E ON AG
Form 6-K
August 10, 2005

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of August, 2005

E.ON AG

(Translation of Registrant s Name Into English)

E.ON AG
E.ON-Platz 1
D-40479 Düsseldorf
Germany
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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Düsseldorf, August 10, 2005

Ad hoc Announcement
in accordance with Article 15 of the Securities Trading Act (WpHG)

Re: Provisions for pensions

E.ON to use CTA to fund provisions for pensions

E.ON AG will use the group s strong liquidity and financial position to fund up to 5.4 billion of its provisions for pensions by means of a contractual trust arrangement (CTA). The E.ON AG Supervisory Board made this decision at its meeting today. The CTA will increase the transparency of E.ON s balance sheet and further strengthen the financial security of employees company pension plans. Under the CTA, the corresponding funds are converted to plan assets for the fulfillment of pension obligations. The funding process will begin soon and be complete in 2006.

- End of ad hoc announcement August 10, 2005

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January 1 - June 30, 2005
Interim Report II/2005

Positive earnings trend continues in second quarter
Successful divestment of Viterra and Ruhrgas Industries
Outlook for full year 2005 reaffirmed: slight increase in adjusted EBIT significant increase in net income

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Interim Report II/2005
E.ON Group Financial Highlights
E.ON Group Key Figures at a Glance

January 1 - June 30 in millions	2005	2004[1]	+/ %
Power sales (in billion kWh)[2]	212.2	206.4	+3
Gas sales (in billion kWh)[2]	499.7	473.4	+6
Sales	28,408	24,588	+16
Adjusted EBITDA[3]	5,677	5,315	+7
Adjusted EBIT[4]	4,297	4,022	+7
Income/Loss ( ) from continuing operations before income taxes and minority interests	4,677	4,176	+12
Income/Loss ( ) from continuing operations	2,887	2,702	+7
Income/Loss ( ) from discontinued operations, net	139	113	+23
Net income	3,026	2,815	+7
Investments	1,820	2,853	36
Cash provided by operating activities	2,859	2,729	+5
Free cash flow[5]	1,808	1,687	+7
Net financial position[6] (at June 30 and December 31)	3,358	5,483	+39
Employees (at June 30 and December 31)	78,006	60,596	+29
Earnings per share (in)	4.59	4.29	+7

1 With the exception of net financial position, prior-year figures have been adjusted for discontinued operations; see commentary on pages 24-25.

2 Unconsolidated figures.

3 Non-GAAP financial measure; see reconciliation to net income on page 7.

4 Non-GAAP financial measure; see reconciliation to

net income on page 7 and commentary on pages 30-31.

[5] Non-GAAP financial measure; see reconciliation to cash provided by operating activities on page 8.

[6] Non-GAAP financial measure; see reconciliation on page 10.

Non-GAAP financial measures: This report contains certain non-GAAP financial measures. Management believes that the non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in U.S. GAAP, enhance an understanding of E.ON s results of operations. A number of these non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies, and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes. Additional information with respect to each of the non-GAAP financial measures used in this report is included together with the reconciliations described below.

E.ON prepares its financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP). As noted above, this report contains certain consolidated financial measures (Group adjusted EBIT, adjusted EBITDA, net financial position, net interest expense, and free cash flow) that are not calculated in accordance with U.S. GAAP and are therefore considered non-GAAP financial measures within the meaning of the U.S. federal securities laws. In accordance with applicable rules and regulations, E.ON has presented in this report a reconciliation of each non-GAAP financial measure to the most directly comparable U.S. GAAP measure for historical measures and an equivalent U.S. GAAP target for forward-looking measures. The footnotes presented with the relevant historical non-GAAP financial measures indicate the page of this report on which the relevant reconciliation appears. The non-GAAP financial measures used in this report should not be considered in isolation as a measure of E.ON s profitability or liquidity and should be considered in addition to, rather than as a substitute for, net income, cash provided by operating activities, and the other income or cash flow data prepared in accordance with U.S. GAAP presented in this report and the relevant reconciliations. The non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly titled measures used by other companies.

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Interim Report II/2005

Dear Shareholders,

In the first half of 2005 the E.ON Group continued its positive earnings development. We increased adjusted EBIT by 7 percent year-on-year to 4.3 billion. At roughly 3 billion, net income (after taxes and minority interests) was also 7 percent above the high prior-year figure.

