E.ON SE Financial Statements pursuant to German GAAP and Combined Group Management Report for the 2016 Financial Year

E.ON SE’s Financial Statements and Combined Group Management Report for the 2016 fiscal year will be published in the German Federal Gazette (“Bundesanzeiger”).
E.ON SE’s management report is combined with that of the Group.

Contents

4 Combined Group Management Report
4 Corporate Profile
4 Business Model
5 Management System
6 Innovation
8 Business Report
8 Macroeconomic and Industry Environment
10 Earnings Situation
21 Financial Situation
25 Asset Situation
26 E.ON SE's Earnings, Financial, and Asset Situation
28 Other Financial and Non-financial Performance Indicators
28 – ROCE and Value Added
30 – Corporate Sustainability
32 – Employees
40 Forecast Report
44 Risk and Chances Report
52 Internal Control System for the Accounting Process
54 Disclosures Regarding Takeovers
57 Corporate Governance Report
57 Corporate Governance Declaration
64 Compensation Report
82 Financial Statements of E.ON SE
82 Balance Sheet
83 Income Statement
84 Notes
106 Disclosures on Companies in Which Share Investments Are Held
115 Declaration of the Board of Management
116 Auditors' Report

Page references in the Combined Group Management Report refer to the 2016 E.ON Annual Report.

Combined Group Management Report

Corporate Profile

Business Model

E.ON is an investor-owned energy company. Led by Group Management in Essen, our operations are segmented into three operating units: Energy Networks, Customer Solutions, and Renewables. Our non-strategic operations are reported under Non-Core Business.

Group Management

The main task of Group Management is to lead the entire E.ON Group by overseeing and coordinating its operating businesses. This includes charting E.ON's strategic course, defining its financial policy and initiatives, managing business issues that transcend individual markets, managing risk, continually optimizing E.ON's business portfolio, and conducting stakeholder management.

Energy Networks

This segment consists of our power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East-Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Slovakia, and Turkey). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out any necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer grid connections.

Customer Solutions

This segment serves as the platform for working with our customers to actively shape Europe's energy transition. This includes supplying customers in Europe (excluding Turkey) with power, gas, and heat as well as with products and services that enhance their energy efficiency and autonomy and provide other benefits. Our activities are tailored to the individual needs of customers across all segments: residential, small and medium-sized enterprises, large commercial and industrial, and public entities. E.ON's main presence in this business is in Germany, the United Kingdom, Sweden, Italy, the Czech Republic, Hungary, and Romania. E.ON Connecting Energies, which provides customers with turn-key distributed energy solutions, is also part of this segment.

Renewables

This segment consists of Onshore Wind/Solar and Offshore Wind/Other. We plan, build, operate, and manage renewable generation assets. We market their output in several ways: in conjunction with renewable incentive programs, under long-term electricity supply agreements with key customers, and directly to the wholesale market.

Non-Core Business

This segment consists of our non-strategic operations, in particular the operation of our nuclear power stations in Germany (which is managed by our PreussenElektra unit) and, effective January 1, 2016, our stake in the Uniper Group which we account for using the equity method. Uniper's earnings are reported under non-operating earnings.

New Features in Our Reporting

In view of our new strategy and the Annual Shareholders Meeting's vote to spin off Uniper, we applied IFRS 5 and report the Uniper Group as a discontinued operation. We therefore adjusted our 2016 and 2015 numbers, with the exception of our total assets and liabilities in 2015, to exclude Uniper and no longer provide commentary on its business performance. After the Control Termination Agreement took effect, Uniper was deconsolidated effective December 31, 2016, and is recorded in our Consolidated Financial Statements as an associated company in accordance with our stake and accounted for using the equity method.

Management System

Our corporate strategy aims to deliver sustainable growth in shareholder value. We have put in place a Group-wide planning and controlling system to assist us in planning and managing E.ON as a whole and our individual businesses with an eye to increasing their value. This system ensures that our financial resources are allocated efficiently. We strive to enhance our sustainability performance efficiently and effectively as well. We have high expectations for our sustainability performance. We embed these expectations progressively more deeply into our organization—across all of our businesses, entities, and processes and along the entire value chain—by means of binding company policies and minimum standards.

Our main key figures for managing our operating business are adjusted EBIT and cash-effective investments. Other key figures for managing the E.ON Group—alongside adjusted net income, and earnings per share (based on adjusted net income)—are cash-conversion rate and ROCE.

In April 2016 the E.ON Management Board decided that adjusted earnings before interest and taxes ("adjusted EBIT") will supersede adjusted EBITDA as E.ON's most important key figure for indicating its businesses' long-term earnings power. The E.ON Management Board is convinced that adjusted EBIT is the most suitable key figure for assessing operating performance because it presents a business's operating earnings independently of non-operating factors, interest, and taxes. The adjustments include net book gains, cost-management and restructuring expenses, impairment charges, and other operating earnings, which include, among other items, the marking to market of derivatives (see the explanatory information on pages 37 and 38 of the Combined Group Management Report and in Note 33 of the Consolidated Financial Statements).

Cash-effective investments are equal to the investment expenditures shown in our Consolidated Statements of Cash Flows.

Cash-conversion rate is equal to our operating cash flow before interest and taxes divided by adjusted EBITDA. It indicates whether our operating earnings are generating enough liquidity.

Return on capital employed ("ROCE") assesses the value performance of our operating business. ROCE is a pretax total return on capital and is defined as the ratio of our EBIT to annual average capital employed.

Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating effects. Also excluded are non-operating interest expense/income, taxes on operating earnings, and non-controlling interests' share of operating earnings.

E.ON manages its capital structure by means of its debt factor (see the section entitled Finance Strategy on page 39). Debt factor is equal to our economic net debt divided by our adjusted EBITDA and is therefore a dynamic debt metric. Economic net debt includes our net financial debt as well as our pension and asset-retirement obligations.

Alongside our most important financial management key figures, this Combined Group Management Report includes other financial and non-financial key performance indicators ("KPIs") to highlight aspects of our business performance and our sustainability performance vis-à-vis all our stakeholders: our employees, customers, shareholders, bond investors, and the countries in which we operate. Operating cash flow, and value added are examples of our other financial KPIs. Among the KPIs of our sustainability performance are our carbon emissions and TRIF (which measures reported work-related injuries and illnesses). The sections entitled Corporate Sustainability and Employees contain explanatory information about these KPIs. However, these KPIs are not the focus of the ongoing management of our businesses.

Innovation

In 2016 we regrouped our innovation activities to reflect the spinoff of Uniper from E.ON. Projects relating to conventional energy were transferred to Uniper, those relating to nuclear energy to PreussenElektra. E.ON now has the following Innovation Hubs:

- Retail and end-customer solutions: develop new business models for distributed-energy supply, energy efficiency, and mobility
- Renewables generation: increase the cost-effectiveness of existing wind and solar assets and study new renewables technologies
- Infrastructure and energy networks: develop energy-storage and energy-distribution solutions for an increasingly decentralized and volatile generation system
- Energy intelligence and energy systems: study potentially fundamental changes to energy systems and the role of data in the new energy world

Strategic Co-Investments

We support our effort to develop customer-centric and innovative technologies and business models by identifying promising energy technologies of the future that will enhance our palette of offerings for our millions of customers around Europe and will make us a pacesetter in the operation of smart energy systems. We select new businesses that offer the best opportunities for partnerships, commercialization, and equity investments. Our investments focus on strategic technologies and business models that enhance our ability to lead the move to distributed, sustainable, and innovative energy offerings. These arrangements benefit new technology companies and E.ON, since we gain access to their innovations and have a share in the value growth.

In 2016 our investments included Kite Power Solutions, a British company that is developing a solution to harness the energy of the wind using kites (which soar at altitudes of up to 450 meters) instead of ground-based rotors. We reinvested in two companies that have shown a positive development since the beginning our partnership with them in 2014: Berlin-based Thermondo (which is a pacesetter in the digitalization of home heating installation) and California-based AutoGrid (which brings intelligent data management to the distributed energy world).

Sample Projects from 2016

Customer Solutions

In the United Kingdom we worked with Enervee, a U.S.-based company that is one of our strategic co-investments, to develop an online platform for the British market called E.ON Marketplace. Consumers can use the E.ON Marketplace to compare the energy efficiency of household goods and consumer electronics.

In Germany we developed Impuls KW, a new mobile application for tablets and smart phones that enables customers to monitor the performance of their distributed generating units with one-click simplicity. It features an easy-to-read display of technical and economic data, including energy consumption, fuel costs, peak demand, economic efficiency, and various types of emissions.

In Hungary we developed an energy container that can provide round-the-clock, fossil-free electricity to customers whose homes are remote from the grid, thereby eliminating the need for costly grid extensions. Electricity from the container's roof-top solar panels can either be consumed immediately or stored in batteries. If the batteries are fully charged, the surplus electricity powers electrolysis equipment that produces hydrogen which is stored in gas cylinders outside the container. At night or on cloudy days, customers draw their electricity from the batteries or a hydrogen-powered fuel cell. The container, which is equipped with remote surveillance and monitoring, can generate enough electricity to meet the average residential demand (4,000 kWh per year), can store up to 15 days of backup electricity, and is nearly 100 percent reliable.

Renewables
We developed and rolled out an end-to-end mobile asset management system that can be used online and offline. The new digital tool for wind asset maintenance overcomes the practical limitations of the existing desktop system and also reduces the number of paper-based processes.

Distribution Networks
As part of our effort to meet the challenges of a low-carbon, sustainable energy system, we selected Simris, a small community in southeast Sweden, to test a small offgrid energy system. One business and 160 households will take part in the trial and use energy from local renewable sources. Simris already has a wind farm and solar panels. A battery will now be installed to store surplus wind and solar power, providing a source of reserve power. This will enable the participants in the trial to disconnect themselves from the grid for certain periods of time. The trial is expected to start in the first half of 2017 and last three years.

University Support
Our innovation activities include partnering with universities and research institutes to conduct research projects in a variety of areas. Our flagship partnership is with the E.ON Energy Research Center ("ERC") at RWTH Aachen University in Germany. In 2016 we decided to continue this successful partnership and therefore extended our agreement with the university for another five years. The main purpose of the partnership is to study ways to expand the horizons of energy conservation and sustainable energy and to draw on this research to develop new offerings and solutions for customers. The ERC's research focuses on renewables, technologically advanced electricity networks, and efficient technology for buildings.

Macroeconomic and Industry Environment

Macroeconomic Environment

Global economic growth was again weak—3.1 percent, according to an OECD estimate—in 2016. The OECD noted a reduction in private and public investment activity worldwide.

The U.S. economy was on a stable growth path in 2016, particularly in the second half of the year. Growth was supported by private consumption and private investment, which were bolstered by a labor market almost at full employment. China's economic growth rate declined further in 2016, which the OECD ascribes to the fact that the country's growth drivers have shifted from investment to consumption and services.

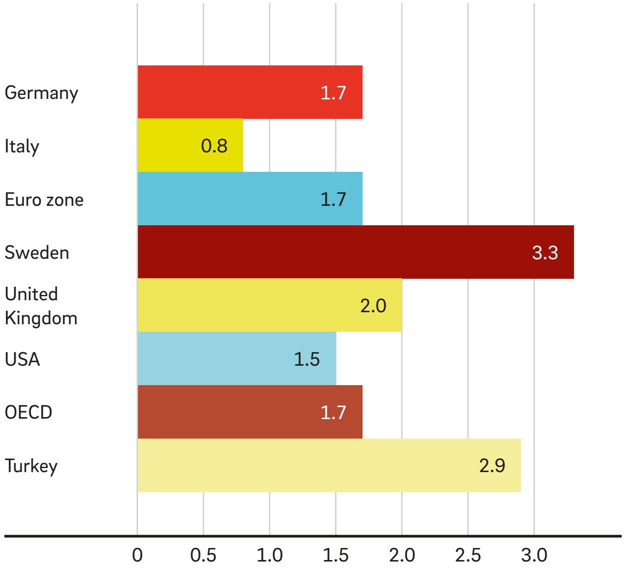
The euro zone continued its monetary and fiscal policies of recent years. Nevertheless, there was only a moderate improvement in domestic demand, which was driven by private consumption. Thanks to this robust domestic demand, Germany's gross domestic product ("GDP") growth was barely dampened by the weak global economic environment. Demand was supported by a solid labor market and favorable monetary policies.

Italy's growth remained tepid. Economic expansion in Germany's neighbors to the East was weaker than in the prior year. For example, the Czech Republic's GDP grew by 2.4 percent, Hungary's by 1.7 percent.

Turkey's GDP growth rate slowed.

2016 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2016

Energy Policy and Regulatory Environment

International

The Paris Agreement on climate protection took effect on November 4, 2016. It was ratified by 55 UN member states that together account for at least 55 percent of global carbon emissions. The 22nd United Nations climate change conference took place in Marrakesh, Morocco, from November 7 to 18, 2016. It focused on the practical implementation of the Paris Agreement. Based on scenarios developed by the World Energy Council and the International Energy Agency, the Paris Agreement's objective of limiting the increase in global temperatures to under 2 degrees Celsius can only be reached with greater efforts.

Europe

The energy policy of the European Union ("EU") began to turn more of its attention to end-customers. The European Commission's package of measures called Clean Energy for All Europeans aims to improve energy services for residential customers enabling them to save money and conserve energy, in particular through the use of smart technologies.

The EU also intends to remain a pacesetter in renewables and has set a binding target for renewables to account for at least 27 percent of its energy mix by 2030. In the commission's view, the package of measures makes the necessary adjustments to the electricity market design so that in the future large amounts of wind and solar energy can be fed into the system efficiently.

The EU continues to emphasize the key role distribution system operators ("DSOs") play in implementing the energy transition and therefore sees them as important partners in redesigning the energy system.

In its long-term strategy, the EU strengthened its commitment to energy efficiency by setting a binding target that the EU must improve its energy efficiency by 30 percent by 2030 relative to a 2007 baseline. It emphasized the significance of renewables for the EU's future energy mix, including more use of renewable electricity for heat and transport.

Central Eastern Europe
The Czech Republic established its regulations for power and gas prices for 2016–2018. The country's regulatory agency aims to promote cost efficiency and also to spur investment in networks by providing operators with adequate and stable returns. As planned, Romania implemented a number of measures to further liberalize its energy market. In 2016 there was again a general trend in this region toward government-mandated price reductions. Hungary began the process of revising its ordinances and directives for tariffs, pricing, and network connections. The revisions under discussion include new methodologies for gas and power distribution systems, the regulation of the electricity prices paid by industrial customers, and electricity storage devices.

Germany
In 2016 Germany made a number of important energy-policy decisions roughly one year before the elections to the federal parliament, which will take place in the autumn of 2017. In the summer of 2016 it enacted far-reaching amendments to the Renewable Energy Act, the Electricity Market Act, and the Act on the Digitalization of the Energy Transition. Support for renewables will now take the form of competitive tenders, including for offshore wind farms. The Electricity Market Act does not introduce a capacity market, which had been a topic of much debate. Instead, it seeks to ensure supply security by bolstering the current market design, by placing greater responsibilities on market participants, and by introducing a variety of reserve mechanisms (network and capacity reserves along with an on-call reserve of lignite-fired generating units). The Smart Meters Operation Act, which is part of the Act for the Digitalization of the Energy Transition, sets the timeline and price caps for the rollout of smart meters and advanced metering technology to various customer groups.

Besides these laws enacted in the summer of 2016, other important energy-policy decisions were made in the autumn and winter of 2016, some of which have significant implications for DSOs. The amended Incentive Regulation Ordinance took effect in September 2016. In October the German Federal Network Agency set the rate of return for power and gas networks for the third regulatory period. The rate of return for new assets is only 6.91 percent. Lawmakers also amended the German Energy Industry Act, which governs how concessions are awarded. Under one of the amendments, communities may, along with the existing energy-related criteria, consider "local community affairs" as a criterion for awarding concessions.

To comply with European law, in the autumn of 2016 Germany amended its Combined-Heat-and Power ("CHP") Act and again amended the Renewable Energy Act. As with renewables, competitive tenders will be introduced for CHP units between 1 and 50 MW. The reduced 20 percent surcharge for renewable power now must also be paid on an operator's own consumption from upgraded existing assets, which were previously exempted from the surcharge. Finally, an experimentation clause was added to the German Energy Industry Act to make it possible to conduct trials of research projects in sector-coupling that are part of the Smart Energy Showcases: Digital Agenda for the Energy Transition.

Italy
The Italian Regulatory Authority for Electricity, Gas, and Water wants to spur competition in the end-customer market and intends to supplant regulated tariffs.

Sweden
Sweden's Energy Policy Commission developed a long-term strategy for the country's energy supply through 2050. It presented its findings at the start of 2017. Renewables and energy efficiency will play important roles in this strategy. In addition, the Swedish government has an interest in enhancing consumers' rights in the energy marketplace. This includes energy services such as flexible demand, energy efficiency, and self-generation of energy.

Turkey
Turkey amended its electricity market legislation in 2016. These changes included the designation of zones in which renewables will receive preferential dispatch.

United Kingdom
The government announced in 2013 that the Competition and Markets Authority ("CMA") would conduct an annual investigation of the state of competition in Britain. The CMA presented its first report at the end of 2016. Its primary focus in the energy sector was on retail electricity and gas markets for end-customers. The CMA's proposed remedies are aimed primarily at enhancing customer activity and engagement (for example, by increasing transparency) and at increasing competition. The government is crafting legislation to implement the remedies.

USA
The United States provides support for renewables primarily through tax credits, such as production tax credits for wind and investment tax credits for solar.

Earnings Situation

Business Performance in 2016

In the 2016 financial year our operating business performed in line with our expectations. Our sales declined by 11 percent year on year to €38.2 billion. Adjusted EBIT in our core business declined by about €0.1 billion to €2.5 billion. The principal positive effect in our operating business was higher earnings at Renewables due to the fact that Amrumbank West and Humber Gateway wind farms were for the first time fully operational for the entire year. These effects were more than offset by lower earnings at Energy Networks resulting from the non-recurrence of positive one-off items recorded in the prior-year.

Adjusted EBIT for the E.ON Group declined by €451 million to €3.1 billion (if disposals are factored out, adjusted EBIT was €85 million below the prior-year figure). Adjusted net income declined by €172 million to €904 million. Our adjusted EBIT and adjusted net income were therefore at the upper end of our forecast range of €2.7 to €3.1 billion and €0.6 to €1 billion, respectively. In addition, we recorded a cash-conversion rate of 80 percent, which is equal to operating cash flow before interest and taxes (€3,974 million) divided by adjusted EBITDA (€4,939 million). Our ROCE was 10.4 percent.

Our investments of €3.2 billion were slightly below the prior-year figure but in line with the €3.4 billion foreseen for 2016 in our medium-term plan.

Our operating cash flow of €3 billion was significantly below the prior-year figure of €4.2 billion, primarily because of higher net tax payments and the disposal of the E&P business.

Acquisitions, Disposals, and Discontinued Operations in 2016

We executed the following significant transactions in 2016. Note 4 to the Consolidated Financial Statements contains detailed information about them.

Disposal Groups, Assets Held for Sale, and Discontinued Operations

To implement our new strategy, through year-end 2016 we classified as disposal groups, assets held for sale, or discontinued operations:

- Uniper Group, which was spun off
- our E&P business in the North Sea
- our stake in Enovos International
- our stake in Latvijas Gāze
- the network connection for Humber Gateway wind farm.

Disposals resulted in cash-effective items totaling €836 million in 2016 (prior year: €4,305 million).

Sales

Our sales of €38.2 billion were about €4.5 billion below the prior-year level. Sales declined by €3.2 billion at Customer Solutions, by €1.6 billion at Corporate Functions/Other, and by €0.8 billion at Non-Core Business. The transfer of Uniper's wholesale customers in Germany at the end of 2015 and lower sales prices, the decommissioning of Grafenrheinfeld nuclear power station, and the expiration of supply contracts at PreussenElektra were the main reasons for the decline. In addition, the prior-year figure includes E&P operations in the North Sea and generation operations in Italy and Spain that have since been divested; these items are reported under Corporate Functions/Other.

Sales

	Fourth quarter			Full year		
€ in millions	2016	2015	+/- %	2016	2015	+/- %
Energy Networks	3,685	3,505	+5	15,892	14,989	+6
Customer Solutions	6,289	6,984	-10	22,368	25,614	-13
Renewables	335	448	-25	1,357	1,481	-8
Non-Core Business	470	430	+9	1,538	2,290	-33
Corporate Functions/Other	279	506	-45	1,124	2,756	-59
Consolidation	-1,083	-1,259	–	-4,106	-4,474	–
E.ON Group	**9,975**	**10,614**	**-6**	**38,173**	**42,656**	**-11**

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €529 million surpassed the prior-year figure of €510 million. The increase is predominantly attributable to own work capitalized in conjunction with the completion of IT projects and network investments.

Other operating income rose by 18 percent, from €6,337 million to €7,448 million, primarily because income from currency-translation effects increased by €1,143 million, from €3,894 million to €5,039 million. In addition, income from derivative financial instruments rose from €524 million to €1,141 million. By contrast, income from the sale of current securities and from cost passthroughs declined. Corresponding amounts resulting from currency-translation effects and from derivative financial instruments are recorded under other operating expenses.

Costs of materials decreased by 3 percent, from €33,184 million to €32,325 million. A significant decline in our procurement costs for power and gas was matched by a similar decline in our sales. This was partially offset by an increase in costs of materials in the fourth quarter resulting from an increase in provisions for nuclear waste management following the German federal government's adoption of the recommendations of the Commission for Organizing and Financing the Nuclear Energy Phaseout.

As anticipated, personnel costs of €2,839 million were below the prior-year figure of €2,995 million due to a lower average headcount.

Depreciation charges on continuing operations declined by €1,846 million, from €5,669 million to €3,823 million. The significant decline resulted primarily from the non-recurrence of impairment charges recorded in the prior year along with the sale of our U.K. and Norwegian E&P operations. This was partially offset by an increase in depreciation charges following Germany's enactment of a law to reassign responsibility for the country's nuclear waste. The impairment charges on our Uniper stake in the amount of €7 billion, which were necessary in order to reflect Uniper's lower market capitalization, are disclosed under discontinued operations. They were recorded principally in earlier quarters.

Other operating expenses of €7,867 million were slightly below the prior-year level of €7,968 million. Expenditures relating to currency-translation effects surpassed the prior-year figure of €4,049 million by €876 million but were counteracted by lower expenditures relating to derivative financial instruments. In addition, effective 2016 concession fees are no longer recorded under this line item but rather under costs of materials.

Income from companies accounted for under the equity method of €285 million was slightly below the prior-year figure of €295 million. Our remaining Uniper stake is not recognized in income until the 2017 financial year.

Adjusted EBIT

Adjusted EBIT in our core business declined by €75 million year on year. Energy Networks' adjusted EBIT was lower due primarily to the non-recurrence of positive one-off items recorded in Germany in 2015. However, it posted higher earnings in East-Central Europe/Turkey. Customer Solutions' adjusted EBIT was at the prior-year level. Although earnings in Germany were lower due in particular to the non-recurrence of positive one-off items recorded in 2015, adjusted EBIT in the United Kingdom and at the Other unit was higher. Renewables' positive earnings performance was due principally to the fact that Amrumbank West and Humber Gateway wind farms were for the first time fully operational for the entire year. Adjusted for special items recorded in 2015, Adjusted EBIT in our core business was up slightly.

Adjusted EBIT

	Fourth quarter			Full year		
€ in millions	2016	2015	+/- %	2016	2015	+/- %
Energy Networks	475	552	-14	1,671	1,811	-8
Customer Solutions	264	319	-17	812	806	+1
Renewables	121	167	-28	430	391	+10
Corporate Functions/Other	-261	-156	–	-398	-411	–
Consolidation	-6	10	–	15	8	–
Adjusted EBIT from core business	**593**	**892**	**-34**	**2,530**	**2,605**	**-3**
Non-Core Business (PreussenElektra)	208	115	+81	553	563	-2
Other (divested operations)	–	138	–	29	395	-93
Adjusted EBIT	**801**	**1,145**	**-30**	**3,112**	**3,563**	**-13**

Adjusted EBIT for the E.ON Group declined by €451 million, owing primarily to the items mentioned above in the commentary on adjusted EBIT in our core businesses and to the absence of earning streams from divested operations. If these earnings are factored out, adjusted EBIT for the E.ON Group would be €85 million below the prior-year figure.

E.ON generates a significant portion of its adjusted EBIT in very stable businesses. Regulated, quasi-regulated, and long-term contracted businesses accounted for the overwhelming proportion of our adjusted EBIT in 2016.

Our regulated business consists of operations in which revenues are largely set by law and based on costs. The earnings on these revenues are therefore extremely stable and predictable.

Our quasi-regulated and long-term contracted business consists of operations in which earnings have a high degree of predictability because key determinants (price and/or volume) are largely set by law or by individual contractual arrangements for the medium to long term. Examples of such legal or contractual arrangements include incentive mechanisms for renewables and the sale of contracted generating capacity.

Our merchant activities are all those that cannot be subsumed under either of the other two categories.

Business Segments

Energy Networks

Below we report on a number of important non-financial key figures for this segment, such as power and gas passthrough, system length, and the number of connections.

Power and Gas Passthrough

Power passthrough was at the prior-year level at all of this segment's operating units. Gas passthrough rose by 7.9 billion kWh, or 5 percent.

Power passthrough in Germany in 2016 was at the prior-year level. Gas passthrough rose by 4 percent, or 4.2 billion kWh, mainly because of higher sales to large customers due to economic growth. In addition, lower temperatures in our network territory relative to the prior year had a positive impact on sales to standard-load-profile customers.

Power and gas passthrough in Sweden rose to about 37 billion kWh and 4.9 billion kWh, respectively, primarily because of low temperatures at the beginning and end of 2016.

Power passthrough at East-Central Europe/Turkey was 0.4 billion kWh above the prior-year level owing to positive economic development in the Czech Republic. The 3.6 billion kWh increase in gas passthrough is primarily attributable to regulatory changes in Hungary.

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015
Full year								
Power	68.0	68.1	37.3	36.3	35.4	35.0	140.7	139.4
Line loss, station use, etc.	2.6	2.6	1.1	1.1	2.8	3.0	6.5	6.7
Gas	106.8	102.6	4.9	4.8	43.4	39.8	155.1	147.2

System Length and Connections
System length in Germany—about 350,000 kilometers for power and about 58,000 kilometers for gas—was roughly at the prior-year level. At year-end we had about 5.8 million connection points for power and about 0.9 million for gas.

The length of our power system in Sweden was roughly 136,400 kilometers at year-end 2016, slightly higher than the prior-year figure of 135,500 kilometers. The length of the gas distribution system was unchanged at 2,100 kilometers. The number of connection points in the power distribution system was unchanged at roughly 1 million.

System length in East-Central Europe/Turkey—about 232,000 kilometers for power and about 44,000 kilometers for gas—was at the prior-year level, as were the roughly 4.7 million connection points for power and the roughly 1.3 million for gas.

Sales and Adjusted EBIT
This segment's sales rose by €0.9 billion, whereas its adjusted EBIT declined by €140 million.

Sales rose by €0.9 billion in Germany, primarily because of higher sales in conjunction with the REL. REL compensation to generators in our service territory totaled about €7.7 billion, €0.5 billion more than in 2015. The rise is mainly attributable to increases in installed generating capacity and in the amount of electricity fed into our distribution networks. For distribution network operators, however, REL compensation is passed through and therefore is not recorded in income. Sales also increased owing to higher gas passthrough. This operating unit's adjusted EBIT declined by €235 million to €894 million, primarily because of the absence of positive one-off effects recorded in 2015 (the reversal of provisions for network risks along with special items in income from equity interests). Higher depreciation charges are mainly attributable to higher investments.

Sales in Sweden were slightly higher due to volume factors. Adjusted EBIT was significantly higher thanks to an improved gross margin in the power business. In addition, earnings in the first half of 2015 were adversely affected by costs in conjunction with storm damage.

Sales in East-Central Europe/Turkey were €35 million below the prior-year level. Although sales in Romania and the Czech Republic declined owing mainly to tariff effects, adjusted EBIT rose by €25 million. Adjusted EBIT was higher in the Czech Republic due to improved margins and cost savings. Our equity stakes in Turkey and the Slovak Republic contributed to the earnings increase as well. Adjusted EBIT in Romania declined significantly because of tariff effects in the power and gas businesses. This was partially offset by an increase in gas passthrough. Earnings in Hungary were lower due to regulation-driven impairment charges in the gas network and higher costs, which were only partially offset by lower network losses.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Fourth quarter								
Sales	2,917	2,776	293	259	475	470	3,685	3,505
Adjusted EBITDA	423	527	151	112	182	149	756	788
Adjusted EBIT	256	371	110	76	109	105	475	552
Full year								
Sales	13,205	12,312	1,029	984	1,658	1,693	15,892	14,989
Adjusted EBITDA	1,507	1,686	562	489	610	558	2,679	2,733
Adjusted EBIT	894	1,129	398	328	379	354	1,671	1,811

Customer Solutions

Below we report on a number of important non-financial key figures for this segment, such as power and gas sales volume and customer numbers.

Power Sales

Billion kWh	Germany 2016	Germany 2015	United Kingdom 2016	United Kingdom 2015	Other 2016	Other 2015	Total 2016	Total 2015
Fourth quarter								
Residential and SME	5.1	5.3	5.7	6.2	5.9	5.4	16.7	16.9
I&C	2.4	3.7	3.8	3.9	7.2	7.5	13.4	15.1
Sales partners	0.1	2.0	–	–	0.7	0.6	0.8	2.6
Customer groups	**7.6**	**11.0**	**9.5**	**10.1**	**13.8**	**13.5**	**30.9**	**34.6**
Wholesale market	4.7	3.2	0.4	0.2	2.0	1.8	7.1	5.2
Total	**12.3**	**14.2**	**9.9**	**10.3**	**15.8**	**15.3**	**38.0**	**39.8**
Full year								
Residential and SME	18.0	18.3	21.2	22.9	21.0	20.5	60.2	61.7
I&C	9.4	14.3	15.1	17.8	28.6	28.7	53.1	60.8
Sales partners	0.9	8.1	–	–	2.5	2.7	3.4	10.8
Customer groups	**28.3**	**40.7**	**36.3**	**40.7**	**52.1**	**51.9**	**116.7**	**133.3**
Wholesale market	18.0	5.7	1.1	0.8	7.6	7.4	26.7	13.9
Total	**46.3**	**46.4**	**37.4**	**41.5**	**59.7**	**59.3**	**143.4**	**147.2**

Gas Sales

Billion kWh	Germany 2016	Germany 2015	United Kingdom 2016	United Kingdom 2015	Other 2016	Other 2015	Total 2016	Total 2015
Fourth quarter								
Residential and SME	8.2	7.7	12.8	11.7	10.9	11.2	31.9	30.6
I&C	1.4	5.1	2.4	2.4	7.5	6.6	11.3	14.1
Sales partners	–	2.1	–	–	0.7	0.5	0.7	2.6
Customer groups	**9.6**	**14.9**	**15.2**	**14.1**	**19.1**	**18.3**	**43.9**	**47.3**
Wholesale market	3.5	1.0	–	–	0.5	1.4	4.0	2.4
Total	**13.1**	**15.9**	**15.2**	**14.1**	**19.6**	**19.7**	**47.9**	**49.7**
Full year								
Residential and SME	23.9	23.2	39.8	41.0	28.0	33.0	91.7	97.2
I&C	5.0	17.8	8.6	10.4	23.2	23.3	36.8	51.5
Sales partners	–	8.6	–	–	2.0	1.6	2.0	10.2
Customer groups	**28.9**	**49.6**	**48.4**	**51.4**	**53.2**	**57.9**	**130.5**	**158.9**
Wholesale market	12.0	1.8	–	–	4.0	9.7	16.0	11.5
Total	**40.9**	**51.4**	**48.4**	**51.4**	**57.2**	**67.6**	**146.5**	**170.4**

Power and Gas Sales Volume
In 2016 this segment's power and gas sales declined by 3.8 billion kWh and 23.9 billion kWh, respectively.

Customer Solutions' power sales in Germany were at the prior-year level. Power sales to residential and small and medium enterprise ("SME") customers were lower due in to part to keen competition but mainly to a reduction in average consumption and to keen competition. In particular, this reduction reflects technical improvements such as energy-efficient appliances as well as more consumption-conscious consumer behavior. Power sales to industrial and commercial ("I&C") customers and to sales partners declined, primarily because of the transfer of E.ON Energie Deutschland's wholesale customers to Uniper Energy Sales at the end of 2015. Power sales to the wholesale market rose significantly owing to Uniper Energy Sales for its wholesale customers and resales to Uniper Global Commodities. Gas sales volume declined by 14 percent, mainly because sales to I&C customers and sales partners were lower due to the above-mentioned transfer of wholesale customers. By contrast, gas sales to residential and SME customers were slightly higher due to weather factors, and wholesale gas sales were significantly higher thanks to the deliveries to Uniper for its wholesale customers.

