

Corporate Governance Report

Joint Report on Corporate Governance by the E.ON AG Board of Management and Supervisory Board

E.ON views corporate governance as a central component of its responsible and value-oriented management approach. In 2007, 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 issued on June 14, 2007. On December 17, 2007, the Board of Management and the Supervisory Board jointly issued E.ON's Declaration of Compliance ("the 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. 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, 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 2007. 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 2007.

The Supervisory Board oversees the Company's management and advises the Board of Management. It deals with the Company's business development, medium-term plan, and the further development of corporate strategy. It discusses the Company's quarterly Interim Reports and, taking into consideration the Independent Auditor's Report and the Audit Committee's preliminary report, approves the Financial Statements of E.ON AG and the Consolidated Financial Statements. It also appoints and removes the members of the Board of Management. Together with the Board of Management, it ensures that the Company has a long-term succession plan in place. Transactions or measures taken by the Board of Management that materially affect the Company's assets, finances, or earnings require the Supervisory Board's prior approval. The policies and procedures of E.ON AG's Supervisory Board include a list of transactions and measures that require prior Supervisory Board approval. The list is not exhaustive.

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 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 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 employment contracts 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 Committee consists of four members who have special knowledge in the field of accounting and/or business administration. Pursuant to the Code's mandates, the Chairperson has extensive knowledge and experience in applying accounting principles and/or in international business control processes.

The Audit Committee deals primarily with issues relating to the Company's accounting, compliance, and risk management; the legally mandated independence of the Company's Independent Auditor; the establishment of auditing priorities; and

agreements on the Independent Auditor's fees. The Audit 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 four 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 financial measures whose value exceeds 1 percent of the equity listed in the 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 (through the end of March 2008: six) 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 financial 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 condition, 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 2007. 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 2007.

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, regularly informs shareholders about important Company dates.

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

Accounting and Annual Financial Statements

Effective the 2007 financial year, the E.ON Group'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 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 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 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; and
- inform the Chairperson of the Audit Committee of, or to note in its Audit Report, any facts determined 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 page 62 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.

In August 2007, the E.ON AG Board of Management decided to submit applications to delist E.ON American Depository Receipts from the New York Stock Exchange ("NYSE") and to deregister and end its reporting obligations with the U.S. Securities and Exchange Commission ("SEC"). Since neither the NYSE nor the SEC raised objections during the review period, the delisting and deregistration took effect. As of the 2007 financial year, E.ON is therefore no longer required to fulfill, among other requirements, the requirements contained in Section 404 of the Sarbanes-Oxley Act regarding internal controls over financial reporting.

Nevertheless, in 2007 E.ON's management and Internal Audit carried out an assessment of our documented internal controls over financial reporting. E.ON determined that, as of December 31, 2007, there are no significant deficiencies or material weaknesses in the E.ON Group's internal controls over financial reporting. Our Independent Auditor confirmed this finding after conducting a risk-oriented assessment of our internal controls over financial reporting.

Transparency

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 to 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), an Annual Report, an annual press conference, telephone conferences, and 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.

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 2007 have been disclosed at www.eon.com. As of December 31, 2007, 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 into 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.

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 Committee.

Compensation Report

The compensation report 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 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.

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 €115.00 for each €0.01 of dividend paid out to shareholders in excess of €0.10 per no-par share for the previous financial year.

Long-term variable compensation: furthermore, Supervisory Board members receive variable compensation of €70.00 for each €0.01 of the three-year average of the E.ON Group's consolidated net income per share in excess of €2.30.

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 service. 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 liability 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 the 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 April 30, 2008, approves the proposed dividend, the total compensation of the members of the Supervisory Board will amount to €4.5 million (2006: €4.1 million).

No loans were outstanding or granted to Supervisory Board members in the 2007 financial year. The members of the Supervisory Board are listed on page 19.

Compensation of the Supervisory Board 2007

€	Fixed compensation	Short-term variable compensation	Long-term variable compensation	Supervisory Board compensation from affiliated companies	Total
Ulrich Hartmann	165,000	138,000	161,490	-	464,490
Hubertus Schmoldt	110,000	92,000	107,660	-	309,660
Dr. Karl-Hermann Baumann	110,000	92,000	107,660	-	309,660
Sven Bergelin (since August 1, 2007)	22,917	19,167	22,429	-	64,513
Dr. Rolf-E. Breuer	55,000	46,000	53,830	-	154,830
Dr. Gerhard Cromme (until June 30, 2007)	41,250	34,500	40,373	-	116,123
Gabriele Gratz	77,917	65,167	76,259	101,000	320,343
Wolf-Rüdiger Hinrichsen	82,500	69,000	80,745	-	232,245
Ulrich Hocker	55,000	46,000	53,830	-	154,830
Eva Kirchhof	55,000	46,000	53,830	-	154,830
Seppel Kraus (until July 31, 2007)	32,083	26,833	31,401	-	90,317
Prof. Dr. Ulrich Lehner	68,750	57,500	67,287	-	193,537
Dr. Klaus Liesen	55,000	46,000	53,830	-	154,830
Erhard Ott	55,000	46,000	53,830	-	154,830
Hans Prüfer	55,000	46,000	53,830	17,750	172,580
Klaus Dieter Raschke	82,500	69,000	80,745	61,980	294,225
Dr. Henning Schulte-Noelle	82,500	69,000	80,745	-	232,245
Dr. Theo Siegert (since July 4, 2007)	27,500	23,000	26,915	-	77,415
Prof. Dr. Wilhelm Simson	55,000	46,000	53,830	-	154,830
Gerhard Skupke	55,000	46,000	53,830	11,450	166,280
Dr. Georg Freiherr von Waldenfels	55,000	46,000	53,830	-	154,830
Hans Wollitzer (since January 4, 2007)	55,000	46,000	53,830	56,750	211,580
Subtotal	1,452,917	1,215,167	1,422,009	248,930	4,339,023
Attendance fees and meeting-related reimbursements					189,151
Total					4,528,174