We expect net income for the entire year to considerably surpass last year s figure, thanks in particular to the book gains totaling roughly 3 billion we expect on the sale of Viterra and Ruhrgas Industries. We will record a gain of approximately 2.4 billion on the sale of Viterra to Deutsche Annington. We sold Ruhrgas Industries to CVC Capital Partners, a European private equity firm, and expect to record a gain of approximately 600 million on the sale. With these disposals, we have almost completed E.ON s transformation into a pure-play energy company.

In the second quarter we also took important steps to expand our market positions in our core energy business. We reached an agreement to acquire NRE Energie, a Dutch power and gas company. The acquisition gives us our first end customers in the Netherlands and complements our existing power production and gas trading operations there. In addition, we completed the acquisition of Distrigaz Nord, a Romanian gas distribution company, which further enlarges our market position in Central and Eastern Europe, a region experiencing dynamic economic growth. Our acquisition of Holford Gas Storage in the United Kingdom in July will set in motion the construction of one of the country s largest natural gas storage facilities and in the future give us greater flexibility in gas procurement.

These growth initiatives represent a continuation of the course we have been pursuing in recent years. In the last two years we have implemented growth initiatives amounting to more than 7 billion. This figure includes small and medium-sized acquisitions in our European target markets and investments in power and gas transmission, distribution, and production assets.

An important energy policy development for us is Germany s revised New Energy Law, which took effect on July 13. The law makes an important contribution towards the establishment of a stable investment environment for our grid operations. It is now essential that the regulatory agency moves forward as quickly as possible to develop and implement a system that rewards network operators for increases in productivity. We are actively involved in this discussion and have proposed a model that we believe achieves a balance between promoting cost reductions and ensuring supply security. By drawing on our experience in other regulated markets as we participate in this discussion we are making an important contribution towards the creation of a sensible incentive system for the regulation of Germany s network infrastructure.

This demonstrates that we are playing a constructive role in shaping the regulatory landscape in which we operate so that we can supply our customers with power and gas reliably and efficiently. Ultimately, all of these efforts will create a reliable investment environment in which we can achieve further growth in our core business. We will continue to focus our energy and the Group s capabilities on profitably expanding our market positions in and outside Germany.

Sincerely yours,

Dr. Wulf H. Bernotat

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Interim Report II/2005

E.ON Stock

E.ON stock finished the first six months of 2005 up 14 percent (including the dividend), thereby outperforming other European blue chips as measured by the EURO STOXX 50 Performance Index, which advanced 10 percent over the same period. E.ON stock performed slightly weaker than its peer index, the STOXX Utilities, which rose by 16 percent.

The trading volume of E.ON stock climbed by more than 25 percent year-on-year to 27.9 billion, making E.ON the fifth most-traded stock in the DAX index of Germany s top 30 blue chips. As of June 30, 2005, E.ON was the third-largest DAX issue in terms of market capitalization.

E.ON stock is listed on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs). Effective March 29, 2005, the conversion ratio between E.ON ADRs and E.ON stock was changed to three to one. The value of three E.ON ADRs is effectively that of one share of E.ON stock.

For the latest information about E.ON stock, visit www.eon.com.

E.ON Stock

	June 30, 2005	Dec.31, 2004
Shares outstanding (in millions)[1]	659	659
Closing price (in)	73.68	67.06
Market capitalization (in billions[2])	51.0	46.4

[1] Excludes treasury stock.

[2] Based on the entire capital stock (692,000,000 shares).

Performance and Trading Volume

January 1 - June 30	2005	2004
High (in [1])	73.68	59.63
Low (in [1])	64.50	49.27
Trading volume[2]		
Millions of shares	407.1	409.7
in billions	27.9	22.2

[1] XETRA.

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

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Interim Report II/2005
Results of Operations
Energy Price Developments

The gas and power markets E.ON operates in are heavily influenced by the development of oil and coal prices.The introduction of the European Emissions Trading Scheme has meant that CO_2 certificate prices play an increasingly important role in European energy markets.

Due to tight supply fundamentals, the price of Brent crude oil climbed to $59 per barrel by the end of June 2005, an $18 per barrel, or 45 percent, increase from the price at the start of the year and a $26 per barrel, or 80 percent, increase from the average price in the first half of 2004. Natural gas prices in Europe and the United States followed this trend.

CO_2 certificate prices tripled in the second quarter to nearly 26 per metric ton from the low prices in January. Rising gas and oil prices contributed to this development, since higher gas prices served to increase the share of electricity generated from coal, resulting in greater demand for certificates.

