climate Initiative agree to conduct a joint study for developing a carbon transport and storage infrastructure in Rotterdam. Such an infrastructure could be used for CO_2 captured at E.ON's Maasvlakte power station. In December, the European Commission announces that it will support the project. E.ON, a global pacesetter in the development of carbon capture and storage technology, operates several carbon-capture pilot units and expects this technology to be commercially viable by 2020.

March

The European Commission's commitment decision for E.ON to divest certain generation activities and its ultrahigh-voltage transmission system in Germany took effect in December 2008. E.ON's first step to implement the decision is to sell its stakes in two coal-fired power stations, Lippendorf and Bexbach, to EnBW.

May

Dr. Wulf H. Bernotat announces at the E.ON Annual Shareholders Meeting that he does not seek to have his contract as Chairman of the E.ON Board of Management renewed again. His successor is appointed at a meeting of the E.ON Supervisory Board on August 12: Vice Chairman Dr. Johannes Teyssen will become Chairman and CEO in May 2010.

E.ON, DONG Energy, and Masdar announce that they plan to invest €2.2 billion to build the world's largest offshore wind farm, called London Array, which will be sited in the Thames estuary. The first phase will have a capacity of 630 MW and is scheduled to be completed at the end of 2012. When the second phase becomes operational, London Array will have a total capacity of 1 GW.

More offshore milestones follow. In September, Robin Rigg wind farm in the Solway Firth in northwest Britain begins exporting electricity to the mainland. The completed wind farm will have 60 turbines and 180 MW of installed capacity. In November, the last of 12 turbines is installed at alpha ventus, Germany's first offshore wind farm.

June

E.ON, which is expanding solar energy to be the second mainstay of its renewables business, opens its first solar farm, located in Le Lauzet in southern France. A few weeks later, E.ON acquires Conilhac, a photovoltaic farm developer, thereby further enhancing its expertise in implementing solar projects on an industrial scale. In November, E.ON successfully enters the concentrated solar power ("CSP") segment by forming a joint venture with Abengoa Solar to build and operate two 50 MW CSP plants in Andalusia, Spain. CSP uses arrays of mirrors to concentrate sunlight onto an absorber to produce steam that turns a turbine connected to a generator. CSP is one of the technologies planned for Desertec, a project to generate electricity in the deserts of North Africa. E.ON becomes a founding member of Desertec in July.

E.ON and Dongjiang Environmental agree to partner on a Clean Development Mechanism ("CDM") project in China to recover landfill gas (which consists mostly of methane, a greenhouse gas) and use it to generate electricity. The project will displace the emission of 120,000 metric tons of CO_2 annually. In October, E.ON and Bionersis form a partnership to conduct CDM projects across Southeast Asia.

As part of its commitment to the European Commission, E.ON reaches an agreement to sell 13 run-of-river hydroelectric plants on the Inn River in Bavaria, Germany, to Österreichische Elektrizitätswirtschafts-Aktiengesellschaft ("Verbund"). In return, E.ON receives power procurement rights from pumped-storage hydroelectric plants of the Zemm-Ziller Group and cash compensation.

July

E.ON takes a step into the future of human transportation when it distributes 15 battery-powered Mini E cars to test drivers and opens a public recharging network in Munich, Germany. By investing in low-carbon generation technologies and smart grids, the energy industry will make a key contribution to sustainable climate protection in the transportation sector. That's why E.ON is spurring the development of electromobility with pilot projects like this one.

E.ON and GdF Suez sign agreements to swap about 1,700 MW of power capacity. E.ON divests 860 MW of conventional capacity, 130 MW of hydro capacity, and 700 MW of power procurement from nuclear assets. In return, E.ON acquires from the GdF Suez Group two conventional power stations in Belgium and 770 MW of power procurement rights from nuclear assets with delivery points in Belgium and the Netherlands.

August

Management and employee representatives in Germany agree on the basic principles and an overall framework for implementing PerformtoWin, E.ON's Group-wide efficiency-enhancement program, in a socially responsible manner. This is followed in November by an agreement on a comprehensive plan to provide employees in Germany with security on job-related issues stemming from the implementation of PerformtoWin.

A new 440 MW combined-cycle gas turbine plant with integrated combined heat and power enters service in Malmö, Sweden. The Öresundsverket plant has an efficiency of 58 percent, making it one of the most efficient power plants in Europe.

September

E.ON's 457.5 MW wind farm in Big Spring, Texas, becomes fully operational, followed one month later by another E.ON wind farm in Roscoe, Texas. With 627 turbines and roughly 782 MW of installed capacity, Roscoe is the world's largest wind farm. Together, the two wind farms produce enough electricity to power more than 365,000 homes. In November, Stony Creek wind farm in western Pennsylvania enters service, increasing E.ON's installed wind capacity in the United States to about 1,700 MW.

E.ON reaches an agreement with EdF and EnBW under which the companies will swap a significant amount of generation capacity and power procurement rights. Under the agreement, E.ON receives 800 MW of power procurement rights from nuclear assets in France and increases to 100 percent its stake in SNET, a France-based power producer. In return, E.ON divests 800 MW of nuclear power procurement in Germany, its 50.4-percent stake in a coal-fired power station in Rostock, and power procurement rights from Buschhaus, also a coal-fired power station.

October

E.ON signs an agreement to sell its 50-percent stake in Kraftwerk Mehrum GmbH to Stadtwerke Hannover.

E.ON finalizes the acquisition of just under 25 percent of Yuzhno Russkoye, a natural gas field in Siberia, from Gazprom. Yuzhno Russkoye has more than 600 billion cubic meters of reserves, making it one of the world's largest gas fields.

November

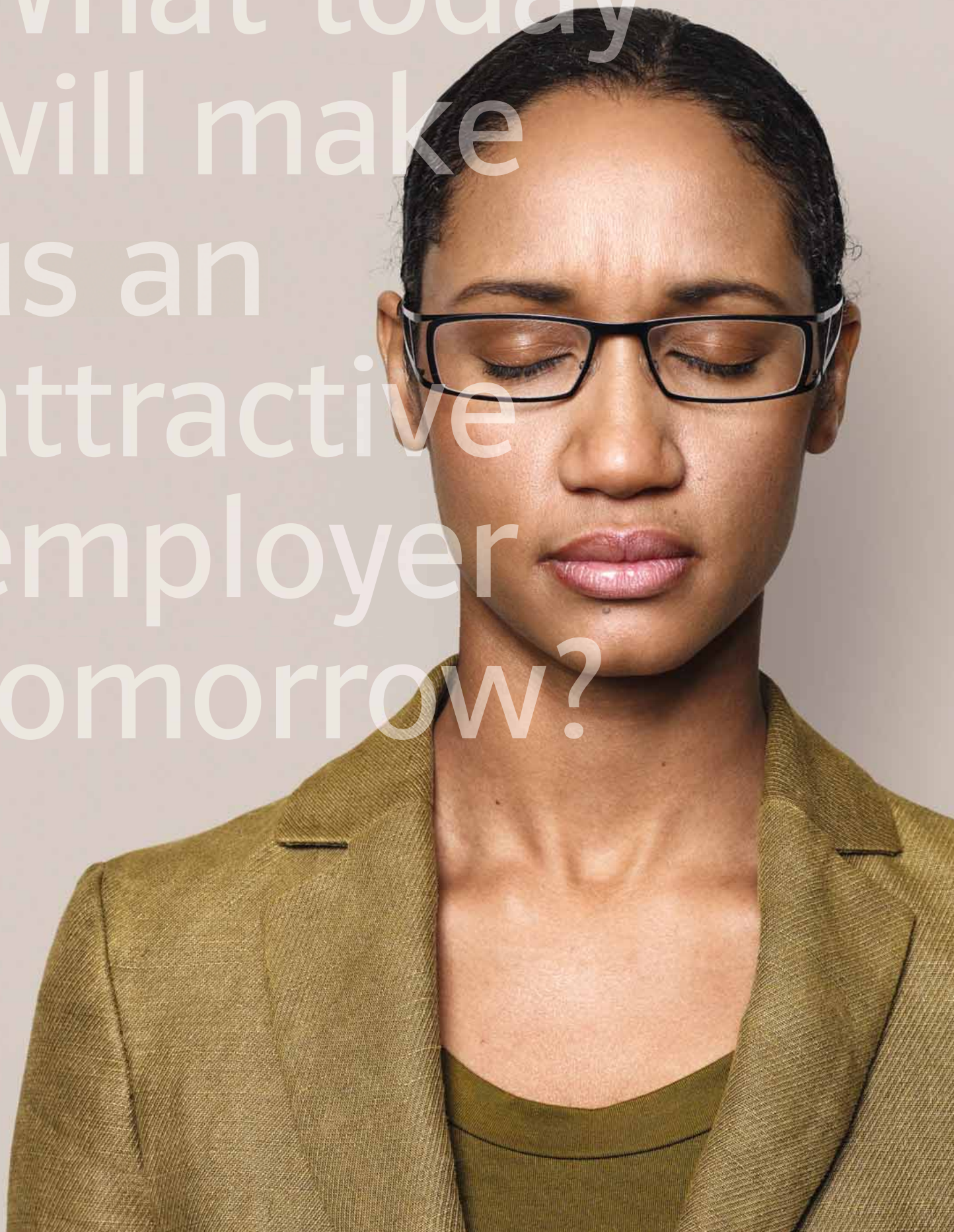
E.ON sells its ultrahigh-voltage transmission system in Germany to TenneT, a state-owned transmission system operator in the Netherlands. The purchase price as of December 31, 2009, for all of the equity in E.ON subsidiary transpower is provisionally set at €1.1 billion. This amount also includes net cash held by the company. The transaction closed on February 25, 2010. The combination of the TenneT and transpower networks has the potential to create Europe's first cross-border power transmission system.

December

E.ON sells most of Thüga to Integra/KOM9, a consortium of municipal utilities, for approximately €2.9 billion. Thüga's stakes in GASAG Berliner Gaswerke, HEAG Südhessische Energie, Stadtwerke Duisburg, and Stadtwerke Karlsruhe are excluded from the sale. This disposal also underscores E.ON's willingness to make a major contribution to the continuing liberalization of structures in Germany's energy market.

Following antitrust approval, E.ON largely completes the divestment of generation capacity in Germany under its commitment to the European Commission.

What today will make us an attractive employer tomorrow?



Our Team

Our employees' performance is integral to E.ON's success. Our motivating, employee-oriented, work environment helps us attract highly skilled and energetic people and retain our employees for the long term.

A lot of factors go in to making us an attractive employer: our extensive training programs, international career development opportunities, systematic support for women employees, the high quality of our vocational training, and competitive salaries and retirement plans. But one factor stands out: we're a responsible employer, particularly in tough economic times. That means that we work to find solutions that secure jobs and we deal fairly with employees whose job situation changes.

But being an E.ON employee means more than working in an attractive work environment. It means having the chance to help shape the future of energy supply, to take on challenging tasks, and to have fun doing it. It also means working at a company where there are always new and exciting career development opportunities.

Our objective: To shape the future.

The five members of the E.ON Board of Management are responsible for managing the company and representing it to the public. They steer E.ON's business operations, set its strategic course, and define its policies. They also regularly inform the E.ON Supervisory Board about all matters relevant for the company.

"As our company grows so does our social responsibility to provide a sustainable energy supply."

Wulf H. Bernotat
Chairman and Chief Executive Officer
Born 1948 in Göttingen
Member of the Board of Management since 2003
Group Executive Human Resources, Investor Relations, Corporate Audit, Corporate Communications, Economic and Public Affairs
Düsseldorf

"Our company's structure needs to be as differentiated as necessary and as simple as possible. Our objective is always to manage our business in the best way possible."

Johannes Teyssen
Vice Chairman
Born 1959 in Hildesheim
Member of the Board of Management since 2004
Corporate Planning & Controlling, Corporate Procurement, PerformtoWin, Upstream/Generation, Trading & Optimization, Marketing & Sales, Regulation & Infrastructure
Düsseldorf

"Our team is made up of thousands of future-shapers who are actively helping bring about tomorrow's energy supply system."

Christoph Dänzer-Vanotti
Born 1955 in Freiburg im Breisgau
Member of the Board of Management since 2006
Group Human Resources, Corporate Sustainability, Real Estate/Mining,
Corporate Incident & Crisis Management, Facility Management
Düsseldorf

"After years of significant growth, we're now focusing on integrating our new companies and leveraging synergies."

Lutz Feldmann
Born 1957 in Bonn
Member of the Board of Management since 2006
Mergers & Acquisitions, Legal & Compliance,
Corporate Development, New Markets
Düsseldorf

"Our systematic, value-oriented finance strategy provides an important foundation for maintaining investors' trust for the long term."

Marcus Schenck
Born 1965 in Memmingen
Member of the Board of Management since 2006
Finance, Accounting, Tax, IT
Düsseldorf

Executive Vice Presidents

Peter Blau, Düsseldorf **Gert von der Groeben**, Düsseldorf (until December 31, 2009) **Heinrich Montag**, Düsseldorf

Ulrich Hartmann

The 20 members of the E.ON Supervisory Board bring together expertise and experience from many sectors of the economy: seasoned executives, union officials, works council representatives, and employees. The Supervisory Board consists of ten shareholder and ten employee representatives. It monitors and advises the E.ON Board of Management and is directly involved in all important decisions about E.ON's future.

Prof. Dr. Günter Vogelsang
Honorary Chairman of the Supervisory Board, E.ON AG

Ulrich Hartmann
Chairman of the Supervisory Board, E.ON AG

Hubertus Schmoldt
Deputy Chairman of the Supervisory Board, E.ON AG

Werner Bartoschek
Chairman of the Group Works Council, E.ON Ruhrgas AG

Sven Bergelin
Director of the National Energy Industry Group, Unified Service Sector Union, ver.di

Gabriele Gratz
Chairwoman of the European Works Council, E.ON AG

Jens P. Heyerdahl d.y.
Industrialist/Owner (member since June 1, 2009)

Wolf-Rüdiger Hinrichsen
Chairman of the Works Council, E.ON AG

Ulrich Hocker
General Manager, German Investor Protection Association

Prof. Dr. Ulrich Lehner
Member of the Partner Committee, Henkel AG & Co. KGaA

Bård Mikkelsen
President und Chief Executive Officer, Statkraft AS (member until May 31, 2009)

Erhard Ott
Member of the National Executive Board and Director of the Federal Utilities, Waste Management, and Transportation Division; Unified Service Sector Union, ver.di

Hans Prüfer
Chairman of the Group Works Council, E.ON AG

Klaus Dieter Raschke
Chairman of the Combined Works Council, E.ON Energie AG

Dr. Walter Reitler
Senior Vice President of HSE and Corporate Responsibility, E.ON Energie AG

Dr. Henning Schulte-Noelle
Chairman of the Supervisory Board, Allianz SE

Dr. Karen de Segundo
Attorney

Dr. Theo Siegert
Managing Partner, de Haen-Carstanjen & Söhne

Prof. Dr. Wilhelm Simson
Chairman of the Supervisory Board,
Merck KGaA (member until June 30, 2009)

Dr. Georg Freiherr von Waldenfels
Attorney

Werner Wenning
Chairman of the Board of Management, Bayer AG

Hans Wollitzer
Chairman of the Company Works Council, E.ON Energie AG

You'll find the Report of the Supervisory Board in our Financial Report.

Our employees can rely on us. Particularly when times are tough.

Highly qualified and motivated employees are a scarce resource and are a big part of what makes a company successful. All the more so during an economic crisis. We're committed to being there for our employees. It's by being loyal to our people, particularly in times of change, that we can earn their loyalty for the long term.

People strategy

Our employees are integral to our success. One of our most important tasks is therefore to hire and retain the best people and foster their development. We meet this challenge by pursuing our people strategy: a uniform and integrated Group-wide approach to human resources ("HR") that was developed in collaboration with all of our market units.

Our people strategy is closely aligned with E.ON's corporate strategy and objectives. Based on E.ON's business needs, it defines a number of key focus areas. We review our focus areas annually and adjust them if necessary. Two of these areas—employer branding and talent management—can serve as examples of our accomplishments in 2009.

Placing high as a workplace

The energy industry offers exciting opportunities. We want to be known as an outstanding employer—in and outside our industry—so that we can attract and retain the right employees for our business.

We seek out opportunities to meet and dialog with potential hires at career fairs, on university campuses, and at schools. We talk to them about the varied and exciting job opportunities at E.ON, our corporate culture and values, and the many programs—from professional development to flexible options to promote work-life balance—that make us a top employer.

Our rankings in independent surveys indicate that we're on the right course. The E.ON Group was recognized by the Great Place to Work® Institute Europe as one of the Best Workplaces in Europe 2009. We earned the institute's coveted Best Workplace seal and, with tenth place, achieved our best-ever showing. In addition, E.ON ranked seventh in the Great Place to Work® Institute Germany's 2009 competition for Best Workplaces in Germany.

Safety leadership requires safety-conscious leaders: Group-wide safety training for executives

Occupational safety is a top E.ON priority. In 2009, we had 2.2 workplace injuries resulting in lost time per million hours of work ("LTIF"), which makes E.ON one of the safest companies in our industry. Our objective is to lower our LTIF to 1.0 by 2015, which would rank us among the world's safest industrial companies. That's why top E.ON executives are playing a more active role in further improving our safety performance. We've added several occupational safety indicators to executives' individual performance targets. We're also providing them with targeted training to further enhance their safety awareness and competency. We believe that establishing a robust safety culture throughout our company requires heightened safety awareness up and down our organization, from our power plants to our boardrooms.

Women engineers at Scholven power station:
supporting the development of women employees is a top priority.

20% women

hirees for senior management positions

That's our medium-term objective, which means that we intend to achieve a significant increase in the percentage of women senior managers. To help increase the percentage of women top executives, E.ON board members serve as mentors to women members of our Executive Pool.

Identifying future leaders. Helping them realize their potential.

Talent management is about developing our employees with exceptional potential. It's how we prepare them for new functions and new career opportunities.

The Group-wide E.ON Graduate Program is the ideal career launch pad for recent university graduates, particularly if they want to work internationally. The program gives them the opportunity to gain experience during an 18-month rotation through different E.ON units and is accompanied by specialized training and mentoring. It's a great way for top graduates to start a career with E.ON. And for us to have highly qualified new employees.

We evaluate the potential of our employees through annual job-performance reviews. We also conduct an annual Group-wide management review which applies uniform standards to assess the performance and potential of our executives, senior managers, and high potentials. The results enable us to carry out systematic talent management, make staffing decisions as objective and transparent as possible, and conduct detailed career and succession planning across organizational boundaries.

Supporting the development of our female employees is another top priority. Like at many other companies, the percentage of women in senior management at E.ON is too small. The purpose of an initiative called Talent Management Women is to raise this percentage and to foster and make better use of the abilities of women at our company and of women in the labor force. The initiative consists of several components, including development support through a mentoring program, greater use of part-time arrangements for management positions, and flexible childcare options.

The E.ON Academy helps our managers and next-generation leaders embrace life-long learning by providing them with custom-tailored programs to develop their leadership and personal skills and to continually add to their professional knowledge. The Academy also provides more than 25,000 E.ON employees with advanced professional training in key areas such as marketing, energy trading, project management, IT, HR, and health and safety.

Early diagnosis, better prognosis

An economically healthy company needs healthy employees. That's why we encourage our people to take good care of themselves and why we create a work environment that supports their health. In March 2009, companies across E.ON offered employees health-education and cancer-prevention programs as part of the E.ON Challenge Cancer Campaign. The programs ranged from smoke-cessation classes to free screening for breast, colon, and skin cancer. Prevention and early detection are both essential. For most types of cancer, early detection significantly improves recovery rates. The E.ON Challenge Cancer Campaign made a tangible contribution: about one third of our employees took advantage of the opportunities provided by the campaign.