Power sales in the United Kingdom declined by 4.1 billion kWh. Declining customer numbers and customers' energy-saving behavior led to lower power sales to residential and SME customers. A reduction in the number of customer facilities served along with lower offtake were the reasons for the decline in power sales to I&C customers. Gas sales decreased by 3 billion kWh. Lower customer numbers were responsible for the reduction in gas sales to residential and SME customers. The reason for the decline in gas sales to I&C customers is the same as for power.

Other's power sales (Sweden, Hungary, the Czech Republic, Romania, Italy) and E.ON Connecting Energies were up slightly. By contrast, its gas sales declined by 10.4 billion kWh, mainly because of a new strategy for the residential-customer business in Hungary and lower sales volume to wholesale customers in the Czech Republic.

Customer Numbers
This segment had about 21.4 million customers at year-end 2016, less than the prior-year figure of 22.7 million. The number of customers in the United Kingdom declined from 7.6 to 7 million; power customers account for about 60 percent of customer losses, gas customers for about 40 percent. Customer numbers in Hungary declined from 3.1 billion in 2015 to 2.5 billion in 2016 as a result of the above-mentioned new strategy. In Germany they decreased from 6.2 million in 2015 to 6.1 million in 2016. A high level of acquisitions nearly offset customer losses in a keenly competitive marketplace.

Sales and Adjusted EBIT
This segment's sales decreased by €3.2 billion in 2016, whereas its adjusted EBIT was slightly above the prior-year level.

Sales in Germany declined, primarily because of the transfer of E.ON Energie Deutschland's wholesale customers to Uniper Energy Sales at the end of 2015. Adjusted EBIT was 42 percent lower. The decline is primarily attributable to the non-recurrence of positive one-off effects recorded in the prior year (primarily settlement-related items from previous reporting periods). Earnings were also adversely affected by higher customer-acquisition costs, higher Renewable Energy Law levies, higher network fees, a slight decline in average power consumption, and costs for the further buildup of the customer-solutions business.

Currency-translation effects, lower sales volume, declining customer numbers, and a reduction in gas prices in January caused sales in the United Kingdom to decline by €1.9 billion. Adjusted EBIT increased by €87 million primarily owing to lower costs in conjunction with government-mandated energy-efficiency measures.

Other's sales declined by €0.6 billion, primarily because of lower sales volume and prices in the power and gas business in Hungary and the Czech Republic along with the sale of an equity interest in our gas business in Italy in July 2015. By contrast, sales in Sweden rose owing to lower temperatures. Other's adjusted EBIT rose by €84 million. Romania benefited from wider power and gas margins and improved receivables management, Hungary from its new strategy for the residential-customer business and improved power and gas margins, and Sweden from improved margins in the heat businesses along with lower temperatures. Improved margins in the Czech Republic also had a positive impact on earnings.

Customer Solutions

	Germany		United Kingdom		Other		Total	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Fourth quarter								
Sales	2,255	2,446	2,115	2,552	1,919	1,986	6,289	6,984
Adjusted EBITDA	107	201	163	158	77	44	347	403
Adjusted EBIT	88	187	138	122	38	10	264	319
Full year								
Sales	7,781	8,539	7,791	9,659	6,796	7,416	22,368	25,614
Adjusted EBITDA	299	452	460	402	351	258	1,110	1,112
Adjusted EBIT	232	397	365	278	215	131	812	806

Renewables

Below we report on a number of important non-financial key figures for this segment, such as generating capacity, power generation, and power sales volume.

Generating Capacity

At year-end 2016 this segment's fully consolidated generating capacity of 4,176 MW and attributable generating capacity of 4,574 MW were both 5 percent above the corresponding figures at year-end 2015, 3,967 MW and 4,365 MW. The principal reasons for the increase were the commissioning of Colbeck's Corner in mid-2016 and a capacity increase at Amrumbank West wind farm following a software update.

Fully Consolidated and Attributable Generating Capacity

December 31	Fully Consolidated		Attributable	
MW	2016	2015	2016	2015
Wind	510	501	471	462
Solar	–	–	–	–
Other	–	–	–	–
Germany	**510**	**501**	**471**	**462**
Wind	3,647	3,447	4,084	3,884
Solar	19	19	19	19
Other	–	–	–	–
Outside Germany	**3,666**	**3,466**	**4,103**	**3,903**
Generating Capacity	**4,176**	**3,967**	**4,574**	**4,365**

Power Generation and Sales Volume
This segment's owned generation rose by 1.2 billion kWh in 2016.

Onshore Wind/Solar's generation was 0.5 billion kWh higher. Unfavorable wind conditions led to lower output in the United Kingdom, Sweden, and Poland. This was more than offset by higher output in Italy and positive effects from the commissioning of Colbeck's Corner wind farm in the United States in May 2016. Unplanned outages constituted the main reason why the availability ratio of 94.2 percent in 2016 was below the prior-year figure of 95.8 percent.

Offshore Wind/Other's generation was 0.7 billion kWh higher, mainly because Amrumbank West wind farm in the German North Sea and Humber Gateway wind farm in the U.K. North Sea were in operation during the year. Amrumbank West did not enter service until October 2015, and Humber Gateway was only in operation for five months in 2015. The availability ratio of 96.7 percent in 2016 surpassed the prior-year figure of 94.5 percent, primarily because of a reduction in outages at Robin Rigg and an improved performance at Amrumbank West and Humber.

Power Generation

	Onshore Wind/Solar		Offshore Wind/Other		Total	
Billion kWh	2016	2015	2016	2015	2016	2015
Fourth quarter						
Owned generation	2.2	2.2	0.9	1.2	3.1	3.4
Purchases	0.4	0.5	0.2	0.2	0.6	0.7
Jointly owned power plants	–	–	*0.2*	*0.2*	*0.2*	*0.2*
Third parties	*0.4*	*0.5*	–	–	*0.4*	*0.5*
Power sales	**2.6**	**2.7**	**1.1**	**1.4**	**3.7**	**4.1**
Full year						
Owned generation	8.2	7.7	3.4	2.7	11.6	10.4
Purchases	1.4	1.6	0.7	0.9	2.1	2.5
Jointly owned power plants	–	–	*0.7*	*0.9*	*0.7*	*0.9*
Third parties	*1.4*	*1.6*	–	–	*1.4*	*1.6*
Power sales	**9.6**	**9.3**	**4.1**	**3.6**	**13.7**	**12.9**

Sales and Adjusted EBIT
This segment's 2016 sales were €124 million below the prior-year figure, whereas its adjusted EBIT surpassed the prior-year figure by €39 million.

Onshore Wind/Solar's sales and adjusted EBIT decreased primarily owing to declining prices across all regions and lower output in Europe. In addition, prior-year adjusted EBIT benefited from book gains and a positive one-off effect.

Offshore Wind/Other's sales and adjusted EBIT rose by €105 million and €136 million, respectively, mainly because Amrumbank West and Humber Gateway wind farms were, for the first time, in operation for the entire year and because of proceeds from asset sales.

Renewables

	Onshore Wind/Solar		Offshore Wind/Other		Total	
€ in millions	2016	2015	2016	2015	2016	2015
Fourth quarter						
Sales	161	219	174	229	335	448
Adjusted EBITDA	79	101	133	176	212	277
Adjusted EBIT	26	47	95	120	121	167
Full year						
Sales	728	957	629	524	1,357	1,481
Adjusted EBITDA	308	422	488	328	796	750
Adjusted EBIT	92	189	338	202	430	391

Non-Core Business (PreussenElektra)
Below we report on a number of important non-financial key figures for this segment, such as generating capacity, power generation, and power sales volume.

Fully Consolidated and Attributable Generating Capacity
The segment's fully consolidated and attributable generating capacity remained unchanged at 4,471 MW and 4,129 MW, respectively.

Power Generation and Sales Volume
This segment's power procured (owned generation and purchases) declined by 10.7 billion kWh year on year. The reduction in owned generation is principally attributable to the fact that Grafenrheinfeld nuclear power station produced power for part of the prior year (until its decommissioning at the end of June 2015) and to unplanned production outages at Grohnde nuclear power station due to a damaged secondary cooling pump and repairs to a sensor line. The expiration of delivery contracts to Belgium, the Netherlands, and France led to a reduction in power procurement in 2016. Owned generation in the fourth quarter of 2016 increased slightly (by 0.4 billion kWh) because Grohnde nuclear power station had been decommissioned, as planned, in October 2015.

The decline in power sales resulted chiefly from a reduction in owned generation and in marketable power procurement due to the expiration of supply contracts in Belgium, the Netherlands, and France.

Power Generation

	PreussenElektra	
Billion kWh	2016	2015
Fourth quarter		
Owned generation	9.3	8.9
Purchases	0.8	2.1
Jointly owned power plants	*0.3*	*0.4*
Third parties	*0.5*	*1.7*
Total power procurement	**10.1**	**11.0**
Station use, line loss, etc.	–	–
Power sales	**10.1**	**11.0**
Full year		
Owned generation	32.4	37.6
Purchases	4.3	9.8
Jointly owned power plants	*1.3*	*1.3*
Third parties	*3.0*	*8.5*
Total power procurement	**36.7**	**47.4**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**36.6**	**47.3**

Sales and Adjusted EBIT
The significant decline in this segment's sales (-€752 million) mainly reflects lower sales prices, the decommissioning of Grafenrheinfeld nuclear power station at the end of June 2015, and the expiration of deliveries to Belgium, the Netherlands, and France.

Adjusted EBIT was €10 million lower, principally because of the absence of earnings streams from Grafenrheinfeld and lower sales prices. Lower expenditures for the nuclear-fuel tax had a positive impact on adjusted EBIT in 2016, as did the non-recurrence of adverse effects recorded in 2015 in conjunction with an arbitration procedure. Fourth-quarter adjusted EBIT improved by €93 million because lower sales prices in the fourth quarter were more than offset by positive effects in conjunction with the nuclear-fuel tax and the non-recurrence of adverse effects recorded in 2015 in conjunction with an arbitration procedure.

Non-Core Business

	PreussenElektra	
€ in millions	2016	2015
Fourth quarter		
Sales	470	430
Adjusted EBITDA	234	193
Adjusted EBIT	208	115
Full year		
Sales	1,538	2,290
Adjusted EBITDA	644	760
Adjusted EBIT	553	563

Net loss

We recorded a net loss of €16 billion in 2016 compared with a net loss of €6.4 billion in 2015. This substantial negative figure is primarily attributable to a loss from discontinued operations, which principally reflects impairment charges on Uniper operations and Uniper's realized loss in conjunction with the deconsolidation of Uniper. In addition, we recorded negative items in conjunction with the law Germany's two houses of parliament passed in December 2016 to reassign responsibility for the country's nuclear waste. By contrast, adjusted net income, which does not include non-operating effects, totaled €0.9 billion, which was just €0.2 billion below the prior-year figure. The decline is mainly attributable to the non-recurrence of positive one-off effects and the absence of earnings streams from divested operations.

The net loss attributable to shareholders of E.ON SE of -€8.5 billion and corresponding earnings per share of -€4.33 were below the respective prior-year figures of -€7 billion and -€3.60. The 2016 figure is after the completion of the Uniper spinoff.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and includes Uniper's earnings until derecognition (-€14.1 billion). The significant loss reported is mainly attributable to impairment charges recorded primarily in previous quarters, provisions for contingent losses, and Uniper's realized loss in conjunction with the deconsolidation of Uniper. The line item also includes the earnings of the Spain regional unit (2016: €0.2 billion). Note 4 to the Consolidated Financial Statements contains more information about these matters.

We had a tax expense of €0.4 billion compared with €0.7 billion in the prior-year period. Despite our negative earnings before taxes, we incurred a tax expense and consequently had a negative tax rate of 25 percent (prior year: 49 percent). Expenditures that do not reduce taxes and significant effects resulting from the change in the value of deferred tax assets in 2016 were the main reasons for the change in our tax rate.

Net book gains were €358 million below the prior-year figure. In 2016 a book gain on the sale of securities was more than offset by a book loss on the sale of our U.K. E&P business. The prior-year figure includes book gains on the sale of securities, the remaining stake in Energy from Waste, operations in Italy, the E&P business in the Norwegian North Sea, and network segments in Germany.

Restructuring and cost-management expenditures declined by €100 million and, as in the prior year, resulted mainly from cost-cutting programs and the implementation of our new strategy.

Net Loss

	Fourth quarter		Full year	
€ in millions	2016	2015	2016	2015
Net loss	-6,708	-707	-16,007	-6,377
Attributable to shareholders of E.ON SE	*-4,502*	*-898*	*-8,450*	*-6,999*
Attributable to non-controlling interests	*-2,206*	*191*	*-7,557*	*622*
Income/Loss from discontinued operations, net	3,549	216	13,842	4,157
Income/Loss from continuing operations	**-3,159**	**-491**	**-2,165**	**-2,220**
Income taxes	-184	945	440	728
Financial results	123	410	1,314	1,480
Income/Loss from continuing operations before financial results and income taxes	**-3,220**	**864**	**-411**	**-12**
Income/Loss from equity investments	-10	–	-19	1
EBIT	**-3,230**	**864**	**-430**	**-11**
Non-operating adjustments	**4,031**	**281**	**3,542**	**3,574**
Net book gains (-)/losses (+)	*-62*	*-72*	*-63*	*-421*
Restructuring and cost-management expenses	*53*	*124*	*274*	*374*
Marking to market of derivative financial instruments	*-164*	*-67*	*-932*	*134*
Impairments (+)/Reversals (-)	*350*	*180*	*394*	*3,356*
Other non-operating earnings	*3,854*	*116*	*3,869*	*131*
Adjusted EBIT	**801**	**1,145**	**3,112**	**3,563**
Impairments (+)/Reversals (-)	44	6	48	119
Scheduled depreciation and amortization	454	511	1,779	2,162
Adjusted EBITDA	**1,299**	**1,662**	**4,939**	**5,844**

We use derivatives to shield our operating business from price fluctuations. Marking to market of derivatives at December 31, 2016, resulted in a positive effect of €932 million (prior year: -€134 million). The change is mainly attributable to Customer Solutions.

Impairment charges in 2016 were recorded in particular on Renewables' operations in the United States and Italy, Customer Solutions' assets in the United Kingdom, and Energy Networks' gas-storage capacity in Germany. In the prior year we recorded impairment charges primarily at our nuclear energy business in Germany, at Renewables, and at E&P operations in the North Sea and generation operations in Italy that have since been sold.

Other non-operating earnings in 2016 mainly reflected items in conjunction with the law Germany's two houses of parliament passed in December 2016 to reassign responsibility for the country's nuclear waste; these items, along with the related impairment charges, are fully included here. Other non-operating earnings in 2015 includes numerous small positive and negative effects, such as impairment charges on securities.

Adjusted Net Income

Like EBIT, net income also consists of non-operating effects, such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other material non-operating income and expenses (after taxes and non-controlling interests), and interest expense/income not affecting net income, which consists of the interest expense/income resulting from non-operating effects. Adjusted net income also does not include income/loss from discontinued operations.

The E.ON Management Board uses this figure in conjunction with its dividend policy. The goal for the 2016 financial year was to pay out to E.ON shareholders 40 to 60 percent of adjusted net income as dividends.

Adjusted Net Income

	Fourth quarter		Full year	
€ in millions	2016	2015	2016	2015
Income/Loss from continuing operations before financial results and income taxes	**-3,220**	**864**	**-411**	**-12**
Income/Loss from equity investments	-10	–	-19	1
EBIT	**-3,230**	**864**	**-430**	**-11**
Non-operating adjustments	4,031	281	3,542	3,574
Adjusted EBIT	**801**	**1,145**	**3,112**	**3,563**
Interest expense shown in the consolidated statements of income	-113	-410	-1,295	-1,481
Interest expense (+)/income (-) not affecting net income	-221	24	-157	-4
Operating earnings before interest and taxes	**467**	**759**	**1,660**	**2,078**
Taxes on operating earnings	-91	-266	-478	-710
Operating earnings attributable to non-controlling interests	-113	-116	-278	-292
Adjusted net income	**263**	**377**	**904**	**1,076**

Financial Situation

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

Finance Strategy

Our finance strategy focuses on E.ON's capital structure. Ensuring that E.ON's access to capital markets is commensurate with its debt level is at the forefront of this strategy.

With our target capital structure we aim to sustainably secure a strong BBB/Baa rating.

We manage E.ON's capital structure using our debt factor, which is equal to our economic net debt divided by adjusted EBITDA; it is therefore a dynamic debt metric. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset-retirement obligations.

The interest-rate environment at the balance-sheet date led in some cases to negative real interest rates on asset-retirement obligations. As a result, our provisions exceed the amount of our asset-retirement obligations as they stood at year-end 2016 without factoring in discounting and cost-escalation effects. This limits the relevance of our economic net debt as a key figure. We want economic net debt to continue to serve as a useful key figure that aptly depicts our debt situation. In the case of material provisions affected by negative real interest rates, we henceforth use the aforementioned actual amount of the obligation instead of the balance-sheet figure to calculate our economic net debt.

Germany's two houses of parliament enacted a law to fund the country's phaseout of nuclear energy. This altered the nature and scope of E.ON's remaining nuclear asset-retirement obligations. In addition, the deconsolidation of Uniper led to substantial changes in our debt line items. The comparability of our 2016 and 2015 economic net debt is therefore limited. In view of these structural changes, it did not make sense to adjust the prior-year figures. Consequently, we apply our new methodology effective January 1, 2016, and have left the prior-year figures unadjusted.

We aim to reduce our debt factor to about 4 over the medium term.

Economic Net Debt

The comparability of our economic net debt in 2016 and 2015 is subject to a number of significant restrictions. First, the spinoff and deconsolidation of Uniper significantly reduced the amount of several line items of our Consolidated Balance Sheets, in particular our net financial position. Second, the accounting treatment of the measures to fund Germany's nuclear energy phaseout involved a revaluation of the remaining provisions and a substantial increase in asset-retirement obligations due to the inclusion of the risk surcharge.

These and other factors led to a net financial position of approximately just €0.9 billion at year-end 2016. By contrast, the provisions included in our economic net debt rose by €2.3 billion owing to the above-described revaluation of these provisions.

Economic Net Debt

	December 31	
€ in millions	2016	2015
Liquid funds	8,573	8,190
Non-current securities	4,327	4,724
Financial liabilities	-14,227	-17,742
FX hedging adjustment	390	218
Net financial position	**-937**	**-4,610**
Provisions for pensions	-4,009	-4,210
Asset-retirement obligations	-21,374[1]	-18,894
Economic net debt	**-26,320**	**-27,714**
Adjusted EBITDA	4,939	7,557[2]
Debt Factor	**5.3**	**3.7[2]**

[1]This figure is not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet (€22,515 million). This is because we calculate our economic net debt in part based on the actual amount of our obligations with reasons for this being explained above.
[2]Not adjusted for Uniper; figure as reported in the 2015 Annual Report.

Funding Policy and Initiatives

The key objective of our funding policy is for E.ON to have access to a variety of financing sources at all times. We achieve this objective by basing our funding policy on the following principles. First, we use a variety of markets and debt instruments to maximize the diversity of our investor base. Second, we issue bonds with terms that give our debt portfolio a balanced maturity profile. Third, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. In the past, external funding was generally carried out by our Dutch finance subsidiary, E.ON International Finance B.V. ("EIF"), under guarantee of E.ON SE or by E.ON SE itself, and the funds were subsequently on-lent in the Group. E.ON issued no new bonds in 2016.

Financial Liabilities

	December 31	
€ in billions	2016	2015
Bonds[1]	11.9	13.8
EUR	*4.7*	*6.0*
GBP	*4.0*	*4.7*
USD	*2.8*	*2.8*
JPY	*0.2*	*0.2*
Other currencies	*0.2*	*0.1*
Promissory notes	0.4	0.4
Commercial paper	–	–
Other liabilities	1.9	3.5
Total	**14.2**	**17.7**

[1]Includes private placements.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and E.ON International Finance B.V.'s currently outstanding bonds were issued under our Debt Issuance Program ("DIP"). The DIP enables us to issue debt to investors in public and private placements. It was last extended for one year in April 2015 with a total volume of €35 billion, of which about €9.7 billion was utilized at year-end 2016. After the DIP expired in April 2016 we did not extend it because of the Uniper spinoff. E.ON SE intends to renew the DIP in 2017.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term liabilities. We had no CP outstanding at year-end 2016 (prior year: €0 million).

E.ON also has access to an originally five-year, €5 billion syndicated revolving credit facility, which was concluded with 24 banks on November 6, 2013, and which includes two options to extend the facility, in each case for one year. In 2014 E.ON exercised the first option and extended the facility for one year to 2019. In 2015 E.ON, with the banks' agreement, postponed until 2016 a possible exercise of the second option to extend the facility for one more year. We did not exercise this second option. Effective September 13, 2016, we reduced the credit facility from €5 billion to €3.5 billion in connection with the Uniper spinoff. This facility has not been drawn on and instead serves as a reliable, ongoing general liquidity reserve for the E.ON Group. Participation in the credit facility indicates that a bank belongs to E.ON's core group of banks.

Alongside financial liabilities, E.ON has, in the course of its business operations, entered into contingencies and other financial obligations. These include, in particular, guarantees, obligations from legal disputes and damage claims, current and non-current contractual, legal, and other obligations. Notes 26, 27, and 31 to the Consolidated Financial Statements contain more information about E.ON's bonds as well as liabilities, contingencies, and other commitments.

Standard & Poor's ("S&P") and Moody's long-term ratings for E.ON are BBB+ and Baa1, respectively. Moody's downgraded E.ON's long-term rating from A3 to Baa1 in March 2015, S&P from A- to BBB+ in May 2015. In February 2016 both rating agencies placed E.ON's long-term ratings on review for possible downgrades. The actions were based on a number of factors, including a sector-wide review of European utility companies with exposure to commodity and power price developments. The decisions were also based on the uncertainties surrounding the policy discussions on the possible funding of German nuclear provisions. In May 2016 both S&P and Moody's concluded their reviews and affirmed their long-term ratings of BBB+ and Baa1, respectively. The outlook for both ratings is negative. The short-term ratings are A-2 (S&P) and P-2 (Moody's).

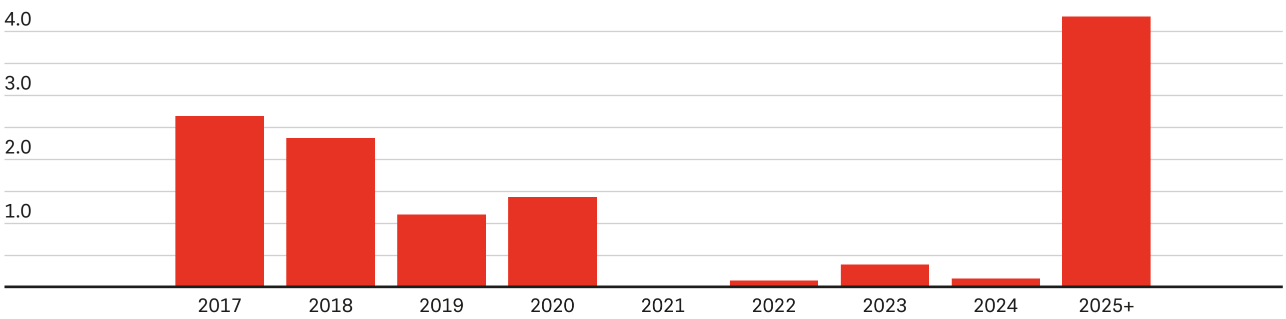
E.ON SE Ratings

	Long term	Short term	Outlook
Moody's	Baa1	P-2	negative
Standard & Poor's	BBB+	A-2	negative

Providing rating agencies and bond investors with timely, comprehensive information is an important component of our creditor relations. The purpose of our creditor relations is to earn and maintain our investors' trust by communicating a clear strategy with the highest degree of transparency. To achieve this purpose, we hold E.ON debt investor updates in major European financial centers, conference calls for debt analysts and investors, and informational meetings for our core group of banks.

Maturity Profile of Bonds and Promissory Notes Issued by E.ON SE, E.ON International Finance B.V., and E.ON Beteiligungen GmbH

€ in billions December 31, 2016



Investments

Investments in our core business were €57 million above, total investments €58 million below, the prior-year level. We invested €3,035 million in property, plant, and equipment and intangible assets (prior year: €2,982 million). Share investments totaled €134 million versus €245 million in the prior-year period.

Investments

€ in millions	2016	2015	+/- %
Energy Networks	1,419	1,521	-7
Customer Solutions	580	531	+9
Renewables	1,070	1,010	+6
Corporate Functions/Other	98	65	+51
Consolidation	-21	-38	–
Investments in core business	**3,146**	**3,089**	**+2**
Non-Core Business (PreussenElektra)	15	16	-6
Other (divested operations)	8	122	-93
E.ON Group investments	**3,169**	**3,227**	**-2**

Energy Networks' investments were €102 million, or 7 percent, lower than the prior-year level due to a significant reduction in investments at the East-Central Europe/Turkey reporting unit. The responsibility for implementing the energy transition in Germany is shared across society by policymakers and companies, academics and consumers. The expansion of our distribution networks provides important support to the energy transition and contributes substantially to its success. The rapid growth of renewables makes it necessary to expand and upgrade the distribution network so that it can accept and transport increased renewables output. This is the only way to continue to ensure supply security for energy customers into the future. In 2016 our services territories around Germany again saw an increase in the number of generating facilities subsidized under the Renewable Energy Law ("REL"). The number of REL facilities rose by 3 percent year on year to around 375,000. Installed REL capacity in our distribution networks increased from 31 GW to 34 GW. The increase in the number of network connections for REL facilities led to significant construction activity in our distribution networks. Our Energy Networks segment invested €846 million in Germany in 2016, significantly more (+6 percent) than in the prior year. In addition, the connection of new residential developments led to an increase in customer connections in Germany in 2016. Investments in Sweden were up slightly.

Customer Solutions invested €49 million more than in the prior-year period, principally because of higher investments in the United Kingdom, in Sweden, at E.ON Connecting Energies, and in the Czech Republic. Investments in the United Kingdom went toward metering and efficiency projects. Investments in Sweden served to maintain, upgrade, and expand existing assets as well as the heat distribution network. The increase in E.ON Connecting Energies' investments principally reflects the expansion of its business of providing energy-efficiency solutions to industrial and commercial customers in Germany and the initial consolidation of a business in Italy. The completion of combined-heat-and-power units and higher investments in network-services equipment were among the reasons for the increase in the Czech Republic.

Investments at Renewables increased by €60 million. Onshore Wind/Solar's investments rose by €243 million, primarily because of the completion of a wind farm in the United States. Offshore/Other's investments declined by €183 million owing to a reduction in expenditures for new-build projects.

Investments at Non-Core Business (nuclear energy operations in Germany) were slightly below the prior-year level.

Cash Flow

Our operating cash flow of €3 billion was €1.2 billion below the prior-year figure of €4.2 billion, primarily because of higher net tax payments and the absence of cash inflow from the E&P business, which has now been divested. In addition, an increase in working capital was only partially offset by countervailing effects, such as lower interest payments.

Cash Flow[1]

€ in millions	2016	2015
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	2,961	4,191
Operating cash flow before interest and taxes	3,974	4,749
Cash provided by (used for) investing activities	-3,041	1,443
Cash provided by (used for) financing activities	-1,152	-3,912

[1]From continuing operations.

Cash provided by investing activities of continuing operations amounted to around -€3 billion compared with €1.4 billion in the prior year. Of this -€4.4 billion change, -€3.5 billion resulted from lower cash inflows from disposals, mainly relating to the non-recurrence of proceeds on the sale of the business in Spain, certain operations in Italy (solar, hydro, and conventional generation), the E&P business in Norway, and the remaining 49-percent stake in the former E.ON Energy from Waste. Investments were almost unchanged. We recorded net cash outflows from sale or purchase of securities, financial liabilities, and fixed investments of -€0.8 billion compared with +€0.2 billion in 2015.

Cash provided by financing activities of continuing operations amounted to -€1.2 billion compared with -€3.9 billion in the prior year. The change of roughly +€2.7 billion is mainly attributable to a €2.7 billion reduction in the net repayment of financial liabilities. A €0.3 billion increase in the dividend payout to E.ON SE shareholders was almost entirely offset by net cash inflows from changes in capital (changes in minority ownership interests in fully consolidated Group companies).

Asset Situation

Our asset situation reflects the deconsolidation of Uniper's operations effective December 31, 2016, which led to a significant reduction in our total assets and liabilities relative to year-end 2015. This affects both our non-current and current assets. Effective the balance-sheet date, E.ON SE's remaining Uniper stake is recorded under financial investments as a company accounted for using the equity method.

Our equity ratio (including non-controlling interests) at year-end 2016 was 2 percent, which is substantially below the year-end 2015 figure of 17 percent. The decline reflects the transfer of Uniper stock to E.ON shareholders, our net loss, the remeasurement of defined-benefit plans due to lower actuarial interest rates, and the dividend payout. Our net loss primarily reflects a loss from discontinued operations of approximately €13.8 billion and items in the amount of €3.6 billion in conjunction with Germany's law to reassign responsibility for the country's nuclear waste. The loss from discontinued operates includes the €7 billion impairment charge on Uniper's book value to reflect its lower market capitalization and an additional deconsolidation loss of €3.6 billion resulting mainly from previously unrealized currency-translation effects that had been recorded in equity. The E.ON Group's equity at year-end was €1.3 billion. Equity attributable to shareholders of E.ON SE was -€1 billion.

Non-current liabilities declined by 36 percent from the figure at year-end 2015. As on the asset side, the reduction reflects the deconsolidation of Uniper's operations. In addition, provisions for the final storage of nuclear waste were reclassified as non-current liabilities.

Current liabilities declined by 31 percent relative to year-end 2015. The deconsolidation of Uniper's operations was partially offset by the reclassification of non-current provisions for the final storage of nuclear waste.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2016	%	Dec. 31, 2015	%
Non-current assets	46,296	73	73,612	65
Current assets	17,403	27	40,081	35
Total assets	**63,699**	**100**	**113,693**	**100**
Equity	1,287	2	19,077	17
Non-current liabilities	39,287	62	61,172	54
Current liabilities	23,125	36	33,444	29
Total equity and liabilities	**63,699**	**100**	**113,693**	**100**

Additional information about our asset situation (including information on the above-mentioned impairment charges) is contained in Notes 4 to 26 to the Consolidated Financial Statements.

E.ON SE's Earnings, Financial, and Asset Situation

E.ON SE prepares its Financial Statements in accordance with the German Commercial Code (in version included in the Accounting Directive Implementation Act, which took effect on July 23, 2015), the SE Ordinance (in conjunction with the German Stock Corporation Act), and the Electricity and Gas Supply Act (Energy Industry Act).

Balance Sheet of E.ON SE (Summary)

	December 31	
€ in millions	2016	2015
Intangible assets and property, plant and equipment	14	18
Financial assets	37,368	47,986
Non-current assets	**37,382**	**48,004**
Receivables from affiliated companies	8,089	22,919
Other receivables and assets	1,734	1,764
Liquid funds	4,664	4,343
Current assets	**14,487**	**29,026**
Accrued expenses	30	37
Asset surplus after offsetting of benefit obligations	15	1
Total assets	**51,914**	**77,068**
Equity	5,384	12,469
Provisions	2,578	2,661
Liabilities to affiliated companies	43,102	60,892
Other liabilities	845	1,036
Deferred income	5	10
Total equity and liabilities	**51,914**	**77,068**

E.ON SE is the parent company of the E.ON Group. As such, its earnings, financial, and asset situation is affected by income from equity interests. The positive figure recorded for this item in 2016 reflects, in particular, a withdrawal from the capital reserves of E.ON Beteiligungen GmbH in the amount of €3,784 million and a profit transfer of €216 million from E.ON Iberia Holding GmbH. The main countervailing factors were a loss transfer of €1,186 million from E.ON Beteiligungen GmbH and a loss transfer of €722 million from E.ON Energie AG.

E.ON SE und Uniper SE concluded a Spinoff and Takeover Agreement on April 18, 2016. Under this agreement, E.ON SE transferred by means of a spinoff its entire ownership interest in Uniper Beteiligungs GmbH, with all rights and obligations, as an entirety to Uniper SE in return for the transfer of Uniper SE stock to E.ON SE shareholders (the transaction was therefore a spinoff through transfer within the meaning of Section 123, Paragraph 2, Item 1 of the German Reorganization Act). The spinoff and stock-market listing of Uniper SE were successfully concluded in September 2016. As a result, Uniper Beteiligungs GmbH in the amount of €6,968.6 million was removed from the line item interest in affiliated companies. The decline in financial assets principally reflects a withdrawal from the capital reserves of E.ON Beteiligungen GmbH in the amount of €4,916 million and an intragroup loan of €1,233 million to E.ON UK Holding Company Limited.