Coal prices remained high in the first half of 2005 and traded as high as $72 per metric ton for year-ahead delivery, which is slightly above the prices quoted in the first weeks of 2005 and $7 per metric ton, or 11 percent, above the average price for the first half of 2004. Since April, however, coal prices have declined due to lower freight rates.

Wholesale power prices increased, tracking fuel and CO_2 certificate prices. In the U.K. and U.S., power prices were mainly driven by natural gas prices, in Germany mainly by coal and CO_2 certificate prices. Prices at Nordpool, Scandinavia s power exchange, appear to be increasingly influenced by CO_2 certificate prices and by prices on the EEX, the German power exchange.

Power and Gas Sales Volumes Higher

We sold 3 percent more electricity in the first half of 2005 than in the same period last year, due largely to increased sales volumes in Germany resulting from the national burden-sharing agreement for renewable-source electricity.The inclusion of Gorna and Varna, newly consolidated regional electric distribution companies in Bulgaria, also contributed to the improvement. Higher sales volumes outside Germany at our Pan-European Gas market unit were the main factor in the 6 percent increase in gas sales.

Sales

January 1 - June 30 in millions	2005	2004	+/-%
Central Europe	12,505	10,866	+15
Pan-European Gas	8,860	6,863	+29
U.K.	4,876	4,468	+9
Nordic	1,796	1,753	+2
U.S.Midwest	1,029	963	+7
Corporate Center	-658	-325	
Sales	**28,408**	**24,588**	**+16**

Sales up 16 Percent

The increase in sales resulted in particular from the passthrough of costs under Germany s Renewable Energy Law, higher sales volumes, changes in the scope of consolidation, and price developments in the power and gas businesses.

Adjusted EBIT up 7 Percent

In the first half of 2005 all of our market units, with the exception of Pan-European Gas, continued their positive earnings development. Adjusted EBIT rose by 7 percent year-on-year to 4.3 billion. We benefited in particular from higher wholesale prices for electricity. Also contributing to our improved adjusted EBIT performance were increased hydroelectric generation at Nordic and rate increases at U.S. Midwest.

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Interim Report II/2005
Adjusted EBIT

January 1 - June 30 in millions	2005	2004	+/ %
Central Europe	2,337	2,159	+8
Pan-European Gas	803	870	8
U.K.	613	520	+18
Nordic	447	393	+14
U.S. Midwest	180	168	+7
Corporate Center	150	170	
Core Energy Business	**4,230**	**3,940**	**+7**
Other Activities[1]	**67**	**82**	**18**
Adjusted EBIT[2]	**4,297**	**4,022**	**+7**

1 Our shareholding in Degussa, which is accounted for using the equity method.

2 Non-GAAP financial measure; see reconciliation to net income in the adjacent table.

By contrast, Pan-European Gas s results were negatively impacted by continued higher heating oil prices. Natural gas prices are linked to heating oil prices. As a result, natural gas procurement costs have risen substantially. Because gas prices respond to changes in heating oil prices more rapidly on the procurement side than on the sales side, there was a significant adverse affect on Pan-European Gas s adjusted EBIT.

Net income Surpasses High Prior-Year Level

Adjusted interest income (net) declined to 536 million, primarily due to the absence of last year s one-off gain of approximately 270 million resulting from amendments to Germany s Ordinance on Advance Payments for the Establishment of Federal Facilities for Safe Custody and Final Storage for Radioactive Wastes *(Endlager-Vorausleistungsverordnung).* Among the positive factors was a decline in net debt.

Net book gains in the first half of 2005 were significantly below last year s figure. In the period under review they resulted from the sale of securities. The prior-year number includes book gains on the sale of equity interests in EWE and VNG (317 million) and on the sale of securities (124 million) and the sale of more Degussa stock (63 million).

Other nonoperating earnings primarily reflect positive effects from the marking to market of energy derivatives at the U.K. market unit. We use derivatives to protect our operations from the effects of price fluctuations. Since March 2005 the market value of these derivatives has increased by about 680 million, in large part due to sharply higher power and gas prices. The costs relating to the severe storm in Sweden at the beginning of the year reduced other nonoperating earnings by about 140 million. The prior-year figure mainly includes positive effects from the marking to market of energy derivatives.