Employees by market unit 2009[1]

Central Europe	48,126
Pan-European Gas	3,143
U.K.	16,098
Nordic	5,570
U.S. Midwest	3,119
Energy Trading	1,075
New Markets	7,976
Corporate Center[2]	3,120
Total	**88,227**

[1]Excludes board members/managing directors (330) and apprentices (2,556).
[2]Includes E.ON IS.

Workforce by region 2009[1]

Germany	35,636
United Kingdom	17,179
Romania	6,772
Sweden	5,317
Hungary	4,913
Russia	4,702
USA and Canada	3,256
Czech Republic	2,735
Bulgaria	2,108
Other[2]	5,609

[1]Excludes board members/managing directors (330) and apprentices (2,556).
[2]Includes Italy, Spain, France, the Netherlands, Poland, and several other countries.

HR supports successful implementation of PerformtoWin

Job-security milestones

PerformtoWin, our Group-wide program aimed at achieving sustained cost and performance improvements in all market units and at all stages of the value chain, has made significant progress. Continuing a long tradition at our company, we've worked closely with employee representatives to shape how organizational changes resulting from the program will be implemented. In August, the E.ON Board of Management and employee representatives in Germany agreed on the basic principles for implementing PerformtoWin and how to handle job-related issues. Management and employee representatives also agreed on a comprehensive plan for employees affected by PerformtoWin projects at our operations in Germany. At E.ON companies outside Germany, employee representatives are involved in similar processes in accordance with the laws of the respective country.

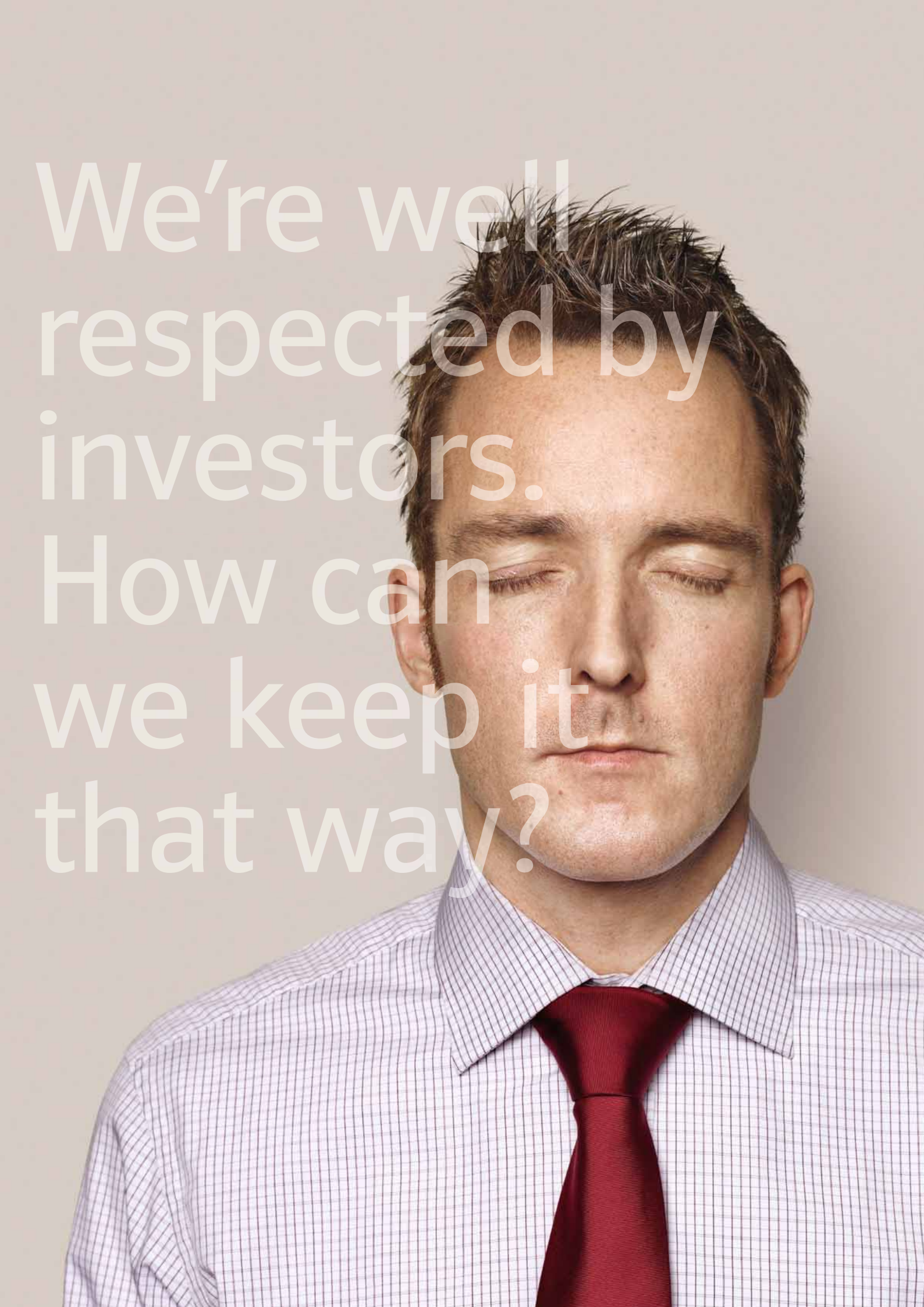
Streamlining our management structures

Integrating our new market units and creating new functional entities have steadily increased the number of managers at our company. In the wake of these changes, it's time to reevaluate our management structures. Our objective going forward is to increase management efficiency by reducing the number of management positions and by increasing individual managers' area of responsibility.

Foresightful hiring approach

As part of our foresightful planning, we've taken a conservative approach to hiring since the start of the recession. Moreover, PerformtoWin will result in redundancies. By scaling back our external hiring, we're creating more opportunities for employees affected by redundancies to find new jobs within our organization. This promotes job security, which is the centerpiece of the PerformtoWin agreement reached by management and employee representatives in Germany.

But we still need to think ahead and ensure that we have an adequate supply of potential future leaders and highly skilled technical staff. And, despite the sluggish economy, we'll continue to meet our social responsibility to provide training to young people. Consequently, the E.ON Graduate Program as well as our apprentice program and training initiative in Germany are excluded from the hiring cutback. Our operations in countries outside Germany have defined similar exceptions, predominantly for jobs that can't be filled internally.


We're well respected by investors. How can we keep it that way?

Our Investors

Our objective is to achieve lasting, sustainable growth in shareholder value. The trust of our investors and of international financial markets in E.ON is both a source of motivation and an obligation. We do everything we can to deepen this trust.

We therefore carry on an intensive dialog with our shareholders and bond investors so that we can provide them with up-to-date, transparent information and answer their questions quickly and reliably.

We systematically pursue a value-oriented strategy so that E.ON remains successful in the future and attractive to investors. Our finance strategy provides a stable framework for this effort. In addition, we place a high priority on creating lasting value through our environmental and social performance. Capital markets increasingly look behind financials and take a holistic view of a company's performance.

Thanks to our investors' trust, we're staying on course.

They come from as far away as Hong Kong and as near as our own neighborhoods. Whether they're a mutual fund in New York, a big bank in Basel, a family of four in Florence, or our own employees in Essen, they all have one thing in common: They've trusted us with their money—by buying our stock or our bonds. We strive to continually earn this trust by designing and executing a strategy that offers our investors an attractive return, now and in the future.

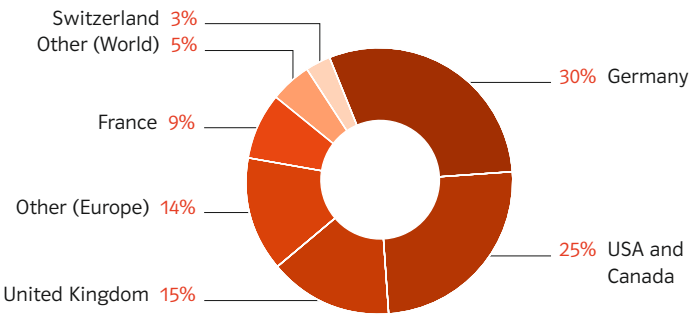
The people and institutions that invest in E.ON come from all over the world. The main financial centers in Europe and North America are well represented, while the percentage for Germany consists of a large number of retail investors.

> Our shareholders and bond investors from around the world lead to a broadly diversified investor structure.

Our bonds are mainly denominated in euros but also in pounds sterling, U.S. dollars, Swiss francs, Japanese yen, and several other currencies. E.ON has issued more than €27 billion in bonds since 2007. A key objective is for our bond portfolio to be highly diversified in terms of currency, investor base, and maturity. With this approach, E.ON has not only attracted bond investors in its core European market but from all over the world.

Shareholder structure[1, 2]

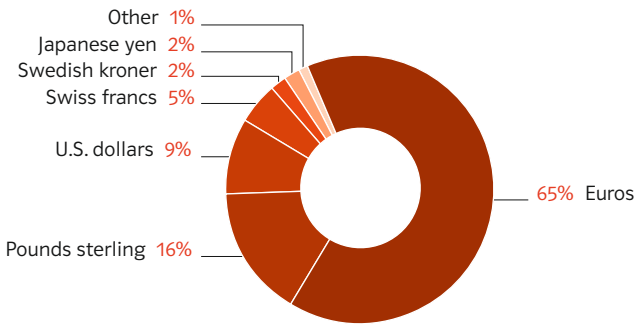
Percentages



[1]Percentages based on total investors identified.
[2]Divergence from 100% due to rounding effects.
Sources: Share register (as of February 18, 2010), Thomson Reuters (as of December 31, 2009).

E.ON Group bonds and promissory notes by currency[1]

Percentages (total: €30.4 billion)



[1]Outstanding E.ON Group bonds (including private placements) and promissory notes at December 31, 2009.

Uninterrupted access to financing. In downpour and in drought.

When we designed our finance strategy in 2007, debt capital was abundant and cheap. We knew at the time that the steady rain of credit wouldn't last forever. We're not saying we foresaw the global financial and economic crisis. But we are saying that we purposely designed a sustainable finance strategy that would ensure that we have stable sources of funding under all credit scenarios. When it's flowing freely and when it all but dries up.

We need to ensure uninterrupted access to financing because we operate in a capital-intensive industry. Our assets—wind farms, power stations, wires networks, gas pipelines, and underground gas storage facilities—take several years to build and tie up capital for decades. E.ON's target rating of single A flat/A2—which is a solid rating compared with those of our competitors—meets these requirements. It gives us financial flexibility and unrestricted access to all types of financing. It also enables us to optimize our capital structure at an efficient cost of capital.

In 2007, we launched an unprecedented investment campaign to buy and build assets that would grow our business, expand our geographic footprint, and help us ensure that tomorrow's energy supply remains secure, affordable, and climate-friendly. To go with our investment campaign and with our vision of becoming the world's leading power and gas company, we designed a finance strategy that's attractive and reliable to shareholders and bondholders.

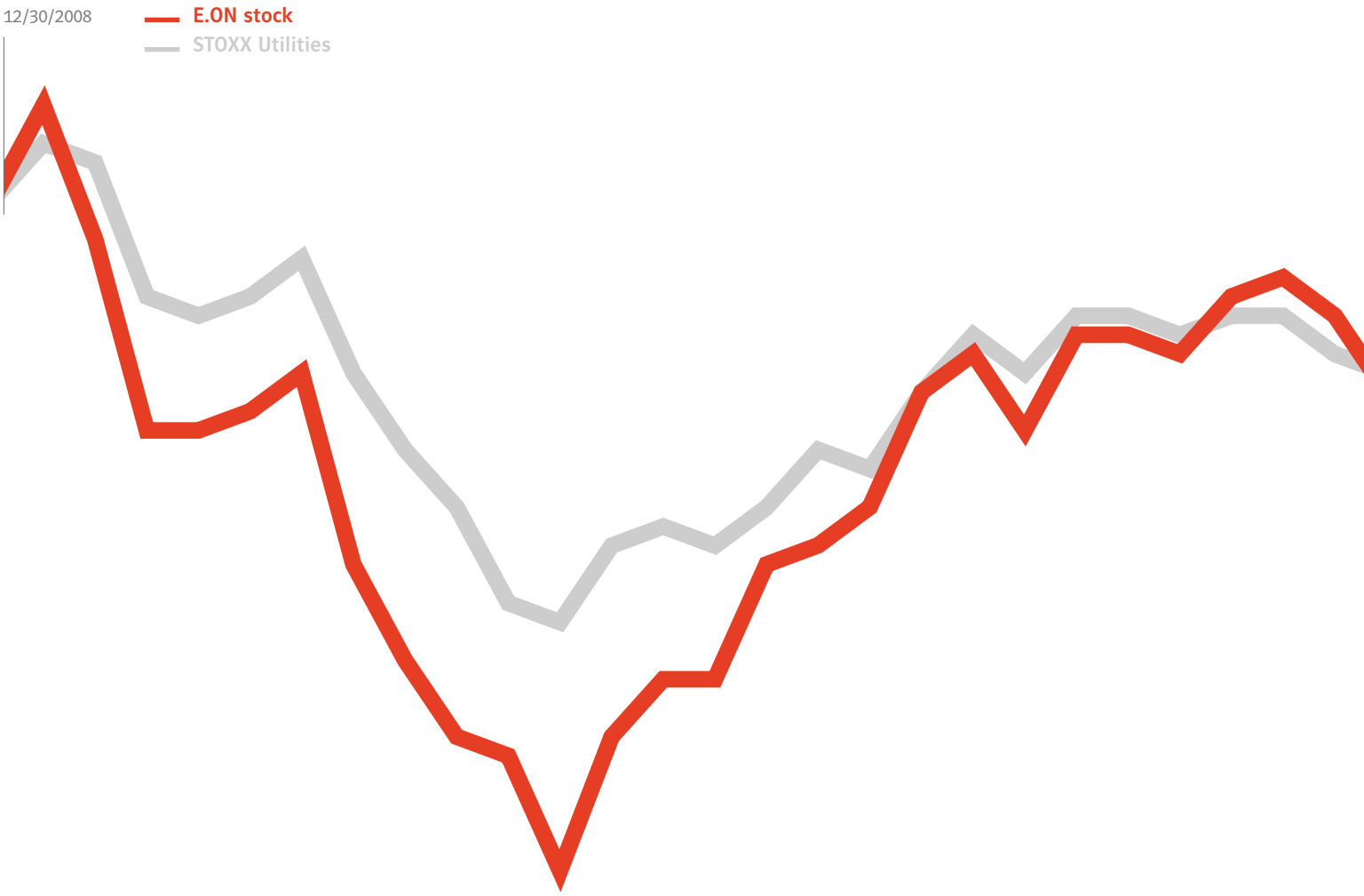
We monitor our capital structure using a debt-to-earnings ratio called debt factor. Our debt factor is equal to our economic net debt divided by our adjusted EBITDA. Our target debt factor is 3, with a range of 2.8 to 3.3. Because our debt factor was at the upper end of this range at year-end 2008 and 2009, we're taking countermeasures. We've streamlined our investment plans and launched a program to optimize our portfolio that's designed to yield more than €10 billion in cash by the end of 2010. Through asset sales under this program we've already secured about €6 billion in cash. These proactive measures demonstrate that investors can trust us—in good times and difficult times.

In addition, we want our shareholders to earn an attractive return on their investment. Here, a key factor is our consistent dividend policy, which will continue beyond 2009. Our target dividend payout ratio remains at 50 to 60 percent of adjusted net income. This way we offer our shareholders the opportunity for a long-term, value-enhancing investment that also offers the prospect of sustained, solid growth.

Capital-intensive industry: we need to ensure uninterrupted access to financing to make investments in key energy infrastructure.

Performance of E.ON stock.

Development of E.ON stock in 2009



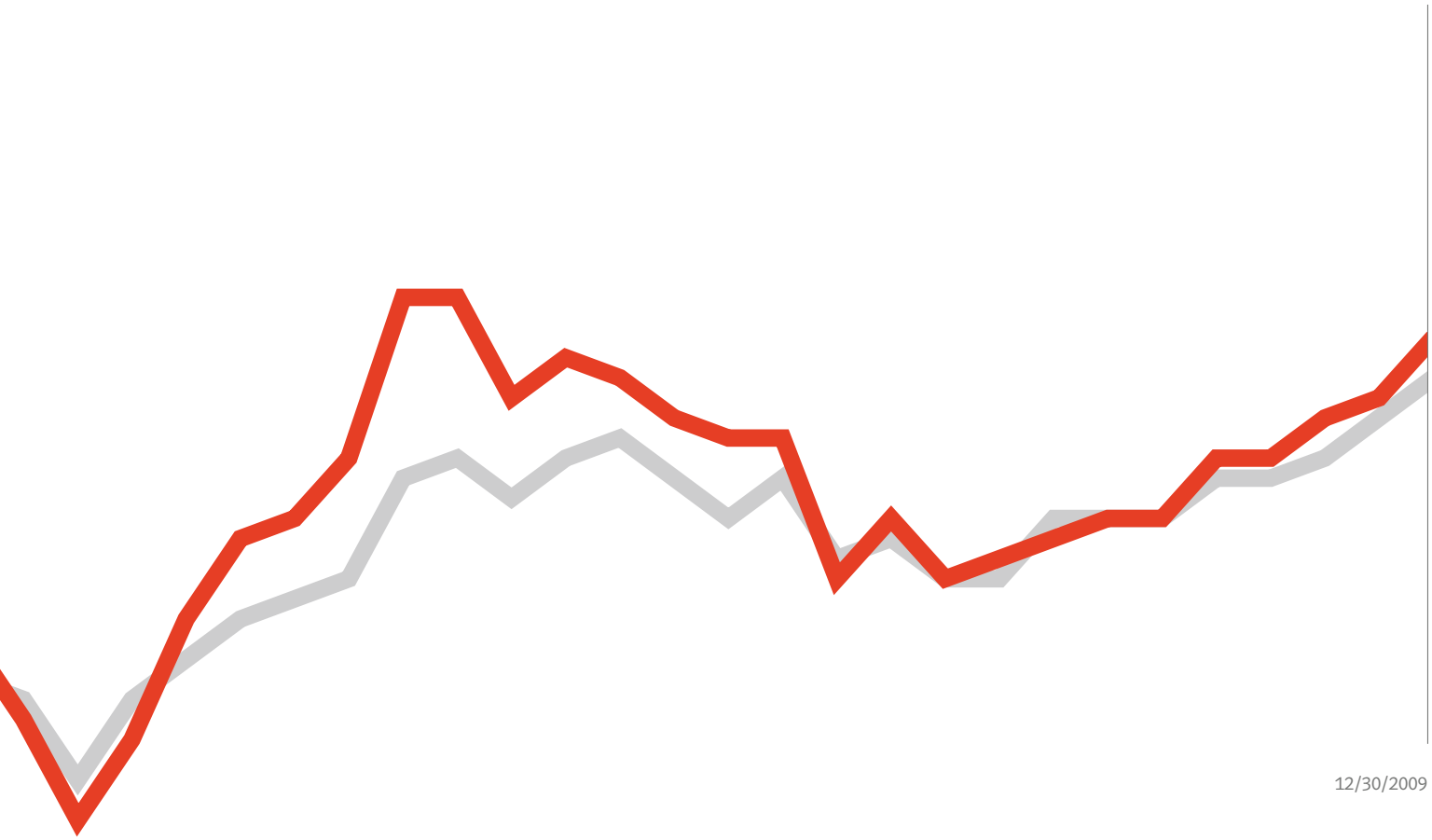
E.ON stock is listed on all German stock exchanges. On December 30, 2009, E.ON stock's weighting in the DAX index of Germany's top blue chips was 10.1 percent, once again the highest weighting in the index. E.ON stock was the DAX's third-most traded stock by volume in 2009. In the United States, E.ON stock is traded over the counter in the form of American Depositary Receipts ("ADRs"). The conversion ratio between E.ON ADRs and E.ON stock is one to one.