Liabilities to affiliated companies at year-end 2016 declined primarily owing to the spinoff of a majority stake in Uniper companies and the resulting cancellation of cash-pooling with these companies and to the conclusion of a transfer-of-control agreement with Uniper SE and its subsidiaries.

Note 19 to the Consolidated Financial Statements contains information about treasury shares.

Income Statement of E.ON SE (Summary)

€ in millions	2016	2015
Income from equity interests	2,134	-1,639
Interest income	-546	-678
Other expenditures and income	-551	-569
Taxes	-160	755
Net income	**877**	**-2,131**
Withdrawal from capital reserve	3,357	–
Withdrawals from retained earnings	3,612	3,107
Income reduction from spinoff	-6,969	–
Net income transferred to retained earnings	-425	–
Net income available for distribution	**452**	**976**

The negative figure recorded under other expenditures and income results primarily from expenditures of €205 million for consulting and auditing services, personnel expenditures of €146 million, and additions of €117 million to provisions for mining-related damages.

Income taxes shown for 2016 consist mainly of tax income for previous years. No income taxes were incurred for the 2016 financial year owing to the net loss from a tax perspective.

At the Annual Shareholders Meeting on May 10, 2017, management will propose that net income available for distribution be used to pay a cash dividend of €0.21 per ordinary share. Remaining income available for distribution will be brought forward as retained earnings.

Management's proposal for the use of net income available for distribution is based on the number of ordinary shares on March 13, 2017, the date the Financial Statements of E.ON SE were prepared. The number of ordinary shares could change between this date and the date of the Annual Shareholders Meeting. In this case, the Annual Shareholders Meeting will be presented with an adjusted proposed resolution for the use of net income available for distribution. The dividend in the adjusted proposed resolution will be unchanged at €0.21 per ordinary share. In this case, however, the total dividend payout and the amount brought forward as retained earnings will be adjusted accordingly.

The complete Financial Statements of E.ON SE, with the unqualified opinion issued by the auditor, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, will be announced in the *Bundesanzeiger*. Copies are available on request from E.ON SE and at www.eon.com.

Other Financial and Non-financial Performance Indicators

ROCE and Value Added

Cost of Capital

The cost of capital is determined by calculating the weighed-average cost of equity and debt. This average represents the market-rate returns expected by stockholders and creditors. The cost of equity is the return expected by an investor in E.ON stock. The cost of debt equals the long-term financing terms that apply in the E.ON Group. The parameters of the cost-of-capital determination are reviewed on an annual basis.

Our review of the parameters in 2016 led us to adjust our after-tax cost of capital from 4.9 percent to 4 percent, mainly because of a lower risk-free interest rate resulting from the persistently low interest-rate environment. The table below shows the derivation of cost of capital before and after taxes.

Cost of Capital

	2016	2015
Risk-free interest rate	0.5%	1.25%
Market premium[1]	6.75%	6.75%
Debt-free beta factor	0.50	0.52
Indebted beta factor[2]	0.92	0.90
Cost of equity after taxes	**6.70%**	**7.30%**
Average tax rate	31%	27%
Cost of equity before taxes	9.7%	10.0%
Cost of debt before taxes	2.6%	3.4%
Marginal tax rate	31%	27%
Cost of debt after taxes	**1.80%**	**2.40%**
Share of equity	45%	50%
Share of debt	55%	50%
Cost of capital after taxes	**4.00%**	**4.90%**
Cost of capital before taxes	**5.80%**	**6.70%**

[1]The market premium reflects the higher long-term returns of the stock market compared with German treasury notes.
[2]The beta factor is used as an indicator of a stock's relative risk. A beta of more than one signals a higher risk than the risk level of the overall market; a beta factor of less than one signals a lower risk.

Analyzing Value Creation by Means of ROCE and Value Added

In 2016 we replaced ROACE with ROCE as key performance indicator for assessing the value performance of our operating business. ROCE is a pretax total return on capital and is defined as the ratio of our EBIT to annual average capital employed. An important difference between ROCE and ROACE lies in how they factor in assets. With ROACE, depreciable assets are recorded at half of their original acquisition or production cost; with ROCE, depreciable assets are recorded at their book value.

Annual average capital employed represents the interest-bearing capital invested in our operating business. It is calculated by subtracting non-interest-bearing available capital from non-current and current operating assets. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value. Changes to E.ON's portfolio during the course of the year are factored into capital employed.

Annual average capital employed does not include the marking to market of other share investments. The purpose of excluding this item is to provide us with a more consistent picture of our ROCE performance.

Value added measures the return that exceeds the cost of capital employed. It is calculated as follows:

Value added = (ROCE – cost of capital) x annual average capital employed.

ROCE Performance in 2016

ROCE declined from 10.9 percent in 2015 to 10.4 percent in 2016, primarily because of the reduction in our adjusted EBIT. An increase in average capital employed was another factor. This resulted mainly from the capitalization of costs relating to dismantling obligations at PreussenElektra. Our ROCE of 10.4 percent was above our pretax cost of capital, which declined relative to the prior year. This resulted in added value of €1.4 million.

The table below shows the E.ON Group's ROCE, value added, and their derivation.

E.ON Group ROCE and Value Added

€ in millions	2016	2015
Goodwill, intangible assets, and property, plant, and equipment[1]	31,034	30,470
Shares in affiliated and associated companies and other share investments	4,486	4,251
Non-current assets	**35,520**	**34,721**
Inventories	785	816
Other non-interest-bearing assets/liabilities, including deferred income and deferred tax assets[2]	-4,929	-5,156
Current assets	**-4,144**	**-4,340**
Non-interest-bearing provisions[3]	-1,402	-1,264
Capital employed in continuing operations (at year-end)	**29,974**	**29,117**
Capital employed in continuing operations (annual average)[4]	29,546	29,117
Adjusted EBIT[5]	**3,083**	**3,168**
ROCE[6]	**10.4%**	**10.9%**
Cost of capital before taxes	**5.8%**	**6.7%**
Value added[7]	**1,370**	**1,217**

[1]Depreciable non-current assets are included at their book value. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value.
[2]Examples of other non-interest-bearing assets/liabilities include income tax receivables and income taxes as well as receivables and payables relating to derivatives.
[3]Non-interest-bearing provisions mainly include current provisions, such as those relating to sales and procurement market obligations. They do not include provisions for pensions or for nuclear-waste management.
[4]In order to better depict intraperiod fluctuations in average capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year and the end of the year. In 2015 the annual average and the year-end figure were the same.
[5]Adjusted for non-operating effects, discontinued operations, and divested operations.
[6]ROCE = adjusted EBIT divided by annual average capital employed; for 2015, ROCE = adjusted EBIT divided by annual capital employed.
[7]Value added = (ROACE – cost of capital) x annual average capital employed; for 2015, value added = (ROACE – cost of capital) x annual capital employed.

Corporate Sustainability

Many and diverse stakeholders—customers and suppliers, policymakers and government agencies, employees and trade unions, nongovernmental organizations and regional interest groups, equity analysts and investors—have high expectations of us and the entire energy industry. Their demands include more renewables and innovative and energy-efficient customer solutions as well as a diverse workforce and a safe and healthy workplace. We take these demands seriously and strive systematically to make our company more sustainable.

We have conducted a materiality analysis at regular intervals since 2006. Its purpose is to identify our stakeholders' expectations of us. Our annual online Sustainability Report describes the issues that are material to our stakeholders and to us as a company as well as how we address these issues. Our reporting is based on the Global Reporting Initiative's G4 sustainability reporting guidelines.

We successfully completed our most recent sustainability work program in 2015. E.ON spun off Uniper in 2016 and now focuses on renewables, energy networks, and customer solutions. This transformation makes sustainability a centerpiece of our corporate strategy, thereby raising stakeholders' expectations for us to operate sustainably. To meet these expectations, we revised our sustainability effort. Our objective is to continually improve our performance and, looking further ahead, to become one of the leading sustainable companies in our industry. We therefore defined five main sustainability focus areas for E.ON, which we describe below under "Highlights in 2016." Each E.ON unit designs a sustainability improvement plan consisting of specific measures and targets. The units' sustainability improvement plans, the progress toward their respective targets, and the results of the materiality analysis are presented to, and discussed by, the Sustainability Governance Council on a regular basis.

Our commitment to transparency includes subjecting our sustainability performance to independent, detailed assessments by investors and rating agencies. The results of these assessments provide important guidance to investors and to us. They help us identify our strengths and weakness and further improve our performance. We are therefore very pleased to be listed in the Multi and Water Utilities category in the 2016 Dow Jones Sustainability Europe Index and World Index; we also earned a higher score for our economic and environmental performance. In 2016 we were again included in the RobecoSAM Sustainability Yearbook and, as a leading company, received a bronze rating.

In addition, the Carbon Disclosure Project ("CDP") awarded E.ON a high grade of A- for the quality, processes, and transparency of our reporting on our carbon emissions and climate change as well as a grade of B for our corporate water disclosures. The CDP is one of the world's largest investor organizations. It helps investors assess whether a company adequately addresses climate change in its decisions and business processes. Furthermore, E.ON continues to be listed in the Euronext Vigeo Europe 120 sustainability index and, in 2016, was for the first time included in the Euronext Vigeo World 120.

Highlights in 2016

The purpose of our sustainability activities has long been to achieve a reasonable balance in addressing environmental, social, and governance issues. Increasingly, sustainability issues influence value drivers such as our sales, reputation, attractiveness as an employer, efficiency, costs, and innovativeness.

At the start of 2016, we therefore conducted workshops to articulate what sustainability means for E.ON. The workshops consisted of more than 60 employees from different departments and hierarchy levels. We discussed their findings with external stakeholders. The result is five new focus areas toward which we will direct our sustainability activities going forward. These focus areas are consistent with our corporate strategy, our vision, and our brand.

We listen to our customers and treat them fairly.

We identify and understand customers' needs. We serve all members of society fairly and with respect.

We help customers optimize their energy usage.

We help customers reduce their energy consumption, costs, and carbon emissions. We develop innovative solutions to drive continuous reduction. We help customers understand their consumption profile so they can identify potential savings.

We build and integrate renewable generating capacity.

We are increasing installed renewables capacity and working to reduce the cost of renewables. Our distribution networks bring power to customers and are therefore the platform for them to use renewable energy.

We protect the health and safety of our customers and colleagues.

We provide a safe and healthy workplace for our employees and our contractors. We look out for our people's mental well-being. We also strive to protect the health and safety of customers who use our energy solutions.

We foster diversity and inclusion in our workforce.

We are committed to building a diverse workforce. We ensure that our recruitment processes are inclusive and that we value every employee and respect difference.

Shared Framework, Individual Implementation

These five focus areas are valid for our entire company. They serve as the starting point for all E.ON units and functions to design their own measures and set their own targets. The units and functions also factor in other sustainability issues that are important for their respective activities. For example, our procurement organization develops measures that promote sustainable supply chain management and embeds sustainability key performance indicators into its management model.

The same applies to our PreussenElektra subsidiary. It too will design its own sustainability improvement plan to address our sustainability focus areas by, for example, developing measures to ensure the continued protection of the environment and of its employees' health and safety.

Carbon Emissions

Following the transfer to Uniper SE of entities that operate fossil-fueled generating units, our carbon emissions from power and heat production totaled 1.2 million metric tons in 2016. As in the prior year, we included all combustion plants covered by the EU Emissions Trading Scheme (plants with a capacity of more than 20 MW). Due to the spinoff, which was part of our new strategy, a comparison with the prior-year figure of 76.8 million metric tons would have no informational value.

Our 2016 Sustainability Report, which will be published online in early May, will contain detailed information about our emissions. This report is not part of the Combined Group Management Report.

Employees

People-Strategy

An organization's business strategy and its products and services can be copied. What cannot be easily copied are an organization's people, its culture, and its capabilities. The successful delivery of any business strategy depends on an organization having available highly qualified and motivated employees as well as a strong and diverse talent pipeline.

Great companies execute their People Strategy with the same energy and determination they apply to the business strategy. A key success factor is for HR functions to be business-integrated.

The One2two project led to changes in E.ON's organizational setup. Other changes have resulted from E.ON's focus on the new energy world. In response, we decided to review the basic structure of our People Strategy and to identify any modifications that might be necessary.

For this purpose, our HR team conducted a survey and an analysis of the business requirements of our various units.

The result is a People Strategy that emphasizes even more clearly and explicitly the five values of the E.ON vision and that provides the right support for our employees as they implement E.ON's radical focus on the new energy world. The focus areas for this support are Preparing our People for the Future, Providing Opportunities, and Recognizing Performance.

These focus areas are therefore unchanged and will continue to guide all our HR activities for the next three to five years. This demonstrates that our existing People Strategy provides an excellent foundation for meeting the challenges resulting from the spinoff.

The spinoff has brought with it some new work patterns as E.ON pursues ambitious goals while operating in demanding market environments. The focus areas of our People Strategy will enable us to continue to put the needs of our employees and executives at the center of what we do.

One2two and the Involvement of Employee Representation
The main focus of our HR work in 2016 was on preparing to take the final employee-related steps for the Uniper spinoff. The close, constructive working relationship between management and employee representatives was again an important success factor for the implementation of the One2two project, just as it had been in the previous year. It continued in the spirit the Joint Declaration and Framework Agreement of the Management Board of E.ON SE, the Executive Committee of the SE Works Council of E.ON SE and the Executive Committee of the Group Works Council of E.ON SE, which was agreed on in 2014. In particular, the Joint Declaration sets the main social framework for any One2two measures and for the involvement of employee representatives in One2two.

A Project Council consisting of leading employee representatives was created in 2015. In 2016 it was continuously informed in advance of decisions pending in the Project Steering Committee. It had the opportunity to discuss the decisions with the E.ON Management Board and to make alternative recommendations. Employee representatives were at all times actively involved in One2two decision-making processes and implementation projects at an early stage.

The Uniper spinoff led to the decision to separate the support functions as well (IT, HR, and Financial Services). Employees were assigned on the basis of the One2two rules and guidelines which had been negotiated with the works councils and specified in the Partnership Agreement between E.ON, Uniper, and E.ON Business Services.

Phoenix and the Involvement of Employee Representatives
In the fourth quarter of 2016 E.ON launched a restructuring program called Phoenix. It will be conducted in keeping with our well-established tradition of working closely with employee representatives and involving them early. A Joint Declaration and Framework Agreement of the Management Board of E.ON SE, the Executive Committee of the SE Works Council of E.ON SE and the Group Works Council of E.ON SE was concluded in November and thus at an early stage of Phoenix. This document will serve as the foundation for management and employee representatives to work together openly and constructively throughout Phoenix. A Project Council consisting of leading employee representatives was created, as it had been with One2two. It met for the first time in December, marking the beginning of employee representatives' continual involvement in Phoenix.

Collaborative Partnership with Employee Representatives
E.ON places a strong emphasis on working with employee representatives as partners. This collaborative partnership is integral to our corporate culture. At a European level, E.ON management works closely with the SE Works Council of E.ON SE, whose members come from all European countries in which E.ON operates. Under the SE Agreement, the SE Works Council of E.ON SE is informed and consulted about issues that transcend national borders.

Alongside the forms of codetermination required by law in European countries outside Germany, the involvement of employee representatives in these countries is fostered by the SE Agreement, by collaboration at the Group level, and by the Agreement on Minimum Standards for Restructuring Measures, which was concluded between management and the European Works Council (the forerunner of the SE Works Council of E.ON SE) in 2010.

Prior to E.ON's adoption of a functionally oriented management model, in 2014 management and the Group Works Council in Germany concluded the Agreement on Future Social Partnership in the Context of the Functionally Oriented Management Model. The agreement, which stipulates the principles of the future social partnership at E.ON's operations in Germany, manifests a shared responsibility for the company and its employees and represents a special milestone in the history of codetermination at E.ON.

Talent Management
The purpose of our talent management is to hire highly qualified people and to foster our employees' ongoing personal and professional development.

In 2016 E.ON's status as a top employer was again confirmed by prestigious rankings.

This recognition was one of the reasons we were able to attract outstanding talent, including recent university graduates. The E.ON Graduate Program remained one of the most coveted ways of joining our company. Participants are assigned a mentor, receive special training, and gain experience during placements at their home E.ON unit as well as at other units in the same country and elsewhere. Sixty-four graduates entered the program in 2016. Their backgrounds and interests reflect the emphasis E.ON places on diversity:

- They will work in a wide range of job families (including engineering, IT, sales, finance, corporate development, and HR).
- They come from around the world (including the United Kingdom, Germany, Azerbaijan, Pakistan, Vietnam, Nigeria, China, India, Hungary, Romania, Spain, and Sweden).
- At 33 percent, the proportion of women participants remains high.

The foundation of our strategic, needs-oriented talent management is the Management Review Process, which we conducted again in 2016. It helps ensure the continued professional development of managers and executives, our various units and job families, and the entire organization. It also creates transparency about our current talent situation and our needs for the future.

In 2016 we conducted more events for talented employees. The main purpose of these events is for the participants to get to know each other, to network, and to share information across organizational boundaries. In addition, participants discuss thoroughly issues that are important to our business.

In 2016 we also completely revised our talent landscape. The new landscape, which will be introduced in 2017, will enable us to continue to meet our business units' changing needs and requirements. A key criterion during the design phase was to increase the ways in which we identify and develop talent at the various levels of our company. In addition, the new talent landscape encompasses not only the typical executive career path but also those of project managers and experts. It offers greater variation in each career path, promotes flexibility, and tailors an individual development program for each talented employee. In short, it puts our people at the center and facilitates career planning that meets the highest standards of today's business world.

Professional Development
We launched our HR Online Learning App, a new learning management system, in 2016. It better integrates our formal learning and training offerings into our peoples' workday. Additional user-friendly improvements to the new learning platform are on the way. They will enable our people access learning offerings on their mobile devices and will supplement our formal offerings with informal learning opportunities, such as the use of additional learning resources alongside our course offerings. In 2016 we also began the Group-wide rollout of 2020 Leadership, a new program whose purpose is to systematically prepare our leaders for the new leadership requirements in the digital age.

Our catalog of formal training courses was supplemented by other projects and initiatives specifically tailored to our company, such as the Change Cube and Learning Take-Away Days.

Our central Learning Management System recorded 109,036 enrollments in our formal courses (which do not include our online learning programs) in 2016. This equals 72,805 days of classroom training, which accounts for 70 percent of our total training offerings. On average, each employee received 1.7 days of training in 2016. We do not record the duration of use of our online learning programs.

Diversity

Diversity will remain a key element of E.ON's competitiveness. Diversity and an appreciative corporate culture promote creativity and innovation. This is a central aspect of the E.ON vision as well. E.ON brings together a diverse team of people who differ by nationality, age, gender, disability, religion, and/or cultural and social background. Diversity is a key success factor. Numerous studies have shown that heterogeneous teams outperform homogenous ones. Diversity is equally crucial in view of demographic trends. Going forward, only those companies that embrace diversity will be able to remain attractive employers and be less affected by the shortage of skilled workers. In addition, a diverse workforce enables us to do an even better job of meeting our customers' needs and requirements. More than a decade ago, in 2006, we issued a Group Policy on Equal Opportunity and Diversity, which we updated in 2016 in cooperation with the European Works Council. In June 2008 we publicly affirmed our long-standing commitment to fairness and respect by signing the German Diversity Charter, which now has about 2,400 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect.

Our approach to promoting diversity is holistic, encompassing all dimensions of diversity. It ensures equal opportunity for all employees and fosters and harnesses diversity in an individual way.

In 2016 we again implemented numerous measures to promote diversity at E.ON. An important purpose of these measures is to foster the career development of female managers. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We have Group-wide recruiting and hiring guidelines for management positions. These guidelines require that least one male and one female must be on the short list for a vacant management position. As a result, in 2016 we again increased the proportion of women in leadership positions. This proportion rose from just over 11 percent in 2010 to 19.6 percent at year-end 2016 for the Group as a whole and from 9 percent to 15.7 percent for Germany. Our units have had support mechanisms for female managers in place for a number of years. These mechanisms include mentoring programs for female next-generation managers, coaching, unconscious-bias training, the provision of daycare, and flexible work schedules. Significantly increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions.

We conducted activities and initiatives throughout 2016 to enable all of our employees to experience difference and diversity and to raise their awareness of the contribution made by each individual. For example, we hosted an exhibition on disability and commemorated International Women's Day across our company.

Many of these measures are already having an impact. Our progress is receiving recognition outside our company as well. For example, E.ON received the Total E-Quality Seal for exemplary HR policies based on equal opportunity and diversity for the third year in a row.

More information about E.ON's compliance with Germany's Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector can be found in the Management's Statement regarding this law.

Workforce Figures

At year-end 2016 the E.ON Group had 43,138 employees worldwide, roughly the same number as at year-end 2015. E.ON also had 971 apprentices in Germany and 124 board members and managing directors worldwide. These numbers have been adjusted to exclude Uniper employees.

Employees[1]

	December 31		
Headcount	2016	2015	+/- %
Energy Networks	16,814	14,932	+13
Customer Solutions	19,106	20,860	-8
Renewables	1,082	913	+19
Corporate Functions/Other[2]	4,102	4,237	-3
Core business	**41,104**	**40,942**	**–**
Non-core Business (PreussenElektra)	2,034	1,998	+2
Other (divested operations)	–	222	-100
E.ON Group	**43,138**	**43,162**	**–**

[1]Does not include board members, managing directors, or apprentices.
[2]Includes E.ON Business Services.

The hiring of apprentices in Germany as full-time employees and, in particular, the transfer of service employees in Romania from Customer Solutions were the main reasons for the increase in Energy Networks' headcount. This was partially offset by restructuring in Romania.

The transfer of service employees in Romania to Energy Networks along with restructuring were the main reasons for the decline in Customer Solutions' headcount.

The filling of vacancies and business expansion in the United States led to an increase in the number of employees at Renewables.

Transfers to Uniper as part of the spinoff project led to a significant decline in headcount at Corporate Functions/Other. This does not include divested operations.

Non-Core Business currently consists of our nuclear energy business in Germany. The separation of this business in conjunction with the Uniper spinoff led to a need to add staff in some departments, resulting in a slight increase in the number of employees.

The decline in headcount at Other resulted from the sale of exploration and production operations.

Geographic Profile

At year-end 2016, 25,899 employees, or 60 percent of all staff, were working outside Germany, slightly less than the 61 percent at year-end 2015.

Employees by Country[1]

	Headcount		FTE[3]	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Germany	17,239	16,882	16,695	16,324
United Kingdom	9,850	9,694	9,363	9,210
Romania	5,464	6,175	5,415	5,681
Hungary	5,000	4,903	4,992	4,896
Czechia	2,401	2,331	2,387	2,317
Sweden	1,999	1,980	1,967	1,955
USA	475	351	475	351
Other[2]	710	846	702	837

[1]Figures do not include board members, managing directors, or apprentices.
[2]Includes Poland, Italy, Denmark, and other countries.
[3]Full-time equivalent.

Gender and Age Profile, Part-Time Staff

At the end of 2016, 32.1 percent of our employees were women, incrementally higher than the figure of 32 percent at the end of 2015.

Proportion of Female Employees

Percentages	2016	2015
Energy Networks	20	21
Customer Solutions	43	39
Renewables	21	23
Corporate Functions/Other[1]	45	45
Core business	**33**	**33**
Non-Core Business (PreussenElektra)	13	12
Other (divested operations)	–	36
E.ON Group	**32.1**	**32.0**

[1]Includes E.ON Business Services.

The average E.ON Group employee was about 42 years old and had worked for us for about 14 years.

Employees by Age

Percentages at year-end	2016	2015
30 and younger	18	18
31 to 50	55	56
51 and older	27	26

A total of 3,517 employees, or 8 percent of all E.ON Group employees, were on a part-time schedule. Of these, 2,898, or 82 percent, were women.

Part-time Rate

Percentages	2016	2015
Energy Networks	4	7
Customer Solutions	11	10
Renewables	3	3
Corporate Functions/Other[1]	12	12
Core business	**8**	**9**
Non-Core Business (PreussenElektra)	5	5
Other (divested operations)	–	2
E.ON Group	**8**	**9**

[1]Includes E.ON Business Services.

The turnover rate resulting from voluntary terminations averaged 5.3 percent across the organization, significantly higher than in the prior year (3.5 percent). The increase was due to voluntary terminations as part of restructuring programs in Romania along with an increase in voluntary terminations in the United Kingdom.

Turnover Rate

Percentages	2016	2015
Energy Networks	4.1	1.5
Customer Solutions	6.0	4.4
Renewables	8.1	10.5
Corporate Functions/Other[1]	7.7	6.2
Core business	**5.5**	**3.6**
Non-Core Business (PreussenElektra)	1.7	2.0
Other (divested operations)	1.4	1.4
E.ON Group	**5.3**	**3.5**

[1]Includes E.ON Business Services.

Occupational Health and Safety

Occupational health and safety have the highest priority at E.ON. A key performance indicator ("KPI") for our safety is total recordable injury frequency ("TRIF")—which measures the number of reported fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries that occur on the job—per million hours of work. Our TRIF figures also include E.ON companies that are not fully consolidated but over which E.ON has operational control. E.ON employees' TRIF in 2016 was 2.5, the same low level as in the prior year. The change is partly a result of a further improvement in our reporting culture.

Regrettably, three employees died on the job in 2016, and another suffered fatal injuries in a traffic accident. The accidents occurred in Germany, the United Kingdom, and the Czech Republic.

To continually improve their safety performance, our units have in place certified health, safety, and environment ("HSE") management systems that meet international standards. To ensure improvement is continuous, our units develop HSE improvement plans based on a management review of their performance in the prior year. In addition, in 2016 the top executives of all units were required to participate in a specially designed HSE leadership training module.

The healthcare systems of the countries we operate in differ considerably in terms of their delivery of medical care, their health-insurance and pension systems, and their legal requirements for occupational health and safety. Nevertheless, the most common illnesses that make employees unable to work are the same in all countries: musculoskeletal disorders, psychological problems, and respiratory infections. The leading causes of death are the same as well: heart disease and cancer. E.ON's health policies focus on preventing these diseases. We strive to prevent psychological problems by providing mental-health training and by conducting a program that gives employees access to outside counselors. Check-ups and preventive care by our company doctors help reduce general and workplace-specific risks. We also conduct campaigns to raise awareness of bowel cancer and the importance of detecting cancer early. Flu vaccination programs help prevent dangerous respiratory illnesses. Together, these programs address the increasingly important issue of maintaining our employees' capacity to work.

Compensation, Pension Plans, Employee Participation
Attractive compensation and appealing fringe benefits are essential to a competitive work environment. The compensation plans of nearly all our employees contain an element that reflects the company's performance. This element is typically based on the same key figures that are also used in the Management Board's compensation plan.

Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention. E.ON companies supplement their company pension plans with attractive programs to help their employees save for the future.

Apprenticeships
E.ON continues to place great emphasis on vocational training for young people. The E.ON Group had 971 apprentices and work-study students in Germany at year-end 2016. This represented 5.3 percent of E.ON's total workforce in Germany, compared with 5.5 percent at the end of the prior year. The number of apprentices as well as their proportion of our total workforce declined relative to the prior year. This is mainly attributable to a reduction in the number of apprentices taken on at our nuclear power stations.

Established in 2003 as part of a pact between industry and the German federal government, the E.ON training initiative to combat youth unemployment was extended for three more years and will now continue through 2020. In 2015 it helped more than 460 young people in Germany get a start on their careers through internships that prepare them for an apprenticeship as well as school projects and other programs. The number of participants declined from 550 in 2015 owing to a tighter budget and a redesign of the initiative.

Apprentices in Germany

	Headcount		Percentage of workforce	
At year-end	2016	2015	2016	2015
Energy Networks	821	799	8.4	8.4
Customer Solutions	17	13	0.6	0.5
Renewables	–	–	–	–
Corporate Functions/Other	63	89	2.0	2.6
Core business	**901**	**901**	**5.6**	**5.7**
Non-Core Business (PreussenElektra)	70	89	3.3	4.3
E.ON Group	**971**	**990**	**5.3**	**5.5**

Forecast Report

Business Environment

Macroeconomic Situation
The OECD forecasts a gradual acceleration of global economic growth in 2017 and 2018. It expects the global economy to grow by 3.3 percent in 2017 and by 3.6 percent in 2018. The corresponding figures for the United States are 2.3 percent and 3 percent, where weaker growth (1.6 percent and 1.7 percent) is forecast for the euro zone. The OECD sees substantial political uncertainty and financial risks. It believes that fiscal initiatives and structural reforms should lead to stronger growth.

Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) will decline going forward.

Anticipated Earnings Situation

Forecast Earnings Performance
Our forecast for full-year 2017 earnings continues to be significantly influenced by the difficult business environment in the energy industry. Examples include the British pound's weakness following the Brexit vote, interventionist remedies proposed by Britain's Competition and Markets Authority, and the foreseeable reduction of network returns in Germany. In addition, the current low-interest-rate environment and increasingly fierce competition are putting downward pressure on achievable returns.

For our 2017 earnings forecast, we adjusted our internal financial key figures with respect to the treatment of nuclear asset-retirement obligations. Effects resulting from the valuation of these provisions at the balance-sheet date are now reported under non-operating earnings; however, this does not apply to the accruals on these provisions. This change, which improves the depiction of E.ON's underlying earnings strength, takes effect on January 1, 2017. In view of the fundamental change in our business and its structure in 2016, it did not make sense to adjust the prior-year figures.

We expect the E.ON Group's 2017 adjusted EBIT to be between €2.8 and €3.1 billion and its 2017 adjusted net income to be between €1.20 and €1.45 billion. In addition, we expect the E.ON Group to achieve a cash-conversion rate of at least 80 percent and ROCE of 8 to 10 percent.

Our forecast by segment:

Adjusted EBIT[1]

€ in billions	2017 (forecast)	2016
Energy Networks	significantly above prior year	1.7
Customer Solutions	significantly below prior year	0.8
Renewables	at prior-year level	0.4
Corporate Functions/Other	significantly below prior year	-0.4
Non-Core Business	at prior-year level	0.6
E.ON Group	**2.8 – 3.1**	**3.1**

[1]Adjusted for extraordinary effects.

We expect Energy Networks' 2017 adjusted EBIT to be significantly above the prior-year figure. The principal positive factors in Germany are special regulatory effects relating to the delayed repayment of personnel costs from 2015 along with non-recurring items stemming from the conversion to the amended incentive-regulation scheme. German lawmakers are currently debating the Grid Fee Modernization Act, which, if enacted, could lead to an earnings improvement in 2017, which, however, would be offset again in the year 2019 to 2021. In addition, improved power tariffs in Sweden and in the Czech Republic will increase earnings. In Hungary we will benefit from the new regulation period in 2017.

We anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. Earnings in Germany will be lower due primarily to competition-related factors. In addition, startup costs in the customer-solutions business will have an adverse impact on earnings and will not generate positive earnings streams until subsequent years. The intervention of the U.K. Competition and Markets Authority and rising costs for customer acquisition as part of our new marketing strategy will impact our earnings in the United Kingdom. Earnings there will also be adversely affected by the planned Brexit and the development of the British pound. Earnings will be lower in Romania primarily because of narrowing margins due to keener competition in the wake of market liberalization.

We expect Renewables' adjusted EBIT to be at the prior-year level. Significant new-build projects (such as Radford Run, Bruenning Breeze, Arkona, and Rampion wind farms) will not enter service and contribute to earnings until the end of 2017 or in subsequent years.

We anticipate that adjusted EBIT at Corporate Functions/Other will be significantly below the prior-year level, primarily because of the non-recurrence of positive derivative earnings reported in 2016 and the dividend on our stake in Nord Stream, because we intend to place this stake in a contractual trust arrangement in 2017.

At Non-Core Business we expect PreussenElektra's adjusted EBIT to be at the prior-year level.

Anticipated Financial Situation

Planned Funding Measures

In addition to our investments planned for 2017 and the dividend for 2016, in 2017 we will likely make payments in conjunction with the law Germany's two houses of parliament passed in December 2016 to reassign responsibility for the country's nuclear waste. These payments will be funded primarily with available liquid funds, the sale of securities as well as the issuance of commercial paper and bonds.

Dividend

In line with our consistent dividend policy, our goal is to pay out to E.ON shareholders 50 to 60 percent of our adjusted net income. E.ON plans to propose the payment of a fixed dividend of €0.30 per share for the 2017 financial year.

Planned Investments

Our medium-term plan calls for investments of €3.6 billion in 2017. Our capital allocation will of course continue to be selective and disciplined. At the present time, the market is not sufficiently pricing in risks, which adversely affects the long-term profitability of investments. In light of these factors, we will manage our current investment budget flexibly.

Cash-Effective Investments: 2017 Plan

	€ in billions	Percentages
Energy Networks	1.4	39
Customer Solutions	0.7	19
Renewables	1.5	42
Non-Core Business	–	–
Corporate Functions/Other	–	–
Total	**3.6**	**100**

Energy Networks' investments will consist in particular of numerous individual investments to expand our intermediate- and low-voltage networks, switching equipment, and metering and control technology as well as other investments to ensure the reliable and uninterrupted transmission and distribution of electricity. Our investments provide important support to the energy transition, particularly in Germany, and therefore make a substantial contribution to supply security.