Net Income

January 1 - June 30 in millions	2005	2004	+/ %
Adjusted EBITDA[1]	**5,677**	**5,315**	**+7**
Depreciation, amortization, and impairments affecting adjusted EBIT[2]	1,380	1,293	
Adjusted EBIT[1]	**4,297**	**4,022**	**+7**
Adjusted interest income (net)[3]	536	378	
Net book gains	188	504	
Restructuring expenses	13	31	
Other nonoperating earnings	741	59	
Income/Loss (-) from continuing operations before income taxes and minority interests	**4,677**	**4,176**	**+12**
Income taxes	1,514	1,199	
Minority interests	276	275	
Income/Loss (-) from continuing operations	**2,887**	**2,702**	**+7**
Income/Loss (-) from discontinued operations, net	139	113	+23
Net income	**3,026**	**2,815**	**+7**

1 Non-GAAP financial measure.

2 For commentary see footnote 3 in the table on page 30.

3 See reconciliation on page 31.

Our continuing operations recorded a tax expense of 1,514 million in the first half of 2005. The increase results primarily from improved operating results and a lower share of tax-free earnings.

Income/Loss ( ) from discontinued operations, net, mainly reflects the results of Viterra and Ruhrgas Industries, for which we have concluded sales agreements. Under U.S. GAAP, the results of disposal groups are reported separately in the Consolidated Statements of Income (see commentary on pages 24-25).

Net income (after income taxes and minority interests) surpassed the high prior-year level. Earnings per share of 4.59 were likewise up year-on-year, increasing 7 percent from last year s figure.

Investments Significantly below Prior-Year Figure

In the period under review the E.ON Group invested 1.8 billion, a 36 percent decline year-on-year. We invested 1.1 billion (prior year: 1 billion) in intangible assets and property, plant, and equipment. Investments in financial assets totaled 769 million versus 1.8 billion in the prior year. The decline is in particular attributable to the Corporate Center. The high prior-year figure mainly reflects payments for bonds repurchased in conjunction with the acquisition of Midlands Electricity.

Interim Report II/2005
Results of Operations

Investments

January 1 - June 30 in millions	2005	2004	+/ %
Central Europe	728	857	15
Pan-European Gas	224	277	19
U.K.	412	258	+60
Nordic	248	517	52
U.S. Midwest	107	125	14
Corporate Center	101	819	88
Total	**1,820**	**2,853**	**36**

In the first half of 2005 the Central Europe market unit invested 728 million, roughly 15 percent less than in the prior-year figure. Investments in intangible assets and property, plant, and equipment totaled 527 million (prior year: 432 million). Investments in financial assets totaled 201 million (prior year: 425 million). The greater part of capital expenditures for property, plant, and equipment went towards power generation and distribution assets.

Pan-European Gas invested approximately 224 million in the first half of 2005. Its largest single investments were the acquisition of a majority interest in Distrigaz Nord, a Romanian gas utility, and the increase of its shareholding in Interconnector Limited of the U.K. from 10 percent to 17.4 percent. This market unit also invested in infrastructure upgrade projects. Twenty-seven percent of investments went towards intangible assets and property, plant, and equipment, while 73 percent went towards the acquisition of shareholdings.

Investments at U.K. for the first half of 2005 were 412 million against 258 million for the prior year. Investments in financial assets were 220 million higher than in the prior year due to investments in the Enfield CCGT asset and the acquisition of Economy Power s retail small and medium sized enterprise customers. Investments in intangible assets and property, plant, and equipment were 66 million lower than in the prior year, largely due to higher expenditure in 2004 on Scroby Sands offshore wind farm. Capital expenditure for additions to property, plant, and equipment was directed primarily at renewable generation, conventional power stations, and the regulated distribution business.

Nordic invested 150 million in intangible assets and property, plant, and equipment during the first half of 2005 in order to maintain its existing production plants and to upgrade and enhance its distribution network. This compares with 171 million during the corresponding period in 2004. Repair work and reconstruction necessitated by the severe storm in January have postponed other planned investments. The higher total investments during the first half of 2004 included the acquisition of the remaining shares in Graninge (307 million).

Investments at U.S. Midwest were lower in 2005 due to lower construction spending on utility plant.

Financial Condition

Management s analysis of E.ON s financial condition uses, among other financial measures, cash provided by operating activities, free cash flow, and net financial position. Free cash flow is defined as cash provided by operating activities less investments in intangible assets and property, plant, and equipment. We use free cash flow primarily to make growth-creating investments, pay out cash dividends, repay debts, and make short-term financial investments. Net financial position equals the difference between our total financial assets and total financial liabilities. Management believes that these financial measures enhance the understanding of the E.ON Group s financial condition and, in particular, its liquidity.

The E.ON Group s cash provided by operating activities in the first half of 2005 was slightly above the prior-year level.