In a volatile stock market, E.ON stock (factoring in the reinvestment of the dividend) finished 2009 9 percent above its 2008 year-end closing price, thereby outperforming its peer index, the STOXX Utilities, which rose by 7 percent during 2009. However, E.ON stock underperformed the German stock market (the DAX was up 24 percent) and the European stock market (the EURO STOXX 50 was up 26 percent).

Five-year performance

Investors who purchased €5,000 worth of E.ON stock at the end of 2004 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment increase to €8,219 by the end of 2009, which represents an average annual return of 10.5 percent. E.ON stock thus outperformed the DAX (7 percent per year on average) and the EURO STOXX (3.1 percent per year on average) and also had a higher annual return than the STOXX Utilities (8.5 percent per year on average).

Want to find out more?
eon.com/stock

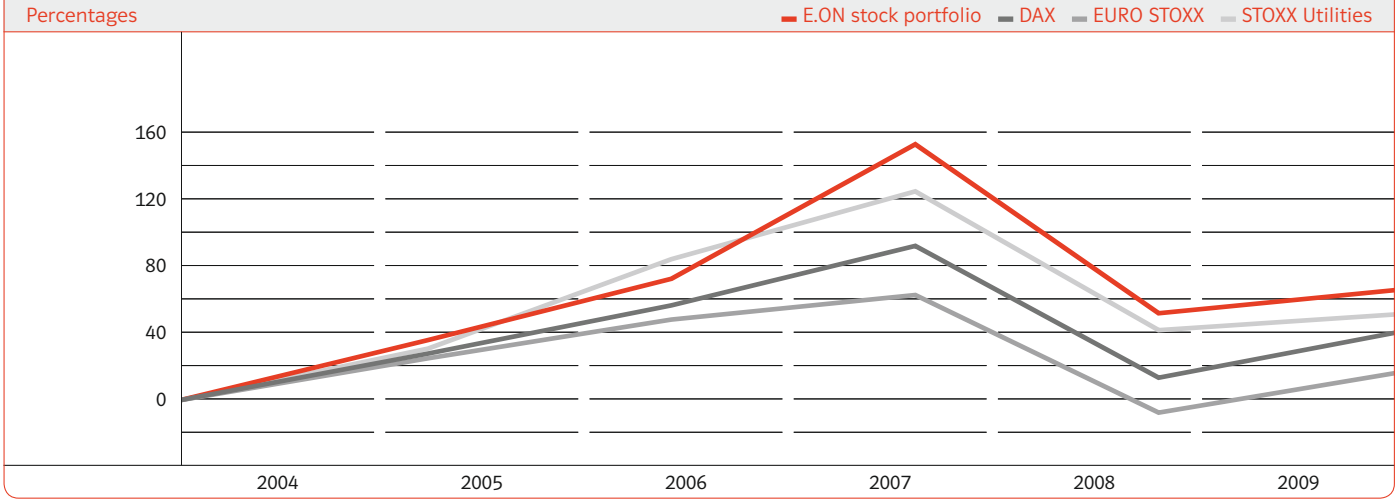


12/30/2009

Weighting of E.ON stock in major indices (as of Dec. 30, 2009)

DAX	10.1%
Dow Jones EURO STOXX 50	3.6%
Dow Jones STOXX Utilities	18.8%

E.ON stock's five-year development



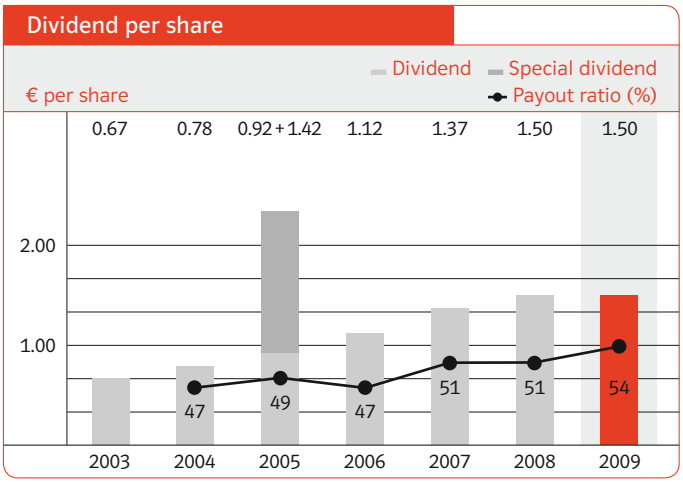
E.ON stock key figures[1]

€ per share	2005	2006	2007	2008	2009
Earnings attributable to the shareholders of E.ON AG	3.75	2.82	3.69	0.68	4.80
Earnings from adjusted net income	1.84	2.22	2.62	3.01	2.80
Dividend	0.92	1.12	1.37	1.50	1.50
Dividend payout (€ in millions)	4,614[2]	2,210	2,560	2,857	2,858
Twelve-month high[3]	29.64	34.80	48.69	50.93	30.47
Twelve-month low[3]	21.50	27.37	32.02	23.50	18.19
Year-end closing price at Dec. 30[3]	29.13	34.28	48.53	28.44	29.23
Number of shares outstanding (in millions)	1,977	1,979	1,895	1,905	1,905
Market capitalization[4] (€ in billions)	57.6	67.6	92.0	54.2	55.7
Book value[5]	22.50	24.62	26.06	18.10	21.17
Market-to-book ratio[6] (percentage)	129	139	186	157	138
E.ON stock trading volume[7] (€ in billions)	62.5	92.5	136.2	119.2	55.9
Trading volume of all German stocks (€ in billions)	1,095.8	1,539.3	2,350.9	2,029.6	1,009.1
E.ON stock's share of German trading volume (percentage)	*5.7*	*6.0*	*5.8*	*5.9*	*5.5*

[1]Adjusted for discontinued operations; figures prior to 2005 calculated according to U.S. GAAP.
[2]Includes special dividend of €1.42 per share.
[3]Xetra.
[4]Based on ordinary shares outstanding.
[5]Shares attributable to the shareholders of E.ON AG.
[6]Year-end stock price expressed as a percentage of book value per share (excluding minority interests).
[7]On all German stock exchanges, including Xetra.

Dividend

At the 2010 Annual Shareholders Meeting, management will propose that the cash dividend for the 2009 financial year be kept stable compared with the prior year at €1.50 per share. The payout ratio is 54 percent of adjusted net income versus 51 percent in the prior year. Since the 2003 financial year, the dividend has increased from €0.67 to €1.50, which represents an average increase of 14.4 percent per year. Based on E.ON stock's year-end 2009 closing price, the dividend yield is 5.1 percent. This again makes E.ON one of the DAX's top dividend performers, which underscores the attractiveness of E.ON stock for investors.



E.ON stock information

Type of shares
Ordinary shares with no par value/ registered shares

Stock codes
Germany
WKN ENAG99
ISIN DE000ENAG999

USA
Cusip No. 268 780 103

Stock symbols
Reuters
FSE EONGn.F
Xetra EONGn.DE
ADR EONGY.PK

Bloomberg
FSE EOAN GF
Xetra EOAN GY
ADR EONGY US

Continually strengthening relationships.

Our investor relations ("IR") are founded on four principles: openness, continuity, credibility, and equal treatment of all investors. Each year we work hard to be even better in each of these areas. Our activities in 2009 were again guided by our commitment to continual improvement.

Our mission is to provide straightforward, transparent information at our periodic roadshows, at conferences, at eon.com, and when we meet personally with investors. In 2009, we increased the number of roadshows to create even more opportunities to talk with investors one on one. Continually communicating with our investors and strengthening our relationships with them are essential for good IR.

Capital Market Day 2009 in Essen: talkin' 'bout our generation
Our annual Capital Market Day typically gives analysts and institutional investors a closer look at one of our market units. The 2009 event held in Essen's Zollverein, a complex of buildings once part of a coal-mining facility, focused instead on our biggest single business—our generation activities—which accounts for more than half of our adjusted EBIT. The subject was particularly timely because we're in the process of adopting a centralized, functional management approach for our generation fleet in Europe. In Essen, E.ON Board of Management members and senior managers from our generation business talked to investors about the long-term trends in European power generation and the course we've set for the E.ON fleet. Our generation activities were a topic of further discussion at investor conferences and roadshows.

Each year we invite analysts and institutional investors to a conference held on the day we release our annual report. We present our results for the previous financial year and our objectives for the current year. The conference for our 2008 results was held in March 2009 in Düsseldorf.

Capital Market Day is another key date. One of its main purposes is for the senior leadership of our market units and operating companies to talk in detail about their markets and the operational side of our business. We believe it's important for analysts and institutional investors to get to know the people who manage our business in our target markets. And we believe facilitating this direct contact further enhances our credibility and helps deepen the capital market's trust in E.ON and in E.ON stock.

All visitors to eon.com will find our financial reports and executive presentations as well as webcasts and podcasts of IR events in both audio and video format. And you can always reach us directly: just call us or send us an e-mail.

Want to find out more?
eon.com/investorrelations

Contact us:
investorrelations@eon.com
T +49-211-4579-549

A program of historic magnitude. **Successfully completed.**

In 2009, we successfully concluded the funding program we'd announced in May 2007 to coincide with our growth-oriented investment campaign. It was the biggest funding initiative in our company's history. Despite the global financial crisis and the difficult market situation it created, we successfully implemented our program, raising a total of more than €27 billion debt financing since September 2007. Our success under tough conditions is a testament to our financial strength, clear strategy, and transparent communications.

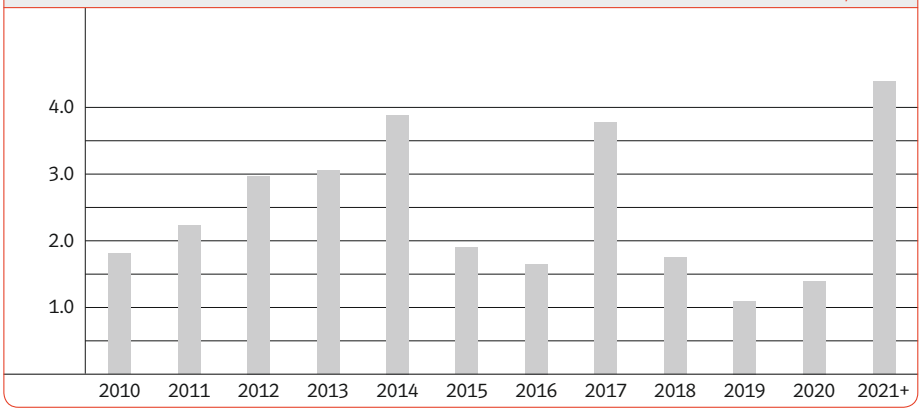
Ensuring liquidity early: funding in 2009

In a tight debt market you have to seize opportunities when they arise. And plan ahead: you don't want to be left needing funding when the credit market dries up. That's why our strategy was to ensure our liquidity early. We did so by meeting our net funding needs well before the end of the year. Of our total 2009 bond issues of around €8.1 billion, we issued €6.1 billion in the first quarter. These consisted mostly of large-volume benchmark bonds denominated in euros and pounds sterling. As the year progressed, we focused on private placements with significantly longer maturities (up to 30 years) and on smaller bonds denominated in other currencies (like Swiss francs, U.S. dollars, Japanese yen, Swedish kroner, and Hong Kong dollars). These steps further broadened our bond profile, underscoring our objective of a highly diversified debt portfolio in terms of investor groups, instruments, currency, and maturity.

As in previous years, in 2009 we again made use of commercial paper ("CP"), a short-term debt instrument, to meet funding peaks. However, compared with year-end 2008, we were able to markedly reduce our CP volume outstanding. We had issued €1.5 billion in CP as of year-end 2009 compared with €7.3 billion as of year-end 2008.

In November 2009, we extended, at good terms, the short-duration tranche of our syndicated credit facility for another year and deliberately reduced it to €4 billion (down from €7.5 billion). The nearly €5 billion long-duration tranche remains in place until the end of 2011. We haven't drawn on our syndicated credit facility, which serves as a backup for our CP activities and as a general backup funding source.

Maturity profile of bonds and promissory notes issued by E.ON AG and E.ON International Finance B.V.



Bond weightings

Like E.ON stock, E.ON bonds loom large in major European indices. E.ON's weighting was 10.6 percent in the iBoxx Utilities index and 2.6 percent in the iBoxx Non-Financials index (as of December 31, 2009). These substantial weightings are indicative of both E.ON's significance in financial markets and the robust trading volume of our bonds in the secondary market.

Want to find out more?
eon.com/bonds

Investors have lent us over €27 billion since 2007. Naturally, they want to know how we're doing.

We understand our investors' information requirements. Because we invest billions, too, and can appreciate that people want to monitor their investments carefully.

Our aim is to provide our creditors with the highest degree of transparency. One of the ways we achieve this is by conducting annual non-deal roadshows in major European financial centers during which we present an update on E.ON and its strategy and answer questions. These events also create opportunities for personal contact. This is important, because finance isn't just about numbers but to a large degree also about trust.

In addition, we hold regular non-deal investor conference calls, organize informational events for our core banks, and offer detailed debt-related information on our website. And we can always be reached by phone or by e-mail if bond investors need answers to specific questions.

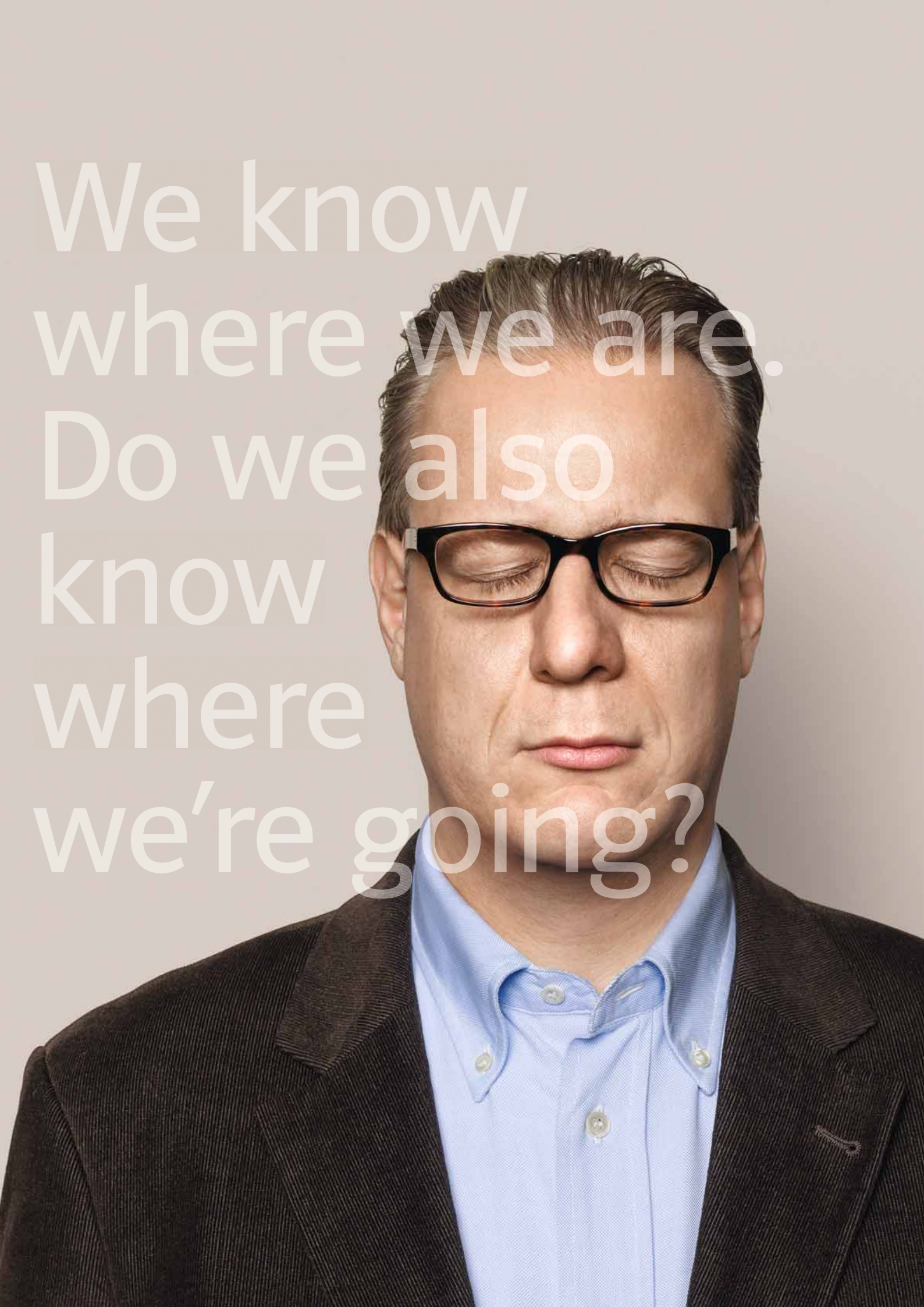
Creditor relations also involves our interaction with rating agencies. Investors are very interested in E.ON's credit rating as an independent assessment of our financial stability and capacity to repay our debt on time. E.ON is rated by Moody's and Standard & Poor's, with whom we have a long-standing relationship of trust.

Bond investors are interested in many of the same topics as shareholders. They want to know about our strategy and prospects for the future in order to gauge our operating strength. Because we're familiar with the information requirements of existing and potential bond investors, we can give them the details they need to make well-founded investment decisions.

Want to find out more?
eon.com/creditorrelations

Contact us:
creditorrelations@eon.com
T +49-211-4579-563

Bonding with our investors:
Non-deal roadshow visits European financial centers
As a frequent debt issuer in recent years, E.ON conducts an annual non-deal roadshow instead of a deal roadshow before each benchmark bond issue. Our 2009 roadshow was held in September and took us to three major European financial centers: Paris, London, and Frankfurt. These events give us the opportunity to provide debt investors with detailed information about E.ON, to talk personally to a large number of them, and to respond to their questions. To stay in close contact with the many investors who couldn't attend the annual roadshow, we held two debt investor conference calls in 2009. The calls provide bond investors and analysts with an update on E.ON's financial highlights and strategy and give them the chance to ask questions about specific topics.


We know where we are.
Do we also know where we're going?

Our Strategy

E.ON has long been active along the entire value chain in power and gas. This business model has proven its worth in the marketplace. Following a period of substantial growth, we now have a broad platform and good market positions from which to successfully meet the challenges of the future. As the economic crisis has demonstrated, our broad diversification—geographically and along the value chain—is the right strategy and enables us to respond flexibly in difficult market situations.

We launched PerformtoWin, our Group-wide efficiency-enhancement program, even before the economic crisis started. Its purpose is to deliver lasting earnings improvements—€1.5 billion by 2011—by enhancing the efficiency of our organization and our productivity. Continual performance enhancement will remain a key objective at E.ON. The more efficient we are, the more competitive we are.

Climate protection will also play an important role in our business in the years ahead. We're significantly expanding our renewables capacity and also investing in new nuclear capacity and high-efficiency conventional power plants. This will enable us to achieve our objective of halving our generation fleet's specific carbon emissions by 2030.

Where we are.

Platform
We've successfully established one of the broadest footprints in Europe, entered new markets, and achieved global scale in renewables.

