

## Corporate Governance Report

E.ON views corporate governance as a central foundation of responsible and value-oriented management, efficient collaboration between the Board of Management and the Supervisory Board, transparent disclosures, and appropriate risk management.

In 2008, the Board of Management and Supervisory Board paid close attention to E.ON's compliance with the guidelines of the German Corporate Governance Code ("the Code"), particularly in conjunction with the new Code recommendations dated June 6, 2008. On December 15, 2008, the Board of Management and the Supervisory Board jointly issued E.ON's Declaration of Compliance ("Declaration") pursuant to Section 161 of the German Stock Corporation Act stating that E.ON complies with all of the Code's recommendations. The full text of the Declaration, and of Declarations from previous years, is available on the Internet at [www.eon.com](http://www.eon.com). E.ON voluntarily complies with most of the Code's suggestions, as well.

## Management and Oversight Structure

### Supervisory Board

The Supervisory Board has 20 members and, in accordance with the German Codetermination Act of 1976, is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting. The employee representatives are elected by the employees. In the event of a tie vote on the Supervisory Board, another vote is held, if there is still a tie, the Chairperson casts the tie-breaking vote. As a general rule, Supervisory Board members should not be older than 70.

In order to ensure that the Supervisory Board's advice and oversight functions are conducted on an independent basis, no more than two former members of the Board of Management may be members of the Supervisory Board. Supervisory Board members may not hold a corporate office or perform advisory services for the Company's key competitors. Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or holding a corporate office with, one of E.ON's customers, suppliers, creditors, or other business partners. The Supervisory Board is required to report any conflicts of interest to the Annual Shareholders Meeting and to describe how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest

involving members of the Supervisory Board in 2008. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in 2008.

The Supervisory Board oversees the Company's management and advises the Board of Management. The Report of the Supervisory Board on pages 154-157 contains more information about these matters.

Pursuant to its policies and procedures, the Supervisory Board has formed the following committees:

The committee required by Section 27, Paragraph 3 of the Codetermination Act of 1976 consists of two shareholder representative members and two employee representative members. This committee is responsible for recommending to the Supervisory Board potential candidates for the Board of Management if the first vote does not yield the necessary two-thirds majority of votes of Supervisory Board members.

The Executive Committee consists of the four members of the above-named committee. It prepares the meetings of the Supervisory Board and advises the Board of Management on matters of general policy relating to the Company's strategic development. In urgent cases (in other words, if waiting for the Supervisory Board's prior approval would materially prejudice the Company), the Executive Committee acts on the full Supervisory Board's behalf. In particular, the Executive Committee prepares the Supervisory Board's personnel decisions and is responsible for the conclusion, alteration, and termination of the service agreements of Board of Management members. It also deals with corporate-governance matters and reports to the Supervisory Board at least once a year on the status and effectiveness of, and possible ways of improving, the Company's corporate governance.

The Audit and Risk Committee consists of four members who have special knowledge in the field of accounting and/or business administration. In line with the Code's mandates, the Chairperson has extensive knowledge and experience in applying accounting principles and/or in international business control processes.

The Audit and Risk Committee's main task is to monitor the Company's accounting, including the accounting process, the effectiveness of the internal control system, internal risk management, and the internal audit system, compliance, and the independent audit. The committee's tasks relating to the independent audit consist primarily of ensuring the independence of the independent auditor, assigning the auditing task to the independent auditor, establishing auditing priorities, concluding the agreement regarding the independent auditor's fees, and establishing what additional non-auditing services are to be performed by the independent auditor. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON AG and of the Consolidated Financial Statements. It also examines the Company's quarterly Interim Reports and discusses the audit review of the Interim Reports with the independent auditor.

The Finance and Investment Committee consists of six members. It advises the Board of Management on all issues of corporate finance and investment planning. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies, as well as on finance measures whose value exceeds 1 percent of the equity listed in the Company's most recent Consolidated Balance Sheet. If the value of any such transactions or activities exceeds 2.5 percent of the equity listed in the most recent Consolidated Balance Sheet, the Finance and Investment Committee prepares the Supervisory Board's decision on such matters.