Compensation System for Members of the Board of Management

The compensation of the members of the Board of Management is currently 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 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. This compensation is designed to reward Board of Management members (and other key executives) 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.

Introduced in the 2006 financial year, the E.ON Share Performance Plan is a uniform groupwide stock-based compensation system. The amount of compensation from the E.ON Share Performance Plan depends on the performance of E.ON's stock price, both in absolute terms and relative to an industry index.

Through the end of 2005, E.ON awarded annual stock appreciation rights ("SAR") as part of its stock option program. SAR already granted may still be exercised in accordance with the program's terms and conditions.

Both programs are described in Note 11 to the Consolidated Financial Statements.

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.

The Supervisory Board discussed the compensation system for the Board of Management at its meeting on December 17, 2007. The Supervisory Board's Executive Committee, which is responsible for decisions on compensation, most recently reviewed the Board of Management's compensation at its meeting on December 17, 2007.

In the event of a premature loss of a Board of Management position due to a change-in-control event, the service agreements of Board of Management members entitle them to severance and settlement payments.

The Company had change-of-control agreements with all Board of Management members in the 2007 financial year. The standard change-of-control agreements with the Chairman of the Board of Management and with the members who joined the Board of Management in 2006 stipulate that a change of control exists in three cases: if 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; if the Company, as a dependent entity, concludes a corporate agreement; or if the Company is merged with another company. If, within 12 months of the change of control, the service agreement of a Board of Management member is terminated by mutual consent, expires, or is terminated by the Board of Management member because his or her position on the Board is materially altered by the change of control, he or she is entitled to severance pay equal to the capitalized amount of his or her total annual compensation (annual base salary, annual target bonus, and other compensation) for the remaining term of the service agreement or for at least three years. To reflect discounting and setting off 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 change-of-control agreements with the other members of the Board of Management reflect the hitherto standard terms for such agreements. Under these agreements, a change in control exists if a single shareholder acquires 25 percent or more of the Company's voting rights; if a third party acquires a share of the Company's voting rights that has led or would lead to this party having a share of the voting rights of at least half of the Company's share capital with voting rights at an Annual Shareholders Meeting; if the Company, as a dependent entity, concludes a corporate agreement, becomes part of another company through subordination, takes on a different legal form, or is merged with another company. In the case of such a change-of-control event, a Board of Management member is entitled to severance and settlement payments. A Board of Management member will receive severance pay equal to the capitalized amount of his or her total annual compensation (annual base salary, annual target bonus, and other compensation) for the remaining term of the service agreement. If the remaining term of the service agreement exceeds three years, severance pay for the period beyond three years will be reduced by 25 percent to reflect discounting and setting off payment for services rendered to other companies or organizations. In addition, he or she will receive a settlement payment equal to at least three times his or her total annual compensation or, if he or she has been a Board of Management member for more than ten years, four times such compensation. Together, severance and settlement payments may not exceed five times a Board of Management member's total annual compensation.

Following the end of their service for the Company, Board of Management members are entitled to receive pension payments in three cases: if they reach the standard retirement age (currently 60 years), if they are permanently incapacitated, or if their service agreement is terminated prematurely or not extended. Depending on the length of their service, Board of Management members are entitled to annual pension payments equal to between 50 percent and 75 percent of their last annual base salary. The annual pension of one member of the Board of Management is a fixed amount. If Board of Management members are entitled to pension payments stemming from earlier employment, these payments will be set off against their pension payments from the Company. If their service agreement is terminated prematurely or not extended, and if such termination or non-extension is not due to misconduct or rejection of an offer of extension that is at least on a par with the existing service agreement, Board of Management members who have been in a Top

Management position in the E.ON Group for more than five years will receive a reduced pension as a bridge payment until they reach the age of 60. The amount of the bridge payment will be calculated based on the relation between the actual and potential length of service to the Company until the age of 60 is reached. The pension plans the Company granted to Board of Management members before the 2006 financial year do not include limitations on pension entitlements relating to premature termination or non-extension of service agreements.