Climate protection
We added almost 1 GW of new renewables capacity in 2009, clear progress on the road to a cleaner energy supply.

Market integration
We're actively fostering the creation of an EU-wide internal market for energy by making it easier for new players to enter our home markets and by promoting cross-border power and gas trading.

Performance
Through a Group-wide performance-enhancement program called Perform-toWin, we've already begun taking the steps that will deliver €1.5 billion in annual earnings improvements beginning in 2011.

Portfolio streamlining
We're well over halfway towards generating more than €10 billion in cash in 2009–2010 by optimizing our portfolio of businesses.

A strong platform. For sustainable value creation.

We have one of our industry's most diverse generation mixes and broadest geographic footprints. We're Europe's biggest gas importer, one of the world's leading renewables players, a top energy trader, and a premier energy supplier serving nearly 30 million customers. We use our broad experience along the entire value chain and across regions to create and leverage synergies and to select the best markets for our investments. Our broad strategic presence, diversified asset portfolio, leading market positions, and comprehensive energy expertise give us a superb platform from which to execute our value-oriented strategy to achieve leading performance and sustained, profitable growth.

Six key beliefs of our strategy

Presence along the entire value chain
We're active along the entire value chain in power and gas: in production, import, wholesale, distribution, and end-customer sales. Our comprehensive market knowledge enables us to operate efficiently and to create value along the entire value chain.

Power-gas convergence
Power and gas are strongly connected upstream (gas supply to gas-fired generation), midstream (cross-commodity energy trading), and downstream (increasing popularity of dual-fuel products). Our solid position in all three areas provides us with valuable synergies and a superior competitive positioning.

Strong market positions
International scale and strong market positions give us a key competitive edge in liberalized markets and create a solid foundation for ensuring supply and for making the necessary large-scale investments in climate-friendly power generation.

Growth
Growth beyond our traditional core markets (Germany, the United Kingdom, Sweden) creates additional opportunities to expand our business so that we sustain our success in a consolidating European energy market.

Value from experience
Our deep expertise in all facets of the energy business is a considerable competitive advantage, one that we leverage fully by sharing best practices across our entire organization.

Market and competition
Open, competitive markets are the best framework for ensuring a secure, efficient energy supply. An integrated European energy market offers E.ON superb opportunities to strengthen our market position and to capture value from cross-border synergies.

What's ahead.

We're thinking ahead. The future holds two main sources of opportunities: climate protection and European market integration. And that's where we're focusing a significant share of our resources. At the same time, we're making our organization less complex and significantly reducing our cost structure.

Climate protection

Secure, affordable energy—without the carbon

As one of the world's leading energy companies, we believe it's our responsibility to also be a leader in climate protection. By 2030, we intend to halve our specific carbon-dioxide emissions compared with the 1990 figure. To get there, we're significantly expanding our renewables capacity, investing billions in highly efficient conventional power plants, exploring opportunities to build new nuclear generation capacity, and developing new technologies that will make it possible to generate electricity from fossil fuels with almost no carbon emissions.

Renewables like wind and hydro are already important ingredients of our energy mix. They'll be indispensable in the future because they combine climate protection and fuel independence. Right now, government incentives are necessary because they enable us to invest in renewables under competitive conditions, creating a green energy resource that benefits the environment and society in general. Going forward, our clear objective is to deploy industrial-scale solutions, which will make renewables more economic and reduce—and ultimately eliminate—the need for government support.

Climate protection is also an important goal in our distribution and retail businesses. Our distribution companies are developing and deploying smart grid technologies that will make it possible to integrate more renewables and more distributed generation. We're also installing millions of smart meters which will enable people to monitor and control their energy usage and find ways to use less. And our retail businesses have a full range of energy-efficiency products, services, and initiatives to help our customers reduce their energy consumption, shrink their carbon footprint, and save money.

Market integration

Competitive EU internal market

An EU-wide internal market for energy will be good for everyone. The increasing convergence of EU national markets will make energy more secure and affordable for our customers, make it possible to integrate the growth in renewables and decentralized generation capacity, and open up new markets and opportunities for us. It's also a necessary prerequisite for climate-protection mechanisms like emissions trading to work on a European scale.

Smart meters enable customers to monitor their energy usage in real time and identify ways to reduce it.

PerformtoWin

Efficiency and productivity up, costs down

PerformtoWin is a Group-wide project that was already decided on before the global economic crisis began. The project is aimed at achieving sustained cost and performance improvements in all market units and at all stages of the value chain. The improvements will mainly be achieved by boosting internal efficiency. PerformtoWin initiatives will deliver €1.5 billion in lasting improvements to our adjusted EBIT by 2011.

We made swift progress in 2009. We designed detailed road maps for each of the PerformtoWin projects, which cover our operations along the entire value chain. We reached an agreement with employee representatives for implementing the projects in a socially responsible manner. Implementation of PerformtoWin is well under way.

We won't rest on what we've initiated with PerformtoWin. Continuous performance improvement is an essential part of our corporate culture.

€1.5 billion
in lasting earnings improvements were identified and will be realized by 2011.

We've grown our business. **Now we're going to optimize and strengthen it.**

In recent years, we've grown our business considerably. We've extended our geographic footprint into new markets (Russia, Italy, Spain, France), put ourselves among the global leaders in renewables, expanded our gas production, and strengthened our existing businesses in our traditional core markets. These efforts have given us a broad international footprint, fostered the decarbonization of our generation fleet, and enhanced the security of gas supplies.

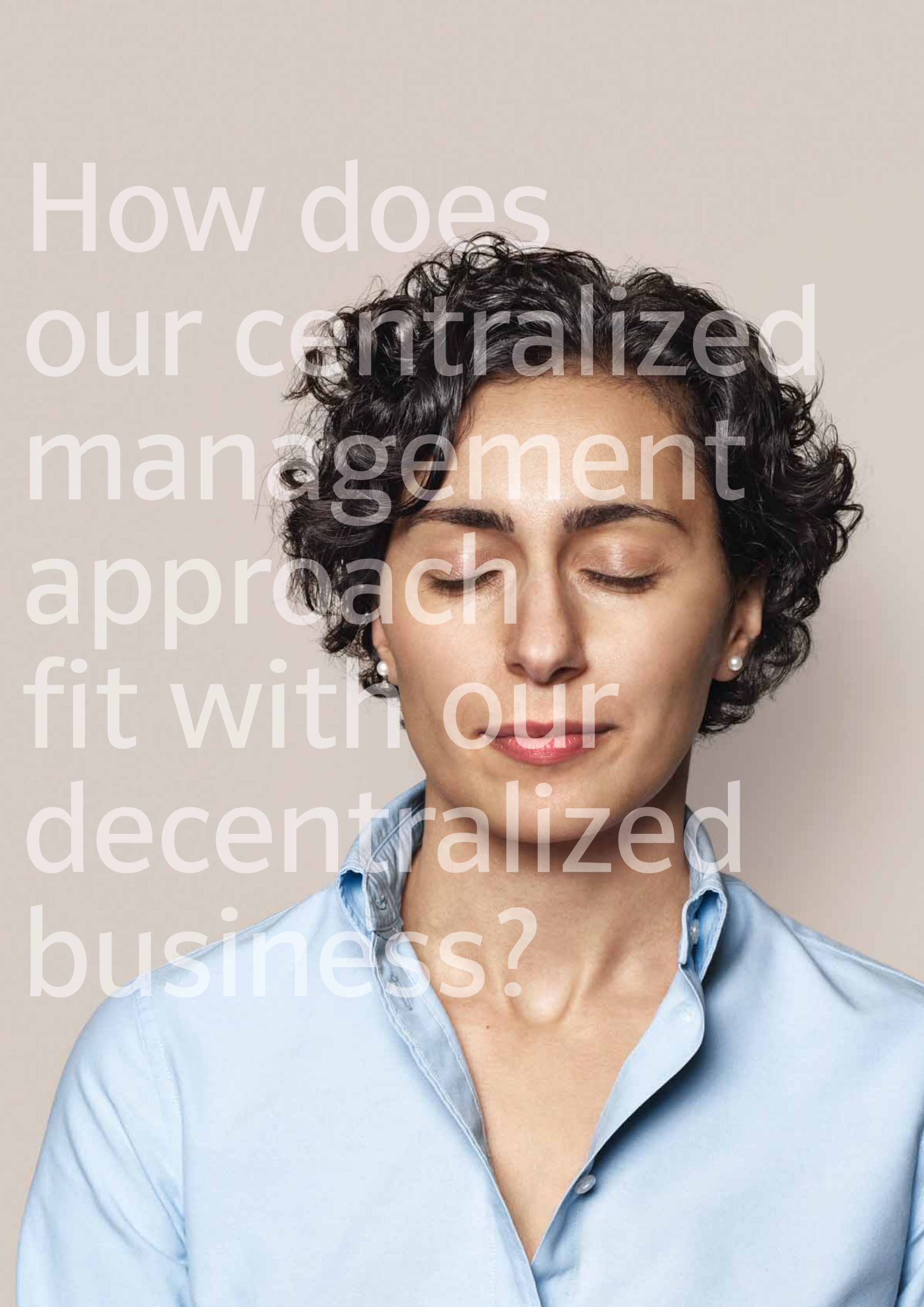
In the years ahead, we'll continue to strengthen our businesses through selective organic investments and through a clear commitment towards portfolio optimization and streamlining. We've already generated about €6 billion of the more than €10 billion in cash we intend to derive from portfolio optimization by 2010.

We plan to make economic investments of about €10 billion in 2010 and of about €24 billion for the period 2010–2012. Our main focus will be on strengthening our conventional generation fleet, further enlarging our renewables capacity (mainly in wind power, the most economic and technologically mature renewable), and expanding our natural gas production. We also have to take good care of what we already have. So about €9.9 billion, or 40 percent, of our investments will go particularly towards maintaining and replacing existing generation assets and network infrastructure. One focus will be on our power distribution businesses in Germany, the U.K., and Sweden. We'll also be continuing to modernize our existing power plants by increasing their efficiency and extending their operating lives.

In both ways—through growth and replacement—we're planting the seeds for future earnings enhancement.

You'll find information about our investments along with related commentary in our Financial Report.

Forty percent of our total investments go towards maintaining our existing assets.


How does our centralized management approach fit with our decentralized business?

Our Structure

The energy business is different depending on where you are along the value chain. We adopt the management approach that's right for our business at each individual segment. That's why our organization consists of functional entities (which are managed centrally) as well as regional entities (which are managed decentrally).

We take a functional approach to managing those of our businesses—like renewables, natural gas production, power-plant construction, and energy trading—where knowledge transfer and optimization across national boundaries are key success drivers. At the other end of the value chain—our network and retail businesses, for example—success depends more on understanding local needs. That's why we operate these businesses through regional entities that are close to their markets, customers, and communities.

Our markets and competitive environments are always changing. To sustain our success into the future, we regularly analyze our organizational structure to ensure that it has the right fit for our markets. Whether we manage a business functionally or regionally, our objective is always to have the best possible structure in order to remain attractive for our nearly 30 million customers. Attractive means that the power and gas we supply is not only secure and climate-friendly but also affordable.

E.ON has long been active along the entire value chain in power and gas. This business model has proven its worth in the marketplace. Today, we have a superb position from which to successfully meet the challenges in our markets.

Superbly positioned. For our customers.

Our business is segmented into ten market units in line with the structure of our respective target markets. The lead company of each market unit is responsible for coordinating operations in its target market. Business units manage day-to-day operations in individual countries or regions and are the first point of contact for customers, communities, and government agencies.

We have geographically segmented market units which reflect our regional markets. We also have functionally segmented market units, one of which operates across Europe and the other globally. The purpose of this segmentation is to leverage synergies and pool expertise.

Corporate Center

The Corporate Center's main tasks are to manage E.ON as an integrated energy company, chart E.ON's strategic course, define its financial policy and initiatives, manage business issues that transcend individual markets, manage risk, and continually optimize the Group's business portfolio.

Central Europe market unit

The companies of our Central Europe market unit supply customers in many Central European countries, including Germany, France, the Netherlands, Hungary, Slovakia, the Czech Republic, Bulgaria, and Romania.

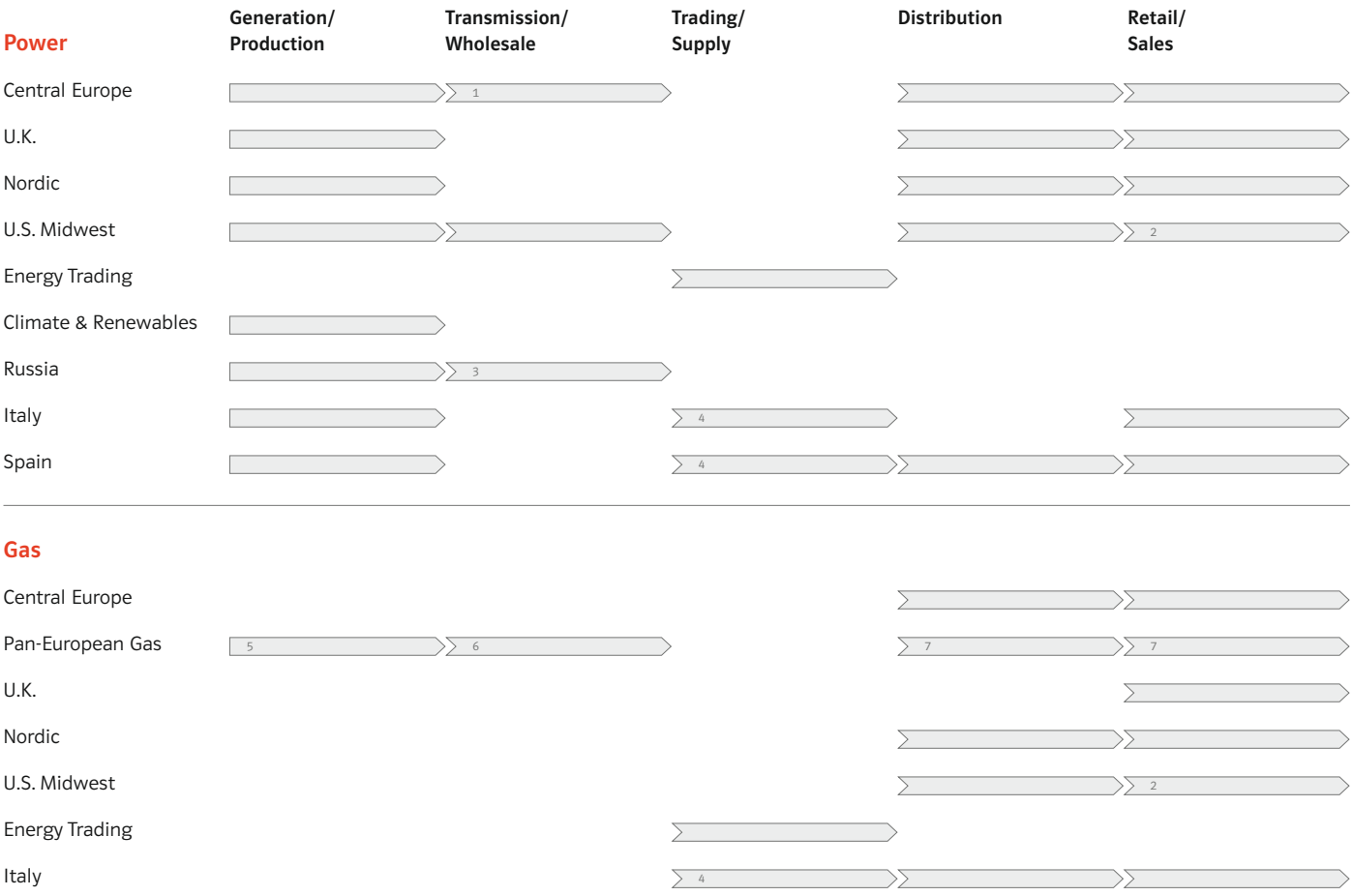
Pan-European Gas market unit

Pan-European Gas is responsible for our gas business. Its lead company is one of Europe's premier gas companies and among the world's biggest investor-owned gas importers. Its customers include regional and municipal energy utilities, industrial enterprises, and power stations in and outside Germany.

U.K. market unit

We're one of the United Kingdom's leading energy utilities, providing power and gas service to residential, industrial, commercial, and municipal customers across Britain.

Operations along the value chain



[1] Sold effective December 31, 2009. [2]Regulated. [3]Wholesale only. [4]To be transferred to Energy Trading. [5]Exploration and production. [6]Includes gas storage.
[7]Thüga, E.ON Ruhrgas International shareholdings.

Nordic market unit

Nordic manages our energy operations in Northern Europe, which focus mainly on Sweden. It operates along the entire value chain in power and gas, from generation to distribution and retail.

U.S. Midwest market unit

U.S. Midwest's operations focus on the regulated energy utility sector in Kentucky.

Energy Trading market unit

Energy Trading is a functionally segmented market unit, combining in a single entity all our European trading activities for electricity, gas, coal, oil, and carbon allowances. It trades on all big European energy exchanges and has trading activities in over 40 countries worldwide.

New Markets

Climate & Renewables market unit

Climate & Renewables is responsible for the our global carbon-sourcing and renewables businesses. We intend to expand our leading position in this growth market.

Russia market unit

Our electricity business in Russia consists of a portfolio of conventional generation assets in several heavily industrialized regions: Central Russia, Ural, and Siberia.

Italy market unit

We have power and gas businesses in Italy. Our Italian generation fleet consists mainly of gas, coal, hydro, and wind assets. We also operate local gas distribution networks, mainly in northern Italy.

Spain market unit

The Spain market unit manages our electricity business on the Iberian peninsula, which extends along the entire value chain from generation to distribution and retail.

Want to find out more?
eon.com/structure

2009 power sales
378 billion kWh

2009 gas sales
146.1 billion kWh

2009 sales
€41,419 million

2009 adjusted EBITDA
€6,479 million

2009 adjusted EBIT
€4,817 million

2009 cash-effective investments
€3,256 million

Employees at year-end 2009
48,126

Central Europe

Market Unit

- Acquisition of full ownership of SNET strengthens position in France
- Asset swap makes E.ON number three in Belgian generation market
- Sale of ultrahigh-voltage transmission system gives new impetus to competition in Germany

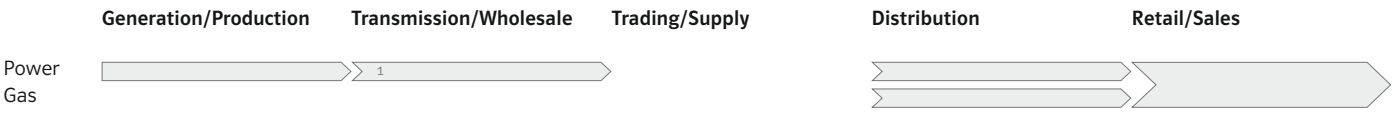
Owned generation of 130.4 billion kWh by energy source

48% Nuclear
36% Coal
7% Natural gas, oil
5% Hydro
4% Other

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Klaus-Dieter Maubach
CEO, E.ON Energie

Operations along the value chain



[1]Sold effective December 31, 2009.

Staudinger power station: one of the largest in the Central Europe market unit.

The operations of the Central Europe market unit stretch from the Atlantic Ocean to the Black Sea. It has subsidiaries in Germany, France, the Netherlands, Belgium, Hungary, Slovakia, the Czech Republic, Bulgaria, and Romania. After Germany, its second-biggest market is Hungary. Central Europe's operations consist of power generation, distribution, and sales; natural gas distribution and sales; and energy services. Its lead company is E.ON Energie, which is based in Munich, Germany.