The Nomination Committee consists of three shareholder representative members. Its Chairperson is the Chairperson of the Supervisory Board. Its task is to recommend to the Supervisory Board suitable candidates for election to the Supervisory Board by the Annual Shareholders Meeting.

### Board of Management

The E.ON AG Board of Management consists of five members and has one Chairperson. Board of Management members may not be older than 65.

The Board of Management has in place policies and procedures for the business it conducts. It manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It establishes the Company's objectives, sets its fundamental strategic direction, and is responsible for corporate policy and Group organization.

The Board of Management regularly reports to the Supervisory Board on a timely and comprehensive basis on all relevant issues of corporate planning, business development, risk assessment, and risk management. It also submits the Group's investment, finance, and personnel plan for the coming fiscal year as well as the medium-term plan to the Supervisory Board for its approval at the last meeting of each financial year.

The Chairperson of the Board of Management informs, without undue delay, the Chairperson of the Supervisory Board of important events that are of fundamental significance in assessing the Company's situation, development, and management and of any defects that have arisen in the Company's monitoring systems. Transactions and measures requiring the Supervisory Board's approval are also submitted to the Supervisory Board without delay.

Members of the Board of Management are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Board of Management. Members of the Board of Management may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the Board of Management in 2008. Any material transactions between the Company and members of the Board of Management, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2008.

### Shareholders and Annual Shareholders Meeting

E.ON AG shareholders exercise their rights and vote their shares at the Annual Shareholders Meeting. The Company's financial calendar, which is published in the Annual Report, in the quarterly Interim Reports, and on the Internet at [www.eon.com](http://www.eon.com), regularly informs shareholders about important Company dates.

At the Annual Shareholders Meeting, shareholders may vote their shares themselves, through a proxy of their choice, or through a Company proxy who is required to follow the shareholder's voting instructions.

### Accounting and Annual Financial Statements

E.ON's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards. E.ON AG's Financial Statements are prepared in accordance with the German Commercial Code.

As stipulated by German law, the Annual Shareholders Meeting votes to select the Company's independent auditor.

The Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditors detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted. As part of its audit responsibilities, the independent auditor agrees to:

- promptly inform the Chairperson of the Audit and Risk Committee should any such facts arise during the course of the audit
- promptly inform the Supervisory Board of anything arising during the course of the audit that is of relevance to the Supervisory Board's duties
- inform the Chairperson of the Audit and Risk Committee of, or to note in the audit report, any facts that arise during the audit that contradict the statements submitted by the Board of Management or Supervisory Board in connection with the Code.

### Risk Policies

Detailed information about E.ON's risk management system can be found on pages 44-47 of this report.

E.ON has established a Disclosure Committee to support the Board of Management and to be responsible for correct and timely financial disclosures. Its members come from various departments of E.ON AG and are, owing to their functions, particularly suited for the committee's tasks.

The effectiveness of the financial disclosure controls and procedures at E.ON AG and at the market unit lead companies is regularly assessed by E.ON AG Internal Audit and by our independent auditor.

### Transparent Management

Transparency is a high priority of E.ON AG's Board of Management and Supervisory Board. Our shareholders, all capital market participants, financial analysts, shareholder associations, and the media regularly receive up-to-date information about the situation of, and any material changes to, the Company. We use the Internet to help ensure that all investors have equal access to comprehensive and timely information about the Company.

E.ON AG issues reports about its situation and earnings by the following means:

- Interim Reports (quarterly)
- Annual Report
- Annual press conference
- Telephone conferences held upon release of the Interim and Annual Reports
- Numerous events for financial analysts in and outside Germany.

A financial calendar lists the dates on which the Company's financial reports are released.

In addition to the Company's periodic financial reports, the Company issues ad-hoc statements when events or changes occur at E.ON AG that could have a significant impact on the price of E.ON stock.

Pursuant to Section 10 of the German Securities Prospectus Law, E.ON is required to publish an annual document that contains all its ad-hoc and financial releases of the previous twelve months.

The financial calendar, ad-hoc statements, and annual document are available on the Internet at [www.eon.com](http://www.eon.com).