Investments at Customer Solutions will go toward metering, upgrade, and efficiency projects as well as to heat and biomass projects in Sweden and the United Kingdom.

The main focus of Renewables' investments will be on offshore wind farms in Europe (such as Rampion and Arkona) and onshore farms in the United States (such as Radford Run and Bruenning Breeze).

General Statement on E.ON's Future Development

Over the last two years we have laid the foundation for E.ON to have a successful future. But our transformation has only just begun, and 2017 will be another year of change for E.ON. We defined five goals for this year against which we all will measure our progress in the remainder of the year:

We will strengthen our balance sheet and make the company financially sustainable. This is the key prerequisite for us to grow in the future. Although our markets offer many opportunities, our financial resources are limited. Over the medium and long term, we want to establish a sustainable financial foundation from which to invest in E.ON's future.

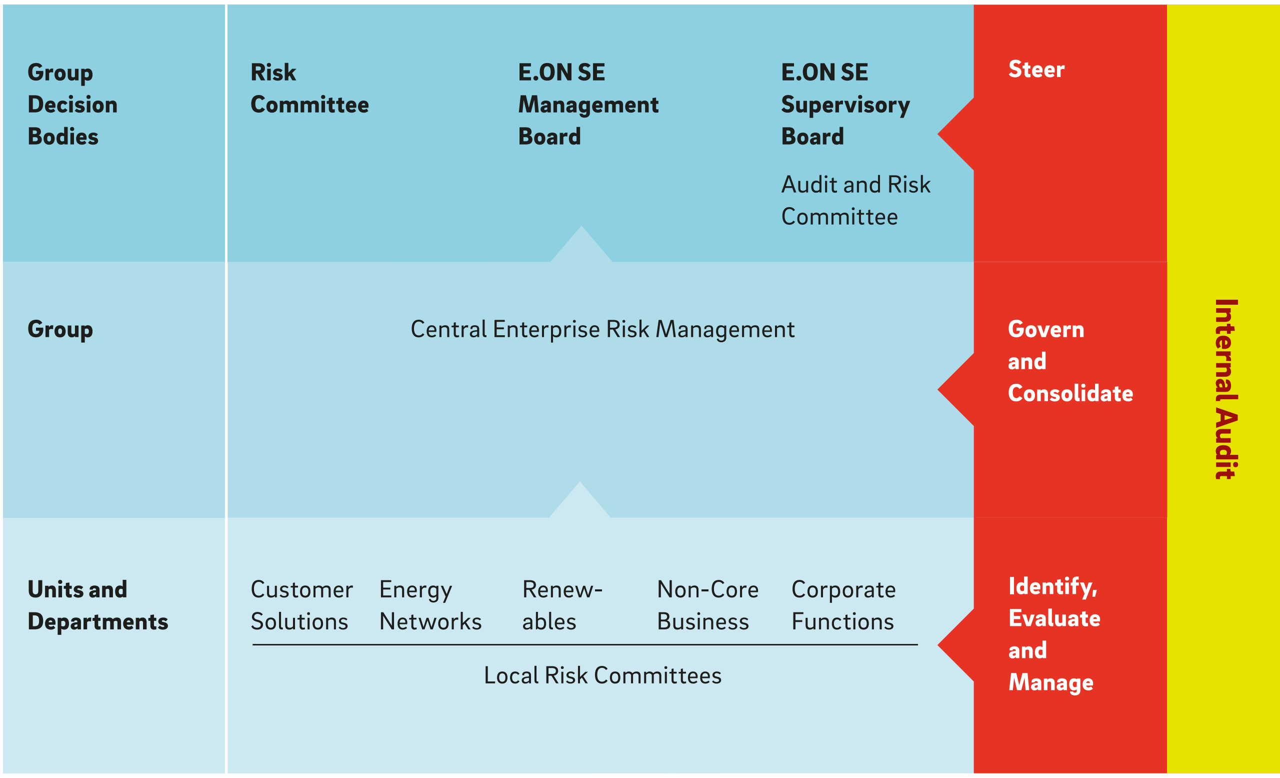
We are putting our customers first. Our new brand idea—"Let's create a better tomorrow"—makes a clear commitment. In everything we do we need to ask how it benefits our customers, what they want, and what will make their lives better.

The latest generation of energy products is digitally integrated. We intend to be a pacesetter in the digitalization of the energy business. Increasingly, digitalization will be a defining feature of the solutions we offer our customers. We already have a successful smartphone app that enables customers to manage their energy consumption and all their communications with us. Other exciting products are on the way this year.

We are convinced that the new E.ON is active in the right markets. The energy future is green, distributed, and digital. But this market is more fragmented than the conventional energy world, and we face different competitors. We therefore need to make E.ON more entrepreneurial and ensure that our offerings get to market faster. To help us achieve this, we intend reduce our bureaucracy this year, to make our organizational setup more customer-centric, and to become leaner, more decentralized, and more agile.

Leadership and cultural adaptation are now among our most important tasks. E.ON has a very knowledgeable and dedicated team of employees who work hard each day to transform our company. We want to inspire them, because we will only be successful on the road ahead by working together.

Enterprise Risk Management System in the Narrow Sense



Objective

Our Enterprise Risk Management ("ERM") provides the management of all units as well as E.ON Group with a fair and realistic view of the risks and chances resulting from their planned business activities. It provides:

- meaningful information about risks and chances to the business and to the financial community enabling the business to derive individual risks/chances as well as aggregate risk profiles within the time horizon of the medium-term plan (three years)
- transparency on risk exposures in compliance with legal regulations including KonTraG, BilMoG, and BilReG.

Our ERM is based on a centralized governance approach which defines standardized processes and tools covering the identification, evaluation, countermeasures, monitoring, and reporting of risks and chances. Overall governance is provided by Group Risk Management on behalf of the E.ON SE Risk Committee.

All risks and chances have an accountable member of the Management Board, have a designated risk owner who remains operationally responsible for managing that risk/chance, and are identified in a dedicated bottom-up process.

Scope

Our risk management system in the broader sense has a total of four components:

- an internal monitoring system
- a management information system
- preventive measures
- a risk management system in the narrow sense.

The purpose of the internal monitoring system is to ensure the proper functioning of business processes. It consists of organizational preventive measures (such as policies and work instructions) and internal controls and audits (particularly by Internal Audit).

The E.ON internal management information systems identifies risks early so that steps can be taken to actively address them. Reporting by Controlling, Finance, and Accounting departments as well as Internal Audit reports are of particular importance in early risk detection.

General Measures to Limit Risks

We take the following general preventive measures to limit risks.

Managing Legal and Regulatory Risks

We engage in intensive and constructive dialog with government agencies and policymakers in order to manage the risks resulting from the E.ON Group's policy, legal, and regulatory environment. Furthermore, we strive to conduct proper project management so as to identify early and minimize the risks attending our new-build projects.

We attempt to minimize the operational risks of legal proceedings and ongoing planning processes by managing them appropriately and by designing appropriate contracts beforehand.

Manging Operations and IT Risks

To limit operational and IT risks, we will continue to improve our network management and the optimal dispatch of our generation assets. At the same time, we are implementing operational and infrastructure improvements that will enhance the reliability of our generation assets and distribution networks, even under extraordinarily adverse conditions. In addition, we have factored the operational and financial effects of environmental risks into our emergency plan. They are part of a catalog of crisis and system-failure scenarios prepared for the Group by our incident and crisis management team.

Our IT systems are maintained and optimized by qualified E.ON Group experts, outside experts, and a wide range of technological security measures. In addition, the E.ON Group has in place a range of technological and organizational measures to counter the risk of unauthorized access to data, the misuse of data, and data loss.

Managing Health, Safety, Security, and Environmental ("HSSE"), Human Resources ("HR"), and Other Risks

Furthermore, the following are among the comprehensive measures we take to address HSSE, HR, and other risks (also in conjunction with operational and IT risks):

- systematic employee training, advanced training, and qualification programs
- further refinement of our production procedures, processes, and technologies
- regular facility and network maintenance and inspection
- company guidelines as well as work and process instructions
- quality management, control, and assurance
- project, environmental, and deterioration management
- crisis-prevention measures and emergency planning.

Should an accident occur despite the measures we take, we have a reasonable level of insurance coverage.

Managing Market Risks

We use a comprehensive sales management system and intensive customer management to manage margin risks.

In order to limit our exposure to commodity price risks, we conduct systematic risk management. The key elements of our risk management are, in addition to binding Group-wide policies and a Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. Furthermore, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. Our local sales units and the remaining generation assets have set up local risk management under central governance standards to monitor these underlying commodity exposures and reduce them to acceptable levels through forward hedging.

Managing Strategic Risks

We have comprehensive preventive measures in place to manage potential risks relating to acquisitions and investments. To the degree possible, these measures include, in addition to the relevant company guidelines and manuals, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and project controlling. Comprehensive post-acquisition projects also contribute to successful integration.

Managing Finance and Treasury Risks

This category encompasses credit, currency, tax, and asset-management risks and chances. We use systematic risk management to monitor and control our interest-rate and currency risks and manage these risks using derivative and non-derivative financial instruments. Here, E.ON SE plays a central role by aggregating risk positions through intragroup transactions and hedging these risks in the market. Due to E.ON SE's intermediary role, its risk position is largely closed.

We use a Group-wide credit risk management system to systematically measure and monitor the creditworthiness of our business partners on the basis of Group-wide minimum standards. We manage our credit risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about all credit risks. A further component of our risk management is a conservative investment strategy and a broadly diversified portfolio.

Note 30 to the Consolidated Financial Statements contains detailed information about the use of derivative financial instruments and hedging transactions. Note 31 describes the general principles of our risk management and applicable risk metrics for quantifying risks relating to commodities, credit, liquidity, interest rates, and currency translation.

Enterprise Risk Management ("ERM")

Our risk management system, which is the basis for the risks and chances described in the next section, encompasses:

- systematic risk and chance identification
- risk and chance analysis and evaluation
- management and monitoring of risks and chances by analyzing and evaluating countermeasures and preventive systems
- documentation and reporting.

As required by law, our ERM's effectiveness is reviewed regularly by Internal Audit. In compliance with the provisions of Section 91, Paragraph 2, of the German Stock Corporation Act relating to the establishment of a risk-monitoring and early warning system, E.ON has a Risk Committee for the E.ON Group and for each of its segments. The Risk Committee's mission is to achieve a comprehensive view of our risk exposure at the Group and unit level and to actively manage risk exposure in line with our risk strategy.

Our ERM applies to all fully consolidated E.ON Group companies and all companies valued at equity whose book value in E.ON's Consolidated Financial Statements is greater than €50 million. We take an inventory of our risks and chances at each quarterly balance-sheet date.

As part of the continuous development of our risk management system, at the start of 2016 we initiated a project within the broader Finance Excellence program to ensure that our risk management reflects the Uniper spinoff and E.ON's changed risk profile. In this project we developed E.ON's enterprise risk management from a compliance-oriented model to a significantly more value-oriented Group-wide model. This model was successfully implemented in the course of 2016. The changes encompass a more stringent identification process for risks and chances (including unit-specific thresholds), a more realistic evaluation of risks and chances, and integrated and focused reporting of the individual risk profiles of each segment to ensure the risk information is considered in line with the planning and forecasting process. Furthermore, the risk categories were adjusted to support E.ON's changed business profile.

Risks and Chances

Methodology

Our IT-based system for reporting risks and chances has the following risk categories:

Risk Category

Risk Category	Examples
Legal and regulatory risks	Policy and legal risks and chances, regulatory risks, risks from public consents processes
Operational and IT risks	IT and process risks and chances, risks and chances relating to the operation of generation assets, networks, and other facilities, new-build risks
HSSE, HR, and Other	Health, safety, and environmental risks and chances
Market risks	Risks and chances from the development of commodity prices and margins and from changes in market liquidity
Strategic risks	Risks and chances from investments and disposals
Finance and treasury risks	Credit, foreign-currency, tax, and asset-management risks and chances

E.ON uses a multistep process to identify, evaluate, simulate, and classify risks and chances. Risks and chances are generally reported on the basis of objective evaluations. If this is not possible, we use internal estimates by experts. The evaluation measures a risk/chance's financial impact on our current earnings plan while factoring in risk-reducing countermeasures. The evaluation therefore reflects the net risk.

We then evaluate the likelihood of occurrence of quantifiable risks and chances. For example, the wind may blow more or less hard at a wind farm. This type of risk is modeled with a normal distribution. Modeling is supported by a Group-wide IT-based system. Extremely unlikely events—those whose likelihood of occurrence is 5 percent or less—are classified as tail events. Tail events are not included in the simulation described below.

This statistical distribution makes it possible for our IT-based risk management system to conduct a Monte Carlo simulation of quantifiable risks/chances. This yields an aggregated risk distribution that is quantified as the deviation from our current earnings plan for adjusted EBIT.

We use the 5 and 95 percent percentiles of this aggregated risk distribution as the best case and worst case, respectively. Statistically, this means that with this risk distribution there is a 90-percent likelihood that the deviation from our current earnings plan for adjusted EBIT will remain within these extremes.

The last step is to assign, in accordance with the 5 and 95 percent percentiles, the aggregated risk distribution to impact classes—low, moderate, medium, major, and high—according to their quantitative impact on adjusted EBIT. The impact classes are shown in the table below:

Impact Classes

low	x < €10 million
moderate	€10 million ≤ x < €50 million
medium	€50 million ≤ x < €200 million
major	€200 million ≤ x < €1 billion
high	x ≥ €1 billion

General Risk Situation

The table below shows the average annual aggregated risk position (aggregated risk position) across the time horizon of the medium-term plan for all quantifiable risks and chances (excluding tail events) for each risk category based on our most important key figure, adjusted EBIT.

Risk Category

Risk Category	Worst Case (5 percent percentil)	Best Case (95 percent percentil)
Legal and regulatory risks	Major	Moderate
Operational and IT risks	Major	Low
HSSE, HR, and Other	Low	Low
Market risks	Major	Medium
Strategic risks	Medium	Low
Finance and treasury risks	Medium	Medium

The E.ON Group has a major risk positions in the following categories: legal and regulatory risks, operational and IT risks, and market risks. As a result, the aggregate risk position of E.ON SE as the Group is major. In other words, the E.ON Group's average annual adjusted EBIT risk ought not to exceed -€200 million to -€1 billion in 95 percent of all cases.

Risks and Chances by Category

E.ON's major risks and chances by risk category are described below. Also described are major risks and chances stemming from tail events as well as major qualitative risks that would impact adjusted EBIT by more than €200 million. Risks and chances that would affect net income and/or cash flow by more than €200 million are included as well.

Legal and Regulatory Risks

The political, legal, and regulatory environment in which the E.ON Group does business is also a source of external risks, such as decisions by governments to phase out power generation using certain fuels. In view of the economic and financial crisis in many EU member states, policy and regulatory intervention—such as additional taxes, additional reporting requirements (for example, EMIR, REMIT, MiFiD2), price moratoriums, regulatory price reductions, and changes to support schemes for renewables—is becoming increasingly apparent. Such intervention could pose a risk to E.ON's operations in these countries. In particular, the refinancing situation of many European countries could have a direct impact on the E.ON Group's cost of capital. Besides governmental risks and chances this also includes the risk of litigation, fines, and claims, governance- and compliance-related issues as well as risks and chances related to contracts and permits. Changes to this environment can lead to considerable uncertainty with regard to planning and, under certain circumstances, to impairment charges but also can create chances. This results in a major risk position and a chance position.

PreussenElektra

PreussenElektra's business is substantially influenced by regulation. In general, regulation can result in risks for its remaining business activities. One example is the Fukushima nuclear accident. Policy measures taken in response to such events could have a direct impact on further operation of a nuclear power plant ("NPP") or trigger liabilities stemming from solidarity obligation agreed on among German NPP operators. Furthermore, new regulatory requirements, such as additional mandatory safety measures, could lead to production outages and higher costs. Regulation can also require an increase in provisions for dismantling and storage. This could pose major risks for E.ON.

In 2003 Section 6 of Germany's Atomic Energy Act granted consent for Unterweser NPP to store radioactive spent nuclear fuel in an on-site intermediate storage facility. Lawsuits were filed against the consent. The complainants asked that the court rescind the consent on the grounds that the storage facility is not sufficiently protected against terrorist attacks. A ruling is expected in 2017. If the court rules in favor of the complainants, nuclear fuel could not be removed from Unterweser NPP on schedule. This would significantly prolong dismantling, thereby leading to higher costs. This could pose a major risk.

On December 6, 2016, Germany's Federal Constitutional Court in Karlsruhe ruled that the thirteenth amended version of Germany's Atomic Energy Act ("the Act") is fundamentally constitutional. The Act's only unconstitutional elements are that certain NPP operators will be unable to produce their electricity allotment from 2002 and that it contains no mechanism for compensating operators for investments to extend NPP operating lifetimes. Lawmakers have until June 30, 2018, to pass legislation that redresses these elements. E.ON filed a suit against Lower Saxony, Bavaria, and the Federal Republic of Germany to seek approximately €380 million in damages for the nuclear-energy moratorium ordered in the wake of the Fukushima nuclear accident. PreussenElektra's appeal is pending before the State Superior Court in Celle. These matters could pose major risks and yield major chances.

Customer Solutions
The E.ON Group's operations subject it to certain risks relating to legal proceedings, ongoing planning processes, and regulatory changes. These risks relate in particular to legal actions and proceedings concerning contract and price adjustments to reflect market dislocations or (including as a consequence of the transformation of Germany's energy system) an altered business climate in the power and gas business, price increases, alleged market-sharing agreements, and anticompetitive practices. This could pose major risks.

Energy Networks
The operation of energy networks in Germany is subject to a large degree of regulation. New laws and regulation periods cause uncertainty in this business. In addition, matters related to the Renewable Energy Law, such as issues regarding solar energy, can cause temporary fluctuations in our cash flow and adjusted EBIT. This could create chances and pose major risks.

In January 2017 the German Federal Ministry for Economic Affairs and Energy published a revised draft of the Grid Fee Modernization Act. If the act takes effect retroactively to January 1, 2017, grid operators will not be able to adjust their grid fees retroactively to reflect lower avoided grid fees. For E.ON grid operators in Germany, it would have a positive effect on earnings 2017. This amount would be passed through to grid customers as credits in 2019 to 2021, which would result in a corresponding reduction in earnings. This could result in major risks as well as chances.

In Germany, the fourth regulation period for gas and power begins in 2018 and 2019, respectively. The regulatory agency will set the revenue caps based on a cost review and efficiency benchmarking. If this process results in revenue caps that are lower than anticipated, it would have an adverse impact on our anticipated earnings and lead to major risks.

The awarding of network concessions for power and gas is extremely competitive in Germany. This creates a risk of losing concessions, particularly in urban areas with good infrastructures. If a concession is lost, the network is sold to the new concessionaire at a negotiated price. Lawmakers intend to make changes in 2017 in the modalities of how a network is relinquished after a network concession has been lost. This will likely result in a legally mandated stipulation of the purchase price. This could make competition even keener.

Operational and IT Risks
The operational and strategic management of the E.ON Group relies heavily on complex information technology. This includes risks and chances arising from information security.

Technologically complex production facilities are used in the production and distribution of energy, resulting in risks from procurement and logistics, construction, operations and maintenance of assets as well as general project risks. In case of PreussenElektra, this also includes dismantling activities. One specific example here is the risk of contamination of individual facility parts. Our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown and/or higher costs and additional investments. Operational failures or extended production stoppages of facilities or components of facilities as well as environmental damage could negatively impact our earnings, affect our cost situation, and/or result in the imposition of fines. In unlikely cases, this could lead to a high risk. Overall, it results in a major risk position and a chance position.

General project risks can include a delay in projects and with that increased capital requirements. For our Renewables segment, a project delay could lead to the loss of government subsidies and cause potential partners to exit the project, which could, in unlikely cases, likewise lead to a high risk.

We could also be subject to environmental liabilities associated with our power generation operations that could materially and adversely affect our business. In addition, new or amended environmental laws and regulations may result in increases in our costs.

HSSE, HR, and Other Risks

Health and safety are important aspects of our day-to-day business. Our operating activities can therefore pose risks in these areas and create social and environmental risks and chances. In addition, our operating business potentially faces risks resulting from human error and employee turnover. It is important that we act responsibly along our entire value chain and that we communicate consistently, enhance the dialog, and maintain good relationships with our key stakeholders. We actively consider environmental, social, and corporate-governance issues. These efforts support our business decisions and our public relations. Our objective is to minimize our reputation risks and garner public support so that we can continue to operate our business successfully. These matters do not result in a major risk or chance position.

In the past, predecessor entities of E.ON SE conducted mining operations, resulting in obligations in North Rhine-Westphalia and Bavaria. E.ON SE can be held responsible for damage. This could lead to major individual risks that we currently only evaluate qualitatively.

Market Risks

Our units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants and reputational risks have created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. Market developments could however also have a positive impact on our business. Such factors include wholesale and retail price developments, higher customer churn rates, and temporary volume effects in the network business. This results in a major risk position and a chance position.

The demand for electric power and natural gas is seasonal, with our operations generally experiencing higher demand during the cold-weather months of October through March and lower demand during the warm-weather months of April through September. As a result of these seasonal patterns, our sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of our energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. We expect seasonal and weather-related fluctuations in sales and results of operations to continue. Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter months can create chances due to higher demand for electricity and natural gas.

The E.ON portfolio of physical assets, long-term contracts, and end-customer sales is exposed to major risks from fluctuations in commodity prices. The principal commodity prices to which E.ON is exposed relate to electricity, gas, and emission allowances. In view of the Uniper spinoff, E.ON is establishing procurement capabilities for its sales business and for its remaining energy production in order to ensure market access and manage the remaining commodity risks accordingly.

Strategic Risks

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance, on acceptable terms, our energy business. In order to obtain the necessary approvals for acquisitions, we may be required to divest other parts of our business or to make concessions or undertakings that affect our business. In addition, there can be no assurance that we will be able to achieve the returns we expect from any acquisition or investment. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and to address the attending business risks.

In the case of planned disposals, E.ON faces the risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible to determine the likelihood of these risks. In addition, after transactions close we could face liability risks resulting from contractual obligations.

The risk and chance position in this category was not major at the balance-sheet date.

Finance and Treasury Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions. In addition, in unlikely cases joint and several liability for jointly operated power plants lead to a high risk.

E.ON's international business operations expose it to risks from currency fluctuation. One form of this risk is transaction risk, which occurs when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which occurs when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the euro zone are translated into euros and entered into our Consolidated Financial Statements. Currency-translation risk results mainly from our positions in U.S. dollars, pounds sterling, Swedish kronor, Czech krona, Romanian leus, Hungarian forints, and Turkish lira. Positive developments in foreign-currency rates can also create chances for our operating business.

E.ON faces earnings risks from financial liabilities and interest derivatives that are based on variable interest rates.

In addition, E.ON also faces major risks from price changes and uncertainty on the current and non-current investments it makes to cover its non-current obligations, particularly pension and asset-retirement obligations. Furthermore, E.ON owns a minority stake in Uniper. A high degree of uncertainty attends this minority stake due to fluctuations in Uniper's stock price and earnings effects from Uniper's net income.

Furthermore, uncertainties regarding investment partners and projects could lead to higher-than-anticipated investment expenditures.

Declining or rising discount rates could lead to increased or reduced provisions for pensions and asset-retirement obligations, including long-term liabilities. This can create a high degree of uncertainty for E.ON.

In principle, E.ON could also encounter tax risks and chances that unlikely cases could be high. Specifically, the new administration in the United States could propose legislative changes that could, in particular, significantly reduce corporate tax rates, accelerate depreciation, and limit the tax deductions on imported economic goods. Such changes could pose major risks for our Renewables segment's future U.S. renewables projects resulting from a significant reduction in tax-equity demand.

A favorable court ruling regarding Germany's nuclear-fuel tax would create a high chance for a refund. Similarly, PreussenElektra is involved in arbitration proceedings with contract partners regarding long-term supply contracts and nuclear fuel elements. These proceedings could present major chances as well as risks.

This category's risk and chance position is not major.

Management Boards's Evaluation of the Risk Situation

The risk situation of the E.ON Group's operating business at year-end 2016 had been changed for two main reasons. First, the Uniper spinoff reduced our overall risk exposure and changed our risk profile itself. The risks related to conventional generation, exploration and production, and global commodity trading were transferred to Uniper. Second, our Group-wide Enterprise Risk project enabled us to make significant changes to our methodology to reflect E.ON's new business profile. Although the average annual risk for the E.ON Group's adjusted EBIT is classified as major, from today's perspective we do not perceive any risk position that could threaten the existence of the E.ON Group or individual segments.

Disclosures Pursuant to Section 289, Paragraph 5, and Section 315, Paragraph 2, Item 5, of the German Commercial Code on the Internal Control System for the Accounting Process

General Principles

We apply Section 315a (1) of the German Commercial Code and prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the IFRS Interpretations Committee that were adopted by the European Commission for use in the EU as of the end of the fiscal year and whose application was mandatory as of the balance-sheet date (see Note 1 to the Consolidated Financial Statements). Energy Networks (Germany, Sweden, and East-Central Europe/Turkey), Customer Solutions (Germany, United Kingdom, Other), Renewables, Non-Core Business, and Corporate Functions/Other are our IFRS reportable segments.

E.ON SE prepares its Financial Statements in accordance with the German Commercial Code, the SE Ordinance (in conjunction with the German Stock Corporation Act), and the German Energy Act.

We prepare a Combined Group Management Report which applies to both the E.ON Group and E.ON SE.

Accounting Process

All companies included in the Consolidated Financial Statements must comply with our uniform Accounting and Reporting Guidelines for the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. These guidelines describe applicable IFRS accounting and valuation principles. They also explain accounting principles typical in the E.ON Group, such as those for provisions for nuclear-waste management, the treatment of financial instruments, and the treatment of regulatory obligations. We continually analyze amendments to laws, new or amended accounting standards, and other pronouncements for their relevance to and consequences for our Consolidated Financial Statements and, if necessary, update our guidelines and systems accordingly.

Group Management defines and oversees the roles and responsibilities of various Group entities in the preparation of E.ON SE's Financial Statements and the Consolidated Financial Statements. These roles and responsibilities are described in detail in a Group Policy document.

E.ON Group companies are responsible for preparing their financial statements in a proper and timely manner. They receive substantial support from Business Service Centers in Regensburg, Germany, and Cluj, Romania. The financial statements of subsidiaries belonging to E.ON's scope of consolidation are audited by the subsidiaries' respective independent auditor. E.ON SE then combines these statements into its Consolidated Financial Statements using uniform SAP consolidation software. The E.ON Center of Competence for Consolidation is responsible for conducting the consolidation and for monitoring adherence to guidelines for scheduling, processes, and contents. Monitoring of system-based automated controls is supplemented by manual checks.

In conjunction with the year-end closing process, additional qualitative and quantitative information is compiled. Furthermore, dedicated quality-control processes are in place for all relevant departments to discuss and ensure the completeness of relevant information on a regular basis.

E.ON SE's Financial Statements are also prepared with SAP software. The accounting and preparation processes are divided into discrete functional steps. Bookkeeping processes are handled by our Business Service Centers: Cluj has responsibility for processes relating to subsidiary ledgers and several bank activities, Regensburg for those relating to the general ledgers. Automated or manual controls are integrated into each step. Defined procedures ensure that all transactions and the preparation of E.ON SE's Financial Statements are recorded, processed, assigned on an accrual basis, and documented in a complete, timely, and accurate manner. Relevant data from E.ON SE's Financial Statements are, if necessary, adjusted to conform with IFRS and then transferred to the consolidation software system using SAP-supported transfer technology.

The following explanations about our Internal Control System, and our general IT controls apply to the Consolidated Financial Statements and E.ON SE's Financial Statements.

Internal Control System

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting requirements and procedures for the entire E.ON Group. These guidelines encompass a definition of the guidelines' scope of application; a Risk Catalog ("ICS Model"); standards for establishing, documenting, and evaluating internal controls; a Catalog of ICS Principles; a description of the test activities of our Internal Audit division; and a description of the final Sign-Off process. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

COSO Framework

Our internal control system is based on the globally recognized COSO framework, in the version published in May 2013 (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The Central Risk Catalog (ICS Model), which encompasses company- and industry-specific aspects, defines possible risks for accounting (financial reporting) in the functional areas of our units and thus serves as a check list and provides guidance for the establishment, documentation, and implementation of internal controls.

The Catalog of ICS Principles is a key component of our internal control system, defining the minimum requirements for the system to function. It encompasses overarching principles for matters such as authorization, segregation of duties, and master data management as well as specific requirements for managing risks in a range of issue areas and processes, such as accounting, financial reporting, communications, planning and controlling, and risk management.

Scope

Each year, we conduct a process using qualitative criteria and quantitative materiality metrics to define which E.ON units must document and evaluate their financial-reporting-related processes and controls in a central documentation system.

Central Documentation System

The E.ON units to which the internal control system applies use a central documentation system to document key controls. The system defines the scope, detailed documentation requirements, the assessment requirements for process owners, and the final Sign-Off process.

Assessment

After E.ON units have documented their processes and controls, the individual process owners conduct an annual assessment of the design and the operational effectiveness of the processes as well as the controls embedded in these processes.

Tests Performed by Internal Audit

The management of E.ON units relies on the assessment performed by the process owners and on testing of the internal control system performed by Internal Audit. These tests are a key part of the process. Using a risk-oriented audit plan, Internal Audit tests the E.ON Group's internal control system and identifies potential deficiencies (issues). On the basis of its own evaluation and the results of tests performed by Internal Audit, an E.ON unit's management carries out the final Sign-Off.

Sign-Off Process

The final step of the internal evaluation process is the submission of a formal written declaration called a Sign-Off confirming the effectiveness of the internal control system. The Sign-Off process is conducted at all levels of the Group before E.ON SE, as the final step, conducts it for the Group as a whole. The Chairman of the E.ON SE Management Board and the Chief Financial Officer make the final Sign-Off for the E.ON Group.

Internal Audit regularly informs the E.ON SE Supervisory Board's Audit and Risk Committee about the internal control system for financial reporting and any significant issue areas it identifies in the E.ON Group's various processes.

General IT Controls

An E.ON unit called E.ON Business Services and external service providers provide IT services for the majority of the units at the E.ON Group. The effectiveness of the automated controls in the standard accounting software systems and in key additional applications depends to a considerable degree on the proper functioning of IT systems. Consequently, IT controls are embedded in our documentation system. These controls primarily involve ensuring the proper functioning of access-control mechanisms of systems and applications, of daily IT operations (such as emergency measures), of the program change process, and of E.ON SE's central consolidation system.

Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, of the German Commercial Code

Composition of Share Capital

The share capital totals €2,001,000,000.00 and consists of 2,001,000,000 registered shares without nominal value. Each share of stock grants the same rights and one vote at a Shareholders Meeting.

Restrictions on Voting Rights or the Transfer of Shares

Shares acquired by an employee under the Company-sponsored employee stock purchase program are subject to a blackout period that begins the day ownership of such shares is transferred to the employee and that ends on December 31 of the next calendar year plus one. As a rule, an employee may not sell such shares until the blackout period has expired.

Pursuant to Section 71b of the German Stock Corporation Act ("AktG"), the Company's own shares give it no rights, including no voting rights.

Legal Provisions and Rules of the Company's Articles of Association Regarding the Appointment and Removal of Management Board Members and Amendments to the Articles of Association

Pursuant to the Company's Articles of Association, the Management Board consists of at least two members. The Supervisory Board decides on the number of members as well as on their appointment and dismissal.

The Supervisory Board appoints members to the Management Board for a term not exceeding five years; reappointment is permissible. If more than one person is appointed as a member of the Management Board, the Supervisory Board may appoint one of the members as Chairperson of the Management Board. If there is a vacancy on the Management Board for a required member, the court makes the necessary appointment upon petition by a concerned party in the event of an urgent matter. The Supervisory Board may revoke the appointment of a member of the Management Board and of the Chairperson of the Management Board for serious cause (for further details, see Sections 84 and 85 of the AktG).

Resolutions of the Shareholders Meeting require a majority of the valid votes cast unless mandatory law or the Articles of Association explicitly prescribe otherwise. An amendment to the Articles of Association requires a two-thirds majority of the votes cast or, in cases where at least half of the share capital is represented, a simple majority of the votes cast unless mandatory law explicitly prescribes another type of majority.

The Supervisory Board is authorized to decide by resolution on amendments to the Articles of Association that affect only their wording (Section 10, Paragraph 7, of the Articles of Association). Furthermore, the Supervisory Board is authorized to revise the wording of Section 3 of the Articles of Association upon utilization of authorized or conditional capital.