Central European energy market

One of the biggest challenges facing Europe's energy industry is the creation of an EU-wide internal market for energy encompassing more than 20 countries which vary by market structure and degree of competition. Europe has many large players, some of them state-owned. The energy markets of EU member states were supposed to have been fully liberalized by mid-2007. Nevertheless, the competitive situation continues to vary by country. Germany has one of Europe's most competitive energy markets.

We committed ourselves to selling our ultrahigh-voltage transmission system and reducing our generation capacity in Germany by about 5 GW. These transactions reduced our share of the German power generation market to about 15 percent. We swapped a portion of the divested capacity for capacity and power procurement rights in France, Austria, Belgium, and the Netherlands, significantly improving our position in Western Europe. These deals have made us Belgium's third-biggest power producer and strengthened our number-three position in France.

Bigger in Belgium: deal makes E.ON number three
In November 2009, E.ON and GdF Suez completed an asset swap agreement under which E.ON Energie receives more than 900 MW of conventional generation capacity in Belgium and 770 MW of nuclear power procurement rights with delivery points in Belgium and the Netherlands. The capacity in Belgium consists of a 556 MW coal-fired power station in Langerlo and a 385 MW CCGT in Vilvoorde. The deal, which is one of several that have enhanced competition in Belgium by reducing GdF Suez's share of the country's generation market to 65 percent, makes E.ON Belgium's third-biggest power producer and further strengthens our position outside Germany.

Generation

The Central Europe market unit generates electricity primarily from nuclear and hard coal. Other sources include hydro, lignite, natural gas, and oil.

> The 1.1 GW coal-fired generating unit E.ON Energie is building in Rotterdam will have a thermal efficiency of 46 percent, making it one of the most efficient in the world.

By building new, highly efficient generating units, Central Europe is helping the E.ON Group reach its ambitious carbon-abatement targets. A number of state-of-the-art combined-cycle gas turbines ("CCGTs") will enter service in 2010 in Germany, France, and Slovakia. Looking further ahead, E.ON Energie is building a 1.1 GW coal-fired generating unit in Rotterdam, the Netherlands. The unit will have a thermal efficiency of 46 percent, making it one of the most efficient in the world. Studies are under way to determine whether the unit will be equipped with one of Europe's first large-scale pilot systems for capturing and storing carbon.

770,000 km
is how long our power network is:
233 times the distance from Brest on France's Atlantic coast to Varna on Romania's Black Sea coast.

Isar 2 nuclear power station: nuclear and hard coal are the Central Europe market unit's two most important generation sources.

Networks

Networks remain a core Central Europe business even after the divestment of its ultrahigh-voltage transmission system. It owns and operates 45,000 km of high-voltage power lines, 725,000 km of intermediate- and low-voltage lines, and 112,000 km of natural gas distribution grids. It's conducting a variety of projects to develop and refine smart-grid technology, which will enhance its ability to manage the significant fluctuations in the output of renewables like wind and solar. Smart meters, which help customers use energy more wisely, shrink their carbon footprint, and save money, will play a key role in this effort. In August 2009, Central Europe launched a new company in Germany, E.ON Metering, which is working intensively to develop smart-metering products and services.

Sales

Central Europe's sales business aims to provide customers with superior products and services by combining a strong regional presence with centralized expertise. Founded in 2008, Munich-based E.ON Vertrieb Deutschland ("E.ON Sales Germany") manages Central Europe's Germany-wide power and gas sales operation consisting of six regional sales companies, E WIE EINFACH, and E.ON Energy Sales. E.ON Vertrieb Deutschland's core tasks are centralized energy procurement, product management, and marketing. It also coordinates the operations of the regional sales companies and develops innovative strategies for further developing our sales business in Germany. Key aspects of its marketing strategy are energy efficiency and the nationwide E.ON Energy-Saving Tour. It launched a special energy-saving tariff in 2009, one of the first nationwide energy products in Germany.

> E.ON Vertrieb Deutschland ("E.ON Sales Germany") has managed our entire energy sales business in Germany since 2008 and is the first contact point for our customers.

SNET becomes wholly owned E.ON subsidiary
In September 2009, E.ON concluded an asset swap with EdF and EnBW that gave E.ON Energie the remaining 35-percent stake in SNET along with 800 MW of nuclear power procurement rights in France. SNET, which is based in Rueil Malmaison just west of Paris, has 2,500 MW of generation capacity, mainly from coal. The deal, which makes SNET a wholly owned E.ON subsidiary, strengthens our position as France's number-three—and only non-state-owned—generation company and helps spur energy-market competition.

Electromobility pilot project: 15 battery-powered Minis have been plying the streets of Munich since July 2009.

Electromobility

E.ON Energie is active in a number of projects to make electromobility a viable option for the future. Since July 2009, 15 battery-powered BMW Minis have been plying the streets of Munich and using E.ON's network of recharging stations as a part of a 12-month field test. E.ON Energie has also teamed up with Volkswagen and other partners on a hybrid car project. E.ON Energie's activities cover all key aspects of electromobility, from renewable-source power generation to practical recharging options. It's also exploring the possibility of using the batteries of electric cars as mobile storage devices. If recharging could take place when power is abundant, battery-powered cars could be part of a smart grid that would help derive to greatest benefit from the fluctuating production of renewable sources.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about our Central Europe market unit?
eon-energie.com

2009 gas sales[1]
711 billion kWh

2009 sales
€20,640 million

2009 adjusted EBITDA
€2,275 million

2009 adjusted EBIT
€1,754 million

2009 economic investments
€1,610 million

Employees at year-end 2009
3,143

[1]Internally consolidated sales volumes of the Pan-European Gas market unit.

Pan-European Gas

Market Unit

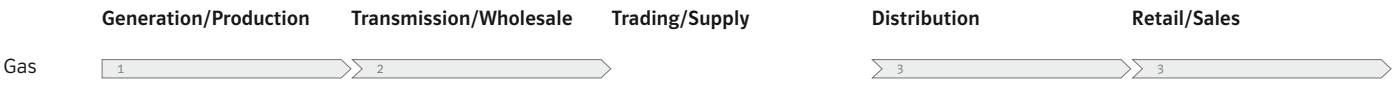
- Stake acquired in huge natural gas field in Siberia
- First E.ON-operated gas production platform installed
- European gas storage capacity increased by 7 percent

Gas supply of 624.1 billion kWh by country

27% Norway	26% Russia	22% Germany	15% Netherlands
3% Denmark	7% Other		

Bernhard Reutersberg
CEO, E.ON Ruhrgas

Operations along the value chain



[1]Exploration and production. [2]Includes gas storage. [3]E.ON Ruhrgas International shareholdings, Thüga (sold effective December 1, 2009).

Yuzhno Russkoye gas field: a key milestone on the way to our long-term objective of sourcing 10 billion cubic meters of gas annually from our own production assets.

The Pan-European Gas market unit is active along the entire gas value chain. It has a growing exploration and production business and is also active in the global liquefied natural gas ("LNG") business. Pan-European Gas operates Europe's largest gas supply business, supplying gas to resellers (regional and municipal utilities), large industrial customers, and gas-fired power stations in and outside Germany. Its geographically diverse portfolio of long-term supply contracts with key producing countries makes it a pillar of gas supply security in Europe. Pan-European Gas is also engaged in gas storage in Germany, Austria, Hungary, and the U.K. and in gas transmission in Germany. Its lead company is E.ON Ruhrgas, which is based in Essen, Germany.

European natural gas market

Europe is the world's second-largest gas market after North America. With domestic production declining, Europe will become more dependent on gas imports. This makes it important for Europe to develop new supply sources, one of which is LNG.

Gas flowing at Rita field
Production started at Rita field in the Southern North Sea in March 2009. Rita, in which E.ON Ruhrgas has a 74-percent stake and is the operator, represents a significant technical achievement: the first successful completion of a dual lateral well in a carboniferous reservoir in the U.K continental shelf. The project has also deepened E.ON Ruhrgas's skills and experience as an operator. Rita produces 200 million cubic meters of gas annually for the U.K. market, enough to supply 100,000 homes.

Exploration and production

E.ON Ruhrgas's main exploration and production business is in the North Sea, Russia, and North Africa. The fields in the North Sea produced 1.4 billion cubic meters ("bcm") of gas in 2009, about the same amount as in 2008. Production will increase significantly in the years ahead as more new fields (particularly Skarv-Idun in the Norwegian North Sea) are brought on stream. Major highlights in 2009 were the start of production at Rita field in March 2009 and the installation of the first E.ON-operated

Platform premier: First E.ON-operated production platform installed
In October 2009, a new production platform was secured to the seabed in 42 meters of water in Babbage gas field. Located in the Southern North Sea 80 km off the U.K. coast, it's the first new platform to be operated by E.ON Ruhrgas. Babbage field, in which E.ON Ruhrgas owns a 47-percent stake, begins production in April 2010. When all five wells have been drilled, Babbage will produce about 2 million cubic meters of gas a day, enough to supply 1,000 households for a year. About 15 people will work on the platform for the first two years of production, after which it will be operated remotely from shore. Like Johnston and Rita (see text box on page 55), Babbage is part of E.ON Ruhrgas's strategy for the North Sea of focusing increasingly on projects in which it is the operator, which enables it to capture the most value from the project while gaining valuable expertise for future projects.

platform, for Babbage field in the Southern North Sea, in September 2009. E.ON Ruhrgas conducted successful exploration drilling in Norwegian waters in 2009. It was awarded new exploration licenses in Norway and acquired a stake in a license in Egypt. It also began exploration activities in Rhourde Yacoub field in Algeria.

To further diversify our gas supply portfolio and ensure supply security for our customers, our long-term objective is to produce 10 bcm of natural gas annually from our own assets. In October 2009, we took a big step towards reaching this objective by closing a deal with Gazprom to acquire slightly less than a 25-percent stake in Yuzhno Russkoye, a gas field in Siberia. Yuzhno Russkoye's reserves total more than 600 bcm, making it one of the world's largest gas fields. Its annual production capacity is 25 bcm.

LNG

As part of our supply diversification strategy, we also continue to develop our LNG business. LNG is a flexible supply option and enables us to access new production regions. LNG currently meets 10 percent of the European Union's gas demand; this percentage is expected to increase considerably by 2020.

E.ON Ruhrgas has assembled a geographically diverse portfolio of regasification capacity at terminals across Europe, which will enable it to supply to all major E.ON markets, including Spain and Italy. In 2009, E.ON Ruhrgas expanded its LNG spot-cargo activities, securing attractively priced LNG to supply our markets and our gas-fired power plants in Spain. On the liquefaction side, E.ON Ruhrgas took on a leading role in a promising new LNG project in Equatorial Guinea. It continues to explore other LNG partnership opportunities in West Africa and the Middle East.

Long-term gas supply contracts

The mainstay of our European gas supply portfolio consists of long-term supply contracts we've concluded with key producers. We procured 624.1 billion kWh of natural gas in 2009, 8 percent less than in 2008, mainly due to the recession. Our biggest suppliers were Norway (which accounted for 27 percent), Russia (26 percent), Germany (22 percent), and the Netherlands (15 percent).

Transport

Our gas transport grid in Germany is 11,600 km long and is owned and operated by E.ON Gastransport. E.ON Gastransport is in the process of being transformed into an independent transmission operator ("ITO") as defined by EU energy law. E.ON Gastransport already provides transport services to all market participants on a non-discriminatory basis. We believe that the greater transparency offered by the ITO model will further enhance E.ON Gastransport's credibility with policymakers, regulators, and the public.

In 2008, E.ON Gastransport and bayernets formed a company called NetConnect Germany ("NCG") to create a joint market area. In 2009, the NCG market area was expanded to include the gas networks of ENI Gas Transport Deutschland, GRTgaz Deutschland, and GVS Netz. This further simplifies transport for gas shippers, increases liquidity at NCG's virtual trading point, and promotes competition in gas sales. The merger has created by far Germany's largest gas market area, with a total system length of about 14,800 km. Going forward, NetConnect aims to attract more partner networks.

In addition, E.ON Ruhrgas is active in international joint ventures to expand Europe's gas pipeline infrastructure. The flagship project is Nord Stream (and the connecting NEL and OPAL pipelines), which will create a new gas link from Russia to Germany and other European countries. E.ON Ruhrgas is also partnering with other companies to develop TGL, a pipeline from Germany to Italy via Austria. These projects will enhance Europe's gas supply security by establishing additional transport routes.

E.ON Ruhrgas plays a key role in our effort to tackle climate change by using its gas-storage expertise to help find effective solutions for permanently storing carbon dioxide underground.

Zsana capacity increase
New gas storage capacity entered service at an E.ON Gas Storage facility in Zsana, Hungary, in December 2009. The expansion project, which took less than two years to complete, increased Zsana's working gas capacity from 1.5 bcm to 2.1 bcm, making it one of the biggest gas storage facilities in Central and Eastern Europe. E.ON Gas Storage now has 4.3 bcm of storage capacity in Hungary, enough to meet nearly one third of the country's annual gas needs. The aim of the capacity increase is to buttress Hungary's gas supply security, particularly during its often harsh winter. Looking into the future when Hungary has more cross-border transfer capacity with its neighbors (Slovakia, Croatia, and Romania), its significant storage assets will enable it to go from being a gas importer to a regional gas hub. This will create opportunities for E.ON Gas Storage to market storage services throughout the region.

Storage

E.ON Gas Storage operates our gas storage infrastructure in Europe, which has a total working gas capacity of about 10 bcm. Its largest presence is in Germany where it currently has 6 bcm of working gas capacity at 13 facilities across the country. In 2009, E.ON Gas Storage completed an expansion project at a facility in Hungary (see text box). In the next several years, E.ON Gas Storage will be enlarging its capacity to a total of more than 12 bcm at storage facilities in Germany, Austria, Hungary, and the U.K. In 2009, E.ON Gas Storage expanded its customer base in Germany by marketing storage capacity at specific facilities and grew its international business by marketing the new capacity in Hungary.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about Pan-European Gas?
eon-ruhrgas.com

Natural gas storage facility in Zsana, Hungary:
one of the largest in Central and Eastern Europe.

2009 power sales
78.0 billion kWh

2009 gas sales
71.3 billion kWh

2009 sales
€10,097 million

2009 adjusted EBITDA
€1,080 million

2009 adjusted EBIT
€649 million

2009 cash-effective investments
€897 million

Employees at year-end 2009
16,098

U.K.

Market Unit

- Modernization of generation portfolio continues with development of new high-efficiency gas-fired power station
- Innovative efforts to further enhance relationship with U.K. customers
- New joint venture to develop up to 6 GW of nuclear capacity in the U.K. by 2025

Owned generation of 32.8 billion kWh by energy source

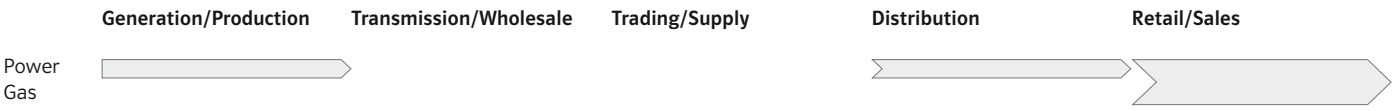
61% Natural gas, oil

39% Coal

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Paul Golby
CEO, E.ON UK

Operations along the value chain



A substation in Ratcliffe: we operate Britain's second-largest power distribution system.

We're a leading nationwide supplier of power and gas and the second-biggest power producer in the U.K. We have a diverse portfolio of world-class gas, coal, and oil power stations with 10.3 GW of total capacity. We're also the U.K. market leader in combined heat and power ("CHP") units, with 0.6 GW of electric and 1.3 GW of heat capacity. In addition, we operate the country's second-largest power distribution system and also supply power and gas to 7.9 million customer accounts across Britain. E.ON UK is the lead company of our U.K. market unit and is headquartered in Coventry.

U.K. energy market

The U.K. is committed to becoming a low-carbon economy. Its short-term goal is to cut CO_2 emissions by 34 percent by 2020; its long-term goal is to cut emissions by 80 percent by 2050. The U.K. must also achieve a number of legally binding EU targets, including the generation of 15 percent of its total energy needs (electricity, heat, and transport) from renewable sources by 2020. However, the scope for using renewables for heat and transport is limited. According to a realistic estimate, this means that to achieve the 15 percent EU target at least 30 percent of U.K. electricity may need to be renewable by 2020. Consequently, much of the responsibility for reducing emissions and expanding renewables will fall on the energy industry, including E.ON.

E.ON UK is at the forefront of efforts to meet this challenge by working every day with customers to help them use energy more efficiently while making sure that we continue to reduce the carbon intensity of our generation activities. In 2009, this continued at pace with the ongoing development of Grain, our carbon capture and storage ("CCS") plans for Kingsnorth, the go-ahead of London Array, the world's largest offshore wind farm (managed by our Climate & Renewables market unit, see pages 76–79), and the establishment of Horizon Nuclear Power. By leading the U.K. debate, we're successfully raising awareness of the need to move to a low-carbon economy in a way that ensures energy remains affordable and secure.

Innovative cogeneration scheme: high-efficiency gas-fired station to come online in Kent
A new gas-fired CHP station will join our U.K. fleet in 2010. Located on the Isle of Grain in southeast England, the station will consist of three state-of-the-art gas turbines with a total capacity of 1.3 GW and generate enough electricity to power 1 million homes. It will also pipe 0.3 GW of heat in the form of hot water to a nearby liquefied natural gas ("LNG") terminal. This makes Grain one of the world's largest CHP plants and gives it an overall thermal efficiency of 72 percent. This innovative and environmentally friendly arrangement cuts the LNG terminal's carbon emissions by up to 350,000 metric tons each year and also reduces the amount of warm water discharged into the river Medway. Good for electricity consumers, good for the climate.

Generation

Modernizing our generation portfolio

E.ON continues to develop its U.K. portfolio, which currently has 10.3 GW of installed capacity. As Britain adds more wind power, it will need to add flexible, fossil-fueled generation capacity to back up the intermittant supply from wind farms. E.ON UK is adding just such a flexible, high-efficiency 1.3 GW gas-fired CHP station in 2010 (see text box).

E.ON UK remains committed to building a technologically advanced cleaner-coal power station at Kingsnorth in southeast England. Due to its location (which allows connection to depleted gas fields in the North Sea) and its position as a short-listed candidate in a U.K. government CCS competition for funding, Kingsnorth remains one of the most attractive options in the E.ON Group for the large-scale demonstration of CCS.

Nuclear will also be a vital part of Britain's future energy mix. We're committed to developing the new nuclear stations that will help achieve the U.K.'s ambitious climate-protection targets while also providing affordable, secure energy. In January 2009, E.ON UK and RWE npower formed Horizon Nuclear Power, a 50-50 joint venture whose purpose is to develop up to 6 GW of new nuclear capacity in the U.K.—enough to power a city the size of Greater London—by 2025.

Up to 6 GW
of new nuclear generation capacity in the United Kingdom by 2025, enough to power a city the size of Greater London. That's the objective of our new joint venture.

Distribution

Through its subsidiary, Central Networks, E.ON UK owns and operates the electricity distribution system for central England, providing a reliable supply of electricity to 9.4 million people in an area that extends from the Lincolnshire coast in the east to the Welsh borders in the west and from Derbyshire in the north to Bristol in the south.

Central Networks' key task going forward under the recently announced DR5 agreement is to modernize and adapt its network to meet the needs of a changing energy industry. This includes deploying state-of-the-art technology to make the network even safer, more efficient, and more reliable.