### **Directors' Dealings**

Persons with executive responsibilities, in particular members of E.ON AG's Board of Management and Supervisory Board and persons closely related to them, must disclose their dealings in E.ON stock or in related financial instruments pursuant to Section 15a of the German Securities Trading Act. Such dealings that took place in 2008 have been disclosed at [www.eon.com](http://www.eon.com). As of December 31, 2008, there was no ownership interest subject to disclosure pursuant to Item 6.6 of the Code.

### **Ethics**

Our actions are grounded in integrity and a respect for the law. To this end, the Board of Management has put in place a Code of Conduct containing guidelines for dealing with business partners and government institutions, for keeping business information and company secrets confidential, and for addressing conflicts of interest. Compliance Officers at E.ON AG and the market units are tasked with implementing the Code of Conduct and ensuring that any ethics issues that arise are dealt with independently and objectively.

We have defined guidelines to prevent insider trading which contain mandatory rules for dealing with insider information and trading in E.ON stock. These guidelines go beyond the minimum requirements contained in the German Securities Trading Act. We have also developed a special Code of Ethics that applies primarily to Board of Management members and members of the Disclosure Committee. In particular, the Code of Ethics obliges these individuals to make full, appropriate, accurate, timely, and comprehensible disclosure of information in our corporate publications. The text of the Code of Ethics is available on the Internet at [www.eon.com](http://www.eon.com).

Finally, the Company has in place a procedure for dealing with complaints relating to accounting and financial reporting. Complaints may be submitted—anononymously, if desired—to a Compliance Officer who reports directly to the Audit and Risk Committee.

## Compensation Report

This compensation report describes the compensation system and the individual compensation for E.ON AG's Supervisory Board and Board of Management. It applies the regulations of the German Commercial Code amended to reflect the Management Board Compensation Disclosure Law as well as the principles of the German Corporate Governance Code ("the Code"). It is to be considered part of the Combined Group Management Report.

### Compensation System for Members of the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by E.ON AG's Articles of Association. In accordance with German law and the Code's recommendations, the compensation system takes into consideration Supervisory Board members' responsibilities and scope of duties as well as the Company's financial situation and business performance. In accordance with the Code, Supervisory Board members receive fixed annual compensation as well as two variable, performance-based compensation components. The short-term component is linked to dividends. The long-term component is linked to the three-year average of the E.ON Group's consolidated net income.

The three-for-one stock split that took place in 2008 did not affect the Supervisory Board's compensation system. The following description deviates from the prior-year description only where adjustments were necessary to neutralize the effects of the stock split.

**Fixed compensation:** in addition to being reimbursed for their expenses including the value-added tax due on their compensation, Supervisory Board members receive a fixed amount of €55,000.00 for each financial year.

**Short-term variable compensation:** in addition, Supervisory Board members receive variable compensation of €345.00 for each 1 euro cent of per-share dividend paid out to shareholders in excess of 3 1/3 euro cents per no-par share for the relevant financial year.

**Long-term variable compensation:** furthermore, Supervisory Board members receive variable compensation of €210.00 for each 1 euro cent of the three-year average of the E.ON Group's consolidated net income per share (attributable to shareholders of E.ON) in excess of 76 2/3 euro cents. To adjust for the stock split, net income per share for 2006 and for 2007 will be divided by three to calculate the three-year average.

Individuals who were members of the Supervisory Board or any of its committees for less than the entire financial year receive pro-rata compensation for each full or partial month of membership. Fixed compensation is payable after the end of the financial year. Variable compensation components are payable after the Annual Shareholders Meeting, which votes to formally approve the acts of the members of the Supervisory Board in the previous financial year.

The Chairman of the Supervisory Board receives a total of three times the above-mentioned compensation; the Deputy Chairman and every chairman of a Supervisory Board committee receive a total of twice the above-mentioned amount; and each committee member receives a total of one-and-a-half times the above-mentioned compensation.