Management Board's Power to Issue or Buy Back Shares

Pursuant to a resolution of the Shareholders Meeting of May 3, 2012, the Company is authorized, until May 2, 2017, to acquire own shares. The shares acquired and other own shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

At the Management Board's discretion, the acquisition may be conducted:

- through a stock exchange
- by means of a public offer directed at all shareholders or a public solicitation to submit offers
- by means of a public offer or a public solicitation to submit offers for the exchange of liquid shares that are admitted to trading on an organized market, within the meaning of the German Securities Purchase and Takeover Law, for Company shares
- by use of derivatives (put or call options or a combination of both).

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, in pursuit of one or more objectives by the Company and also by affiliated companies or by third parties for the Company's account or its affiliates' account.

With regard to treasury shares that will be or have been acquired based on the above-mentioned authorization and/or prior authorizations by the Shareholders Meeting, the Management Board is authorized, subject to the Supervisory Board's consent and excluding shareholder subscription rights, to use these shares—in addition to a disposal through a stock exchange or an offer granting a subscription right to all shareholders—as follows:

- to be sold and transferred against cash consideration
- to be sold and transferred against contribution in kind
- to be used in order to satisfy the rights of creditors of bonds with conversion or option rights or, respectively, conversion obligations issued by the Company or its Group companies
- to be offered for purchase and transferred to individuals who are employed by the Company or one of its affiliates.

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, separately or collectively by the Company and also by Group companies or by third parties for the Company's account or its affiliates' account.

In addition, the Management Board is authorized to cancel treasury shares, without such cancellation or its implementation requiring an additional resolution by the Shareholders Meeting.

In each case, the Management Board will inform the Shareholders Meeting about the reasons for and the purpose of the acquisition of treasury shares, the number of treasury shares acquired, the amount of the registered share capital attributable to them, the portion of the registered share capital represented by them, and their equivalent value.

By shareholder resolution adopted at the Annual Shareholders Meeting of May 3, 2012, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 2, 2017, the Company's capital stock by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights); such increase shall not, however, exceed the amount and number of shares in which the authorized capital pursuant to Section 3 of the Articles of Association of E.ON AG still exists at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective pursuant to the conversion plan dated March 6, 2012 (authorized capital pursuant to Sections 202 et seq. AktG). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights. The authorized capital increase was not utilized.

At the Annual Shareholders Meeting of May 3, 2012, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 2, 2017. The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights and income bonds that have been issued or guaranteed by E.ON SE or a Group company of E.ON SE as defined by Section 18 AktG, and to the extent that no cash settlement has been granted in lieu of conversion and no E.ON SE treasury shares or shares of another listed company have been used to service the rights. However, this conditional capital increase only applies up to the amount and number of shares in which the conditional capital pursuant to Section 3 of the Articles of Association of E.ON AG has not yet been implemented at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective in accordance with the conversion plan dated March 6, 2012. The conditional capital increase was not utilized.

Significant Agreements to Which the Company Is a Party That Take Effect on a Change of Control of the Company Following a Takeover Bid

Debt issued since 2007 contains change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON International Finance B.V. and guaranteed by E.ON SE, promissory notes issued by E.ON SE, and other instruments such as credit contracts. Granting change-of-control rights to creditors is considered good corporate governance and has become standard market practice. Further information about financial liabilities is contained in the section of the Combined Group Management Report entitled Financial Situation and in Note 26 to the Consolidated Financial Statements.

Settlement Agreements between the Company and Management Board Members or Employees in the Case of a Change-of-Control Event

In the event of a premature loss of a Management Board position due to a change-of-control event, the service agreements of Management Board members entitle them to severance and settlement payments (see the detailed presentation in the Compensation Report).

A change-of-control event would also result in the early payout of virtual shares under the E.ON Share Matching Plan.

Corporate Governance Declaration in Accordance with Section 289a and Section 315, Paragraph 5, of the German Commercial Code

Declaration Made in Accordance with Section 161 of the German Stock Corporation Act by the Management Board and the Supervisory Board of E.ON SE

The Board of Management and the Supervisory Board hereby declare that E.ON SE will comply in full with the recommendations of the "Government Commission German Corporate Governance Code," dated May 5, 2015, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger).

The Board of Management and the Supervisory Board furthermore declare that E.ON SE has been in compliance in full with the recommendations of the "Government Commission German Corporate Governance Code," dated May 5, 2015, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) since the last declaration on April 15, 2016, with the exception of Section 4.2.3, Paragraph 2, Sentence 8 of the German Corporate Governance Code.

According to Section 4.2.3, Paragraph 2, Sentence 8 of the German Corporate Governance Code, there should be no retroactive changes to the performance targets or the comparison parameters of the Management Board's compensation. In April 2016 the E.ON SE Supervisory Board decided to adjust the performance targets for performance matching of the tranches of the long-term incentive granted in 2013 to 2015 under the E.ON Share Matching Plan. In view of the Uniper spinoff, this adjustment was necessary for three reasons. First, the performance targets for performance matching were linked to ROACE, which, from the start of 2016, the Company no longer uses as a key performance indicator. Second, the calculations were based on old budget numbers, which did not foresee the Uniper spinoff. Third, the anticipated reduction in E.ON's stock price resulting from the Uniper spinoff had to be factored in.

Essen, December 16, 2016

For the Supervisory Board of E.ON SE:
Dr. Karl-Ludwig Kley
(Chairman of the Supervisory Board of E.ON SE)

For the Management Board of E.ON SE:
Dr. Johannes Teyssen
(Chairman of the Management Board of E.ON SE)

The declaration is continuously available to the public on the Company's Internet page at www.eon.com.

Relevant Information about Management Practices

Corporate Governance

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

In 2016 the Management Board and Supervisory Board paid close attention to E.ON's compliance with the German Corporate Governance Code's recommendations and suggestions. They determined that E.ON fully complies with all of the Code's recommendations, with the above-mentioned exception, and with nearly all of its suggestions.

Transparent Management

Transparency is a high priority of the Management Board 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 primarily use the Internet to help ensure that all investors have equal access to comprehensive and timely information about the Company.

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

- Interim Reports
- Annual Report
- Annual press conference
- Press releases
- Telephone conferences held on release of the quarterly Interim Reports and the Annual Report
- 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 SE that could have a significant impact on the price of E.ON stock.

The financial calendar and ad hoc statements are available on the Internet at www.eon.com.

Directors' Dealings
Persons with executive responsibilities, in particular members of E.ON SE's Management Board and Supervisory Board, and persons closely related to them, must disclose specific dealings in E.ON stock or bonds, related derivates, or other related financial instruments pursuant to Section 15a, Paragraph 2, of the German Securities Trading Act in conjunction with Article 19 of the EU Market Abuse Regulation. Such dealings that took place in 2016 have been disclosed on the Internet at www.eon.com. As of December 31, 2016, there was no ownership interest subject to disclosure pursuant to Item 6.2 of the German Corporate Governance Code.

Integrity
Our actions are grounded in integrity and a respect for the law. The basis for this is the Code of Conduct established by the Management Board. It emphasizes that all employees must comply with laws and regulations and with Company policies. These relate to dealing with business partners, third parties, and government institutions, particularly with regard to antitrust law, the granting and accepting of benefits, the involvement of intermediaries, and the selection of suppliers and service providers. Other rules address issues such as the avoidance of conflicts of interest (such as the prohibition to compete, secondary employment, material financial investments) and handling company information, property, and resources. The policies and procedures of our compliance organization ensure the investigation, evaluation, cessation, and punishment of reported violations by the appropriate Compliance Officers and the E.ON Group's Chief Compliance Officer. Violations of the Code of Conduct can also be reported anonymously (for example, by means of a whistleblower report). The Code of Conduct is published on www.eon.com.

Description of the Functioning of the Management Board and Supervisory Board and of the Composition and Functioning of Their Committees

Management Board
The E.ON SE Management Board 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.

In 2016 the Management Board consisted of four members initially, effective April 1, 2016, of five members, and effective July 1, 2016, again of four members and had one Chairman. Effective January 1, 2017, the Management Board consists of five members and has one Chairman. Michael Sen will end his service on the Management Board at the conclusion of March 31, 2017. Someone who has reached the general retirement age should not be a member of the Management Board. The Management Board has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

The Management Board regularly reports to the Supervisory Board on a timely and comprehensive basis on all relevant issues of strategy, planning, business development, risk situation, risk management, and compliance. 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, generally at the last meeting of each financial year.

The Chairperson of the Management Board 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 in a timely manner.

Members of the Management Board 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 Management Board. Members of the Management Board 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 E.ON SE Management Board in 2016. Any material transactions between the Company and members of the Management Board, 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 2016.

In addition, the Management Board has established a number of committees that support it in the fulfillment of its tasks. The members of these committees are senior representatives of various departments of E.ON SE whose experience, responsibilities, and expertise make them particularly suited for their committee's tasks. Among these committees are the following:

A Disclosure Committee supports the Management Board on issues relating to financial disclosures and ensures that such information is disclosed in a correct and timely fashion.

A Risk Committee ensures the correct application and implementation of the legal requirements of Section 91 of the German Stock Corporation Act ("AktG"). This committee monitors the E.ON Group's risk situation and its risk-bearing capacity and devotes particular attention to the early-warning system to ensure the early identification of going-concern risks to avoid developments that could potentially threaten the Group's continued existence. In this context, the Risk Committee also deals with risk-mitigation strategies, including hedging strategies. In collaboration with relevant departments, the committee ensures and refines the implementation of, and compliance with, the Company's reporting policies with regard to commodity risks, credit risks, and enterprise risk management.

Supervisory Board

The E.ON SE Supervisory Board had twelve members until a corresponding change in the Company's Articles of Association was entered in the commercial register. Since this change in the Company's Articles of Association was entered in the commercial register and until the conclusion of the Annual Shareholders Meeting that votes to approve the actions of the Supervisory Board and Management Board for the 2017 financial year, the Supervisory Board consists of 18 members. After this, it will again consist of 12 members. Pursuant to the Company's Articles of Association, it 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 Supervisory Board nominates candidates for this purpose. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other currently nine members of the Supervisory Board are appointed by the SE Works Council, with the proviso that at least three different countries are represented and one member is selected by a trade union that is represented at E.ON SE or one of its subsidiaries in Germany. Persons are not eligible as Supervisory Board members if they:

- are already supervisory board members in ten commercial companies that are required by law to form a supervisory board
- are legal representatives of an enterprise controlled by the Company
- are legal representatives of another corporation whose supervisory board includes a member of the Company's Management Board
- were a member of the Company's Management Board in the past two years, unless the person concerned is nominated by shareholders who hold more than 25 percent of the Company's voting rights.

At least one member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board believes that Dr. Theo Siegert meets this requirement. The Supervisory Board believes that its members in their entirety are familiar with the sector in which the Company operates.

The Supervisory Board oversees the Company's management and advises the Management Board on an ongoing basis. The Management Board requires the Supervisory Board's prior approval for significant transactions and measures, such as the Group's investment, finance, and personnel plans; the acquisition or sale of companies, equity interests, or parts of companies whose fair value or, in the absence of a fair value, whose book value exceeds €300 million; financing measures that exceed €1 billion and have not been covered by Supervisory Board resolutions regarding finance plans; and the conclusion, amendment, or termination of affiliation agreements. The Supervisory Board examines the Financial Statements of E.ON SE, the Management Report, and the proposal for profit appropriation and, on the basis of the Audit and Risk Committee's preliminary review, the Consolidated Financial Statements and the Combined Group Management Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

The Supervisory Board has established policies and procedures for itself. It holds four regular meetings in each financial year. Its policies and procedures include mechanisms by which, if necessary, a meeting of the Supervisory Board or one of its committees can be called at any time by a member or by the Management Board. In the event of a tie vote on the Supervisory Board, the Chairperson has the tie-breaking vote.

Furthermore, the Supervisory Board's policies and procedures gave it the option, if necessary, of holding executive sessions; that is, to meet without the Management Board.

Overview of the Attendance of Supervisory Board Members at Meetings of the Supervisory Board and Its Committees

Supervisory Board member	Supervisory Board Meetings	Executive Committee	Audit and Risk Committee	Finance and Investment Committee	Nomination Committee
Kley, Dr. Karl-Ludwig (since June 8)	3/3	3/3	2/2	2/2	–
Lehner, Prof. Dr. Ulrich	6/6	7/7	–	–	2/2
Clementi, Erich (since July 19)	2/2	–	–	–	–
Dybeck Happe, Carolina (since June 8)	2/3	–	–	–	–
Kingsmill, Baroness Denise	6/6	–	–	–	–
Schmitz, Andreas (since July 19)	2/2	–	1/1 (guest)	–	–
Segundo, Dr. Karen de	6/6	–	–	5/5	2/2
Siegert, Dr. Theo	6/6	1/1 (guest)	4/4	–	–
Woste, Ewald (since July 19)	2/2	–	–	–	–
Scheidt, Andreas	6/6	7/7	–	–	–
Broutta, Clive	6/6	–	–	5/5	–
Gila, Tibor (since July 19)	2/2	–	–	–	–
Hansen, Thies	6/6	–	4/4	–	–
Luha, Eugen-Gheorghe	6/6	–	–	5/5	–
Schulz, Fred	6/6	7/7	4/4	–	–
Šmátralová, Silvia (since July 19)	2/2	–	–	–	–
Wallbaum, Elisabeth (since January 1)	6/6	–	–	–	–
Zettl, Albert (since July 19)	2/2	–	–	–	–
Obermann, René (until June 8)	3/3	–	–	–	–
Wenning, Werner (until June 8)	3/3	4/4	2/2	3/3	2/2

In view of Item 5.4.1 of the German Corporate Governance Code, in December 2016 the Supervisory Board defined targets for its composition that go beyond the applicable legal requirements. These targets are as follows:

„The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand and assess on his or her own all the business events and transactions that generally occur. The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any personal or business relationship with the Company, its Management Board, a shareholder with a controlling interest in the Company, or with a company affiliated with such a shareholder, and such a relationship could constitute

a material, and not merely temporary, conflict of interest. The Supervisory Board has a sufficient number of independent members if sixteen of its eighteen members are independent.

Employee representatives are, as a rule, deemed independent.

The Supervisory Board should not include more than two former members of the Management Board, and members of the Supervisory Board must not sit on the boards of, or act as consultants for, any of the Company's major competitors.

Each Supervisory Board member must have sufficient time available to perform his or her directorship duties. Persons who are members of the board of management of a listed company shall therefore only be eligible as members of E.ON's Supervisory Board if they do not sit on more than three supervisory boards of listed non-Group companies or in comparable supervisory bodies of non-Group companies.

As a general rule, Supervisory Board members should not be older than 72 at the time of their election and should not be members for more than three terms (15 years).

The key role of the Supervisory Board is to oversee and advise the Management Board. Consequently, a majority of the shareholder representatives on the Supervisory Board should have experience as members of the board of management of a stock corporation or of a comparable company or association in order to discharge their duties in a qualified manner.

In addition, the Supervisory Board as a whole should have particular expertise in the energy sector and the E.ON Group's business operations. Such expertise includes knowledge about the key markets in which the E.ON Group operates.

If the qualifications of several candidates for the Supervisory Board meet, to an equal degree, the general and company-related requirements, the Supervisory Board intends to consider other criteria in its nomination of candidates in order to increase the Supervisory Board's diversity.

In view of the E.ON Group's international orientation, the Supervisory Board should include a sufficient number of members who have spent a significant part of their professional career abroad. Supervisory Board members in their entirety are familiar with the sector in which the Company operates. As required by law, the Supervisory Board consists of at least 30 percent women and at least 30 percent men. This will be considered for new appointments to the Supervisory Board."

In its current composition the Supervisory Board already meets the targets it set for a sufficient number of independent members and company-specific qualification requirements. The Supervisory Board currently has two female members among its shareholder representatives and two female members among its employee representatives. The composition of the Supervisory Board therefore complies with the legally mandated minimum percentages for women and men.

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or exercising a board function with, one of E.ON's customers, suppliers, creditors, or other third parties. The Supervisory Board reports any conflicts of interest to the Annual Shareholders Meeting and describes 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 the reporting period. 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 the reporting period.

The Supervisory Board has established the following committees and defined policies and procedures for them:

The Executive Committee consists of four members: the Supervisory Board Chairperson, his or her two Deputies, and a further employee representative. It prepares the meetings of the Supervisory Board and advises the Management Board 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 addition, a key task of the Executive Committee is to prepare the Supervisory Board's personnel decisions and resolutions for setting the respective total compensation of individual Management Board members within the meaning of Section 87, AktG. Furthermore, it is responsible for the conclusion, alteration, and termination of the service agreements of Management Board members and for presenting the Supervisory Board with a proposal for a resolution on the Management Board's compensation plan and its periodic review. It also deals with corporate-governance matters and reports to the Supervisory Board, generally once a year, on the status and effectiveness of, and possible ways of improving, the Company's corporate governance and on new requirements and developments in this area.

The Audit and Risk Committee consists of four members. The Supervisory Board believes that, in their entirety, the members of the Audit and Risk Committee are familiar with the sector in which the Company operates. According to the AktG, the Audit and Risk Committee must include one Supervisory Board member who has expertise in accounting and/or auditing. Pursuant to the recommendations of the German Corporate Governance Code, the Chairperson of the Audit and Risk Committee should have special knowledge and experience in the application of accounting principles and internal control processes. In addition, this person should be independent and should not be a former Management Board member whose service on the Management Board ended less than two years ago. The Supervisory Board believes that the Chairman of the Audit and Risk Committee, Dr. Theo Siegert, fulfills these requirements. In particular, the Audit and Risk Committee monitors the Company's accounting and the accounting process; the effectiveness of internal control systems, internal risk management, and the internal audit system; compliance; and the independent audit. With regard to the independent audit, the committee also deals with the definition of the audit priorities and the agreement regarding the independent auditor's fees. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and 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 and regularly reviews the Company's risk situation, risk-bearing capacity, and risk management. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and the global and regional units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. In addition, 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.

In being assigned the audit task, 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 unless such facts are promptly resolved in satisfactory manner

- 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 Management Board or Supervisory Board in connection with the German Corporate Governance Code.

The Finance and Investment Committee consists of four members. It advises the Management Board on all issues of Group financing 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 whose value exceeds €300 million but does not exceed €600 million. In addition, it decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds €1 billion but not €2.5 billion if such measures are not covered by the Supervisory Board's resolutions regarding finance plans.

If the value of any such transactions or measures exceeds the above-mentioned thresholds, the Finance and Investment Committee prepares the Supervisory Board's decision.

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, taking into consideration the Supervisory Board's targets for its composition, suitable candidates for election to the Supervisory Board by the Annual Shareholders Meeting.

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 6 to 11) contains information about the activities of the Supervisory Board and its committees in 2016. Pages 222 and 223 show the composition of the Supervisory Board and its committees.

Shareholders and Annual Shareholders Meeting

E.ON SE 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, through a proxy of their choice, or through a Company proxy who is required to follow the shareholder's voting instructions.

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

At the Annual Shareholders Meeting on June 8, 2016, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2016 financial year and the first quarter of 2017. Under German law, the shareholders meeting elects the company's independent auditor for one financial year. The independent auditors with signing authority for the Annual Financial Statements of E.ON SE and the Consolidated Financial Statements are Markus Dittmann (since the 2014 financial year) and Aissata Touré (since the 2015 financial year).

Women and Men in Leadership Positions pursuant to Section 76, Paragraph 4, and Section 111, Paragraph 5, of the German Stock Corporation Act

In view of the fundamental organizational changes under way at the Company, the E.ON SE Supervisory Board set a short-term target of zero percent for the proportion of women on the Management Board and a deadline of December 31, 2016, for implementation. In 2016 the Management Board consisted of four and, for a time five, men. In December 2016 the Supervisory Board set a new target of 20 percent for the proportion of women on the Management Board and a deadline of December 31, 2021, for implementation.

For E.ON SE, the Management Board set a target of 23 percent for the proportion of women in the first level of management below the Management Board and a target of 17 percent for the second level of management below the Management Board. The deadline for achieving both targets is June 30, 2017. At the time the Management Board made these decisions, the proportion of women in first and second levels of management below the Management Board was 20 percent and 15 percent, respectively.

For all other E.ON Group companies, targets and deadlines pursuant to the Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector were set for the proportion of women on these companies' supervisory board and management board or team of managing directors as well as in the next two levels of management. As required by law, these targets and deadlines were set by September 30, 2015.

Compensation Report Pursuant to Section 289, Paragraph 2, Item 4, and Section 315, Paragraph 2, Item 4 of the German Commercial Code

This compensation report describes the basic features of the compensation plans for members of the E.ON SE Management Board and Supervisory Board and provides information about the compensation granted and paid in 2016. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code, German Accounting Standards, and International Financial Reporting Standards) and the recommendations of the German Corporate Governance Code dated May 5, 2015.

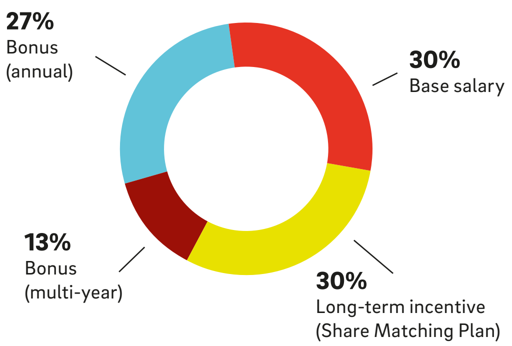
Basic Features of the Management Board Compensation Plan That Was Valid until December 31, 2016

The purpose of the Management Board compensation plan, which was last revised in 2013 and was valid until year-end 2016, is to create an incentive for successful and sustainable corporate governance and to link the compensation of Management Board members with the Company's actual (short-term and long-term) performance while also factoring in their individual performance. Under the plan, Management Board members' compensation is therefore transparent, performance-based, closely aligned with the Company's business success, and, in particular, based on long-term targets. At the same time, the compensation plan serves to align management's and shareholders' interests and objectives by basing long-term variable compensation on E.ON's stock price.

The Supervisory Board approves the Executive Committee's proposal for the Management Board's compensation plan. It reviews the plan and the appropriateness of the Management Board's total compensation as well as the individual components on a regular basis and, if necessary, makes adjustments. It considers the provisions of the German Stock Corporation Act and follows the German Corporate Governance Code's recommendations and suggestions.

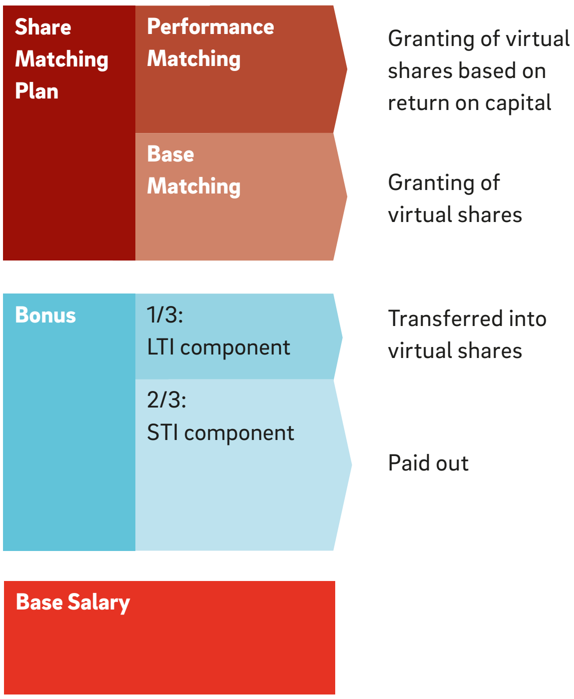
The compensation of Management Board members consists of a fixed base salary, an annual bonus, and long-term variable remuneration. These components account for approximately the following percentages of total compensation:

Compensation Structure[1]



[1]Not including non-cash compensation, other benefits, and pension benefits.

The following graphic provides an overview of the compensation plan for Management Board members:



In addition, there is a graphic on page 92 that provides a summary overview of the individual components of the Management Board's compensation described below as well as their respective metrics and parameters.

Non-Performance Based Compensation

Management Board members receive their fixed compensation in twelve monthly payments.

Management Board members receive a number of contractual fringe benefits, including the use of a chauffeur-driven company car. The Company also provides them with the necessary telecommunications equipment, covers costs that include those for a periodic medical examination, and pays the premium for an accident insurance policy.

Performance-Based Compensation

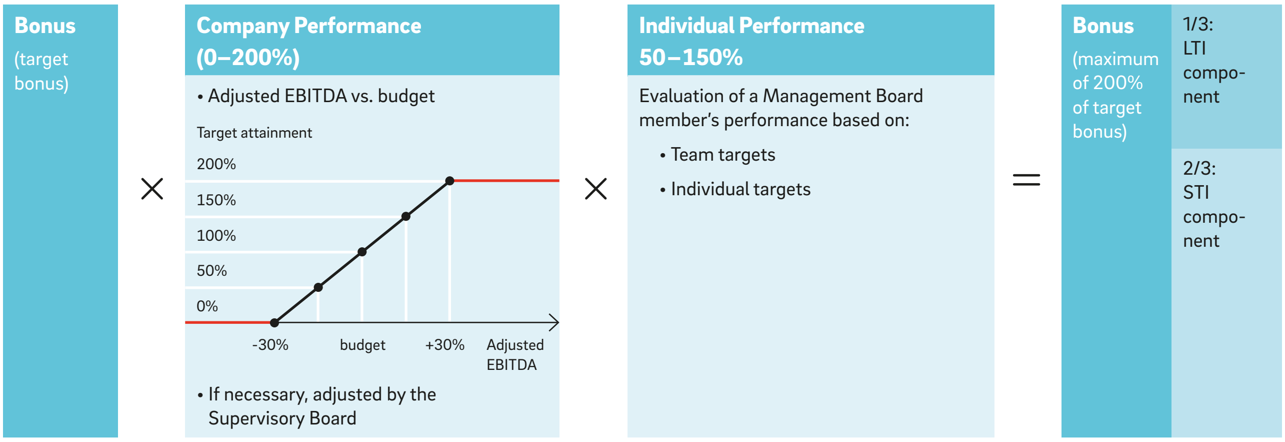
Since 2010 more than 60 percent of Management Board members' long-term variable compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act.

Annual Bonus

The annual bonus mechanism consists of two components: a short-term incentive component ("STI component") and a long-term incentive component ("LTI component"). The STI component generally accounts for two-thirds of the annual bonus. The LTI component accounts for one-third of the annual bonus to a maximum of 50 percent of the target bonus. The LTI component is not paid out at the conclusion of the financial year but is instead transferred into virtual shares, which have a four-year vesting period, based on E.ON's stock price.

The amount of the bonus is determined by the degree to which certain performance targets are attained. The target-setting mechanism consists of company performance targets and individual performance targets:

Bonus Mechanism



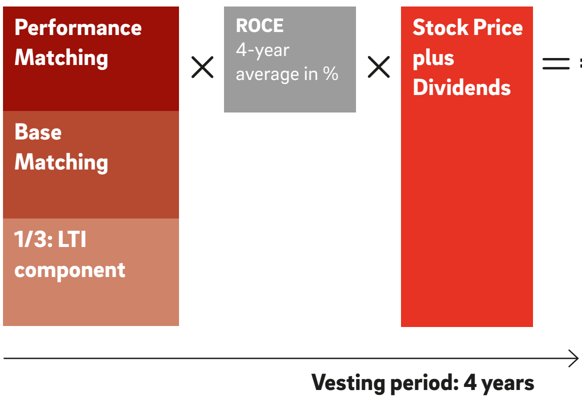
The metric used for the company target is our EBITDA. The EBITDA target for a particular financial year is the plan figure approved by the Supervisory Board. If E.ON's actual EBITDA is equal to the EBITDA target, this constitutes 100 percent attainment. If it is 30 percentage points or more below the target, this constitutes zero percent attainment. If it is 30 percentage points or more above the target, this constitutes 200 percent attainment. Linear interpolation is used to translate intermediate EBITDA figures into percentages. The Supervisory Board then evaluates this arithmetically derived figure on the basis of certain qualitative criteria and, if necessary, adjusts it within a range of ±20 percentage points. The criteria for this qualitative evaluation are the ratio between cost of capital and ROACE, a comparison with prior-year EBITDA, and general market developments. Extraordinary events are not factored into the determination of target attainment.

In assigning Management Board members their individual performance factors, the Supervisory Board evaluates their individual contribution to the attainment of collective targets as well as their attainment of their individual targets. The Supervisory Board, at its discretion, determines the degree to which Management Board members have met the targets of the individual-performance portion of their annual bonus. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code.

In addition, the Supervisory Board has the discretionary power to make a final, overall assessment on the basis of which it may adjust the size of the bonus. This overall assessment does not refer to above-described targets or comparative parameters, which are not, under the Code's recommendations, supposed to be changed retroactively. In addition, the Supervisory Board may, as part of the annual bonus, grant Management Board members special compensation for outstanding achievements.

The maximum bonus that can be attained (including any special compensation) is 200 percent of the target bonus (cap).

Long-Term Variable Compensation: E.ON Share Matching Plan
The long-term variable compensation that Management Board members receive is a stock-based compensation under the E.ON Share Matching Plan. At the beginning of each financial year, the Supervisory Board decides, based on the Executive Committee's recommendation, on the allocation of a new tranche, including the respective targets and the number of virtual shares granted to individual members of the Management Board. To serve as a long-term incentive for sustainable business performance, each tranche has a vesting period of four years. The tranche starts on April 1 of each year.



Following the Supervisory Board's decision to allocate a new tranche, Management Board members initially receive vested virtual shares equivalent to the amount of the LTI component of their bonus. The determination of the LTI component takes into consideration the overall target attainment of the bonus for the preceding financial year. The number of virtual shares is calculated on the basis of the amount of their LTI component and E.ON's average stock price during the first 60 days prior to the four-year vesting period. Furthermore, Management Board members may receive, on the basis of annual Supervisory Board decisions, a base matching of additional non-vested virtual shares in addition to the virtual shares resulting from their LTI component. In addition, Management Board members may, depending on the company's performance during the vesting period, receive performance matching of up to two additional non-vested virtual shares per share resulting from base matching. The arithmetical total target value allocated at the start of the vesting period, which begins on April 1 of the year in which a tranche is allocated, is therefore the sum of the value of the LTI component, base matching, and performance matching (depending on the degree of attainment of a predefined company performance target).

For the purpose of performance matching, the company performance metric for tranches granted from 2013 to 2015 was initially E.ON's average ROACE during the four-year vesting period compared with a target ROACE set in advance by the Supervisory Board for the entire four-year period at the time it allocates a new tranche. In April 2016 the E.ON SE Supervisory Board decided to adjust the performance targets for performance matching of these tranches. Starting in 2016 the performance targets are now based on ROCE. In view of the Uniper spinoff, this adjustment was necessary because the ROACE targets were based on old planning figures that did not foresee the Uniper spinoff. Furthermore, from the start of 2016, the Company no longer uses ROACE as a key performance indicator and it is therefore no longer available. In addition, the anticipated reduction in E.ON's stock price resulting from the Uniper spinoff had to be factored in by means of a conversion method. At the time of these adjustments and in accordance with Section 161 of the German Stock Corporation Act, in April 2016 the Supervisory Board adopted a resolution to revise the declaration of compliance issued on December 15, 2015. The Company's current declaration of compliance is published in the Corporate Governance Report on page 75 of this report. The most recent declaration of compliance and earlier versions are published on the Internet at eon.com.

Extraordinary events are not factored into the determination of target attainment for company performance. Depending on the degree of target attainment for the company performance metric, each virtual share resulting from base matching may be matched by up to two additional virtual shares at the end of the vesting period. If the predetermined company performance target is fully attained, Management Board members receive one additional virtual share for each virtual share resulting from base matching. Linear interpolation is used to translate intermediate figures.

At the end of the vesting period, the virtual shares held by Management Board members are assigned a cash value based on E.ON's average stock price during the final 60 days of the vesting period. To each virtual share is then added the aggregate per-share dividend paid out during the vesting period. This total—cash value plus dividends—is then paid out. Payouts are capped at 200 percent of the arithmetical total target value.

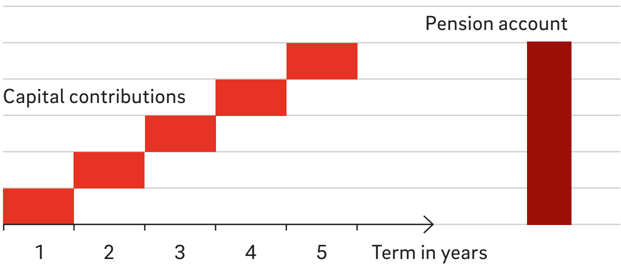
Overall Cap

In line with the German Corporate Governance Code's recommendation, Management Board members' cash compensation has an overall cap. This means that the sum of the individual compensation components in one year may not exceed 200 percent of the total agreed target compensation, which consists of base salary, target bonus, and the target allocation value of long-term variable compensation.