Retail

E.ON UK tailors a wide range of products and services to meet its customers' individual energy requirements. In addition, we're committed to helping our customers improve the energy efficiency of their homes, communities, and businesses. As part of this effort, E.ON UK has installed insulation in over 350,000 customer homes since 2006 and also conducted programs to promote energy-efficient boilers and smart metering. Each of these measures takes us one step closer to a low-carbon future. During 2009, we also met customers face-to-face in several cities across the U.K. at our Winter Advice Bureau, where we helped provide direct advice on everything from choosing the right tariff to heating homes in the most efficient manner.

We also continue to help in the fight against fuel poverty, which is why E.ON UK has intensified efforts to identify and help vulnerable customers. As well as direct support, we have undertaken a special project that will study the best way to help 100 consumers get out of fuel poverty over the course of 100 days. We believe that this will provide a unique insight into how fuel poverty can be tackled through partnerships with other organizations.

Developing tomorrow's technologies today

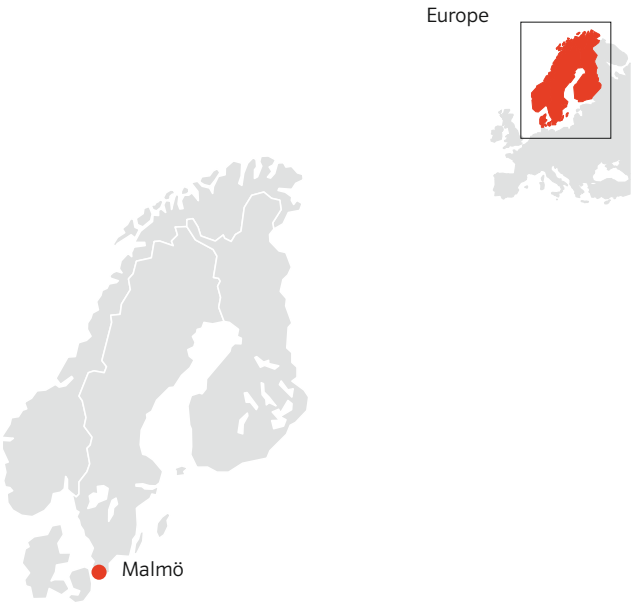
Cleaner coal can play an important role in the transition to a low-carbon economy. That's why we're conducting and supporting CCS research and development. If CCS is proven on a commercial scale, it will enable us to continue to use coal—an abundant and relatively cheap energy source—to generate electricity while considerably reducing its carbon emissions and helping to keep energy affordable. We also believe that microgeneration has a bright future. Microgeneration refers to small-scale power and heat technologies like micro wind turbines, biomass boilers, micro CHP units, heat pumps, solar thermal heating, and solar power. E.ON UK has formed partnerships with leading manufacturers to develop these technologies.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about our U.K. market unit?
eon-uk.com

Teaching old digs new tricks: pioneering E.ON 2016 House enters phase two

Homes produce 28 percent of the U.K.'s CO_2. So to cut carbon significantly, they'll have to be upgraded. That's where the E.ON 2016 House comes in. It's a replica of an energy-inefficient, 1930s-style semi-detached home, and thanks to high-tech measuring and sensing equipment, it's also a cutting-edge research laboratory to investigate how a typical suburban home could be progressively upgraded to reduce its carbon emissions to near zero, the standard the U.K. government has set for new homes built after 2016. The three-year project entered its second phase in the summer of 2009. This involved installing a package of upgrades—including super insulation, double glazing, and energy-efficient appliances and light bulbs—aimed at cutting the home's energy use by 25 percent. There will be a second upgrade in the summer of 2010 aimed at reducing the home's emissions impact to zero. By identifying practical, cost-effective upgrades, the project will help demonstrate to millions of homeowners how to use less energy, live sustainably, and save money on their utility bill.



2009 power sales
44.5 billion kWh

2009 gas sales
4.6 billion kWh

2009 sales
€3,348 million

2009 adjusted EBITDA
€851 million

2009 adjusted EBIT
€535 million

2009 cash-effective investments
€1,104 million

Employees at year-end 2009
5,570

Nordic

Market Unit

- Swedish government gives go-ahead for new nuclear power plants
- Nordic plans €6 billion in investments for 2006–2013
- Further promotion of biogas as a vehicle fuel

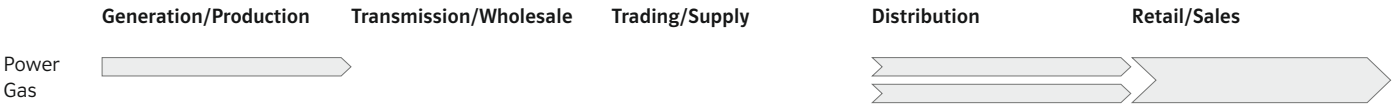
Total generation of 19 billion kWh by energy source

45% Nuclear
43% Hydro
8% Oil, natural gas
4% Other

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Håkan Buskhe
President and CEO, E.ON Sverige

Operations along the value chain



Matfors hydroelectric station: we have 6.8 GW of generation capacity in Northern Europe, nearly 90 percent of it zero carbon.

The backbone of our upstream business in Northern Europe is a climate-friendly generation fleet with over 6.8 GW of attributable capacity, just under 90 percent of which is carbon-free nuclear and hydro.[1] We operate regulated power, gas, and heat distribution systems serving a total of about 1 million customer accounts, mainly in southern and east-central Sweden. In addition, we engage in power, gas, and heat retailing and provide a full range of energy services. Malmö-based E.ON Sverige is the lead company of our Nordic market unit.

[1]As used in this report, the terms zero carbon and zero emission refer to power generation operations only, not to a generating unit's entire lifecycle.

Nordic energy market

Like markets in other parts of Europe, the Nordic energy market is characterized by market integration, climate-protection policies, and generation fleet renewal. Sweden, for example, has enacted a range of measures to promote renewables, reduce carbon emissions, and end its dependence on fossil fuels. In 2009, Sweden's coalition government lifted the ban on the construction of new nuclear power plants ("NPPs"). New legislation also paves the way for new reactors to be built to replace existing NPPs when they have finished their economic service lives. Sweden's renewables and nuclear policies will enable it to extend its position as a leading European supplier of clean, competitively priced energy. E.ON Sverige is playing an active role in this process and is investing €6 billion across its business in 2006–2013, about €1 billion of which is to update and enlarge its generation capacity.

Generation

E.ON Sverige has stakes in all of Sweden's existing NPPs, giving it 2.8 GW of total attributable nuclear capacity. In 2009, E.ON Sverige conducted a comprehensive update of unit 3 at Oskarshamn NPP to enhance safety, increase output, and extend service life. A capacity increase of unit 2 at Oskarshamn will be completed in 2011. E.ON Sverige is currently exploring whether to replace the oldest reactor at Oskarshamn at the end of its economic service life.

Biofuel racers: E.ON Sverige is convinced that biofuels have great growth potential and sponsors a biofuel-powered race team.

90%
zero carbon.
Our Nordic generation fleet plays an important role in helping us achieve our climate-protection targets.

Hydropower is a mainstay of our Nordic generation business. E.ON Sverige owns or has stakes in approximately 80 hydroelectric plants in Sweden with a total attributable capacity of 1.8 GW. Sweden is also the home of our new Hydro Fleet Management Center, which is responsible for overseeing and enhancing the performance of E.ON's entire hydropower fleet.

E.ON Sverige also has 2.1 GW of conventional generation capacity. In 2009, a technologically advanced 440 MW CCGT entered service in Malmö. Thanks to its high efficiency and CHP capabilities, it will reduce carbon emissions by 1 million metric tons per year compared with the older conventional capacity it replaced. A new high-tech waste-incineration combined-heat-and-power unit in Norrköping will enter service in 2010.

Operations in Finland combined
In October 2009, E.ON Sverige combined its operations in Finland into a single organization under the E.ON banner. The move is part of an effort to strengthen E.ON Sverige's position in Finland, where it supplies electricity to 113,000 customer accounts. E.ON is also co-owner of a company called Fennovoima Oy which is filing for permission to build a new nuclear power station in Finland, which would increase the country's supply of domestically produced zero-carbon electricity.

Power distribution

E.ON Sverige delivers electricity safely and reliably to about 1 million customer accounts in Sweden and Finland. Network infrastructure in Northern Europe needs to be particularly robust in order to minimize outages caused by the frequent snow, ice, and strong winds. That's why E.ON Sverige is conducting a major, multi-year upgrade of its power distribution system in Sweden. The upgrade calls for 17,000 km of overhead lines to be replaced by underground cables or sturdier overhead lines. In 2009, another 3,250 km of lines were made more weather-resistant, leaving just 2,200 km before the project is complete. The upgrade has helped reduce weather-related outages by over 55 percent. Improved network reliability lowers operating costs and increases customer satisfaction.

Heating

District heating is common in Sweden. In Stockholm, for example, it heats 90 percent of residential buildings. Currently, well-established (and often municipally owned) incumbents dominate the market. E.ON Sverige, which provides district heating to 38,000 customer accounts and is Sweden's leading investor-owned player, is pushing for more competition. It advocates nondiscriminatory third-party access to Sweden's heating network, particularly in big urban areas like Stockholm. Greater competition will create a more efficient, lower-cost heating market for consumers and growth opportunities for our Nordic heating business.

Biogas

Locally produced, climate-neutral biogas can help cut carbon emissions and reduce dependence on imported fossil fuels. E.ON Sverige, which operates 15 biogas production plants, is working with E.ON Climate & Renewables to develop our biogas and biomethane business in Sweden. A new biomethane plant opened in Falkenberg in March 2009. Its annual output has the energy equivalent of 4 million liters of gasoline.

Growth prospects for biofuels are particularly good in the vehicle-fuel segment. E.ON Sverige operates 30 of Sweden's 100 fueling stations for biomethane vehicles. In 2009, it entered into a cooperative arrangement with OKQ8, a major gas-station chain, to build Sweden's largest biomethane refueling network.

E.ON Sverige promotes sustainable cities
Not long ago, Västra Hamnen (West Harbor) was a dreary industrial wasteland of rusting cranes and dilapidated docks. Today this harbor district in Malmö is a shining example of innovative, sustainable urban development. Its electricity and heat come almost entirely from renewable sources (wind, solar, biomass, and a large groundwater heat pump). Even its refuse is put to use: city buses run on biogas produced at the local landfill. E.ON Sverige is an active partner in Västra Hamnen and has invested a total of €7 million. The project shows how companies and cities can work together to achieve what were formerly considered mutually contradictory objectives: an expanding economy and a shrinking carbon footprint. There's a growing list of cities implementing the Malmö paradigm, called Sustainable City, with help from E.ON Sverige. They include Mora and Norrköping (Sweden) as well as Copenhagen (Denmark), whose North Harbor is being transformed into a sustainable residential area for 40,000 people.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about Nordic?
eon.se

2009 power sales
32.4 billion kWh

2009 gas sales
12.6 billion kWh

2009 sales
€1,843 million

2009 adjusted EBITDA
€552 million

2009 adjusted EBIT
€384 million

2009 cash-effective investments
€545 million

Employees at year-end 2009
3,119

U.S. Midwest

Market Unit

- Technologically advanced Trimble County 2 generating unit to join fleet in 2010
- Agreement allows design phase of near-zero-emission FutureGen plant to continue
- State-of-the-art customer-service system goes live

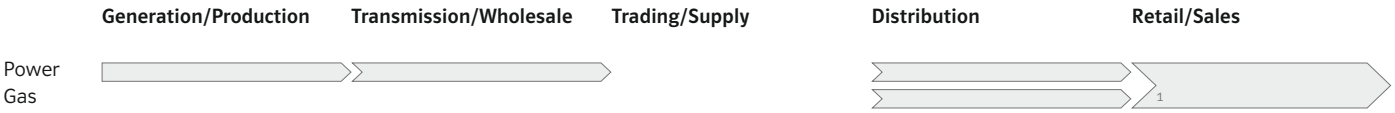
Total generation of 30.9 billion kWh by energy source

98% Coal
1% Natural gas
1% Hydro

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Vic Staffieri
Chairman, CEO, and President, E.ON U.S.

Operations along the value chain



[1]Regulated.

Unit 2 at Trimble County generating station: one of the most technologically advanced coal-fired generating units in the U.S. will enter service in mid-2010.

Our U.S. Midwest market unit primarily operates in the regulated energy market in Kentucky. It consists of two companies, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). Together, LG&E and KU give us a significant generation portfolio in Kentucky and supply 940,000 customers with electricity and about 321,000 with natural gas. A stable regulatory environment and a high degree of market coverage give our business in Kentucky a solid market position from which it can selectively seize growth opportunities. Louisville-based E.ON U.S. is the lead company of the U.S. Midwest market unit and has consistently been recognized for its outstanding customer service.

U.S. energy market

America is in the process of making big changes to its energy policy. In late June 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009. Its major feature is a cap-and-trade system that sets a national cap for CO_2 emissions and allocates tradable emission allowances. By 2020, the emission cap would be 17 percent below 2005 levels. The House law would also require utilities to meet 20 percent of their electricity demand with renewables by 2020. Companion legislation is currently in the U.S. Senate; the outcome is uncertain.

We believe more needs to be done to shield customers from sharp price increases. That's why we advocate modifying the near- and medium-term emission caps and placing a ceiling on emission-allowance costs. But we also need time to replace existing generation capacity in a way that doesn't create supply shortages or put an unreasonable financial burden on our consumers.

Generation

E.ON U.S. is Kentucky's largest power producer. Its ten generation facilities have an aggregate attributable capacity of more than 7.5 GW. Its fuel mix is 5.3 GW coal and 2.2 GW natural gas. Over the next three years, we're investing €500 million to further improve the environmental performance of our coal-fired plants, primarily by installing flue-gas desulfurization and de-NO_x equipment and expanding on-site storage capacity for ash. We're also investing €200 million to conduct maintenance to enhance plant availability.

New generation capacity

The key component of our organic growth strategy in Kentucky is Trimble County 2, a new coal-fired generating unit. The 760 MW unit, in which E.ON U.S. owns a 75-percent stake, will have a net efficiency of 42 percent, making it one of the most technologically advanced coal plants in the U.S. Trimble County 2 began limited start-up testing in late 2009 and is scheduled to enter service in mid-2010.

0.5 GW
of generation capacity
is what E.ON U.S. expects its energy-efficiency programs to save by 2015 if customers take advantage of them.

Carbon capture and storage

Kentucky is America's third-largest coal producer. About 95 percent of its electricity is derived from coal. Coal is an abundant and economic fuel. It's also one of the largest sources of man-made carbon emissions. We think new technology—most importantly, carbon capture and storage ("CCS")—could make coal cleaner so that it can remain a viable option while we make the transition to a truly sustainable energy system. That's why E.ON U.S. supports a variety of CCS research and development projects.

E.ON U.S. is a member of the FutureGen Industrial Alliance, a public-private partnership whose mission is to build a commercial-scale coal-fired CCS power plant in Illinois. In September 2009, the U.S. Department of Energy agreed to continue funding the project's design phase. Construction of this innovative plant could now begin in 2010 (for more information, see the text box below).

E.ON U.S. has invested $1.5 million (€1.1 million) in the University of Kentucky's Center for Applied Energy Research to study clean-coal technology. The center plans to build a 1 MW moveable carbon-capture unit that could be tested at different power stations. E.ON U.S. also supports the Western Kentucky Carbon Storage Foundation, a non-profit organization that's testing carbon storage. So far, almost 300 metric tons of CO_2 have been injected into a test well at depths of up to 2,200 meters.

20%
less CO_2
per kilowatt-hour of electricity is expected to be emitted by our new technologically advanced coal-fired unit at Trimble County power station.

Innovative clean-coal plant
The world's first near-zero-emission coal-fired power plant is being designed by the FutureGen Industrial Alliance, a consortium consisting of E.ON U.S. and eight other energy and coal companies. The 275 MW plant will cost approximately $1.5 billion (€1.1 billion) to build and will be sited in Mattoon, Illinois. It will be an integrated gasification combined-cycle unit in which carbon is captured before combustion, yielding hydrogen as a clean fuel for generating electricity. FutureGen will generate enough electricity to supply about 150,000 homes and also produce hydrogen for other applications. Thanks to the U.S. Department of Energy's agreement to fund the remainder of the plant's design phase through the end of 2009, construction could begin in 2010.

Retail

In January 2009, E.ON U.S. reached a settlement in rate cases involving LG&E and KU. The settlement foresees a roughly $1 monthly rate reduction for a typical residential electricity customer and a roughly $5 monthly rate increase for a typical residential natural gas customer. The Kentucky Public Service Commission ("KPSC"), the state's utility regulator, approved the settlement in February 2009. The gas rate increase enables E.ON U.S. to recover some of the costs of improvements to its natural gas system.

Demand-side energy efficiency

In 2008, the KPSC approved a regulatory filing that has enabled E.ON U.S. to triple the amount of money it dedicates annually to programs that increase residential and commercial customers' energy efficiency and climate awareness. Key programs include energy audits for residential and commercial customers along with a special audit program for low-income customers; subsidized maintenance of air-conditioners and heat pumps to ensure efficient operating performance; incentives for builders to construct new homes that meet U.S. government energy-efficiency standards; and technical devices like programmable thermostats and load-control switches that help reduce overall load during peak demand.

In 2009, E.ON U.S. took additional action to promote energy awareness among its customers and the general public. It launched Smart Saver, a campaign of public-service advertisements to encourage customers to take easy but effective steps to reduce their energy usage. It also began a program to educate future E.ON U.S. customers in elementary and middle schools on the importance of energy efficiency and conservation. Educating children can change how they use energy now and in the future, and children can potentially influence the energy usage of their parents and other family members.

End of leasing arrangement helps protect jobs in western Kentucky
In mid-July 2009, the maintenance and operation of four electric generating units in western Kentucky returned from an E.ON U.S. subsidiary to Big Rivers Electric Corporation. The leasing arrangement had begun in July 1998 and was intended to last 25 years. Since then, the energy market has changed significantly. The deal to terminate the lease enables E.ON U.S. to end an arrangement that no longer makes financial sense. It also provides new, affordable, longer-term power agreements for two aluminum smelters, thereby helping to preserve nearly 5,000 jobs in western Kentucky.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about U.S. Midwest?
eon-us.com

2009 sales
€41,251 million

2009 adjusted EBITDA
€961 million

2009 adjusted EBIT
€949 million

2009 cash-effective investments
€53 million

Employees at year-end 2009
1,075

Energy Trading

Market Unit

- Strong performance amid global financial and economic crisis
- Single, integrated view of Europe's energy markets enhances risk management
- Active at four new exchanges and hubs in Austria, France, Serbia, and Portugal

Trading volume by commodity

1,240.3 bn kWh
Electricity

1,497.8 bn kWh
Natural gas

500.9 mmt
Carbon allowances

69.1 mmt
Oil

223.2 mmt
Coal

mmt = million metric tons

Tony Cocker
CEO, E.ON Energy Trading

Operations along the value chain

	Generation/Production	Transmission/Wholesale	Trading/Supply	Distribution	Retail/Sales
Power			1		
Gas			1		

[1]Other commodities traded: carbon allowances, oil, and coal.

Trader at work: E.ON Energy Trading is one of Europe's leading energy trading houses.

The Energy Trading market unit is the commercial heart of the E.ON Group and one of Europe's leading energy trading businesses. As the link between E.ON and the world's wholesale energy markets, Energy Trading buys and sells primarily electricity, natural gas, coal, oil, and carbon allowances. Its trading activities play a vital role in helping to ensure fair prices and secure long-term energy supplies for millions of customers across Europe. The lead company is E.ON Energy Trading SE, Düsseldorf.