Supervisory Board members are paid an attendance fee of €1,000.00 per day for meetings of the Supervisory Board or its committees. Finally, the Company has taken out D&O insurance for the benefit of Supervisory Board members to cover the statutory liability related to their Supervisory Board duties. If an insurance claim is granted, this insurance includes a deductible equal to 50 percent of a Supervisory Board member's annual fixed compensation.

Fixed annual compensation of €55,000.00 is intended to take into account the independence of the Supervisory Board required to fulfill its supervisory function. In addition, there are a number of duties that Supervisory Board members need to perform irrespective of the Company's financial performance. For this reason, a minimum compensation should be guaranteed even during times that are difficult for the Company, when the work of the Supervisory Board is usually particularly challenging. On the other hand, dividend-based compensation is designed to ensure that the Supervisory Board's compensation interests are, to some extent, aligned with shareholders' return expectations. Finally, since another part of variable compensation is linked to the three-year average of consolidated net income, the Supervisory Board's compensation also contains a component that is related to the Company's long-term performance.

## Compensation of the Members of the Supervisory Board

Assuming that the Annual Shareholders Meeting on May 6, 2009, approves the proposed dividend, the total compensation of the members of the Supervisory Board will amount to €4.5 million (2007: € 4.5 million).

No loans were outstanding or granted to Supervisory Board members in the 2008 financial year. The members of the Supervisory Board are listed on pages 158 and 159.

Compensation of the Supervisory Board 2008					
€	Fixed compensation	Short-term variable compensation	Long-term variable compensation	Supervisory Board compensation from affiliated companies	Total
Ulrich Hartmann	165,000	151,800	97,090	-	413,890
Hubertus Schmoldt	110,000	101,200	64,727	-	275,927
Werner Bartoschek (since April 30, 2008)	61,875	56,925	36,409	57,000	212,209
Dr. Karl-Hermann Baumann (until April 30, 2008)	36,667	33,733	21,576	-	91,976
Sven Bergelin	55,000	50,600	32,363	70,380	208,343
Dr. Rolf-E. Breuer (until April 30, 2008)	18,333	16,867	10,788	-	45,988
Gabriele Gratz	82,500	75,900	48,545	101,000	307,945
Wolf-Rüdiger Hinrichsen	64,167	59,033	37,757	-	160,957
Ulrich Hocker	55,000	50,600	32,363	-	137,963
Eva Kirchhof (until April 30, 2008)	18,333	16,867	10,788	-	45,988
Prof. Dr. Ulrich Lehner	82,500	75,900	48,545	-	206,945
Dr. Klaus Liesen (until April 30, 2008)	18,333	16,867	10,788	-	45,988
Bård Mikkelsen (since April 30, 2008)	41,250	37,950	24,273	-	103,473
Erhard Ott	75,625	69,575	44,500	35,750	225,450
Hans Prüfer	75,625	69,575	44,500	-	189,700
Klaus Dieter Raschke	82,500	75,900	48,545	54,062	261,007
Dr. Walter Reitler (since April 30, 2008)	41,250	37,950	24,273	26,813	130,286
Dr. Henning Schulte-Noelle	82,500	75,900	48,545	-	206,945
Dr. Karen de Segundo (since April 30, 2008)	41,250	37,950	24,273	-	103,473
Dr. Theo Siegert	96,250	88,550	56,636	-	241,436
Prof. Dr. Wilhelm Simson	55,000	50,600	32,363	-	137,963
Gerhard Skupke (until April 30, 2008)	18,333	16,867	10,788	4,452	50,440
Dr. Georg Freiherr von Waldenfels	55,000	50,600	32,363	-	137,963
Werner Wenning (since April 30, 2008)	59,583	54,817	35,060	-	149,460
Hans Wollitzer	75,625	69,575	44,500	56,950	246,650
<b>Subtotal</b>	<b>1,567,499</b>	<b>1,442,101</b>	<b>922,358</b>	<b>406,407</b>	<b>4,338,365</b>
Attendance fees and meeting-related reimbursements					171,500
<b>Total</b>					<b>4,509,865</b>

## Compensation System for Members of the Board of Management

The Code dated June 6, 2008, contains new guidelines that became applicable after its publication on August 8, 2008. In accordance with these guidelines, the Supervisory Board, based on the recommendation of the Supervisory Board's Executive Committee, determines the Board of Management's compensation system including its major contractual components and reviews this system on a regular basis. The Supervisory Board passed a resolution approving the compensation system described below at its meeting on December 15, 2008. In the future, the review will take place on a regular basis. As a rule, this will be every three years unless special circumstances render an earlier review necessary.