Cash Provided by Operating Activities

January 1 - June 30 in millions	2005	2004	+/

Central Europe	1,289	1,112	+177
Pan-European Gas	1,327	831	+496
U.K.	330	379	709
Nordic	305	578	273
U.S. Midwest	150	95	+55
Corporate Center	118	266	+384
Cash provided by operating activities	**2,859**	**2,729**	**+130**
Investments in intangible assets and property, plant, and equipment	1,051	1,042	9
Free cash flow[1]	**1,808**	**1,687**	**+121**

[1] Non-GAAP financial measure.

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Cash provided by operating activities at Central Europe increased year-on-year because the gross margin was higher and payments for nuclear fuel reprocessing were lower than in the prior-year period. In addition, tax payments were higher in the prior year. By contrast, in 2005 there was a higher increase in receivables which we expect to be reversed in the second half of the year.

In the first half of 2005 Pan-European Gas recorded a marked increase in cash provided by operating activities. The contributing factors were a temperature-driven increase in withdrawals from gas storage facilities and lower intercompany tax offsets compared with the prior-year period.

Cash provided by operating activities at U.K. declined significantly year-on-year because pension fund payments of 629 million in the second quarter of 2005 exceeded the prior-year figure. These one-off payments cover a portion of the actuarial deficit of U.K. s pension plans. In addition, there was an increase in the working capital requirements in the first half of 2005 which we expect to be reversed in the third and fourth quarter.

The significant decline in Nordic s cash provided by operating activities resulted from a number of nonrecurring items. These include increased cash outflows stemming from the severe storm in January and higher tax payments. Improvements at Nordic s gas business and increased power production at its hydroelectric facilities had a positive influence on cash provided by operating activities.

Cash provided by operating activities at U.S. Midwest was higher year-on-year due to the absence of certain nonrecurring charges including pension plan contributions and the phaseout of an asset-backed securities program that negatively affected the prior-year figure.

The Corporate Center s cash provided by operating activities was higher year-on-year due to positive effects from the unwinding of currency swaps and from higher tax refunds.

In general, surplus cash provided by operating activities at Central Europe, U.K., and U.S. Midwest is lower in the first quarter of the year (despite the high sales volume typical of this season) due to the nature of their billing cycles, which in the first quarter are characterized by an increase in receivables combined with cash outflows for goods and services. During the remainder of the year, particularly in the second and the third quarters, there is typically a corresponding reduction in working capital, resulting in significant surplus cash provided by operating activities, although sales volumes (with the exception of U.S. Midwest) are actually lower. The fourth quarter is characterized by an increase in working capital. At Pan-European Gas, by contrast, cash provided by operating activities is recorded principally in the first quarter, whereas there are cash outflows for intake at gas storage facilities in the second and third quarters and for gas tax prepayments in the fourth quarter. A major portion of the market units capital expenditures for intangible assets and property, plant, and equipment is paid in the fourth quarter.

With the stable level of investments in intangible assets and property, plant, and equipment, free cash flow was slightly above the prior-year number.

Net financial position, a non-GAAP financial measure, is derived from a number of figures which are reconciled to the most directly comparable U.S. GAAP measure in the table below.

Net Financial Position

in millions	June 30, 2005	Dec.31, 2004	June 30, 2004
Bank deposits	3,369	4,233	3,890
Securities and funds (current assets)	8,708	7,783	7,462
Total liquid funds	**12,077**	**12,016**	**11,352**
Securities and funds (fixed assets)	1,155	834	795
Total financial assets	**13,232**	**12,850**	**12,147**
Financial liabilities to banks	2,328	4,050	4,599
Bonds	9,572	9,148	10,302
Commercial paper	4,073	3,631	4,380
Other financial liabilities	617	1,504	914
Total financial liabilities	**16,590**	**18,333**	**20,195**

Net financial position[1]	**3,358**	**5,483**	**8,048**

[1] Non-GAAP financial measure; the table on page 10 provides a reconciliation to the relevant U.S. GAAP measures.

We further improved our net financial position from the figure reported as of December 31, 2004 (- 5,483 million). This was caused mainly by strong cash provided by operating activities and by the fact that for the first time Viterra is recorded under discontinued operations. Our net financial position was adversely affected by financial outlays for investments in property, plant, and equipment and in shareholdings. The dividend payout and the related tax payment also led to cash outflows.