Pension Entitlements

Members appointed to the Management Board since 2010 are enrolled in the "Contribution Plan E.ON Management Board," which is a contribution-based pension plan.

Contribution-Based Plan



The Company makes virtual contributions to Management Board members' pension accounts. The maximum amount of the annual contributions is a equal to 18 percent of pensionable income (base salary and annual bonus). The annual contribution consists of a fixed base percentage (14 percent) and a matching contribution (4 percent). The requirement for the matching contribution to be granted is that the Management Board member contributes, at a minimum, the same amount by having it withheld from his compensation. The company-funded matching contribution is suspended if and as long as the E.ON Group's ROACE is less than its cost of capital for three years in a row. The contributions are capitalized using actuarial principles (based on a standard retirement age of 62) and placed in Management Board members' pension accounts. The interest rate used for each year is based on the return of long-term German treasury notes. At the age of 62 at the earliest, a Management Board member (or his survivors) may choose to have the pension account balance paid out as a lifelong pension, in installments, or in a lump sum. Individual Management Board members' actual resulting pension entitlement cannot be calculated precisely in advance. It depends on a number of uncertain parameters, in particular the changes in their individual salary, their total years of service, the attainment of company targets, and interest rates. For a Management Board member enrolled in the plan at the age of 50, the company-financed, contribution-based pension payment is currently estimated to be between 30 and 35 percent of his or her base salary (without factoring in pension benefits accrued prior to being appointed to the Management Board).

The Company has agreed to a pension plan based on final salary for the Management Board members who were appointed to the Management Board before 2010: Dr. Teyssen and Dr. Reutersberg. Dr. Reutersberg entered retirement in 2016. Following the end of his service for the Company, Dr. Teyssen is entitled to receive lifelong monthly pension payments in three cases: reaching the age of 60, permanent incapacitation, and a so-called third pension situation. The criteria for this situation are met if the termination or non-extension of Dr. Teyssen's service agreement is not due to his misconduct or rejection of an offer of extension that is at least on a par with his existing service agreement. In the third pension situation, Dr. Teyssen would receive an early pension as a transitional arrangement until he reaches the age of 60.

The pension entitlements of Dr. Teyssen and Dr. Reutersberg provide for annual pension payments equal to 75 percent and 70 percent, respectively, of their last annual base salary. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, the pension plan includes benefits for widows and widowers and for surviving children that are equal to 60 percent and 15 percent, respectively, of the deceased Management Board member's pension entitlement. Together, pension payments to a widow or widower and children may not exceed 100 percent of the deceased Management Board member's pension.

Pursuant to the provisions of the German Occupational Pensions Improvement Act, Management Board members' pension entitlements are not vested until they have been in effect for five years. This applies to both contribution-based and final-salary-based pension plans.

In line with the German Corporate Governance Code's recommendation, the Supervisory Board reviews, on a regular basis, the benefits level of Management Board members and the resulting annual and long-term expense and, if necessary, adjusts the payments.

Settlement Payments for Termination of Management Board Duties

In line with the German Corporate Governance Code's recommendation, the service agreements of Management Board members include a settlement cap. Under the cap, settlement payments in conjunction with a termination of Management Board duties may not exceed the value of two years' total compensation or the total compensation for the remainder of the member's service agreement.

In the event of a premature loss of a Management Board position due to a change of control, Management Board members are entitled to settlement payments. The change-of-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 non-affiliated company. Management Board members are entitled to a settlement payment if, within 12 months of the change of control, their service agreement is terminated by mutual consent, expires, or is terminated by them (in the latter case, however, only if their position on the Management Board is materially affected by the change in control). Management Board members' settlement payment consists of their base salary and target bonus plus fringe benefits for two years. To reflect discounting and setting off of payment for services rendered to other companies or organizations, payments will be reduced by 20 percent. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members would be equal to 100 percent of the above-described settlement cap.

The service agreements of Management Board members include a non-compete clause. For a period of six months after the termination of their service agreement, Management Board members are contractually prohibited from working directly or indirectly for a company that competes directly or indirectly with the Company or its affiliates. Management Board members receive a compensation payment for the period of the non-compete restriction. The prorated payment is based on 100 percent of their contractually stipulated annual target compensation (without long-term variable compensation) but is, at a minimum, 60 percent of their most recently received compensation.

Management Board Compensation in 2016

The Supervisory Board reviewed the Management Board's compensation plan and the components of individual members' compensation. It determined that the Management Board's compensation is appropriate from both a horizontal and vertical perspective and passed a resolution on the performance-based compensation described below. It made its determination of customariness from a horizontal perspective by comparing the compensation with that of companies of a similar size. Its review of appropriateness included a vertical comparison of the Management Board's compensation with that of the Company's top management and the rest of its workforce. In the Supervisory Board's view, in 2015 there was no reason to adjust the Management Board's compensation.

Performance-Based Compensation in 2016

The annual bonuses of Management Board members for 2016 totaled €4.3 million (2015: €4.6 million).

The Supervisory Board issued a new tranche of the E.ON Share Matching Plan (2016–2020) for the 2016 financial year and granted Management Board members virtual shares of E.ON stock. The present value assigned to the virtual shares of E.ON stock at the time of granting—€8.63 per share—is shown in the following tables entitled "Stock-based Compensation" and "Total Compensation." The value performance of this tranche will be determined by the performance of E.ON stock, the per-share dividends, and ROCE of the next four years. The actual payments made to Management Board members in 2020 may deviate, under certain circumstances considerably, from the calculated figures disclosed here.

The long-term variable compensation of Management Board members resulted in the following expenses in 2016:

Stock-based Compensation

€	Value of virtual shares at time of granting[1] 2016	2015	Number of virtual shares granted 2016	2015	Cumulative expense (+)/income (-)[2] 2016	2015
Dr. Johannes Teyssen	1,827,516	1,965,600	138,762	97,990	1,008,670	405,111
Dr.-Ing. Leonhard Birnbaum	1,063,643	1,144,001	80,762	57,032	580,199	369,157
Dr. Bernhard Reutersberg (until June 30, 2016)	285,135	936,000	33,040	46,662	302,237	183,067
Michael Sen	300,000[3]	775,000	–	44,022	181,636	245,229
Dr. Karsten Wildberger (since April 1, 2016)	675,000	–	52,144	–	265,966	–
Total	**4,151,294**	**4,820,601**	**304,708**	**245,706**	**2,338,708**	**1,202,564**

[1]Consists of the LTI component (based on the target bonus) for the respective financial year for which at the time of granting no amount of shares can be determined.
[2]Expense/income pursuant to IFRS 2 for performance rights and virtual shares existing in the 2016 financial year.
[3]Target value for the virtual stock that was part of the LTI component of Mr. Sen's 2016 bonus. No other stock was granted under base or performance matching due to his resignation in 2017.

Long-term variable compensation granted for the 2016 financial year totaled €4.2 million. Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Management Board Pensions in 2016

The following table provides an overview of the current pension obligations to Management Board members, the additions to provisions for pensions, and the cash value of pension obligations. The cash value of pension obligations is calculated pursuant to IFRS. An actuarial interest rate of 2.1 percent (prior year: 2.7 percent) was used for discounting.

Pensions of Management Board Members Pursuant to IFRS

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Johannes Teyssen	75	75	930,000	930,000	1,338,260	1,355,305	558,800	459,838	24,011,814	20,696,284
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	407,044	504,474	26,455	15,370	1,275,012	979,798
Dr. Bernhard Reutersberg[2] (until June 30, 2016)	70	70	490,000	490,000	308,563	263,766	308,563	263,766	–	11,550,766
Michael Sen[1, 3]	–	–	–	–	275,898	181,808	4,909	–	523,074	181,808
Dr. Karsten Wildberger[1] (since April 1, 2016)	–	–	–	–	292,555	–	–	–	292,555	–

[1]Contribution Plan E.ON Management Board.
[2]Dr. Reutersberg retired effective July 1, 2016. At December 31, 2016, the cash value of his pension benefits as a retired individual totaled €12,223,648. The calculation of the figure shown under "Thereof interest cost" factored in the pension payments made in July through December of 2016.
[3]Under the termination agreement concluded with Mr. Sen, the benefit amount shown here expires at the conclusion of March 31, 2017.

Pensions of Management Board Members Pursuant to the German Commercial Code

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Johannes Teyssen	75	75	930,000	930,000	478,740	2,563,967	647,067	638,785	17,112,852	16,634,112
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	161,367	303,531	32,398	24,031	994,209	832,842
Dr. Bernhard Reutersberg[2] (until June 30, 2016)	70	70	490,000	490,000	-624,266	580,589	377,451	419,724	–	9,825,614
Michael Sen[1, 3]	–	–	–	–	249,034	155,232	6,039	–	404,266	155,232
Dr. Karsten Wildberger[1] (since April 1, 2016)	–	–	–	–	226,291	–	–	–	226,291	–

[1]Contribution Plan E.ON Management Board.
[2]Dr. Reutersberg retired effective July 1, 2016. At December 31, 2016, the cash value of his pension benefits as a retired individual totaled €9,446,346. The calculation of the figure shown under "Thereof interest cost" factored in the pension payments made in July through December of 2016.
[3]Under the termination agreement concluded with Mr. Sen, the benefit amount shown here expires at the conclusion of March 31, 2017.

The cash value of Management Board pensions for which provisions are required increased relative to year-end 2015. The reason for the increase is that the actuarial interest rate E.ON uses for discounting was significantly below the prior-year figure.

Total Compensation in 2016

The total compensation of the members of the Management Board in the 2016 financial year amounted to €13.8 million, about 11 percent below the prior-year figure of €15.6 million disclosed in the 2015 Annual Report.

In view of Dr. Reutersberg's assumption of the duties of Chairman of the Uniper SE Supervisory Board, he ended his service on the E.ON SE Management Board by mutual consent effective June 30, 2016. The Company concluded a severance agreement with him. Dr. Reutersberg's service agreement was terminated by mutual consent effective June 30, 2016, without compensation for residual claims under his agreement. The performance rights and virtual shares granted to him remain valid and will be calculated and paid out at the end of the respective vesting periods. Dr. Reutersberg has received his company pension since July 1, 2016. The non-compete clause was waived without payment of compensation. The Company paid him a bonus of €390,000 for the first half of the year.

Dr. Wildberger joined the E.ON SE Management Board on April 1, 2016. The Company paid him a lump sum of €100,000 to cover the costs of maintaining two residences and of relocating his residence. In addition, he received a one-time compensation payment of €1.3 million for bonus payments and stock entitlements from his previous employer that he forfeited owing to his move to E.ON SE.

Under a termination agreement concluded in December 2016, Mr. Sen's service agreement will end by mutual consent effective March 31, 2017, without compensation for residual claims under his agreement, because Mr. Sen is ending his service on the E.ON SE Management Board on this date at his own request. Because Mr. Sen did not reach the five-year vesting period, he forfeits the company-founded entitlement to a company pension. He also forfeits the virtual stock granted to him in 2015 and 2016 as part of the E.ON Share Matching Plans with the exception of the virtual stock included in the LTI component of his 2015 and 2016 bonuses. The latter will continue until the normal end of the vesting period of their respective tranches. The non-compete clause was waived without compensation.

Individual members of the Management Board received the following total compensation:

Total Compensation of the Management Board

€	Fixed annual compensation 2016	Fixed annual compensation 2015	Bonus 2016	Bonus 2015	Other compensation 2016	Other compensation 2015	Value of stock-based compensation granted[1] 2016	Value of stock-based compensation granted[1] 2015	Total 2016	Total 2015
Dr. Johannes Teyssen	1,240,000	1,240,000	1,638,000	1,197,504	42,409	33,056	1,827,516	1,965,600	4,747,925	4,436,160
Dr.-Ing. Leonhard Birnbaum	800,000	800,000	953,333	696,960	25,138	18,713	1,063,643	1,144,001	2,842,114	2,659,674
Dr. Bernhard Reutersberg (until June 30, 2016)	350,000	700,000	390,000	570,240	29,826	25,332	285,135	936,000	1,054,961	2,231,572
Michael Sen	700,000	408,333	780,000	332,640	181,065	1,415,107	300,000	775,000	1,961,065	2,931,080
Dr. Karsten Wildberger (since April 1, 2016)	525,000	–	585,000	–	1,442,153	–	675,000	–	3,227,153	–
Total	**3,615,000**	**3,148,333**	**4,346,333**	**2,797,344**	**1,720,591**	**1,492,208**	**4,151,294**	**4,820,601**	**13,833,218**	**12,258,486**

[1]The present value assigned to the virtual shares of E.ON stock at the time of granting for the fourth tranche of the E.ON Share Matching Plan was €8.63 per share.

The following table shows the compensation granted and allocated in 2016 in the format recommended by the German Corporate Governance Code:

Table of Compensation Granted and Allocated

	Dr. Johannes Teyssen (Chairman of the Management Board)					
	Compensation granted				Compensation allocated	
€	2015	2016	2016 (min.)	2016 (max.)[1, 2]	2015	2016
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
Fringe benefits	33,056	42,409	42,409	42,409	33,056	42,409
Total	**1,273,056**	**1,282,409**	**1,282,409**	**1,282,409**	**1,273,056**	**1,282,409**
One-year variable compensation	**1,260,000**	**1,260,000**	**–**	**2,835,000**	**1,197,504**	**1,638,000**
Multi-year variable compensation	**1,965,600**	**1,827,516**	**–**	**3,655,032**	**827,585**	**758,278**
– *Share Performance Plan, sixth tranche (2011–2014)*	–	–	–	–	*827,585*	–
– *Share Performance Plan, seventh tranche (2012–2015)*	–	–	–	–	–	*758,278*
– *Share Matching Plan, third tranche (2015–2019)*	*1,335,600*	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	*630,000*	*1,197,516*	–	*2,395,032*	–	–
– *Share Matching Plan, fifth tranche (2017–2021)*	–	*630,000*	–	*1,260,000*	–	–
Total	**4,498,656**	**4,369,925**	**1,282,409**	**7,772,441**	**3,298,145**	**3,678,687**
Service cost	895,467	779,460	779,460	779,460	895,467	779,460
Total	**5,394,123**	**5,149,385**	**2,061,869**	**8,551,901**	**4,193,612**	**4,458,147**

[1]The maximum amount disclosed under benefits granted represents the sum of the contractual (individual) caps for the various elements of the compensation of Management Board members.
[2]The overall cap on Management Board compensation, which was introduced in the 2013 financial year and is described on page 85, applies as well.

Table of Compensation Granted and Allocated

€	Dr.-Ing. Leonhard Birnbaum (member of the Management Board)					
			Compensation granted		Compensation allocated	
	2015	2016	2016 (min.)	2016 (max.)[1, 2]	2015	2016
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits	18,713	25,138	25,138	25,138	18,713	25,138
Total	**818,713**	**825,138**	**825,138**	**825,138**	**818,713**	**825,138**
One-year variable compensation	**733,333**	**733,333**	**–**	**1,650,000**	**696,960**	**953,333**
Multi-year variable compensation	**1,144,001**	**1,063,643**	**–**	**2,127,285**	**–**	**–**
– Share Performance Plan, sixth tranche (2011–2014)	–	–	–	–	–	–
– Share Performance Plan, seventh tranche (2012–2015)	–	–	–	–	–	–
– Share Matching Plan, third tranche (2015–2019)	*777,334*	–	–	–	–	–
– Share Matching Plan, fourth tranche (2016–2020)	*366,667*	*696,976*	–	*1,393,952*	–	–
– Share Matching Plan, fifth tranche (2017–2021)	–	*366,667*	–	*733,333*	–	–
Total	**2,696,047**	**2,622,114**	**825,138**	**4,602,423**	**1,515,673**	**1,778,471**
Service cost	489,104	380,589	380,589	380,589	489,104	380,589
Total	**3,185,151**	**3,002,703**	**1,205,727**	**4,983,012**	**2,004,777**	**2,159,060**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Dr. Bernhard Reutersberg (member of the Management Board until June 30, 2016)					
			Compensation granted		Compensation allocated	
	2015	2016	2016 (min.)	2016 (max.)[1, 2]	2015	2016
Fixed compensation	700,000	350,000	350,000	350,000	700,000	350,000
Fringe benefits	25,332	29,826	29,826	29,826	25,332	29,826
Total	**725,332**	**379,826**	**379,826**	**379,826**	**725,332**	**379,826**
One-year variable compensation	**600,000**	**300,000**	**–**	**675,000**	**570,240**	**390,000**
Multi-year variable compensation	**936,000**	**285,135**	**–**	**570,270**	**367,813**	**337,013**
– Share Performance Plan, sixth tranche (2011–2014)	–	–	–	–	*367,813*	–
– Share Performance Plan, seventh tranche (2012–2015)	–	–	–	–	–	*337,013*
– Share Matching Plan, third tranche (2015–2019)	*636,000*	–	–	–	–	–
– Share Matching Plan, fourth tranche (2016–2020)	*300,000*	*285,135*	–	*570,270*	–	–
– Share Matching Plan, fifth tranche (2017–2021)	–	–	–	–	–	–
Total	**2,261,332**	**964,961**	**379,826**	**1,625,096**	**1,663,385**	**1,106,839**
Service cost	–	–	–	–	–	–
Total	**2,261,332**	**964,961**	**379,826**	**1,625,096**	**1,663,385**	**1,106,839**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Michael Sen (member of the Management Board)					
			Compensation granted		Compensation allocated	
	2015	2016	2016 (min.)	2016 (max.)[1, 2]	2015	2016
Fixed compensation	408,333	700,000	700,000	700,000	408,333	700,000
Fringe benefits	1,415,107	181,065	181,065	181,065	1,415,107	181,065
Total	**1,823,440**	**881,065**	**881,065**	**881,065**	**1,823,440**	**881,065**
One-year variable compensation	**350,000**	**600,000**	**–**	**1,350,000**	**332,640**	**780,000**
Multi-year variable compensation	**775,000**	**300,000**	**–**	**600,000**	**–**	**–**
– *Share Performance Plan, sixth tranche (2011–2014)*	–	–	–	–	–	–
– *Share Performance Plan, seventh tranche (2012–2015)*	–	–	–	–	–	–
– *Share Matching Plan, third tranche (2015–2019)*	*600,000*	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	*175,000*	–	–	–	–	–
– *Share Matching Plan, fifth tranche (2017–2021)*	–	*300,000*	–	*600,000*	–	–
Total	**2,948,440**	**1,781,065**	**881,065**	**2,831,065**	**2,156,080**	**1,661,065**
Service cost	181,808	270,989	270,989	270,989	181,808	270,989
Total	**3,130,248**	**2,052,054**	**1,152,054**	**3,102,054**	**2,337,888**	**1,932,054**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Dr. Karsten Wildberger (member of the Management Board since April 1, 2016)					
			Compensation granted		Compensation allocated	
	2015	2016	2016 (min.)	2016 (max.)[1, 2]	2015	2016
Fixed compensation	–	525,000	525,000	525,000	–	525,000
Fringe benefits	–	1,442,153	1,442,153	1,442,153	–	1,442,153
Total	**–**	**1,967,153**	**1,967,153**	**1,967,153**	**–**	**1,967,153**
One-year variable compensation	**–**	**450,000**	**–**	**1,012,500**	**–**	**585,000**
Multi-year variable compensation	**–**	**675,000**	**–**	**1,350,000**	**–**	**–**
– *Share Performance Plan, sixth tranche (2011–2014)*	–	–	–	–	–	–
– *Share Performance Plan, seventh tranche (2012–2015)*	–	–	–	–	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	–	*450,000*	–	*900,000*	–	–
– *Share Matching Plan, fifth tranche (2017–2021)*	–	*225,000*	–	*450,000*	–	–
Total	**–**	**3,092,153**	**1,967,153**	**4,329,653**	**–**	**2,552,153**
Service cost	–	292,555	292,555	292,555	–	292,555
Total	**–**	**3,384,708**	**2,259,708**	**4,622,208**	**–**	**2,844,708**

See footnotes on page 89.

As in the prior year, E.ON SE and its subsidiaries granted no loans to, made no advance payments to, nor entered into any contingencies of behalf of the members of the Management Board in the 2016 financial year. Page 224 contains additional information about the members of the Management Board.

The following table provides a summary overview of the above-described components of the Management Board's compensation as well as their metrics and parameters:

Summary Overview of Compensation Components

Compensation component	Metric/Parameter
Fixed compensation	
Base salary	• Management Board Chairman: €1,240,000 • Management Board members: €700,000 – €800,000
Fringe benefits	Chauffeur-driven company car, telecommunications equipment, insurance premiums, medical examination
Performance-based compensation	
Annual bonus	• Target bonus at 100 percent target attainment: – Target bonus for Management Board Chairman: €1,890,000 – Target bonus for Management Board members: €900,000 – €1,100,000 • Cap: 200 percent of target bonus • Amount of bonus depends on – Company performance: actual adjusted EBITDA versus budget, if necessary adjusted – Individual performance factor • Divided into STI component (2/3) and LTI component (1/3)
Possibility of special compensation	May be awarded, at the Supervisory Board's discretion, for outstanding achievements as part of the annual bonus as long as the total bonus remains under the cap.
Long-term variable compensation: Share Matching Plan	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Management Board Chairman: €1,260,000 – Target value for Management Board members: €600,000 – €733,333 • Cap: 200 percent of the target value • Number of virtual shares: 1/3 from the annual bonus (LTI component) + base matching (1:1) + performance matching (1:0 to 1:2) depending on ROCE during vesting period • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period
Pension benefits	
Final-salary-based benefits[1]	• Lifelong pension payment equaling a maximum of 75 percent of fixed compensation from age of 60 • Pension payments for widows and children equaling 60 percent and 15 percent, respectively, of pension entitlement
Contribution-based benefits	• Virtual contributions equaling a maximum of 18 percent of fixed compensation and target bonus • Virtual contributions capitalized using interest rate based on long-term German treasury notes • Payment of pension account balance from age 62 as a lifelong pension, in installments, or in a lump sum
Other compensation provisions	
Settlement cap	Maximum of two years' total compensation or the total compensation for the remainder of the service agreement
Settlement for change-of-control	Settlement equal to two or three target salaries (base salary, target bonus, and fringe benefits), reduced by 20 percent
Non-compete clause	For six months after termination of service agreement, prorated compensation equal to fixed compensation and target bonus, at a minimum 60 percent of most recently received compensation

[1]For Management Board members appointed before 2010.

Payments Made to Former Members of the Management Board

Total payments made to former Management Board members and to their beneficiaries amounted to €11.6 million in 2016 (prior year: €15.8 million). Provisions of €172.8 million (prior year: €154.6 million) have been provided for pension obligations to former Management Board members and their beneficiaries.

Revised Management Board Compensation Plan That Is Valid Effective January 1, 2017

At its meeting on April 15, 2016, the Supervisory Board, at the recommendation of the Executive Committee, adopted a resolution making adjustments to the compensation plan for members of the Management Board. The current compensation plan was reviewed and developed at the end of 2015 with the support of an external compensation consultant in light of the E.ON Group's new direction. The purpose of the review was to reduce the plan's complexity, to reflect the new corporate strategy, and to make the plan more focused on the requirements of the capital market. In its review, the Supervisory Board abided by the principle that total compensation and each of the various components must be appropriate. An independent compensation consultant also confirmed that, bearing in mind E.ON's new direction, the amount of the compensation was within the normal range in the market.

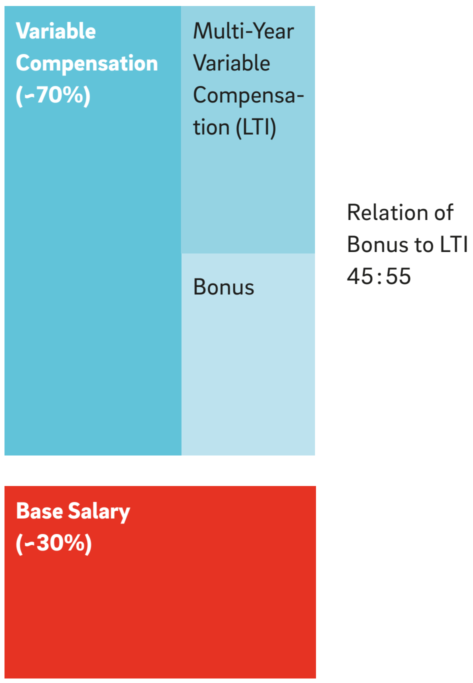
The revised compensation plan for members of the Management Board, which is described in detail below, meets the requirements of Germany's Stock Corporation Act and follows the recommendations and suggestions of the German Corporate Governance Code. The changes will apply equally to all members of the Management Board as of January 1, 2017. The adjusted compensation plan was presented to, and approved by, the 2016 Annual Shareholders Meeting.

Key Components of the New Compensation Plan That Is Valid Effective January 1, 2017

The purpose of the Management Board's new compensation plan is to reduce complexity, reflect the Company's new business model, and to enhance its capital-market orientation and shareholder culture. The compensation plan is supposed to create an incentive for successful and sustainable business management and to link Management Board members' compensation to the Company's short-term and long-term performance, while also taking into account the individual's personal performance. For this reason, the new compensation plan will continue to be guided by transparent and performance-related parameters and be dependent on the Company's success. In addition, variable compensation will continue to be based primarily on the performance over several years. At the same time, the interests and objectives of the Company's management and its shareholders will be reconciled by using not only the absolute performance of E.ON's stock price but also a comparison with the Company's competitors as the basis for the long-term variable compensation. The introduction of share-holding obligations underlines the capital-market orientation and will strengthen E.ON's shareholder culture.

The compensation of Management Board members will continue to be composed of fixed compensation, an annual bonus, and long-term variable compensation. In the future, however, the bonus will be fully paid out in cash after the end of the financial year. Part of the bonus will no longer be converted into virtual shares and linked to long-term compensation. This will reduce the compensation plan's complexity and achieve a clear separation between the annual bonus and long-term variable compensation. E.ON's variable compensation component had to be restructured to continue to meet the requirements of Germany's Stock Corporation Act and the German Corporate Governance Code, according to which most of the variable compensation components should be based on multi-year performance. The new weighted ratio of bonus to long-term compensation is 45 to 55. Long-term compensation therefore continues to account for most of the variable compensation component.

In the future, the relative proportions of the components of target compensation will be as follows:



Fixed Compensation

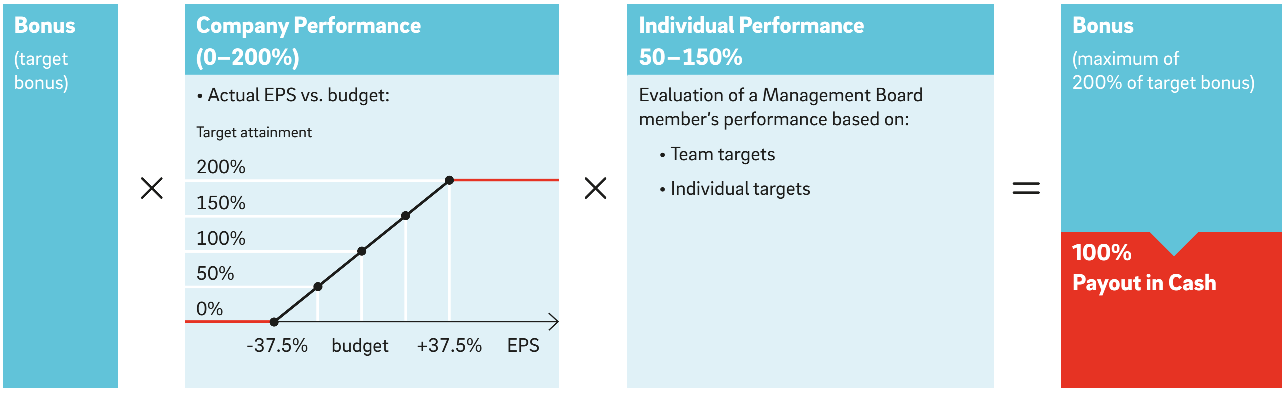
No adjustment was made to fixed compensation, which is not related to performance.

Management Board members continue to receive their fixed compensation in twelve monthly payments. Management Board members receive a number of contractual fringe benefits, including the use of a chauffeur-driven company car. The Company also provides them with the necessary telecommunications equipment, covers costs that include those for a periodic medical examination, and pays the premium for an accident insurance policy.

Annual Bonus

The annual bonus (45 percent of the performance-related compensation) of Management Board members will be paid out fully in cash after the end of the financial year.

In addition, the Supervisory Board introduced a new assessment basis and dispensed with the additional discretionary power in the assessment of the Company's performance:



Effective 2017, the Company's performance will be assessed on the basis of earnings per share ("EPS"), one of E.ON's key performance indicators. EPS used for this purpose will be derived from underlying net income as disclosed in this report. The EPS target for each year is set by the Supervisory Board, taking into account the approved budget. The target is fully achieved if actual EPS is equal to the target. If actual EPS is 37.5 percentage points or more below the target, this constitutes zero percent attainment. If actual EPS is 37.5 percentage points or more above the target, this constitutes 200 percent attainment. Linear interpolation is used to translate intermediate EPS figures into percentages.

The individual performance factor will range between 50 percent and 150 percent, so that greater consideration can be given to individual/collective contributions of the members of the Management Board. In assigning Management Board members their individual performance factors, the Supervisory Board, as before, evaluates their individual contribution to the attainment of collective targets as well as their attainment of their individual targets. The Supervisory Board, at its discretion, determines the degree to which Management Board members have met the targets of the individual-performance portion of their annual bonus. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code.

In addition, the Supervisory Board may, as part of the annual bonus, grant Management Board members special compensation for outstanding achievements.

As before, the maximum bonus that can be attained (including any special compensation) is 200 percent of the target bonus (cap).

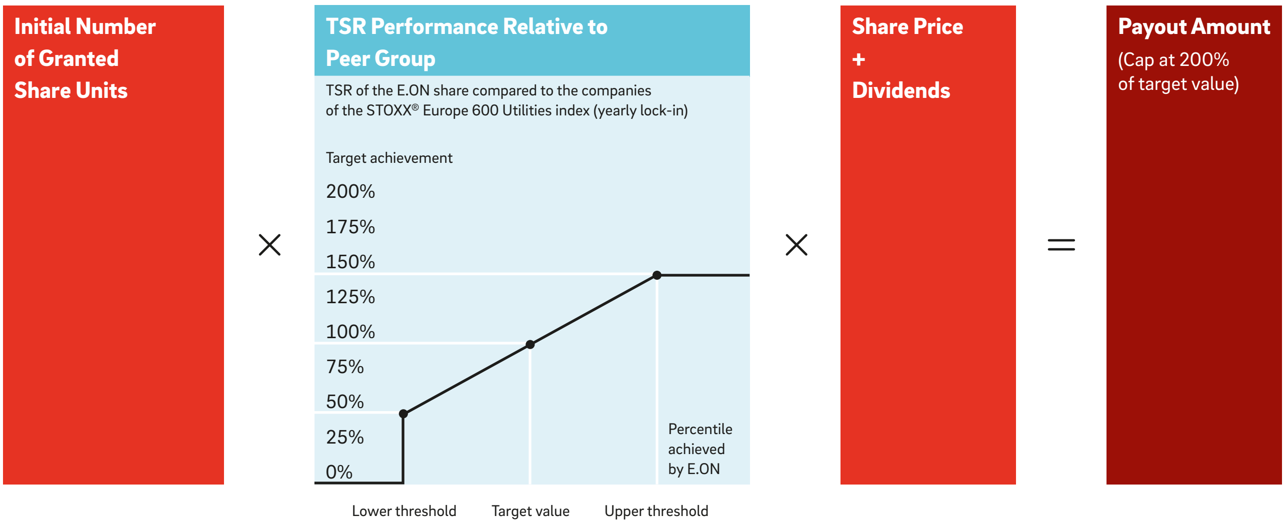
Long-Term Variable Compensation: E.ON's Performance Plan
Effective 2017, E.ON's previous Share Matching Plan was replaced by a new long-term compensation plan.

In the future, Management Board members will receive stock-based, long-term variable compensation under the E.ON Performance Plan ("EPP"). As before, each tranche has a vesting period of four years to serve as a long-term incentive for sustainable business performance. Vesting periods start on January 1.

The Supervisory Board will grant virtual shares to each member of the Management Board in the amount of the contractually agreed EPP target. The conversion into virtual shares will be based on the fair market value on the date when the shares are granted. The fair market value will be determined by applying methods accepted in financial mathematics, taking into account the expected future payout, and hence, the volatility and risk associated with EPP. The number of granted virtual shares may change in the course of the four-year vesting period.

The new assessment basis is the total shareholder return ("TSR") of E.ON stock compared with the TSR of the companies in a peer group ("relative TSR"). TSR is the yield of E.ON stock, which takes into account the stock price plus reinvested dividends, adjusted for changes in capital. The peer group used for relative TSR will be the other companies in E.ON's peer index, the STOXX® Europe 600 Utilities.