### Components of the Compensation System

The compensation of the members of the Board of Management is composed of a fixed annual base salary, an annual bonus, and a long-term variable component.

The base salary is paid on a monthly basis and is reviewed regularly by the Supervisory Board's Executive Committee to determine whether it is in line with market salaries and whether it is fair and reasonable.

The amount of the bonus is determined by the degree to which certain corporate and personal performance targets are achieved under a target-setting system, 70 percent of which is related to corporate performance targets and 30 percent to personal targets. The corporate performance targets reflect, in equal shares, operating performance (as measured by adjusted EBIT) and return on capital employed ("ROCE"). Board of Management members who fully achieve their performance target receive the target bonus agreed to in their contracts. The maximum bonus that can be achieved is 200 percent of the target bonus. Any compensation received for work done in the Company's interest (other directorships at Group companies) is set off against the bonus or transferred to the Company.

The long-term variable compensation component that Board of Management members receive is stock-based compensation under the E.ON Share Performance Plan. The value of the performance rights allocated under the plan is based on the performance of E.ON's stock price, both in absolute terms and relative to the Dow Jones STOXX Utility Index (Return EUR). This compensation is designed to reward Board of Management members for their contributions to increasing the Company's shareholder value and to promote E.ON's long-term business performance. This variable pay component, which combines incentives for long-term growth with a risk component, effectively aligns management's and shareholders' interests.

Note 11 to the Consolidated Financial Statements contains a detailed description of stock-based compensation.

In line with the Code's recommendations, the total compensation paid to Board of Management members therefore includes both fixed and variable components. Criteria applied to determine the amount of compensation include in particular a Board of Management member's duties, his or her personal performance, the performance of the Board of Management as a whole, as well as the Company's financial situation, its business performance, and its future prospects relative to a benchmark environment. The variable compensation components contain an element of risk and consequently are not guaranteed compensation. The stock-based compensation program is based on demanding, relevant benchmark parameters. Under the program's terms, performance targets or benchmark parameters cannot be changed at a later stage.

### Contractual Non-Cash Compensation

Under their contracts, Board of Management members receive non-cash compensation in the form of a chauffeur-driven company car for business and personal use, telecommunications equipment for business and personal use, appropriate insurance coverage, and an annual medical examination.

### Settlement Cap for Premature Termination of Board of Management Duties

In accordance with the Code, a settlement cap has been included in the service agreements for each of the three members reappointed to the Board of Management after August 8, 2008. Under the cap, payments to a Board of Management member for a premature termination of Board of Management duties without significant cause within the meaning of Section 626 of the German Civil Code may not exceed the value of two years' total compensation or the total compensation for the remainder of the member's service agreement, whichever is less.

Settlement caps are not mandatory for Board of Management members reappointed before the new Code took effect. Nevertheless, Dr. Teysen voluntarily had a settlement cap added to his service agreement. Dr. Bernotat's service agreement does not need to be amended to conform with the new Code's recommendations because its remaining term is less than two years.

### Change-in-Control Clauses

The Company had change-in-control agreements with all Board of Management members in the 2008 financial year. In the event of a premature loss of a Board of Management position due to a change-in-control event, Board of Management members are entitled to severance and settlement payments.

The change-in-control agreements stipulate that a change in control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the Company, as a dependent entity, concludes a corporate agreement; the Company is merged with another company. A Board of Management member is entitled to severance and settlement pay if, within 12 months of the change in control, his or her service agreement is terminated by mutual consent, expires, or is terminated by the Board member (in the latter case, however, only if his or her position on the Board is materially affected by the change in control).