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Interim Report II/2005
Results of Operations
Reconciliation of Net Financial Position

in millions	June 30, 2005	Dec. 31, 2004	June 30, 2004
Liquid funds shown in the Consolidated Financial Statements	12,077	12,016	11,352
Financial assets shown in the Consolidated Financial Statements	17,616	17,263	17,810
Thereof loans	1,212	1,438	1,818
Thereof equity investments	14,551	14,420	14,483
Thereof shares in affiliated companies	698	571	714
= Total financial assets	**13,232**	**12,850**	**12,147**
Financial liabilities shown in the Consolidated Financial Statements	18,593	20,301	22,310
Thereof to affiliated companies	110	134	228
Thereof to associated companies	1,893	1,834	1,887
=Total financial liabilities	**16,590**	**18,333**	**20,195**
Net financial position	**3,358**	**5,483**	**8,048**

Net interest expense declined by a substantial 189 million year-on-year, mainly reflecting lower net debt in the first half of 2005. In addition, the prior-year figure includes a nonrecurring adverse effect relating to the repurchase of Powergen bonds. A further factor in the current-year period was the higher share of financial liabilities with a variable interest rate. Net interest expense only includes the interest income of those items that are also part of the net financial position.

Financial Key Figures

January 1 - June 30 in millions	2005	2004
Net interest expense[1]	**100**	**289**
Adjusted EBITDA[2]	**5,677**	**5,315**
Adjusted EBITDA ÷ net interest expense	**56.8x**	**18.4x**

1 Non-GAAP financial measure; see reconciliation to interest income shown in the Consolidated Statements of Income on page 31.

2 Non-GAAP financial measure; see reconciliation to net income on page 7.

On March 14, 2005, Standard & Poor s confirmed its AA long-term rating for E.ON bonds and lowered its outlook from stable to negative. Since April 30, 2004, Moody s long-term rating for E.ON bonds is Aa3 with a stable outlook.

Commercial paper issued by E.ON has a short-term rating of A-1+ and P-1 by Standard & Poor s and Moody s, respectively. E.ON has committed itself to maintaining at least a strong single-A rating.

Employees

On June 30, 2005, the E.ON Group had 78,006 employees worldwide in its core energy business, as well as 1,816 apprentices and 241 board members and managing directors. Our workforce increased by 17,410 employees, or 29 percent, since December 31, 2004. At the end of the first half of 2005, 43,809 employees, or 56 percent of all staff, were working outside Germany, about 11 percentage points more than at year end 2004 (45 percent). This development is mainly attributable to the addition of Distrigaz Nord (9,300 employees), a Romanian gas distribution company, at the Pan-European Gas market unit.

Employees[1]

	June 30, 2005	Dec. 31, 2004	+/-%
Central Europe	42,404	36,811	+15
Pan-European Gas	13,368	4,001	+234
U.K.	12,363	10,397	+19
Nordic	5,952	5,530	+8
U.S. Midwest	3,476	3,437	+1
Corporate Center	443	420	+5
Total	**78,006**	**60,596**	**+29**
Discontinued Operations[2]	8,874	9,114	3
Degussa[3]	40,888	40,155	+2

1 Figures do not include apprentices, managing directors, or board members.

2 Includes Ruhrgas Industries and Viterra.

3 Accounted for using the equity method; at June 30, 2005, Degussa had 1,533 apprentices.

The number of Central Europe s employees increased by 15 percent from the figure for year end 2004. This resulted from the addition of Gorna Oryahovitza and Varna, regional electric distribution companies in Bulgaria (a total of about 3,700 employees), the IT service provider E.ON IS (formerly is:energy, about 1,300 employees), and DDGáz and Kögáz, Hungarian gas distribution companies (a total of about 900 employees).

At the end of the first half of 2005, the U.K. market unit had 12,363 employees. This roughly 19 percent rise from year end 2004 is attributable to the integration of staff formerly employed by an external service provider.

During the reporting period, wages and salaries including social security contributions totaled 2.2 billion, compared with 2 billion a year ago.

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Interim Report II/2005

Risk Situation

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

Technologically complex facilities are involved in the production and distribution of energy. Operational failures or extended production stoppages of facilities or components of facilities could adversely impact our earnings situation. We address these risks through ongoing employee training and qualification programs and regular facility and system maintenance.

During the normal course of business, E.ON is exposed to interest rate, currency, commodity price, and counterparty risks which we address through the targeted use of financial instruments.

Our market units operate in an international market environment characterized by general risks related to the business cycle and by more intense competition. We use a comprehensive sales monitoring system and derivative financial instruments to minimize the price and sales risks of liberalized markets.

The political, legal, and regulatory environment in which the E.ON Group does business i