Managing risk, optimizing assets

E.ON Energy Trading's primary responsibilities are to manage the E.ON Group's commodity risks (including commercial portfolios) and to optimize E.ON's asset base, one of the broadest and most diverse in Europe. Within clearly defined limits and in accordance with the highest standards of risk management, E.ON Energy Trading also engages in proprietary trading. Its teams of highly experienced traders work side by side, combining cross-commodity and cross-market expertise. Our centralized approach, which combines E.ON Energy Trading's integrated market view with our outstanding asset portfolio, enables us to better manage commodity risk, maximize value from our assets, and create additional growth.

Strong performance in economic crisis

One key factor affecting trading operations in 2009 was the global economic crisis, which resulted in sharp drops in all commodity prices. Although the resulting uncertainty led to lower trading volumes across some markets, overall energy markets remained robust and continued to offer enough liquidity for efficient risk management. Having a single, integrated view of risk across different markets and regions is crucial, especially in volatile markets where things move very quickly. Energy Trading, benefiting from this integrated approach, delivered an excellent operating performance while steering its way through the financial crisis.

Energy markets developments

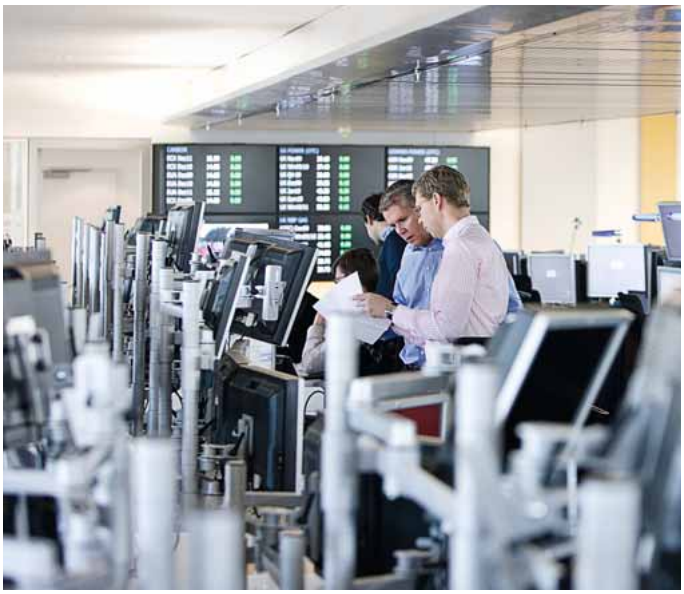
Over the last few years, Europe's national energy markets have been steadily consolidating into multi-country market regions. This ongoing liberalization, which helps markets become more liquid, prices more transparent, and risks more quantifiable, benefits the European economy and European consumers. Efficient markets are vital, because they will help to encourage the right investments in the next generation of energy infrastructure.

New infrastructure—interconnector cables and pipelines, cross-border transfer capacity, and LNG regasification terminals—is continually improving the physical interconnection between European markets. Market coupling, which involves the legal and technical combination of two or more market areas, facilitates cross-border trading and thus fosters market integration. Market coupling between the German and Nordic markets began in December 2009. In August 2009, the day-ahead power markets of the Czech Republic and Slovakia were combined, resulting in a quadrupling of liquidity on the first day of trading. Plans call for the power markets of Germany, France, Belgium, the Netherlands, and Luxemburg to be combined in 2010. The liberalization process also continues, primarily through the unbundling of transmission infrastructure.

> Only prices that are determined by fair, open, and liquid markets will ensure secure energy supplies at reasonable prices well into the future.

Market convergence and liberalization have created new opportunities for securing energy supplies and growing our business. As markets emerge from the global economic and financial crisis, it's more important than ever for energy markets to become more integrated and more open. E.ON Energy Trading supports E.ON's market vision by working closely with policymakers and regulators on measures to ensure that this process continues. This includes playing an active role in designing market-coupling arrangements, capacity auctions, allocations, and market balancing.

Düsseldorf headquarters: our trading activities play a vital role in helping to ensure fair prices and secure long-term energy supplies for millions of customers.



E.ON Energy Trading has trading activities in over 40 countries worldwide and at all major European Energy exchanges.

Exchanges and hubs

E.ON Energy Trading has trading activities in over 40 countries worldwide and at all major European Energy exchanges. Energy exchanges and hubs will continue to play a vital role in integrating Europe's energy markets, which will support efficiency and increase liquidity.

E.ON Energy Trading registered to trade at several new exchanges and hubs in 2009, including the Central European Gas Hub ("CEGH") in Austria, N2EX (United Kingdom), South Pool (a spot power market for Slovenia and Serbia), and OMIP (a power exchange in Portugal for the Iberian market). In addition, it places trading volume or acts as market maker to support the development of a number of hubs and exchanges across Europe, including in France, Italy, Spain, and Germany. Through its activities in these marketplaces, E.ON Energy Trading actively supports E.ON's vision of integrated, open markets. For example, trading points like NetConnect Germany ("NCG") and CEGH are showing solid liquidity growth and form a link between the markets of Southeastern and Northwestern Europe.

The creation of new exchanges reflects the emergence of larger, multi-country energy markets. Ultimately, not all of these exchanges will survive, and we believe the market—and energy consumers—would benefit from further consolidation, which would result in fewer exchanges, each with a broader geographic scope.

Recognized trading experts
Energy Trading's international team brings together about 1,000 professionals from more than 45 countries around the world. They're recognized as experts throughout Europe's energy industry. They come from a wide range of backgrounds but share a commitment to excellent performance, bold decision-making, and knowledge sharing. E.ON Energy Trading attracts and retains industry-leading talent from around the world because it fosters a culture of openness, rewards success, and actively supports its employees' development.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about our Energy Trading market unit?
eon-energy-trading.com

New Markets (aggregate):

2009 power sales
123.6 billion kWh

2009 gas sales
25.7 billion kWh

2009 sales
€7,749 million

2009 adjusted EBITDA
€1,544 million

2009 adjusted EBIT
€862 million

2009 cash-effective investments
€1,881 million

Employees at year-end 2009
7,976

New Markets. Solid, integrated.

We created four new E.ON market units in 2008: Climate & Renewables, Russia, Italy, and Spain. For reasons of materiality, their results are combined in a single reporting segment called New Markets.

2009 power sales
6.4 billion kWh

2009 sales
€466 million

2009 adjusted EBITDA
€294 million

2009 adjusted EBIT
€146 million

2009 cash-effective investments
€1,031 million

Employees at year-end 2009
632

Climate & Renewables

Market Unit

- 50 percent increase in renewables capacity in 2009
- Offshore wind farms in U.K. and North Sea begin generating electricity
- Solar business grows through acquisitions, joint ventures, and new build

Owned generation of 5.2 billion kWh by energy source[1]

96% Wind

4% Other

[1]Climate & Renewables does not operate large-scale hydroelectric plants.

Frank Mastiaux
CEO, E.ON Climate & Renewables

Operations along the value chain

	Generation/Production	Transmission/Wholesale	Trading/Supply	Distribution	Retail/Sales
Power					

Onshore wind farm: with about 3 GW of installed capacity, E.ON ranks among the world's top renewables players.

The Climate & Renewables market unit is responsible for developing and managing our global renewables and carbon-sourcing activities. While onshore wind energy is the dominant driver of our portfolio, offshore wind is increasingly gaining importance. We're also expanding our engagement in solar energy as the second key area of our renewables portfolio. We commissioned our first solar farm, located in France, and also entered the concentrated solar power ("CSP") business. In addition, we're active in biomass, biomethane, and marine energies. E.ON Climate & Renewables, Düsseldorf, is the lead company of the Climate & Renewables market unit.

Boutique to industrial

We're investing about €8 billion in the period 2007–2011 to grow our renewables business. We focus on the most attractive markets and technologies and had around 3 GW of renewables capacity at year-end 2009, ranking among the world's leading renewables players. Through continued strong growth in our core markets in the United States and Europe, we intend to increase our installed capacity to 10 GW by 2015. By 2030, our plans call for renewables to account for about one third of the E.ON Group's installed capacity and be our single biggest energy source.

Our renewables strategy is to scale up renewables from boutique to industrial along the entire value chain: development, procurement, construction, and operations and maintenance ("O&M"). Between 2007 and 2009, the average size of our wind farms increased from 15 to 75 MW, and our average turbine capacity increased from 1.4 to 1.9 MW. Larger facilities and turbines will yield significant economies of scale. But the biggest value levers in the renewables business are procurement, construction, and O&M. Here, too, we're adopting an industrial-scale approach.

Bulk buying reduces transaction costs and yields economies of scale. In November 2009, we signed a seven-year O&M agreement for our 529 1.5 MW turbines in the U.S. These agreements will help us reduce costs and increase performance, so that we can grow our renewables business while enhancing its profitability.

Onshore wind

Onshore wind is the most mature and economic renewables technology and accounts for more than 93 percent of our current installed renewables capacity. Our main onshore presence is in the U.S., Spain, and Italy. The U.S. market continues to offer excellent growth potential thanks to a high wind yield, large open spaces, and a favorable regulatory environment. Three E.ON onshore wind farms entered service in the U.S. in 2009: Panther Creek and Roscoe in Texas and Stony Creek in Pennsylvania. At 782 MW, Roscoe is currently the world's largest wind farm. New wind farms in Spain and Portugal accounted for most of the growth in our European onshore portfolio in 2009.

Offshore wind

With 113 MW in operation in the U.K., Denmark, and Germany and more than 4 GW of projects under construction and development, we have a leading position in offshore wind.

Robin Rigg, a 180 MW offshore wind farm in northwestern Britain, began exporting electricity to the mainland in September 2009 and will be completed in 2010. Alpha ventus, a 60 MW deep-water wind farm in the German North Sea, began generating electricity in August 2009 and was completed in March 2010. Construction moved forward on Rödsand II, a 207 MW offshore wind farm in the Baltic Sea. Rödsand II is scheduled to begin exporting electricity in the fall of 2010.

In partnership with Dong Energy of Denmark and Masdar of Abu Dhabi, we're building London Array, the world's largest offshore wind project. It will be located in the outer Thames estuary about 20 km from the southeast coast of England. The first phase will have a capacity of 630 MW and is scheduled to be completed at the end of 2012. When the second phase becomes operational, London Array will have a total capacity of 1 GW.

Sunny prospects: E.ON part of the Desertec Industrial Initiative
It may sound utopian, but experts agree it's feasible: using the sun-drenched deserts of North Africa as source of electricity for Europe. In July 2009, E.ON and 11 other large corporations signed an agreement to establish the Desertec Industrial Initiative. The objective of the initiative is to analyze and develop the technical, economic, political, social, and ecological framework for large-scale solar power generation in North Africa. If everything goes according to plan, the €400 billion project could provide about 15 percent of Europe's electricity by 2050. In addition, the producer countries will use a significant share of the power Desertec generates to meet their own energy needs.

Solar

Solar energy has enormous potential as a resource. The sunlight hitting just 1,000 square km of desert would meet humans' entire primary energy needs. At the current rate of technology refinement, solar will achieve cost parity with wind in the next five to ten years. Our objective is to develop solar to be the second key area of our renewables business alongside wind.

In 2009, our solar business achieved several milestones. In July, E.ON Climate & Renewables completed construction of its first photovoltaic ("PV") farm, located in Le Lauzet in southern France, and also acquired Conilhac, a PV developer with a significant pipeline of projects in southern France. It also entered into a joint venture with Abengoa, Spain's market leader in CSP, to build two 50 MW CSP plants in Andalucia in southern Spain.

We're also looking much further ahead. In June 2009, we became a founding member of a consortium for a visionary project. Called Desertec, the project will use the sun-drenched, wind-swept deserts of North Africa as the site for large-scale solar and wind farms to generate electricity for Europe. If everything goes according to plan, this €400 billion project could provide up to 15 percent of Europe's electricity by 2050 (see textbox).

Making blue energy green: agreement with environmental organization
Offshore technologies—wind, wave, and tidal stream—are an increasingly important component of our renewables portfolio. Because we believe in developing our offshore business with as little impact as possible on the marine ecosystem, we've teamed up with the International Union for Conservation of Nature and Natural Resources ("IUCN"). The IUCN is the world's oldest and largest global environmental network, bringing together more than 1,000 government agencies and non-governmental organizations and almost 11,000 volunteer scientists. Called "Making Blue Energy Green," our joint project with the IUCN is designed to assess and minimize the potential environmental impact of the construction of new offshore power production facilities. The project is part of our commitment to work closely with environmental organizations and conservationists to develop sustainable solutions for renewable energies.

Biomass

Biomass is another component of our renewables portfolio. E.ON Climate & Renewables owns and operates Steven's Croft, a 44 MW wood-burning power station in Lockerbie, Scotland. The facility, which is one of the U.K.'s largest dedicated biomass plants, generates enough electricity to power 70,000 homes and displaces 140,000 metric tons of CO_2. We have 400 MW of biomass projects at various stages of development.

Biomethane

We're also a leader in biomethane production. Our plant in Schwandorf in southeast Germany, which became operational in 2008, produces biogas from energy crops, upgrades it to pipeline quality, and injects it into the local natural-gas network. We added two new plants in 2009, increasing our biomethane capacity in Germany to more than 40 million cubic meters per year, enough to provide almost 13,000 homes with a renewable, local, climate-neutral supply of gas. The German government aims for biomethane to meet 10 percent of the country's natural gas needs by 2020. Our project pipeline of 200 million cubic meters positions us to be a pacesetter in this fast-growing business.

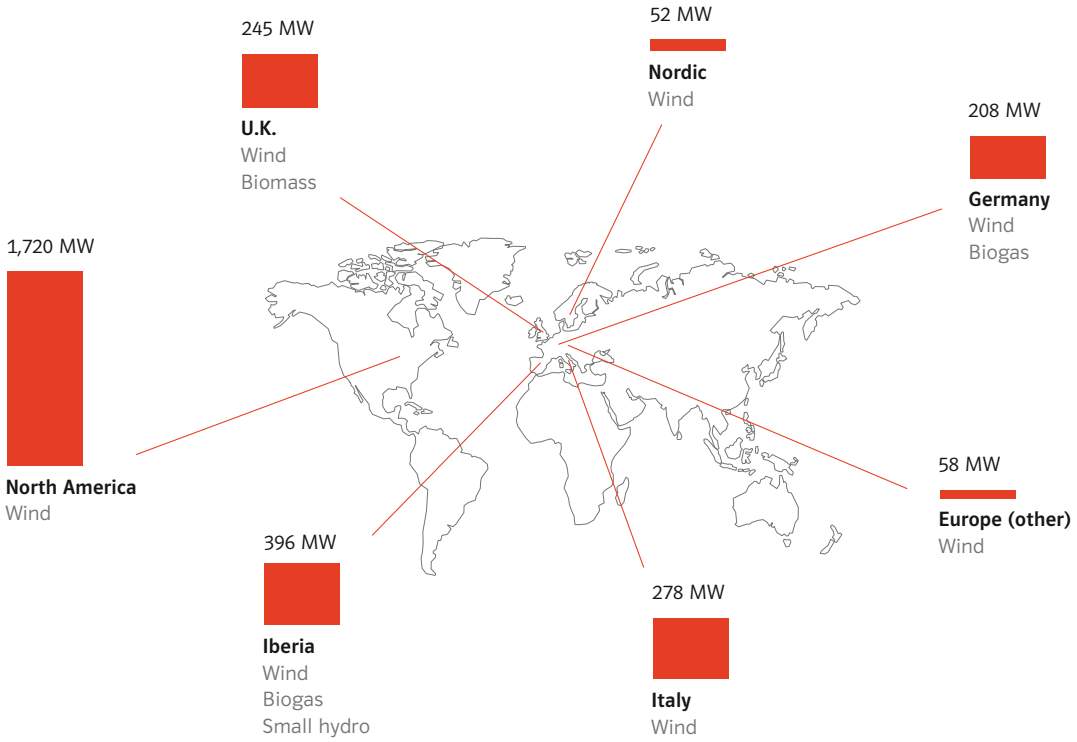
Carbon sourcing

E.ON Climate & Renewables also manages our global carbon sourcing business, which encompasses Clean Development Mechanism ("CDM") and Joint Implementation ("JI") projects as defined in Articles 12 and 6 of the Kyoto Protocol. In CDM projects, credits are earned through emission reductions in developing countries; in JI projects, through emission reductions in industrialized countries. E.ON Climate & Renewables leverages E.ON's deep energy expertise in developing JI/CDM projects in its focus regions of Southeast Asia, the Middle East, North Africa, and Russia (see text box on page 82). An example of this is our partnership with Bionersis to develop CDM projects in Southeast Asia to capture landfill gas and use it to generate electricity.

You'll find E.ON's consolidated financial statements and related commentary in our 2009 Financial Report.

Want to know more about Climate & Renewables?
eon.com/renewables

Climate & Renewables market unit: generation assets



2009 power sales
57.3 billion kWh

2009 sales
€973 million

2009 adjusted EBITDA
€203 million

2009 adjusted EBIT
€73 million

2009 cash-effective investments
€403 million

Employees at year-end 2009
4,694

Russia

Market Unit

- Progress made on new-build program to add 2.3 GW of generation capacity
- Russian power-market liberalization on schedule for completion in 2011

Owned generation of 53.9 billion kWh by energy source

83%
Natural gas

17%
Coal

Sergei A. Tazin
CEO, E.ON Russia Power

Operations along the value chain

	Generation/Production	Transmission/Wholesale	Trading/Supply	Distribution	Retail/Sales
Power		[1]			

[1]Wholesale only.

Shaturskaya power station: We have 8.3 GW of generation capacity in Russia, the world's fourth-largest electricity market.

Our business in Russia is all about power: generation, sales to industrial customers, and wholesale marketing. Our Russian generation fleet—the third-biggest in our company after Germany and the U.K.—consists of a strong and regionally diverse portfolio of gas-fired and coal-fired power stations with a total capacity of 8.3 GW. Our Russian assets are located in several key industrial regions: Central Russia, Ural, and Siberia. This gives us a superb platform with significant potential for value creation in the world's fourth-biggest electricity market. We're enlarging our Russian fleet—while significantly reducing its overall carbon intensity—by building five new high-efficiency generating units at our existing power stations. This will increase our total generation capacity to 11 GW after the successful completion of our investment program. The lead company of the Russia market unit is E.ON Russia Power, which has its headquarters in Moscow.

Russian power market

The liberalization of Russia's wholesale power market is moving forward on schedule. Despite the severity of the recession (the Russian economy contracted by over 8 percent in 2009), the government hasn't strayed from its liberalization course. The share of electricity sold to industrial and commercial customers on a free-market basis is increasing according to plan: 30 percent in the first half 2009, 50 percent in the second half of 2009, and 80 percent in the second half of 2010. It's expected to rise incrementally to 100 percent in 2011.

The Russian economy is expected to begin to recover in 2010 and return to moderate growth in the years ahead. With new generating units nearing completion, we're well positioned to benefit from the anticipated rise in power consumption and from the capacity market's free-market treatment of new assets.

Surgutskaya 2 power station: at 4.7 GW, it's the biggest power station in Eurasia and one of the biggest in the world.

Generation

Through its 78.3-percent stake in power producer OGK-4, E.ON Russia Power has 8.3 GW of modern, efficient generation capacity. This amounts to 4 percent of the country's total capacity and 6 percent of its thermal capacity. OGK-4's average load factor of 71 percent ranks it among the top Russian power producers. In terms of efficiency and availability, our Russian power plants are well positioned compared with the E.ON Group generation fleet.

The quality of our Russian asset portfolio gives us a competitive advantage, particularly in tough times. Due to the recession, Russia consumed 5 percent less power in 2009 than in 2008. But thanks to the efficiency of our assets and their location in regions where consumption remained firm, OGK-4 recorded only a slight decline in sales volume. To extend this advantage, in 2009 E.ON Russia Power launched a program to further enhance efficiency in operations and maintenance.