During a tranche's vesting period, E.ON's TSR performance is measured once a year in comparison with the companies in the peer group and set for that year. E.ON's TSR performance in a given year determines the final number of one fourth of the virtual shares granted at the beginning of the vesting period. For this purpose, the TSRs of all companies are ranked, and E.ON's relative position is determined based on the percentile reached. If target attainment is below a threshold defined by the Supervisory Board, no virtual shares are granted. If E.ON's performance is at the upper cap or above, the grant is capped at 150 percent. Linear interpolation is used to translate intermediate figures into percentage.



The resulting number of virtual shares at the end of the vesting period is multiplied by the average price of E.ON stock in the final 60 days of the vesting period. This amount is increased by the dividends distributed on E.ON stock during the vesting period and then paid out. The sum of the payouts is capped at 200 percent of the EPP target agreed at the beginning of the plan.

This means that 55 percent of variable compensation depends on long-term targets, while the sustainability of variable compensation as set out in Section 87 of Germany's Stock Corporation Act continues to be ensured.

Introduction of Share Ownership Guidelines

To further strengthen E.ON’s capital-market focus and shareholder-oriented culture, E.ON introduced share ownership guidelines effective 2017. The guidelines obligate Management Board members to invest in E.ON stock equaling 200 percent of base compensation (for the Management Board Chairperson) and 150 percent of base compensation (for the other Management Board members), to demonstrate that they have done so, and to hold the stock until the end of their service on the Management Board.

Until the required investment is reached, Management Board members are obligated to invest net payouts from their long-term compensation in actual E.ON stock.

Adjustments to Pension Entitlements under the Contribution-Based Plan

Until 2016, the Company’s contribution to the “Contribution Plan E.ON Management Board” consisted of the sum of the base salary and annual bonus, including the LTI component. In April 2016, the Supervisory Board adopted a resolution to increase, effective 2017, the percentages of virtual contributions to counteract the reduction in the sum of the base salary and annual bonus (see the foregoing description of the components of the new compensation plan). Effective January 1, 2017, the maximum amount of the annual contributions for Management Board members is equal to 21 percent of their pensionable income (base salary and annual bonus). Effective 2017, the fixed base contribution is 16 percent, the matching contribution 5 percent.

Compensation Plan for the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by Section 15 of the Company’s Articles of Association. The purpose of the compensation plan is to enhance the Supervisory Board’s independence for its oversight role. Furthermore, there are a number of duties that Supervisory Board members must perform irrespective of the Company’s financial performance. Supervisory Board members—in addition to being reimbursed for their expenses—therefore receive fixed compensation and compensation for committee duties.

The Chairman of the Supervisory Board receives fixed compensation of €440,000; the Deputy Chairmen, €320,000. The other members of the Supervisory Board receive compensation of €140,000. The Chairman of the Audit and Risk Committee receives an additional €180,000; the members of the Audit and Risk Committee, an additional €110,000. Other committee chairmen receive an additional €140,000; committee members, an additional €70,000. Members serving on more than one committee receive the highest applicable committee compensation only. In contradistinction to the compensation just described, the Chairman and the Deputy Chairmen of the Supervisory Board receive no additional compensation for their committee duties. In addition, Supervisory Board members are paid an attendance fee of €1,000 per day for meetings of the Supervisory Board or its committees. Individuals who were members of the Supervisory Board or any of its committees for less than an entire financial year receive pro rata compensation.

Supervisory Board Compensation in 2016

The total compensation of the members of the Supervisory Board amounted to €3.6 million (prior year: €3.2 million). The main reason for the increase in total compensation was the Supervisory Board's enlargement from 12 to 18 members. As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2016 financial year.

Supervisory Board Compensation

	Supervisory Board compensation		Compensation for committee duties		Supervisory Board compensation from affiliated companies		Total	
€	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Karl-Ludwig Kley (since June 8, 2016)	256,667	–	–	–	–	–	256,667	–
Werner Wenning (until June 8, 2016)	220,000	440,000	–	–	–	–	220,000	440,000
Prof. Dr. Ulrich Lehner	320,000	320,000	–	–	–	–	320,000	320,000
Andreas Scheidt	320,000	213,333	–	–	–	–	320,000	213,333
Clive Broutta	140,000	140,000	70,000	–	–	–	210,000	140,000
Erich Clementi (since July 19, 2016)	70,000	–	–	–	–	–	70,000	–
Tibor Gila (since July 19, 2016)	70,000	–	–	–	2,705	–	72,705	–
Thies Hansen	140,000	140,000	110,000	70,000	17,700	19,000	267,700	229,000
Carolina Dybeck Happe (since June 8, 2016)	81,667	–	–	–	–	–	81,667	–
Baroness Denise Kingsmill CBE	140,000	140,000	–	–	–	–	140,000	140,000
Eugen-Gheorghe Luha	140,000	140,000	70,000	70,000	13,483	–	223,483	210,000
René Obermann (until June 8, 2016)	70,000	140,000	–	–	–	–	70,000	140,000
Andreas Schmitz (since July 19, 2016)	70,000	–	–	–	–	–	70,000	–
Fred Schulz	140,000	140,000	110,000	110,000	13,500	17,735	263,500	267,735
Silvia Šmátralová (since July 19, 2016)	70,000	–	–	–	32,452	–	102,452	–
Dr. Karen de Segundo	140,000	140,000	70,000	70,000	–	–	210,000	210,000
Dr. Theo Siegert	140,000	140,000	180,000	180,000	–	-	320,000	320,000
Elisabeth Wallbaum (since January 1, 2016)	140,000	–	–	–	–	–	140,000	–
Ewald Woste (since July 19, 2016)	70,000	–	–	–	–	–	70,000	–
Albert Zettl (since July 19, 2016)	70,000	–	–	–	20,000	-	90,000	–
Erhard Ott (until May 7, 2015)	–	133,333	–	–	–	–	–	133,333
Eberhard Schomburg (until December 31, 2015)	–	140,000	–	110,000	–	11,423	–	261,423
Subtotal	**2,808,333**	**2,366,667**	**610,000**	**610,000**	**99,841**	**48,158**	**3,518,174**	**3,024,825**
Attendance fees							123,000	98,000
Total							**3,641,174**	**3,122,825**

Other

The Company has taken out D&O insurance for Management Board and Supervisory Board members. In accordance with the German Stock Corporation Act and the German Corporate Governance Code's recommendation, this insurance includes a deductible of 10 percent of the respective damage claim for Management Board and Supervisory Board members. The deductible has a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Financial Statements of E.ON SE

Balance Sheet of E.ON SE

€ in millions	Note	2016	2016	2015	2015
					December 31
Property, plant and equipment	(1)		14.1		18.5
Financial assets					
Shares in affiliated companies	(2)		35,394.7		47,106.8
Other financial assets	(3)		1,973.3		879.1
Fixed assets	(4)		**37,382.1**		**48,004.4**
Receivables and other assets					
Receivables from affiliated companies	(5)		8,089.3		22,918.5
Receivables from companies in which an interest is held	(6)		9.3		–
Other assets	(7)		636.6		1,020.3
Securities	(8)		1,087.3		743.8
Liquid funds	(9)		4,664.2		4,343.4
Current assets			**14,486.7**		**29,026.0**
Accrued expenses	(10)		**30.5**		**36.8**
Asset surplus after offsetting of benefit obligations	(11)		**15.0**		**1.0**
Total assets			**51,914.3**		**77,068.2**
Capital stock	(12)	2,001.0		2,001.0	
Accounting value of treasury shares		-48.6		-46.6	
Issued capital			1,952.4		1,954.4
Conditional capital: €175.0 million					
Additional paid-in capital	(13)		2,508.6		5,865.7
Retained earnings	(14)		471.8		3,673.1
Net income available for distribution			452.0		976.2
Stockholders' equity	(15)		**5,384.8**		**12,469.4**
Provisions for pensions		300.1		341.8	
Right of recourse ("Freistellungsanspruch")		-300.1		-315.0	
	(16)		–		26.8
Provisions for taxes	(17)		1,320.4		1,488.0
Other provisions	(18)		1,258.0		1,146.5
Provisions			**2,578.4**		**2,661.3**
Bank loans			776.4		863.0
Liabilities to affiliated companies			43,101.8		60,891.6
Liabilities to companies in which an interest is held			4.1		–
Miscellaneous liabilities			64.2		173.2
Liabilities	(19)		**43,946.5**		**61,927.8**
Deferred income			**4.6**		**9.7**
Total stockholders' equity and liabilities			**51,914.3**		**77,068.2**

Income Statement of E.ON SE

€ in millions	Note	January 1 to December 31 2016	2015
Income from equity investments	(20)	2,133.8	-1,639.6
Interest income (net)	(21)	-545.5	-677.6
Revenues	(22)	43.8	–
Other operating income	(23)	3,798.3	5,086.7
Cost of materials	(24)	-7.8	–
Personnel expenses	(25)	-146.4	-181.3
Depreciation of property, plant and equipment		-0.7	-4.2
Write-downs of financial assets and current securities		–	-0.1
Other operating expenses	(26)	-4,238.7	-5,470.1
Income taxes	(27)	-163.4	760.5
After-tax results		**873.4**	**-2,125.7**
Other taxes		3.1	-5.7
Net income/net loss		**876.5**	**-2,131.4**
Withdrawal from additional paid-in capital	(13)	3,357.1	–
Withdrawals from retained earnings	(14)	3,611.5	3,107.6
Decrease in assets as a result of the spin-off		-6,968.6	–
Net income transferred to retained earnings	(14)	-424.5	–
Net income available for distribution		**452.0**	**976.2**

Notes to the 2016 Financial Statements of E.ON SE

Basis of Presentation

E.ON SE located in Düsseldorf is registered in the Commercial Register of the Düsseldorf District Court under the number HRB 69043.

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code ("HGB"), as amended by BilRUG (German law implementing the Directive on financial statements), which entered into force on July 23, 2015, and the Directive on the status of the European Company (SE) in conjunction with the German Stock Corporation Act ("AktG"), and the German Energy Industry Act ("EnWG").

The amended provisions of BilRUG are applied for the first time for the 2016 fiscal year. For the comparable prior-year period, the line items for the balance sheet and the income statement have been adjusted in accordance with the provisions of BilRUG. Because of this change, the previous year's figures are not comparable since they were disclosed under the previous version of the HGB.

Individual balance sheet and income statement items have been combined in order to improve the clarity of the presentation, in accordance with Section 265 (7) no. 2, HGB. These items are stated and explained separately in these Notes. The income statement is prepared using the nature-of-expense method. The structure of the income statement has been changed to improve the clarity of the presentation in accordance with Section 265 (6) HGB. Derogations from the classification scheme pursuant to Section 275 (2) HGB have only been made to the extent that the combined items of income from equity investments and the interest income have been placed ahead of the remaining items in order to highlight the character of E.ON SE as a holding company.

The annual financial statements are prepared in euro (€) and amounts are stated in millions of euro.

Accounting and Disclosure Policies

Property, plant and equipment are measured at acquisition or production cost less depreciation. Buildings are generally depreciated using the straight-line method over a useful life of up to 33 years. For property, plant and equipment that existed before January 1, 2010, and was depreciated using the declining-balance method, the retention option pursuant to Article 67 (4), sentence 1, EGHGB, was exercised and the declining-balance method continues to be applied. Additions to property, plant and equipment from the 2010 fiscal year forward are depreciated over their average useful lives using exclusively the straight-line method. Movable fixed assets are depreciated pro rata temporis.

Average useful life assumptions are as follows:

Useful lives of property, plant and equipment

Buildings	7 to 33 years
Technical equipment and machinery	10 to 20 years
Other equipment, fixtures and office equipment	3 to 20 years

Low-value assets with costs of up to €150 are expensed in full in the year of acquisition. A collective item is created for assets whose cost of acquisition is more than €150 and less than €1,000. One fifth of the respective collective item is written down and recognized in income in the year it is created and in each of the subsequent four fiscal years.

Shares in affiliated companies, equity interests and non-current securities are generally accounted for at cost or at their fair value, if lower. Acquisitions and mergers are recognized at book values or fair values. Interest-bearing loans are carried at their nominal values; long-term interest-free and low-interest loans and receivables are carried at present value. Write-downs are performed only if a permanent loss of value is expected.

The values of receivables and other assets are adjusted to account for identifiable individual risks. Receivables are recognized at their nominal values less appropriate valuation allowances for potential default risks (lower fair value). Current securities are accounted for at cost or at the lower of their market price or redemption value.

The occupational retirement benefit obligations toward employees are covered by corresponding funds invested in fund units and fixed-term deposits; in addition, there are claims from reinsured pension obligations against Versorgungskasse Energie VVaG ("VKE"), Hanover, Germany.

The fund units are administered in trust for E.ON SE by Pension Trust e.V. and Pensionsabwicklungstrust e.V., both registered in Düsseldorf, Germany, and the fixed-term deposits covering the semiretirement pension credits by Energie-Sicherungstreuhand e.V., Hanover, Germany. The relevant assets are shielded from all other creditors.

Guarantee fund assets are measured at fair value. They are offset against the respective underlying obligations pursuant to Section 246 (2) HGB. The associated expense and income from interest effects and from the assets to be offset is treated in a similar manner. The resulting accumulated benefit obligation is recognized under provisions. Any surplus in the fair value of the guarantee fund assets over the benefit obligations is recognized in a separate line on the balance sheet called "Asset surplus after offsetting of benefit obligations."

Cash, current bank accounts and contingencies denominated in foreign currency are translated at the exchange rates applicable on the balance sheet date. Pursuant to Section 256a HGB, assets and liabilities denominated in foreign currency and having a residual term of one year or less are translated at the mid-market spot rate applicable on the balance sheet date. Other foreign-currency items are measured at the rate applicable on the date of the business transaction, except that the rate on the balance sheet date is used if it produces a lower valuation. If hedged items are aggregated with hedges to form closed positions, the hedged rate is used for the valuation.

Outlays during the fiscal year that relate to expenses incurred after the balance sheet date are recognized on the assets side as accrued expenses. The option to capitalize discounts was used. Liabilities are amortized over their terms according to schedule.

Derivative financial instruments are used to hedge against interest and currency risks arising from booked, open and planned underlying transactions. Booked and open underlying transactions are aggregated with their associated hedges in portfolios called "macro-hedge valuation units" that are separated by currency and interest hedging instrument for each currency. Transactions contained in a portfolio are valued separately at the balance sheet date. The following valuation methods and assumptions are used to determine market values:

- Foreign exchange forwards and swaps are valued at the forward rate on the balance sheet date.
- Depending on their structure, currency options are measured using either the Black-Scholes model or binomial models.
- Instruments used to hedge interest risks are measured by discounting future cash flows using market interest rates over the remaining terms of the instruments. Interest rate swap amounts are recognized in the income statement on the date of payment or accrual.

The valuation of the portfolio is derived from the difference between market values and costs. According to accounting principles under German commercial law, the negative valuation of a portfolio requires the formation of a provision for anticipated losses from open transactions, while a positive valuation result is disregarded. In addition, hedging transactions may be allocated directly to booked and open underlying transactions and aggregated with them into valuation units called "micro-hedge valuation units." E.ON SE accounts for these valuation units using the so-called "freezing" method ("Einfrierungsmethode").

Transactions used to hedge future cash flows (anticipatory hedges) are measured as valuation units.

E.ON SE has established risk management guidelines for the use of derivative financial instruments. Credit risks arising from the use of derivative financial instruments are systematically monitored and controlled throughout the E.ON Group.

Pensions and similar obligations are measured using the internationally recognized projected unit credit method. In this method, the level of the pension obligations is derived from the benefit entitlement earned as of the balance sheet date, taking into account future wage and salary increases.

Because of the initial application of Section 253 (2) HGB, as amended by the German Act Implementing the Mortgage Credit Directive and Amending Commercial Rules (Gesetz zur Umsetzung der Wohnimmobilienkreditrichtlinie und zur Änderung handelsrechtlicher Vorschriften), pension obligations and pension-related allowances that are valued as pension components are discounted using the average market interest rate for the past ten years as published by the Deutsche Bundesbank, with an assumed residual term of 15 years. The wage and salary growth rate and pension increase rates are also taken into consideration. The basis for the actuarial computations to determine the provision is formed by the 2005 G versions of the Klaus Heubeck biometric tables ("Richttafeln"). The final age used for measurement purposes is generally the earliest possible age limits under the statutory retirement pension system in Germany, taking into account the provisions of the Retirement Pension Age Limit Adjustment Act ("RV-Altersgrenzenanpassungsgesetz") of April 20, 2007. For employees who have concluded early-retirement or semiretirement arrangements, the contractually agreed final age is taken into account. Furthermore, fluctuation probabilities are also applied. Given the fundamental changes in the interest rate environment, the defined contribution schemes were adjusted in 2016. Starting in 2017, the interest rate in all defined benefit pension schemes for components will be adjusted to market performance and, in most regulations, hedged by a minimum interest rate, but the previously earned pension entitlements remain unchanged. In view of this change, the measurement system was converted from the so-called "pro rata" method to the present value of the acquired entitlement, which is required because of the change in the value of future units.

MEON Pensions GmbH & Co. KG, Grünwald, Germany ("MEON") made a collateral promise, effective December 31, 2006, with respect to the pension obligations that had arisen before January 1, 2007, insofar as they related to active and former employees of that time and their beneficiaries. MEON in turn had itself entered into a Contractual Trust Arrangement ("CTA") in 2006 to fund payment obligations it had assumed.

By the collateral promise described above, MEON assumed obligations toward active and former employees of the Company and their beneficiaries. MEON has indemnified the Company internally against liability for the benefit obligations specified in the agreement. In return for this right of recourse, the Company transferred assets of equivalent value to MEON. The right-of-recourse receivable is measured in the same manner as the underlying benefit obligation.

To ensure the funding of those pension obligations for which MEON had made no collateral promise, E.ON SE has maintained the establishment of a CTA since 2014. To this end, the Company entered into a trust agreement with the independent trustees E.ON Pension Trust e.V. (the asset trustee) and Pensionsabwicklungstrust e.V. (the funding trustee) and transferred guarantee fund assets to the funding trustee. The asset trustee administers the assets. E.ON SE remains the immediate obligor under the pension plans. A total of €25.0 million was paid into the CTA in 2016. E.ON SE offset a total of €235.3 million in guarantee fund assets against the pension obligations on the balance sheet date in accordance with Section 246 (2) HGB. Accordingly, pension obligations that are not covered by the collateral promise are recoverable for E.ON SE through the asset trustee.

Provisions for taxes and other provisions take into account all identifiable and uncertain obligations. They are recognized at settlement amounts that are determined through reasonable commercial estimates. Future increases in prices and costs are also included in other provisions if sufficient objective information is available concerning such increases. Provisions with a residual term of more than one year are discounted at the average market interest rate for the past seven years that corresponds to their residual term.

Liabilities are recognized at their settlement amount on the balance sheet date. Pension obligations are recognized at present value using an average market interest rate for the past seven fiscal years that is appropriate for the term. The values of liabilities from financial guarantee contracts correspond to the loan amounts as measured on the balance sheet date.

Foreign-currency liabilities with a residual term of more than one year are measured at the price at the time of their initial recognition or at the higher mid-market spot rate applicable on the balance sheet date. Short-term foreign-currency liabilities with a remaining term of one year or less were converted at the closing rate at the mid-market spot rate without taking into account the maximum or realization principle.

Income before the balance sheet date for income for a specific period after that date is recognized as deferred income.

Pursuant to Section 274 (1) HGB, deferred taxes are determined for temporary differences between valuations of assets, liabilities and accruals for financial accounting under HGB and for tax accounting purposes. E.ON SE takes into account not only the differences from its own balance sheet items, but also those carried by subsidiaries that are part of its tax group. In this respect, deferred taxes may be recognized for temporary differences of the tax group companies in the annual financial statements of E.ON SE only for as long as the tax group is expected to continue to exist.

In addition to these temporary differences, tax loss carryforwards and interest expense carryforwards are also taken into account. Deferred taxes are determined based on the combined income tax rate, currently 30 percent. The combined income tax rate includes corporate income tax, trade tax and the solidarity surcharge. For partnership interests, however, deferred taxes arising from temporary differences are calculated using a different combined income tax rate that includes only the corporate income tax and solidarity surcharge; this rate is currently 16 percent.

Deferred taxes are netted for presentation on the balance sheet (Section 274 (1), sentence 3, HGB). If the net result is a tax credit (net asset), the recognition option pursuant to Section 274 (1), sentence 2, HGB is not exercised. A net tax liability is presented on the balance sheet as a deferred tax liability. In the income statement, any change in the deferred taxes reported on the balance sheet is presented under "Income Taxes" on a separate line. The net result for 2015 was a deferred tax asset, which was not included on the balance sheet.

Notes on the Balance Sheet

(1) Property, Plant and Equipment

Property, plant and equipment declined by €4.4 million from the previous year. Additions of €1.4 million were offset by disposals at their carrying amounts totaling €5.1 million. The reported disposals relate primarily to buildings.

Depreciation amounted to €0.7 million in 2016.

(2) Shares in Affiliated Companies

In the reporting year, additions of shares in affiliated companies totaled €264.8 million and disposals at their carrying amounts totaled €11,976.9 million.

E.ON Gruga Objektgesellschaft mbH & Co. KG was transferred at its carrying amount of €92.1 million to E.ON Gruga Geschäftsführungsgesellschaft mbH.

Other additions, with €145.1 million, consist of amounts added to the paid-in capital of Uniper Beteiligungs GmbH and acquisitions of shares in MEON Pensions GmbH & Co. KG in the amount of €27.6 million.

The disposals mainly relate to the following transactions:

On April 18, 2016, E.ON SE and Uniper SE entered into a spin-off and takeover agreement. Under this agreement, in the spin-off E.ON SE transfers all of the shares in Uniper Beteiligungs GmbH with all rights and obligations as a whole to Uniper SE, against the granting of shares of Uniper SE to the shareholders of E.ON SE (spin-off to transfer pursuant to Section 123 (2) no. 1 of the German Reorganization Act). The Uniper SE spin-off and stock exchange listing was successfully completed in September 2016. Uniper Beteiligungs GmbH, with €6,968.6 million, was correspondingly derecognized from the item "Shares in affiliated companies." For the impact on equity, see Notes 13 et seq.

After the effective date of the spin-off, E.ON SE indirectly still holds 46.65 percent of Uniper SE through its wholly owned subsidiary E.ON Beteiligungen GmbH.

The withdrawal from the additional paid-in capital of E.ON Beteiligungen GmbH resulted in a partial disposal of the capital amount by €4,916.2 million.

The income and losses from equity investments are described in detail in Note 20.

A list of the shareholdings of E.ON SE as of December 31, 2016, is included as part of these Notes on pages 106 et seq. Section 286 (3), no. 1, HGB has been applied in that only those holdings that are individually or collectively material to the overall assessment of assets, financial condition and earnings are listed.

(3) Other Financial Assets

Other financial assets consist of equity investments totaling €8.9 million and long-term loans amounting to €1,964.4 million. An addition of €1,232.8 million resulted primarily from a loan to E.ON UK Holding Company Limited, which E.ON SE took over from E.ON International Finance B.V. As of December 31, 2016, the value of the fund was not written down.

(4) Fixed Assets

The classification and development of the items summarized on the balance sheet are shown in the following table:

Development of Fixed Assets of E.ON SE

	Acquisition and production costs			
€ in millions	January 1, 2016	Additions	Disposals	December 31, 2016
Real estate, leasehold rights and buildings, including buildings on land owned by third parties	25.1	0.4	14.5	11.0
Technical equipment, plant and machinery	0.1	–	–	0.1
Other plant, fixtures, furniture and office equipment	13.0	1.0	0.3	13.7
Property, plant and equipment	**38.2**	**1.4**	**14.8**	**24.8**
Shares in affiliated companies	50,072.4	264.8	11,981.3	38,355.9
Long-term loans to affiliated companies	755.6	1,233.0	24.4	1,964.2
Equity investments	10.8	–	1.9	8.9
Non-current securities	114.7	–	114.7	-
Other long-term loans	0.4	–	0.1	0.3
Financial assets	**50,953.9**	**1,497.8**	**12,122.4**	**40,329.3**
Fixed assets	**50,992.1**	**1,499.2**	**12,137.2**	**40,354.1**

(5) Receivables from Affiliated Companies

Receivables from affiliated companies relate to claims from intragroup financing in the amount of €7,810.6 million (2015: €22,605.0 million) and other receivables in the amount of €278.7 million (2015: €313.5 million). These other receivables include receivables from existing profit and loss transfer agreements in the amount of €153.8 million (2015: €0.0 million). As in the previous year, all of the receivables have a residual term of up to one year.

The change in claims from intracompany financing compared to the previous year results mainly from the spin-off of the majority stake in Uniper SE and the resulting termination of cash pooling with the Uniper companies, as well as the conclusion of an agreement on the non-exercise of control with Uniper SE as of December 31, 2016.

(6) Receivables from companies in which an interest is held

The full amount of receivables from companies in which an interest is held (€9.3 million) relates to Uniper SE, all of which have a residual term of up to one year. Prior to the spin-off of the majority stake in Uniper SE and the conclusion of an agreement on the non-exercise of control, this was reported under receivables from affiliated companies.

(7) Other Assets

Other assets mainly relates to current tax assets for capital gains tax plus solidarity surcharge of €110.7 million for 2016, interest claims and receivables from the corporate tax credit balance as well as taxes and interest for previous years. All of the other assets have a residual term of less than one year. In the prior year, €79.0 million had a residual term of more than one year.

	Write-downs				Book values	
	January 1, 2016	Additions	Disposals	December 31, 2016	December 31, 2016	December 31, 2015
	10.7	0.1	9.4	1.4	9.6	14.4
	–	–	–	–	0.1	0.1
	9.0	0.6	0.3	9.3	4.4	4.0
	19.7	**0.7**	**9.7**	**10.7**	**14.1**	**18.5**
	2,965.6	–	4.4	2,961.2	35,394.7	47,106.8
	–	–	–	–	1,964.2	755.6
	–	–	–	–	8.9	10.8
	2.3	–	2.3	–	–	112.4
	0.1	–	–	0.1	0.2	0.3
	2,968.0	**–**	**6.7**	**2,961.3**	**37,368.0**	**47,985.9**
	2,987.7	**0.7**	**16.4**	**2,972.0**	**37,382.1**	**48,004.4**

(8) Securities

Reported under securities are exclusively other securities.

The increase is primarily attributable to the purchase of commercial paper.

In addition, units of equity and bond funds totaling €10.0 million are presented here as well. These are domestic investment undertakings as defined by Section 1 (10) of the German Investment Code. E.ON SE holds more than 10 percent of the units of the funds.

Investment Fund Units

€ in millions	Book value (BV) Dec. 31, 2016	Fair value (FV) Dec. 31, 2016	Δ (FV–BV)	Distribution in 2016	Daily redemption possible
Equity funds	5.0	7.5	2.5	–	Yes
Bond funds	5.0	8.3	3.3	–	Yes
Total	**10.0**	**15.8**	**5.8**	**–**	

(9) Liquid Funds

Liquid funds, which consist primarily of bank balances, rose by €320.8 million as of the balance sheet date.

(10) Accrued Expenses

This item consists primarily of discounts totaling €20.8 million (2015: €26.5 million) from various loans granted by E.ON International Finance B.V. An additional €9.2 million (2015: €10.3 million) stems from the periodic accrual of prepaid commitment fees and other expenses.

(11) Asset Surplus after Offsetting of Benefit Obligations

The offsetting of guarantee fund assets with pension obligations and the settlement backlog arising from semiretirement arrangements, which are covered by these assets, has produced an overall asset surplus of €15.0 million.

The offsetting of the offsettable portion of the pension obligation (€235.3 million) not reinsured by Versorgungskasse Energie VVaG with the fair value of the guarantee fund assets (€249.5 million) produces, for the first time, an overall asset surplus of €14.2 million. The guarantee fund assets consist entirely of fund shares; acquisition costs amount to €237.5 million.

The benefit obligation of €2.1 million reinsured with Versorgungskasse Energie VVaG is offset against the fair value of the guarantee fund assets covering the obligation in the amount of €2.8 million. The offsetting of the guarantee fund assets against the reinsured pension obligation covered by these assets has produced a surplus of €0.7 million.

The fair value of the pension liability insurance claims corresponds to the capital reserve documented by the insurer, which is the acquisition cost.

The settlement backlog of €1.0 million with Energie-Sicherungstreuhand e. V. arising from semiretirement arrangements is offset against the fair value of the guarantee fund assets covering the backlog in the amount of €1.1 million. The offsetting of the guarantee fund assets against the settlement backlog arising from semiretirement arrangements covered by these assets has produced a surplus of €0.1 million.

The guarantee fund assets consist exclusively of fixed-term deposits; their fair value is thus equal to their acquisition cost.

(12) Capital Stock

The capital stock is subdivided into 2,001,000,000 registered ordinary shares with no par value (“no-par-value shares”) and amounts to €2,001,000,000. The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company (“SE”). Pursuant to a resolution by the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71 a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation.

The Company has further been authorized by the Annual Shareholders Meeting to buy shares using put or call options, or a combination of both. When derivatives in the form of put or call options, or a combination of both, are used to acquire shares, the option transactions must be conducted at market terms with a financial institution or on the market. No shares were acquired in 2016 using this purchase model.

To improve clarity, the following discussion of the development of the Company’s treasury shares is presented using whole euro amounts.

Of the 46,601,937 E.ON treasury shares existing as of January 1, 2016, 7,572,944 shares originated from the share buyback program implemented in 2001 and 2002, and 38,993,113 shares came from the buyback program implemented in 2007. An additional 5,434 shares were acquired in 2010, while 30,446 shares stem from the intragroup purchase of EBY Port 1 GmbH in 2003.

In preparation for the spin-off of Uniper Beteiligungs GmbH to Uniper SE, under a share purchase and transfer agreement dated April 7, 2016, E.ON SE acquired all of the 2,001,463 E.ON shares held by E.ON Sechzehnte Verwaltungs GmbH at a purchase price per share of €8.1207 and a total purchase price of €16.3 million. This corresponds to 0.1 percent or a computed share of €2,001,463 of the capital stock of E.ON SE in the amount of €2,001,000,000.

As a result, the 46,601,937 treasury shares held as of January 1, 2016, increased to 48,603,400 on the balance sheet date. This corresponds to 2.43 percent or a computed share of €48,603,400 of the capital stock. This computed share of the capital stock is subtracted openly from the issued capital in the previous column.

In addition, no further E.ON shares were acquired during the fiscal year, and no E.ON shares were used for any programs or scrip dividends.

By shareholder resolution adopted at the Annual Shareholders Meeting of May 3, 2012, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 2, 2017, the Company's capital stock by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights); such increase shall not, however, exceed the amount and number of shares in which the authorized capital pursuant to Section 3 of the Articles of Association of E.ON AG still exists at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective pursuant to the conversion plan dated March 6, 2012 (authorized capital pursuant to Sections 202 et seq. AktG). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights. The authorized capital has not been used.

At the Annual Shareholders Meeting of May 3, 2012, shareholders approved a conditional capital increase (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 2, 2017.

The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights and income bonds issued or guaranteed by E.ON SE or a group company of E.ON SE as defined by Section 18 AktG, and to the extent that no cash settlement has been granted in lieu of conversion and no E.ON SE treasury shares or shares of another listed company have been used to service the rights. However, this conditional capital increase only applies up to the amount and number of shares in which the conditional capital pursuant to Section 3 of the Articles of Association of E.ON AG has not yet been implemented at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective in accordance with the conversion plan dated March 6, 2012. The conditional capital has not been used.

Information on Stockholders of E.ON SE

The following notices pursuant to Section 21 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received:

Information on Stockholders of E.ON SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights	
					Percentages	Absolute
BlackRock Inc., Wilmington, U.S.	Dec. 20, 2016	5%	Dec. 15, 2016	Indirect	6.43	128,725,767

(13) Additional Paid-in Capital

As a result of the spin-off of Uniper Beteiligungs GmbH described in Note 2, the additional paid-in capital decreased by €3,357.1 million and amounted to €2,508.6 million (2015: €5,865.7 million) as of the balance sheet date.

(14) Retained Earnings

Retained earnings developed as follows:

Retained earnings

in millions of €	As of Dec. 31, 2015	Withdrawal	Addition	Change in treasury shares	As of Dec. 31, 2016
Legal reserves	45.3	–	–	–	45.3
Other retained earnings	3,627.8	-3,611.5	424.5	-14.3	426.5
Total	**3,673.1**	**-3,611.5**	**424.5**	**-14.3**	**471.8**

As a result of the spin-off of Uniper Beteiligungs GmbH described in Note 2, retained earnings decreased by €3,611.5 million.

€424.5 million was transferred from net income of €876.5 million to other retained earnings. In the previous year, €3,107.6 million was withdrawn from other retained earnings.

The change in other retained earnings from treasury shares is the result of the sale of E.ON shares by E.ON Sechzehnte Verwaltungs GmbH, which is described in Note 12.