The following table shows the current pension entitlement of Board of Management members. In line with the Code's recommendations, the table also includes the additions to provisions for pensions. 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, 2007		Additions to provisions for pensions in 2007	
	As a percentage of annual base salary	(in €)	(in €)	Thereof interest cost (in €)
Dr. Wulf H. Bernotat	70	868,000	1,493,957	473,859
Dr. Burckhard Bergmann	-	743,608	919,757	562,382
Christoph Dänzer-Vanotti ¹	50	300,000	828,280	52,468
Lutz Feldmann	50	300,000	208,538	95,843
Dr. Hans Michael Gaul ²	-	-	109,686	109,686
Dr. Marcus Schenck ¹	50	300,000	366,974	2,144
Dr. Johannes Teyssen	70	525,000	590,867	259,331

¹Pension entitlement not yet vested.
²Entered retirement on April 1, 2007.

Pension payments are adjusted on an annual basis to reflect changes in the German consumer price index. In the case of pensions granted before 2003, the Executive Committee of the Supervisory Board may, under certain circumstances, make additional adjustments that it deems appropriate. The annual pension of one member of the Board of Management is a fixed amount that is also adjusted on an annual basis to reflect changes in the consumer price index plus an additional 0.7 percent per year.

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 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 survivor's pension for the widow of one Board of Management mem-

ber deviates from this model and is equal to 75 percent of the member's pension. 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.

Compensation of the Members of the Board of Management

Dr. Hans Michael Gaul retired from the Board of Management on March 31, 2007.

The total compensation of the members of the Board of Management in the 2007 financial year amounted to €20.4 million (2006: €21.7 million). Individual members of the Board of Management were paid the following total compensation:

Compensation of the Board of Management 2007						
€	Fixed annual compensation	Annual bonus	Other compensation	Fair value of 2nd tranche of performance rights	Total	Number of 2nd tranche performance rights granted
Dr. Wulf H. Bernotat	1,240,000	2,880,000	47,241	1,164,278	5,331,519	13,987
Dr. Burckhard Bergmann	750,000	1,760,000	28,939	689,893	3,228,832	8,288
Christoph Dänzer-Vanotti	600,000	1,410,000	18,103	551,964	2,580,067	6,631
Lutz Feldmann	600,000	1,410,000	39,918	551,964	2,601,882	6,631
Dr. Hans Michael Gaul (until March 31, 2007)	187,500	440,000	6,606	172,473	806,579	2,072
Dr. Marcus Schenck	600,000	1,410,000	33,343	551,964	2,595,307	6,631
Dr. Johannes Teysen	750,000	1,760,000	86,315	689,893	3,286,208	8,288
Total	4,727,500	11,070,000	260,465	4,372,429	20,430,394	52,528

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.

The performance rights granted in 2007 as the second tranche of the E.ON Share Performance Plan were quoted at their fair value of €83.24 per right on the date of their issuance and were included in the total compensation of the members of the Board of Management. This fair value is determined by means of a recognized option pricing model. The model, called a Monte Carlo simulation, simulates a large number of different scenarios for E.ON AG stock and its benchmark index, the Dow Jones STOXX Utilities Index (Return EUR). According to the terms and conditions of the E.ON Share Performance Plan, the intrinsic value of the performance rights is determined for each scenario based on E.ON stock's outperformance or underperformance of its benchmark index and the stock's corresponding payout value. The fair value is equal to the discounted average of these intrinsic values.

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 the performance equals the performance of the benchmark index. The target value for the second tranche is €96.52 per right and equals the average E.ON stock price during the 60 trading days prior to the issuance of the rights on January 1, 2007. The Executive Committee of the Supervisory Board used the target value to determine the number of rights to be issued. These correspond to a target value of €1.35 million for the Chairman of the Board of Management, €0.8 million for Board

of Management members, and 80 percent of €0.8 million for the members who joined the Board of Management in 2006.

The German Commercial Code (Section 314, Paragraph 1, Item 6a, Sentence 9) requires supplemental disclosure of the Company's expenses for the performance rights granted in 2007 and all tranches existing in the 2007 financial year that were granted in prior years. The following expenses in accordance with IFRS 2 were recorded for the 2007 financial year: Dr. Bernotat (€5.6 million), Dr. Bergmann (€2.6 million), Mr. Dänzer-Vanotti (€0.8 million), Mr. Feldmann (€0.4 million), Dr. Schenck (€0.4 million), and Dr. Teysen (€1.6 million). Income of about €0.1 million was recorded relating to Dr. Gaul for January 1 - March 31, 2007, due to a decline in the value of SAR and performance rights during this period.

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

No loans were outstanding or granted to members of the Board of Management in the 2007 financial year.

Pages 14, 15, and 213 contain 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 €6.6 million in 2007 (2006: €11.7 million). Provisions of €97.4 million (2006: €99.9 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.