New-build projects

We're building four high-efficiency combined-cycle gas turbines ("CCGTs") and one lignite-fired generating unit at four of our existing power stations. One of the CCGTs is scheduled to enter service in 2010, three in 2011. The new lignite unit is expected to enter service in 2013.

These projects have benefited from the E.ON Group's industry-leading expertise in fossil generation. Engineers and project managers from across E.ON have been working closely with their Russian colleagues during a number of phases of the projects to develop technical solutions and share best practices. We plan to provide the crew who will be assigned to the new units with special training to ensure E.ON operational best practices.

Our new-build program will also make a significant contribution to climate protection in Russia. The technologically advanced CCGTs will consume 40 percent less fuel than older plants. Once all four new CCGTs are operational, we expect them to cut carbon emissions by an aggregate 4.3 million metric tons through the

JI, CCGT, ERU: together they spell "climate protection"
Under the Kyoto Protocol, industrialized countries with an emission-reduction commitment ("Annex 1 countries," in carbon jargon) can invest in projects that reduce carbon emissions in another Annex 1 country and apply the projects' Emission Reduction Units ("ERUs") to their own target. This arrangement is called Joint Implementation ("JI"). Because the four new CCGTs we're building in Russia are so much more efficient than the Russian industry average, they qualify as JI projects. They'll start generating ERUs the moment they start generating electricity. We can apply these ERUs—about 4.3 million metric tons of CO_2 through 2012 once all four CCGTs are operational—to our operations affected by the EU's emissions-trading scheme.

Russia market unit: generation assets

end of 2012 (this is how long they will be part of a Joint Implementation project). Electricity produced by the new high-efficiency units will replace electricity that, in their absence, would be generated using less efficient technology.

Power and heat sales

As a major generator, OGK-4 is one of the key players in Russia's wholesale power market. Its power sales meet just over 5 percent of the country's total demand. OGK-4 sells power under regulated agreements with industrial customers and on the unregulated day-ahead market. OKG-4 markets its generation capacity under regulated agreements and on the unregulated capacity market. Since a number of our plants in Russia cogenerate heat, OGK-4 also markets heat to district-heating systems and industrial customers near these plants.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about our Russia market unit?
eon-russia.com

Capacity increase at Surgutskaya 2
At 4.7 GW of capacity, Surgutskaya 2 power station is the biggest in Eurasia and one of the biggest in the world. It already accounts for 60 percent of our total capacity in Russia and is a workhorse of the Siberian power system. In 2009, we moved forward with the construction of two new high-efficiency CCGTs. When they enter service in 2011, they'll increase Surgutskaya 2's capacity to 5.4 GW, making it as big as five of our large-scale coal-fired power stations in Western Europe.

2009 power sales
44.2 billion kWh

2009 gas sales
25.7 billion kWh

2009 sales
€4,964 million

2009 adjusted EBITDA
€821 million

2009 adjusted EBIT
€540 million

2009 cash-effective investments
€172 million

Employees at year-end 2009
1,436

Italy

Market Unit

- Modernization program of our Italian generation fleet continues
- Full acquisition of MPE Energia strengthens sales business
- New Scandale CCGT to enter service in the first half of 2010

Owned generation of 16.5 billion kWh by energy source

60% Oil, natural gas

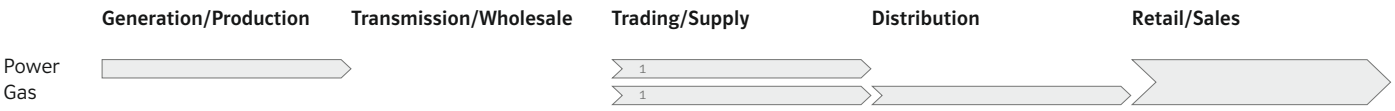
27% Coal

13% Hydro

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Klaus Schäfer
CEO, E.ON Italia

Operations along the value chain



[1]To be transferred to Energy Trading.

Tavazzano power station: our 5.6 GW of capacity make us Italy's fourth-biggest power producer.

Our core businesses in Italy are power generation and energy sales. We have 5.6 GW of installed capacity in Italy, making us the country's fourth-largest power producer. We rank number four in power sales and number six in gas sales. We also operate a gas distribution business with about 600,000 customer accounts, primarily in northern Italy. Our main operating companies in Italy are E.ON Produzione (generation), E.ON Energia (marketing), and E.ON Rete (distribution). E.ON Italia, Milan, is the lead company of our Italian market unit.

Italian power market

Italy is Europe's fourth-largest power market. Having phased out nuclear power in the late 1980s, Italy—and its electricity industry—are highly dependent on natural gas. As a result, electricity prices in Italy are significantly higher than in countries with a broader fuel mix. In 2009, Italy reversed its nuclear policy. The government aims for nuclear power to meet 25 percent of Italy's future energy needs. The Italian parliament passed legislation codifying the government's target and committing itself, in 2010, to establish a legal framework for the construction and operation of nuclear power stations. Nuclear power would make Italy's energy supply more affordable, climate-friendly, and secure. As Europe's second-largest operator of nuclear assets, E.ON is monitoring these developments with interest.

Italian regulatory environment

The Italian parliament raised the special tax surcharge on utility company profits a further percentage point to 6.5 percent. In addition, it responded to the recession with several pieces of legislation aimed at reducing energy bills for households and businesses, including an anti-crisis law. This law contains regulatory measures that exempt a portion of the generation capacity of selected power plants from market mechanisms. It's unclear whether these measures will actually help reduce energy prices for consumers. It is clear that they create regulatory uncertainty,

Italy market unit: generation assets

[1]E.ON's stake: 58.4 percent; accounted for as an associated company.
[2]E.ON's stake: 50 percent; accounted for as an associated company; will become operational in 2010.
[3]E.ON's stake: 75 percent.

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

which makes planning—particularly investment planning—difficult for energy companies. E.ON Italia is in intensive dialog with policymakers and regulatory agencies to try to reestablish a stable regulatory environment.

A new CCGT plus hydro upgrade projects will increase the capacity of our Italian generation fleet while reducing its carbon intensity.

Generation

Through new builds and upgrades, we're continually improving our Italian generation fleet's efficiency and environmental performance. A new 800 MW CCGT in Scandale (Calabria), jointly owned with Milan-based A2A, will enter service in the first half of 2010. Our hydroelectric stations in Umbria are undergoing a comprehensive two-year technical upgrade program, to be completed in 2010, that will enhance their efficiency and extend their operating lives. The CCGT and hydro projects will increase the capacity of our Italian fleet while reducing its carbon intensity.

Our plan to build a 400 MW coal-fired unit in Fiume Santo (Sardinia) reached an important milestone in 2009: the environmental-impact assessment conducted by the Ministry of Environment came to a positive conclusion. In late 2009, we also received regulatory approval to co-fire up to 5 percent biomass at our coal-fired power station in Fiume Santo, making a portion of its output climate-neutral.

We benchmark our power plants' performance and share best practices across our company so that we can fully leverage our expertise in generation. Our Italian power plants participated in these programs for the first time in 2009. E.ON Italia swiftly launched projects to address areas (like operations and maintenance) where potential had been identified to further improve plant performance.

Energy marketing

E.ON Energia, our energy sales arm in Italy, markets power and gas products to all customer segments. It's Italy's fourth-biggest power marketer and sixth-biggest gas marketer. In April 2009, we acquired the remaining 50-percent stake in MPE Energia, a power marketing company that focuses on small and medium-sized enterprises ("SME"). MPE was integrated into E.ON Energia at the start of 2010.

E.ON Energia revamped its product portfolio in 2009 and added a number of innovative offerings. These include dual-fuel products, green-energy products, and an assurance product that covers a customer's energy bill in the case of unemployment or severe illness. More customers joined E.ON Energia's loyalty program, which also rewards customers for becoming more energy efficient. E.ON Energia's focus going forward will be on achieving volume growth, mainly in the attractive SME segment, and on optimizing its sales processes.

Gas distribution

In December 2009, we combined our five formerly independent gas distribution companies in Italy into a single entity called E.ON Rete. It operates 9,500 km of pipelines and delivers natural gas safely and reliably to about 600,000 customer accounts, mainly in northern Italy. The merger will unlock operational synergies and qualify E.ON Rete for regulatory incentives designed to promote the formation of larger distribution companies.

You'll find E.ON's consolidated financial statements and related commentary in our Financial Report.

Want to know more about our Italy market unit?
eon.it

Investing in hydroelectricity
The Terni hydro plant group was an important focus of E.ON Italia's investment program in 2009. A comprehensive technical upgrade program, to be concluded in 2011, will enhance efficiency and extend the operating lives of 26 units at a total of 11 hydro plants. The upgrade, which will cost about €190 million, encompasses new turbines, generators, and automated control systems. Together, the Terni plants produce enough zero-carbon electricity to supply 500,000 homes. They're located on three rivers (Tiber, Velino, and Nera) in central Italy.

Enhancing safety
One of E.ON Italia's top priorities in 2009 was to improve its safety culture. It conducted a year-long safety-awareness campaign and, in October, held a companywide Safety Week consisting of workshops for safety managers and events and discussions for all employees. E.ON Italia has also made safety performance a key criterion for selecting suppliers. Its safety program will continue in 2010 focusing on cultural change and training (page 27 has information about other E.ON safety-training programs).

2009 power Sales
15.7 billion kWh

2009 sales
€1,346 million

2009 adjusted EBITDA
€227 million

2009 adjusted EBIT
€103 million

2009 cash-effective Investments
€275 million

Employees at year-end 2009
1,214

Spain

Market Unit

- Solid first full year of operations
- New high-efficiency CCGT begins operational testing and will enter service in 2010
- Teamwork on LNG sourcing with E.ON Ruhrgas

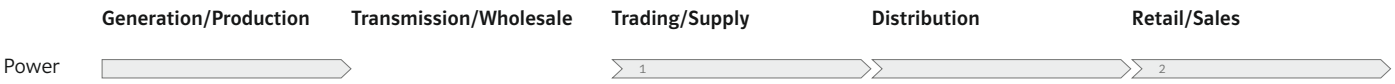
Owned generation of 12.2 billion kWh by energy source

52% Natural gas
39% Coal
9% Hydro

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

Miguel Antoñanzas
Chairman and CEO, E.ON España

Operations along the value chain



[1]To be transferred to Energy Trading. [2]Regulated.

Escatrón power station: with 3.4 GW of capacity, we're Spain's fourth-biggest power producer.

We've been in Spain less than two years but have already established a solid market position. With 3.4 GW of installed capacity, we're now the fourth-biggest power producer in Spain's ordinary-regime wholesale market and have a market share of about 5 percent. In 2010, the addition of a new 800 MW CCGT in Algeciras will increase our generation portfolio to 4.2 GW. On the infrastructure side, we operate a regulated distribution business that delivers electricity safely and reliably to 670,000 customer accounts. Our retail businesses supply electricity to 20,000 large and small business customers nationwide and to 580,000 regulated residential customers in northern Spain. Our objective is to build on these positions to become one of Spain's leading energy players. Madrid-based E.ON España is the lead company of our Spain market unit.

Spanish electricity market

Spain's electricity market is the fifth largest in Europe. Its growth rate has typically been well above the European average. But the global economic crisis hit Spain's economy hard, particularly the real-estate and construction sectors. As a result, Spain consumed 4.5 percent less electricity in 2009 than in 2008. Nevertheless, forecasts call for electricity demand to gradually recover over the next year and begin to grow by about 2 percent per year starting in 2011.

Spain's regulated residential segment has long had low prices that don't reflect the true costs of electricity. This is now changing. In 2009, the Spanish government began a multi-year process of gradually raising electricity prices in order to narrow and ultimately eliminate the gap between costs and regulated prices. The gradual elimination of the price gap will help create a more transparent and competitive electricity market and will open up new business opportunities for E.ON in Spain. By pooling our strengths—E.ON España's local expertise and the E.ON Group's broad international experience—we aim to seize these opportunities to grow our Spanish business.

Generation

Our Spanish generation fleet consists of 3.4 GW of capacity at facilities located across the country. The fuel mix is 43 percent coal, 36 percent natural gas, and 21 percent hydro managed by E.ON Generación. Renewables like wind, solar, and micro hydro are managed by our Climate & Renewables market unit and are therefore not reported in this chapter (for more information, see page 76).

2009 was a successful year for our Spanish fleet. Its environmental performance was enhanced when Los Barrios coal-fired power station returned to service early in the year after being retrofitted with state-of-the-art desulfurization equipment. It made important progress in its new-build program and was also successful operationally. E.ON España partnered with our gas subsidiary, E.ON Ruhrgas, to secure competitivly priced LNG for its gas-fired plants (see text box). This was one of several factors that increased E.ON España's load factor to a very high level. At times, E.ON power plants provided 10 percent of Spain's electricity. This is a superb example of how our international organization can create value in our markets.

Teamwork leads to high load factor for Spanish gas-fired fleet
The recession has created challenges. But also opportunities. With demand down sharply, there was a global oversupply of natural gas in 2009. Teamwork between our gas subsidiary, E.ON Ruhrgas, and E.ON España enabled us to seize this opportunity to create value in our Spanish business. E.ON Ruhrgas procured four shiploads of LNG on the spot market for our gas-fired generating units in Spain. This additional fuel enabled these units to achieve an average load factor of about 60 percent, a very high figure for the Spanish market. At times, E.ON power plants were generating fully 10 percent of Spain's electricity. We believe this partnership will give our Spanish business a similar competitive advantage in gas procurement going forward.

New generation capacity

Our program to add high-efficiency fossil-fueled capacity is moving forward on schedule. A technologically advanced 800 MW CCGT, located in Algeciras on Spain's southern coast, began operational testing in late 2009 and will enter service in mid-2010. It will increase our total capacity in Spain to 4.2 GW.

Distribution

Through E.ON Distribución, our Spain market unit owns and operates a technologically advanced power distribution system with a total length of 22,000 km in the northern Spanish provinces of Asturias, Castilla-León, Galicia, and Cantabria. It also owns just under 55 percent of Begasa, a company that operates a 8,700 km power distribution system in the northwest province of Galicia. Together, our two distributors serve 670,000 customers.

Our power distribution business consistently outperforms the Spanish industry average for service quality (as measured by the frequency and duration of supply interruptions). In 2009, we had an outstanding year operationally and achieved best-in-class status. We're making the investments in infrastructure and technology that will enable us to continue to further enhance our service quality and enable our customers to increase their energy efficiency.

> The 157,000 smart meters we've already installed in Spain are helping customers use energy more efficiently. Five times that many will be installed over the next four years.

The key energy-efficiency technology is smart metering. Our power distributors have led the transition to smart meters in Spain. With over 157,000 smart meters already installed and detailed plans to add 752,000 over the next four years, we'll finish the rollout well ahead of the statutory deadline. By 2014, all E.ON Distribución customers will have smart meters, enabling them to monitor their energy usage.

670,000
customers
receive reliable electricity service from E.ON Distribución, our distribution company in Spain.

Retail

E.ON Energía, a subsidiary of E.ON España, primarily supplies I&C and SME customers. In 2009, E.ON Energía raised its sales volume to 2.6 billion kWh and now serves 20,000 business customers across Spain. Another subsidiary, E.ON Comercializadora de Último Recurso, supplies electricity to 580,000 residential customer accounts.

The Spanish electricity market is moving incrementally towards full deregulation. In 2012, all customers—including residential customers—will be able to choose their electricity supplier. E.ON España's job going forward will be to design a palette of products and services that will enable us to retain our current regulated customers and to grow our retail business by attracting new customers from other suppliers.

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Want to know more about our Spain market unit?
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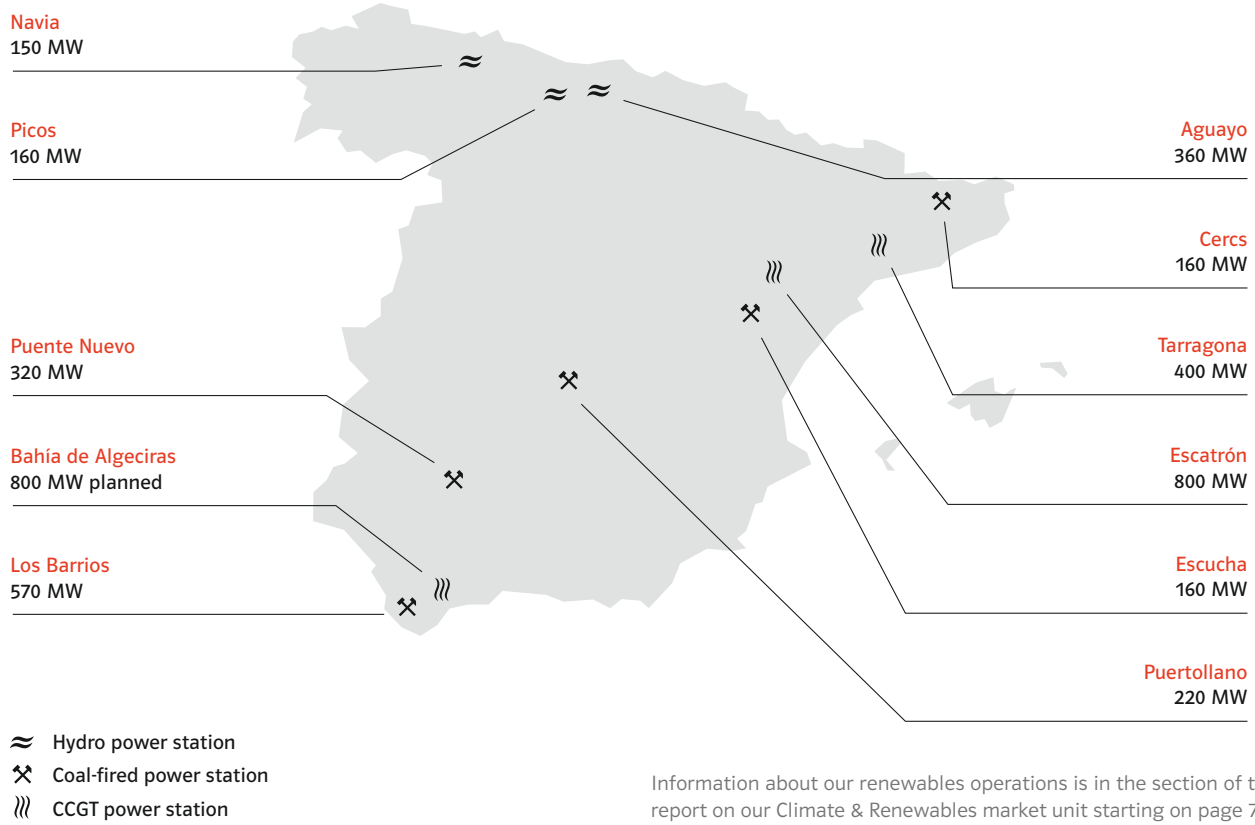
Spain market unit: generation assets



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 76.

We invite you to enter into a dialog with us.

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

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

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

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

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

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Financial Calendar

May 6, 2010	2010 Annual Shareholders Meeting
May 7, 2010	Dividend Payout
May 11, 2010	Interim Report: January – March 2010
August 11, 2010	Interim Report: January – June 2010
November 10, 2010	Interim Report: January – September 2010
March 9, 2011	Release of the 2010 Annual Report
May 5, 2011	2011 Annual Shareholders Meeting
May 6, 2011	Dividend Payout
May 11, 2011	Interim Report: January – March 2011
August 10, 2011	Interim Report: January – June 2011
November 9, 2011	Interim Report: January – September 2011