In accordance with the Code, the settlement payments for the three Board of Management members reappointed after August 8, 2008, are equal to 150 percent of the settlement cap; that is, the capitalized amount of three years' total annual compensation (annual base salary, annual target bonus, and other compensation). To reflect discounting and setting off of payment for services rendered to other companies or organizations, payments will be reduced by 20 percent. If a Board of Management member is above the age of 53, this 20 percent reduction is diminished according to an age-related schedule.

The Code does not require that Board of Management members reappointed before the new Code took effect be subject to settlement caps in the case of a change-in-control event. Nevertheless, Dr. Teysen voluntarily accepted a 150-percent settlement cap. The cap cannot be exceeded in the case of Dr. Bernotat either because his service agreement, although concluded under the old rules, has a remaining term of less than two years. Under E.ON's previous rules, the settlement payments are equal to the capitalized amount of the Board member's total annual compensation for the remaining term of the service agreement or for at least three years. The previous rules also include the above-described 20-percent reduction to reflect payment for services rendered to other companies or organizations.

## Pension Entitlements

Following the end of their service for the Company, Board of Management members are entitled to receive pension payments in three cases: departure on and after reaching the standard retirement age (60 years); departure due to permanent incapacitation; departure due to their service agreement being terminated prematurely or not extended by the Company (a so-called third pension situation).

In the first two cases (reaching the standard retirement age, permanent incapacitation), pension payments begin when a member departs the Board of Management for one of these reasons; annual pension payments are equal to between 50 percent and 75 percent of the member's last annual base salary.

In the third case, annual pension payments are also equal to 50 percent and 75 percent of the last annual base salary and begin when the member reaches the age of 61. Members who depart the Board of Management in this way receive a reduced pension as a bridge payment from the date of their departure until they reach the age of 61 if they had, at the time of their departure, been in a Top Management position in the E.ON Group for more than five years and if the termination or non-extension of their service agreement is not due to their misconduct or rejection of an offer of extension that is at least on a par with their existing service agreement. The amount of the bridge payment is also initially between 50 percent and 75 percent of the last annual base salary based on the length of service on Board of Management. This amount is then reduced by the ratio between the actual and potential length of service in a Top Management position in the E.ON Group until the standard retirement age. In contrast to this, the service agreements the Company concluded before the 2006 financial year do not include reductions to the bridge payment.

If a recipient of pension payments (or bridge payments) is entitled to pension payments or bridge payments stemming from earlier employment, 100 percent of these payments will be set off against his or her pension or bridge payments from the Company. In addition, 50 percent of income from other employment will be set off against bridge payments.

Pension payments are adjusted on an annual basis to reflect changes in the German consumer price index.

Following the death of an active or former member of the Board of Management, a reduced amount of his or her pension is paid as a survivor's pension to the family. Widows and widowers are entitled to lifelong payment of an allowance equal to 60 percent of the pension a Board of Management member received on the date of his or her death or would have received had he or she entered retirement on this date. This payment is terminated if a widow or widower remarries. The children or dependents of a Board of Management member who have not reached the age of 18 are entitled, for the duration of their education or professional training until they reach a maximum age of 25, to an annual payment equal to 20 percent of the pension the Board of Management member

received or would have received on the date of his or her death. Surviving children benefits granted before 2006 deviate from this model and are equal to 15 percent of a Board of Management member's pension. If, taken together, the survivor's pensions of the widow or widower and children exceed 100 percent of a Board of Management member's pension, the pensions paid to the children are proportionally reduced by the excess amount.

The following table provides an overview of the current pension obligations to Board of Management members. In line with the Code's recommendations, the table also includes the additions to provisions for pensions for each member. These additions to provisions for pensions are not paid compensation but valuations calculated in accordance with IFRS.

Pensions of the Board of Management Members				
	Current pension entitlement at December 31, 2008		Additions to provisions for pensions in 2008	
	As a percentage of annual base salary	(in €)	(in €)	Thereof interest cost (in €)
Dr. Wulf H. Bernotat	70	868,000	1,412,438	538,929
Dr. Johannes Teyssen	70	700,000	516,634	258,111
Dr. Burckhard Bergmann <sup>1</sup>	-	-	116,077	116,077
Christoph Dänzer-Vanotti <sup>2</sup>	50	375,000	757,918	89,983
Lutz Feldmann	60	450,000	414,532	216,071
Dr. Marcus Schenck <sup>2</sup>	50	375,000	302,963	17,107

<sup>1</sup>Entered retirement on March 1, 2008.  
<sup>2</sup>Pension entitlement not yet vested.

## Compensation of the Members of the Board of Management

The Supervisory Board's Executive Committee, which is responsible for adjusting the fixed and variable compensation components, made no general adjustments to the amount of compensation, although it did make an individual adjustment

to the salary of Dr. Teyssen on his appointment as Vice Chairman of the Board of Management effective March 1, 2008. In the case of Mr. Dänzer-Vanotti, Mr. Feldmann, and Dr. Schenck, the compensation level of 80 percent of the compensation of a regular Board of Management member ended effective January 1, 2008.

The total compensation of the members of the Board of Management in the 2008 financial year amounted to €18.9 million (2007: €20.4 million). Individual members of the Board of Management were paid the following total compensation:

Compensation of the Board of Management 2008						
€	Fixed annual compensation	Annual bonus	Other compensation	Fair value of 3rd tranche of performance rights	Total	Number of 3rd tranche performance rights granted
Dr. Wulf H. Bernotat	1,240,000	2,570,000	33,685	1,215,613	5,059,298	9,908
Dr. Johannes Teyssen	958,333	1,990,000	255,701	926,678	4,130,712	7,553
Dr. Burckhard Bergmann (until February 29, 2008)	125,000	295,000	4,686	120,114	544,800	979
Christoph Dänzer-Vanotti	750,000	1,570,000	9,804	720,436	3,050,240	5,872
Lutz Feldmann	750,000	1,570,000	41,280	720,436	3,081,716	5,872
Dr. Marcus Schenck	750,000	1,570,000	37,719	720,436	3,078,155	5,872
<b>Total</b>	<b>4,573,333</b>	<b>9,565,000</b>	<b>382,875</b>	<b>4,423,713</b>	<b>18,944,921</b>	<b>36,056</b>

The remaining other compensation of the members of the Board of Management consists primarily of benefits in kind from the personal use of company cars and, in the case of one member, temporary reimbursement for rental payments on a secondary residence and for the fees of a real-estate broker.

The performance rights granted in 2008 as the third tranche of the E.ON Share Performance Plan were quoted at their fair value of €122.69 per right on the date of their issuance and were included in Board of Management members' total compensation. This fair value is determined by means of a recognized option-pricing model (a Monte Carlo simulation based on a two-dimensional Black-Scholes model).

For purposes of internal communications between the Board of Management and the Supervisory Board, the target value is used instead of the fair value. The target value is equal to the cash payout amount of each performance right if at the end of the maturity period E.ON stock maintains its price and its performance equals the performance of the benchmark index. In 2008, the target value of the rights issued was €1.35 million for the Chairman of Board of Management, €1.03 million for the Vice Chairman of Board of Management, and €0.8 million for regular Board of Management members.

The German Commercial Code (Section 314, Paragraph 1, Item 6a, Sentence 9) requires supplemental disclosure, by year, of the Company's expenses for all tranches granted in 2008 and in previous years and for tranches existing in 2008. The following income in accordance with IFRS 2, Share-Based

Payment, was recorded for the 2008 financial year: Dr. Bernotat €1.3 million, Dr. Bergmann €0.1 million. For the same period, expenses were recorded for Dr. Teyssen €0.1 million, Mr. Dänzer-Vanotti €0.1 million, Mr. Feldmann €0.2 million, and Dr. Schenck €0.2 million.

Additional detailed information about E.ON AG's stock-based compensation program can be found in Note 11 of the Consolidated Financial Statements.

No loans were outstanding or granted to members of the Board of Management in 2008 financial year.

Page 163 contains additional information about the members of the Board of Management.

### Payments Made to Former Members of the Board of Management

Total payments made to former Board of Management members and to their beneficiaries amounted to €7.6 million in 2008 (2007: €6.6 million).

Provisions of €110.4 million (2007: €97.4 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.