In order to fulfill retirement benefit obligations, funds have been invested as restricted, bankruptcy-remote assets in fund units administered in trust by E.ON Pension Trust e.V. and by Pensionsabwicklungstrust e.V., both registered in Düsseldorf, Germany. In accordance with Section 253 (1) HGB, they are measured at fair value, which at the balance sheet date stood at €249.5 million, and taking into account deferred tax liabilities of €2.2 million, were €9.8 million over the acquisition costs of €237.5 million. The full amount of the €9.8 million difference is due to increases in value. Taking into account deferred tax assets, also in the amount of €2.2 million, which are based on uncertain earnings and which are taken into account by netting against deferred tax liabilities, this results in a dividend-restricted amount of €12.0 million.

The difference between the recognition of provisions for pension obligations based on the corresponding average market interest rate for the past ten financial years (4.01 percent p.a.) and the recognition of these provisions based on the corresponding average market interest rate for the past seven financial years (3.23 percent p.a.) amounted to €69.7 million as of December 31, 2016 for E.ON SE.

The dividend-restricted amounts totaling €81.7 million mentioned above are fully covered by a sufficient amount of available reserves.

Accordingly, there is no restriction preventing payment in 2017 of the proposed dividend distribution, which is projected to be in the amount of €410.0 million.

(15) Stockholders' Equity

The following table summarizes the changes in stockholders' equity:

Stockholders' Equity

€ in millions	Issued capital	Additional paid-in capital	Retained earnings	Net income available for distribution	2016 Total	2015 Total
January 1	1,954.4	5,865.7	3,673.1	976.2	12,469.4	15,306.9
Dividend of E.ON SE for the previous year	–	–	–	-976.2	-976.2	-966.4
Withdrawal from additional paid-in capital	–	-3,357.1	–	–	-3,357.1	–
Withdrawal from retained earnings	–	–	-3,611.5	–	-3,611.5	-3,107.6
Transfers from net income to retained earnings	–	–	424.5	–	424.5	–
Change in treasury shares	-2.0	–	-14.3	–	-16.3	260.3
Net income available for distribution	–	–	–	452.0	452.0	976.2
As of December 31	**1,952.4**	**2,508.6**	**471.8**	**452.0**	**5,384.8**	**12,469.4**

(16) Provisions for Pensions

The pension obligations cover the benefit obligations toward former employees and employees still working. They are funded in part by the employer and, through deferral of compensation, in part by the employees.

The obligations arising from pension commitments are covered in part by fund units administered in trust by E.ON Pension Trust e.V. and by Pensionsabwicklungstrust e.V., both registered in Düsseldorf, Germany. Coverage is also provided in part through pension liability insurance claims against VKE. The invested assets are designated exclusively for the fulfillment of pension obligations and are shielded from all other creditors.

Section 246 (2) HGB requires that these assets be offset against the underlying obligations. Insofar as it relates to fund units, the fair value of guarantee fund assets stated in the table that follows was derived by the designated administration companies from market prices or with the aid of generally accepted valuation methodologies as of the balance sheet date.

The reported pension obligations, as well as the provisions for electricity allowances, are offset on the face of the balance sheet against the right of recourse against MEON Pensions GmbH & Co. KG, Grünwald, Germany, in the amount of €300.1 million.

Provisions for Pensions—Benefit Obligations Not Reinsured with VKE

	December 31	
€ in millions	2016	2015
Settlement amount[1]	300.1	574.1
Fair value of guarantee fund assets	–	-232.3
Fund units	–	*-232.3*
Total provision	**300.1**	**341.8**

[1]In 2016, an asset surplus results from offsetting the offsettable portion of the pension obligation not reinsured by VKE against the CTA guarantee fund assets for the first time.

Acquisition costs of the guarantee fund assets totaled €231.1 million in the previous year.

The discount rate used for the pension obligation in 2016 was 4.01 percent p.a. (2015: 3.89 percent p.a.). Also underlying the obligation were a wage and salary growth rate of 2.50 percent p.a. (2015: 2.50 percent p.a.) and a benefit increase rate of 1.75 percent p.a. (2015: 1.75 percent p.a.).

Please see Note 14 for more information on the difference in accordance with Section 253 (6), sentence 3 HGB.

(17) Provisions for Taxes

Provisions for taxes relate exclusively to taxes for previous years.

(18) Other Provisions

Other provisions break down as follows:

Other Provisions

	December 31	
€ in millions	2016	2015
Tax-induced interest	479.1	452.5
Mining damage	607.3	468.0
Provision for anticipated losses in connection with financial transactions	22.7	25.0
Miscellaneous other provisions	148.9	201.0
Total	**1,258.0**	**1,146.5**

Mining damage provisions relate to possible reclamation and drainage obligations for damage resulting from the past operation by acquired former mining companies of mines now decommissioned. The provision was correspondingly increased because of the reduction in the capitalization interest rate.

Where the new measurement rules according to Section 253 (2) HGB as amended by the BilMoG resulted in a reversal of other provisions during the 2010 transition year, the higher recognized amount was kept. The surplus remaining as of December 31, 2016, was €0.2 million.

(19) Liabilities

Liabilities

€ in millions	December 31, 2016				December 31, 2015		
		With a remaining term of				With a remaining term of	
	Total	≤ 1 year	> 1 year	> 5 years	Total	≤ 1 year	> 1 year
Banks	776.4	405.9	370.5	–	863.0	412.9	450.1
Secured by collateral pledges of other assets	*86.5*	*86.5*	–	–	*166.1*	*86.5*	*79.6*
Accounts payable	29.1	29.1	–	–	35.5	35.5	–
Affiliated companies	43,101.8	31,985.9	11,115.9	4,141.4	60,891.6	49,633.7	11,257.9
Liabilities to companies in which an interest is held	4.1	4.1	–	–	–	–	–
Other liabilities	35.1	35.1	–	–	137.7	137.7	–
Taxes	*2.7*	*2.7*	–	–	*102.4*	*102.4*	–
Social security	–	–	–	–	–	–	–
Total	**43,946.5**	**32,460.1**	**11,486.4**	**4,141.4**	**61,927.8**	**50.219.8**	**11,708.0**

Liabilities to affiliated companies relate to intragroup financing in the amount of €40,651.0 million (2015: €58,719.6 million), trade payables of €210.2 million (2015: €176.4 million) and other liabilities in the amount of €2,240.6 million (2015: €1,995.6 million). These other liabilities include liabilities from existing profit and loss pooling agreements in the amount of €1,990.3 million (2015: €1,602.8 million).

Liabilities to affiliated companies primarily relate to liabilities to E.ON Energie AG in the amount of €16,314.9 million (2015: €15,159.8 million), to E.ON International Finance B.V. in the amount of €9,834.0 million (2015: €9,965.6 million), to E.ON Beteiligungen GmbH in the amount of €3,056.4 million (2015: €9,174.1 million), to E.ON Ruhrgas Portfolio GmbH in the amount of €1,599.2 million (2015: €2,111.8 million) and to E.ON Energie Deutschland GmbH in the amount of €1,116.0 million (2015: €1,343.9 million).

As a result of the spin-off of the majority stake in Uniper SE and the conclusion of an agreement on the non-exercise of control at the end of 2016, the liabilities to Uniper SE were reclassified from liabilities to affiliated companies in the amount of €4.1 million to liabilities to companies in which an interest is held. Liabilities to the subsidiaries of Uniper SE were reclassified in the total amount of €31.0 million from liabilities to affiliated companies to other liabilities.

Contingencies and Other Financial Obligations

Contingent liabilities consist of the following:

Contingencies

€ in millions	December 31	
	2016	2015
Contingent liabilities arising from abstract guarantees	22,987.6	30,853.8
Toward affiliated companies	*1,615.0*	*1,703.5*
Contingent liabilities arising from guarantees bound to a principal obligation (*"Bürgschaften"*)	897.0	1,126.9
Toward affiliated companies	–	–
Total	**23,884.6**	**31,980.7**

Of the contingent liabilities arising from abstract guarantees, an amount of €12,542.0 million relates to repayment guarantees made to holders of bonds issued by E.ON International Finance B.V. Furthermore, E.ON SE has provided guarantees in connection with the disposal of activities of the E.ON Group. Of these, €794.6 million relates to guarantees where a contractual restriction for specific guaranteed events such as indemnification for environmental damage, costs for remediation of damages or obligations arising from litigation applies.

The abstract guarantees of the Company also include the liquidity assistance guarantee toward MEON in the amount of €1,615.0 million arising from the implementation of the CTA.

In addition, there are liabilities as of December 31, 2016, from guarantees bound to a principal obligation under German law; these essentially consist of counterguarantees for bank guarantees and guarantees for contractual obligations. Guarantees of this type that are provided under other laws are reported as contingent liabilities arising from abstract guarantees. The decline in liabilities is due to the liquidation of collateral for former E.ON Group companies, which are now part of the Uniper Group.

E.ON SE has entered into these contingencies in order to support Group companies in their operations, to secure the fulfillment of pension obligations toward active and former employees and to enable disposals of activities.

E.ON SE generally only enters into contingencies in connection with its own operations or the operations of affiliated companies, and then only after intensively evaluating the risks. E.ON SE currently issues collateral in the amount of €2,734.3 million for former Group companies, which, for the most part, will be repaid or assumed by the companies of the Uniper Group in the future. The largest beneficiary on a pro rata basis is Uniper Energy Storage GmbH, with a payment guarantee in the amount of €923.1 million.

Up to the time the annual financial statements are prepared, the knowledge gained from the assessment of the risks is included in the valuation of the contingencies and their underlying obligations. E.ON SE assumes that the companies that originally assume them are able to meet all of their obligations. Accordingly, the risk of E.ON SE assuming responsibility is classified as unlikely for all of the contingencies described.

Other financial obligations amounted to €251.1 million as of December 31, 2016. Of this amount, €204.4 million relates to obligations toward affiliated companies (2015: €274.4 million).

Derivative Financial Instruments

As of the balance sheet date, the following were the derivative financial instruments used primarily to hedge interest and currency risks arising from changes in market values:

Derivative Financial Instruments

€ in millions Instrument	December 31, 2016 Nominal volume	 Fair value (market value)	December 31, 2015 Nominal volume	 Fair value (market value)
Forward transactions with banks	17,419.8	-62.9	21,330.8	40.8
Forward transactions with affiliated companies	8,589.5	94.1	16,069.5	6.1
Currency options with banks	–	–	36.4	8.2
Currency options with affiliated companies	–	–	–	–
Interest rate swaps with banks	2,038.9	-807.4	1,781.1	-538.2
Interest rate swaps with affiliated companies	1,168.9	113.3	1,211.1	108.8
Cross-currency and interest rate/cross-currency swaps with banks	7,668.9	336.3	7,998.9	123.9
Cross-currency and interest rate/cross-currency swaps with affiliated companies	3,614.8	-1,131.7	3,896.3	-508.2
Interest rate options with banks	1,000.0	-203.1	800.0	-248.3
Total	**41,500.8**	**-1,661.4**	**53,124.1**	**-1,006.9**

In the context of its international activities, E.ON SE is exposed to currency, interest and equity price risks. This risk is managed using a systematic risk management system. E.ON SE plays a central role as regards the management of currencies and interest rates, using internal transactions within the Group to bundle risk positions and hedge them in the external market. By taking these actions, E.ON SE largely eliminates risk positions.

Foreign Exchange Risk

Cross-currency swaps and interest rate/cross-currency swaps with a total nominal value of €4,054.1 million were entered into to hedge Group loans in foreign currencies that were granted by E.ON International Finance B.V., Rotterdam, the Netherlands. For each of its micro-hedge valuation units, E.ON protects itself against the risk of variable cash flows arising from changes in exchange rates. As of December 31, 2016, Group loans with a maximum term of 21 years were recognized in corresponding valuation units. The net currency position (before hedging) resulting primarily from E.ON SE's short-term underlying financial and operating transactions is combined with the respective offsetting currency hedging transactions to form a macro-hedge valuation unit for each currency. The maximum term of the transactions is 21 years. The total nominal volume of all currency-specific portfolios was €37,199.7 million as of December 31, 2016 (of which €33,238.9 million related to open transactions, €1,221.8 million to assets and €2,738.9 million to liabilities). The foreign-currency portfolio of E.ON SE is nearly 100 percent hedged. As of the reporting date, the cumulative surplus in currency hedging transactions was recognized in the form of a €22.7 million provision (2015: €25.1 million).

Interest Risk

In the context of cash flow hedging, the net interest position (before hedging) resulting from E.ON SE's underlying financial and operating transactions is aggregated with the offsetting interest rate hedging transactions into macro-hedge valuation units. The maximum term of the transactions is seven years. Underlying and hedging transactions are valued for this purpose based on the underlying discounted cash flows. The total nominal volume was €1,707.8 million as of December 31, 2016 (all of which related to open transactions).

The interest payable on bonds to be issued in the future was hedged using swaptions and forward-starting payer interest rate swaps with a total nominal volume of €2,000 million (anticipatory hedging), and aggregated into micro-hedge valuation units. The corresponding expected borrowings relate to the years 2017 through 2018, for terms of 30 years, and are considered highly probable from a financial planning perspective.

The interest rate hedges had no valuation deficit in the form of provisions for contingent losses as of the reporting date.

The underlying transactions combined into the valuation units represent highly homogeneous risks. It is therefore to be expected that the opposing changes in value of the underlying transactions and their hedges will in future virtually offset, and that the hedges will thus be highly effective.

For micro-hedge valuation units, effectiveness is assessed using the critical-terms-match method, since the main parameters for the instruments used are identical. The amount of existing ineffectiveness is computed by cumulative application of the dollar-offset method. The existing risk management framework is used to constantly monitor the macro-hedge valuation units, confining them within corresponding limits.

The total volume of risk hedged in these valuation units is €6,104.5 million. Of this total, €5,363.5 million is attributable to foreign exchange risk and €741.0 million to interest risk.

Notes on the Income Statement

(20) Income from Equity Investments

The table below provides details of income from equity investments:

Income from Equity Investments

€ in millions	2016	2015
Income from companies in which equity investments are held	3,803.6	–
From affiliated companies	*3,803.6*	–
Income from profit and loss pooling agreements	369.6	74.5
Expense from the assumption of losses	-2,039.4	-1,714.1
Total	**2,133.8**	**-1,639.6**

Income from investments is primarily derived from the exceptionally large withdrawal in the amount of €3,783.8 million from the additional paid-in capital of E.ON Beteiligungen GmbH.

Of the income from profit and loss pooling agreements, €215.8 million came from E.ON Iberia Holding GmbH and €153.8 million from E.ON Finanzanlagen GmbH.

Losses from profit and loss pooling agreements recognized in 2016 primarily relate to E.ON Beteiligungen GmbH (€1,185.8 million), E.ON Energie AG (€722.2 million), E.ON Climate & Renewables GmbH (€80.4 million), and E.ON US Holding GmbH (€49.1 million). The losses from profit and loss pooling agreements of E.ON Beteiligungen GmbH are exceptionally large.

(21) Interest Income (Net)

Net interest income breaks down as follows:

Interest Income (Net)

€ in millions	2016	2015
Income from other securities and long-term loans included in financial assets	132.8	115.1
From affiliated companies	*132.6*	*114.9*
Other interest and similar income	105.4	215.7
From affiliated companies	*74.9*	*132.4*
Interest and similar expenses	-783.7	-1,008.4
Paid to affiliated companies	*-637.0*	*-808.9*
Accretion of discounted provisions	*-35.4*	*-100.6*
Total	**-545.5**	**-677.6**

The expense from the accretion of provisions is mainly accounted for by the accretion of provisions for land reclamation obligations at mining sites in the amount of €26.9 million and the net expense of €7.6 million arising from the unwinding of discounts (including effects of changes in interest rates) on provisions for pensions (€10.5 million) after offsetting against the income from the corresponding guarantee fund assets (€2.9 million). Other accretions in the amount of €2.1 million relates exclusively to long-term personnel provisions.

Other interest and similar income includes negative interest of €6.1 million, €1.2 million of which is attributable to affiliated companies.

In addition, interest and similar expenses includes negative interest expenses in 2016 due to the cash pooling agreement between E.ON SE and its subsidiaries in the amount of €130.0 million, an exceptionally large amount.

(22) Revenues

Due to the first-time application of Section 277 (1) HGB, as amended by the BilRUG and the revised definition of revenue, the revenues of the fiscal year are not comparable to the previous year's figure reported in the income statement. In accordance with Section 277 (1) HGB in conjunction with Article 75 of the Introductory Law to the German Commercial Code (EGHGB), revenues of €39.0 million were reported for fiscal year 2015, which are reported under other operating income in 2015.

Revenues mainly consists of rental income from subleases in the amount of €9.2 million and income from operating management contracts in the amount of €28.0 million.

(23) Other Operating Income

Other operating income breaks down as shown in the following table:

Other Operating Income

€ in millions	2016	2015
Income from the disposal of fixed assets	6.4	38.8
Miscellaneous	3,791.9	5,047.9
Total	**3,798.3**	**5,086.7**

Miscellaneous income includes the following items:

Miscellaneous Income

€ in millions	2016	2015
Exchange rate differences	3,151.3	4,017.7
Cross-currency/Interest rate swaps and currency options	513.7	567.8
Reversals of provisions	25.9	18.1
Other	101.0	444.3
Total	**3,791.9**	**5,047.9**

Of the income from exchange rate differences reported, €1,611.2 million originated from relationships with affiliated companies and €1,540.1 million from external relationships.

Income from the reversal of provisions represents income not related to the reporting period. In 2016, there was also income not related to the reporting period because of transfers in the amount of €20.9 million.

Due to the first-time application of Section 277 (1) HGB, as amended by BilRUG, the other operating income for the fiscal year is not comparable to the previous year's figures.

(24) Cost of Materials

Cost of materials

€ in millions	2016	2015
Expenses for purchased services	7.8	–
Total	**7.8**	**–**

The cost of materials of €7.8 million is directly related to the rental income reported under revenues.

The previous year's figure is not comparable since it is disclosed under the previous version of the HGB. In the previous year, corresponding expenses of €13.2 million were recognized under other operating expenses.

(25) Personnel Expenses

The following table shows the structure of personnel expenses:

Personnel Expenses

€ in millions	2016	2015
Wages and salaries	121.7	160.9
Social security contributions, pension costs and other employee benefits	24.7	20.4
For pensions	*15.1*	*7.6*
Total	**146.4**	**181.3**

Personnel expenses fell by €34.9 million compared to the previous year. This primarily relates to employee transitions from E.ON SE to the Uniper Group at the turn of the year 2015/2016.

The expense for share-based payment totaled €9.9 million in the reporting year (2015: €6.5 million), which was counter to the overall development of expenses. The increase is due to the issue of the fourth tranche of the Share Matching Plan as well as to early payments as a result of the spin-off. As of the reporting date, a provision of €24.5 million has been recognized for share-based payment (2015: €24.7 million). €0.1 million in gains were generated through the reversal of provisions in the reporting year (2015: €0.8 million).

Pension expense in the amount of €15.1 million resulted primarily from provisions for pensions in the reporting year (2015: €7.6 million).

(26) Other Operating Expenses

Other operating expenses break down as follows:

Other Operating Expenses

€ in millions	2016	2015
Exchange rate differences	3,036.5	4,016.4
Cross-currency/Interest rate swaps and currency option premiums	533.0	558.6
Professional fees	204.9	182.9
Miscellaneous expenses	464.3	712.2
Total	**4,238.7**	**5,470.1**

Of the expenses from exchange rate differences reported, €1,949.3 million originated from relationships with affiliated companies and €1,087.2 million from external relationships.

Due to the first-time application of Section 277 (1) HGB, as amended by BilRUG, other operating expenses for the fiscal year is not comparable to the previous year's figures.

The addition to the provisions for land reclamation obligations at mining sites of €117.4 million reported under other expenses is exceptionally large.

(27) Income Taxes

The net tax expense reported for the 2016 fiscal year relates primarily to previous years.

Because of the tax loss situation, no income tax is due in 2016.

Deferred taxes are not included in tax expenses. Overall, as of December 31, 2016, E.ON SE expects future tax relief from temporary accounting differences—both its own and those of the companies in its consolidated tax group—as well as from tax loss carryforwards and interest expense carryforwards. The calculation of this amount took place on the basis of a combined income tax rate of 30 percent (E.ON SE and its consolidated tax group companies) and 16 percent (partnership interests; the tax rate only takes into account corporate income tax and the solidarity surcharge).

Deferred tax liabilities result primarily from reserves permitted under tax law. Because the pension obligations before offsetting with guarantee fund assets result in a higher obligation in financial statements as opposed to their valuation for tax purposes, the result of this difference is a deferred tax asset. Additional deferred tax assets result primarily from provisions that cannot be recognized for tax purposes, including those for anticipated losses and in the nuclear power segment, as well as from tax loss carryforwards. Overall, there is a surplus of deferred tax assets over deferred tax liabilities. The option under Section 274 (1), sentence 2, HGB was not exercised for this surplus, and therefore no deferred tax assets were recognized.

Other Disclosures

Employees

The average number of persons employed in the 2016 fiscal year by E.ON SE at its Group Management, at the Centers of Competence and at the E.ON Deutschland unit was 904. This average does not include four members of the Management Board and six apprentices of the Company.

Statement of Compliance Pursuant to Section 161 of the German Stock Corporation Act

On December 16, 2016, the Management Board and Supervisory Board of E.ON SE issued a statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act and published it on the Internet at www.eon.com to make it permanently accessible to the Company's stockholders.

Deconsolidation of Uniper

At the end of 2016, Uniper SE, with its subsidiaries, was deconsolidated in E.ON's consolidated financial statements as a result of the spin-off of the majority stake in Uniper SE and the conclusion of an agreement on the exercise of non-control.

Disclosures on Certain Business Transactions Pursuant to Section 6b (2) EnWG

In the 2016 fiscal year, E.ON SE has done business with affiliated and associated companies. Contracts with such entities have resulted in expenses totaling €332.5 million and income totaling €131.4 million. They primarily relate to research services (expenses: €73.2 million; income: €40.3 million), IT services (expenses: €93.7 million), property (expenses: €13.0 million; income: €10.8 million), provision of external personnel (expenses: €0.3 million) and other consulting and service agreements (expenses: €151.7 million; income €80.2 million).

Corporate financing activities resulted in expenses of €2,201.8 million, income of €1,873.3 million, interest expense of €636.9 million and interest income of €207.5 million.

Subsequent Events

E.ON concluded the last regular DPR audit in 2016 with no error determination. On March 9, 2017, at the request of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin), Germany's Financial Reporting Enforcement Panel (FREP) opened an audit of the condensed semi-annual financial statements of E.ON SE as of June 30, 2016. The audit covers only the semi-annual financial report. It relates to the classification and measurement during the year of Uniper as a discontinued activity subsequent to the decision by the Annual General Meeting of June 8, 2016, to spin off Uniper, as well as related measurement issues. E.ON anticipates that this procedure will also conclude without any determinations. There is no impact on the balance sheet and the income statement of E.ON SE as of December 31, 2016.

Disclosures on the Boards

Board Compensation

Supervisory Board

The total compensation for 2016 of the members of the Supervisory Board amounts to €3.6 million (2015: €3.2 million).

The compensation system for the Supervisory Board is described in the Compensation Report.

As in 2015, there were no loans to members of the Supervisory Board in the 2016 fiscal year.

The members of the Supervisory Board, along with additional directorships held, are listed on pages 102 et seq.

Management Board

Total compensation of the Management Board amounts to €13.8 million (2015: €15.6 million, based on the total compensation of the Management Board reported in the 2015 annual report), which in addition to base salary, bonuses and other compensation elements, also includes a share-based component. The total compensation of the individual members of the Management Board breaks down as follows:

Compensation of the Management Board

	Fixed annual compensation		Bonus		Other compensation		Value of share-based payment[1]		Total	
€	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Johannes Teyssen	1,240,000	1,240,000	1,638,000	1,197,504	42,409	33,056	1,827,516	1,965,600	4,747,925	4,436,160
Dr.-Ing. Leonhard Birnbaum	800,000	800,000	953,333	696,960	25,138	18,713	1,063,643	1,144,001	2,842,114	2,659,674
Dr. Bernhard Reutersberg (until June 30, 2016)	350,000	700,000	390,000	570,240	29,826	25,332	285,135	936,000	1,054,961	2,231,572
Michael Sen	700,000	408,333	780,000	332,640	181,065	1,415,107	300,000	775,000	1,961,065	2,931,080
Dr. Karsten Wildberger (since April 1, 2016)	525,000	–	585,000	–	1,442,153	–	675,000	–	3,227,153	–
Total	**3,615,000**	**3,148,333**	**4,346,333**	**2,797,344**	**1,720,591**	**1,492,208**	**4,151,294**	**4,820,601**	**13,833,218**	**12,258,486**

[1]The fair value for the share-based compensation from the fourth tranche of the E.ON Share Matching Plan totaled €8.63 per virtual E.ON share.

The members of the Management Board of E.ON SE were granted fourth-tranche virtual shares under the E.ON Share Matching Plan in 2016 as follows: Dr. Teyssen received 138,762 shares valued at €1,197,516 (2015: 97,990 shares, €1,335,600); Dr.-Ing. Birnbaum received 80,762shares valued at €696,976 (2015: 57,032 shares, €777,334); Dr. Reutersberg received 33,040 shares valued at €285,135 (2015: 46,662 shares, €636,000); Mr. Sen received 0 shares valued at €0 (2015: 44,022 shares, €600,000) and Dr. Wildberger received 52,144 shares valued at €450,000 (2015: 0 shares, €0).

The LTI component of the 2016 target bonus, which is also included in the share-based payment disclosure, is granted to the members of the Management Board in the form of virtual shares from the fifth tranche of the E.ON Share Matching Plan in the following amounts: Dr. Teyssen €630,000 (2015: €630,000), Dr.-Ing. Birnbaum €366,667 (2015: €366,667), Dr. Reutersberg €0 (2015: €300,000), Mr. Sen €300,000 (2015: €175,000) and Dr. Wildberger €225,000 (2015: €0).

Further information on the compensation of active members of the Management Board, and on the compensation system for the Board, can be found in the Compensation Report.

As in 2015, there were no loans to members of the Management Board in the 2016 fiscal year.

The total compensation paid to former members of the Management Board and to their beneficiaries amounted to €11.6 million (2015: €15.5 million).

A provision of €140.5 million (2015: €133.0 million) is recognized for pension obligations toward former members of the Management Board and their beneficiaries. The right of recourse under the collateral promise agreement with MEON is offset against this provision on the face of the balance sheet.

The members of the Management Board, along with additional directorships held, are listed on page 104.

Supervisory Board (and Information on Other Directorships)

Dr. Karl-Ludwig Kley (since June 8, 2016)
Chairman of the E.ON SE Supervisory Board (since June 8, 2016)
→ Bertelsmann Management SE (until May 9, 2016)
→ Bertelsmann SE & Co. KGaA (until May 9, 2016)
→ BMW AG
→ Deutsche Lufthansa AG
→ Verizon Communications Inc.

Werner Wenning (until June 8, 2016)
Chairman of the E.ON SE Supervisory Board (until June 8, 2016)
Chairman of the Bayer AG Supervisory Board
→ Bayer AG (Chairman)
→ Henkel Management AG
→ Siemens AG
→ Henkel AG & Co. KGaA

Prof. Dr. Ulrich Lehner
Member of the Shareholders' Committee of
Henkel AG & Co. KGaA
Deputy Chairman of the E.ON SE Supervisory Board
→ Deutsche Telekom AG (Chairman)
→ ThyssenKrupp AG (Chairman)
→ Porsche Automobil Holding SE
→ Henkel AG & Co. KGaA

Andreas Scheidt
Deputy Chairman of the E.ON SE Supervisory Board
Member of National Board, Unified Service Sector Union, ver.di,
Director of Utility/Waste Management Section
→ Uniper SE (since April 14, 2016)

Clive Broutta
Full-time Representative of the General, Municipal, Boilermakers, and Allied Trade Union (GMB)

Erich Clementi (since July 19, 2016)
Senior Vice President, IBM Global Markets and
Chairman IBM Europe

Tibor Gila (since July 19, 2016)
Chairman of the Combined Works Council of E.ON Hungária Zrt.
Deputy Chairman of the SE Works Council of E.ON SE
Chairman of the Works Council of E.ON Észak-dunántúli
Áramhálózati Zrt.
→ E.ON Észak-dunántúli Áramhálózati Zrt. (since May 1, 2016)

Thies Hansen
Chairman of the Combined Works Council, HanseWerk AG
→ HanseWerk AG
→ Schleswig-Holstein Netz AG
→ Hamburg Netz GmbH

Carolina Dybeck Happe (since June 8, 2016)
Chief Financial Officer of ASSA ABLOY AB
→ ASSA ABLOY Asia Holding AB (Chairperson)
→ ASSA ABLOY East Europe AB (Chairperson)
→ ASSA ABLOY Entrance Systems AB (Chairperson)
→ ASSA ABLOY Financial Services AB (Chairperson)
→ ASSA ABLOY Finans AB (Chairperson)
→ ASSA ABLOY Identification Technology Group AB (Chairperson, until May 2, 2016)
→ ASSA ABLOY IP AB (Chairperson)
→ ASSA ABLOY Kredit AB (Chairperson)
→ ASSA ABLOY Mobile Services AB (Chairperson)
→ Svensk Dörrinvest AB (Chairperson)

Baroness Denise Kingsmill CBE
Attorney at the Supreme Court
Member of the House of Lords
→ Inditex S.A. (since July 2016)
→ International Consolidated Airlines Group S.A.
→ Monzo Bank Ltd. (Chairperson)
→ Telecom Italia S.p.A.

Eugen-Gheorghe Luha
Chairman of Romanian Federation of Gas Unions at Gas România
Chairman of Romanian employee representatives

René Obermann (until June 8, 2016)
Partner, Warburg Pincus LLC
→ ThyssenKrupp AG
→ CompuGroup Medical SE
→ Spotify Technology S.A. (until July 31, 2016)

Andreas Schmitz (since July 19, 2016)
Chairman of the Supervisory Board of
HSBC Trinkaus & Burkhardt AG
→ Börse Düsseldorf AG (Chairman)
→ HSBC Trinkaus & Burkhardt AG (Chairman)
→ KfW
→ Scheidt & Bachmann GmbH (Chairman)

Unless otherwise indicated, information is as of December 31, 2016, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Fred Schulz
First Deputy Chairman of the E.ON Group Works Council
Chairman of the SE Works Council of E.ON SE
Chairman of the General Works Council of E.DIS AG
→ E.DIS AG
→ Szczecińska Energetyka Cieplna Sp. z o.o.

Silvia Šmátralová (since July 19, 2016)
Chairperson of the Works Council of Západoslovenská energetika a.s. (ZSE)
Member of the SE Works Council of E.ON SE
→ Západoslovenská distribučná a.s.
→ Západoslovenská energetika a.s.

Dr. Karen de Segundo
Attorney
→ British American Tobacco plc (until April 27, 2016)
→ Pöyry Oyj (until March 10, 2016)

Dr. Theo Siegert
Managing Partner, de Haen-Carstanjen & Söhne
→ Henkel AG & Co. KGaA
→ Merck KGaA
→ DKSH Holding Ltd.
→ E. Merck KG

Elisabeth Wallbaum
Expert, SE Works Council of E.ON SE and
E.ON Group Works Council

Ewald Woste (since July 19, 2016)
Management Consultant
→ Thüringer Energie AG (Chairman)
→ GASAG Berliner Gaswerke Aktiengesellschaft
→ Energie Steiermark AG
→ TEN Thüringer Energienetze GmbH & Co. KG

Albert Zettl (since July 19, 2016)
Chairman of the E.ON Group Works Council and Deputy Chairman of the SE Works Council of E.ON SE
Chairman of the Division Works Council of Bayernwerk AG and Chairman of the Eastern Bavaria Works Council of Bayernwerk AG
→ Bayernwerk AG
→ Versorgungskasse Energie VVaG

Supervisory Board Committees

Executive Committee
Dr. Karl-Ludwig Kley, Chairman
(since June 8, 2016)
Werner Wenning, Chairman
(until June 8, 2016)
Prof. Dr. Ulrich Lehner, Deputy Chairman
Andreas Scheidt, Deputy Chairman
Fred Schulz

Audit and Risk Committee
Dr. Theo Siegert, Chairman
Fred Schulz, Deputy Chairman
Thies Hansen
Dr. Karl-Ludwig Kley
(since June 8, 2016)
Werner Wenning
(until June 8, 2016)

Finance and Investment Committee
Dr. Karl-Ludwig Kley, Chairman
(since June 8, 2016)
Werner Wenning, Chairman
(until June 8, 2016)
Eugen-Gheorghe Luha, Deputy Chairman
Clive Broutta
Dr. Karen de Segundo

Nomination Committee
Dr. Karl-Ludwig Kley, Chairman
(since June 8, 2016)
Werner Wenning, Chairman
(until June 8, 2016)
Prof. Dr. Ulrich Lehner, Deputy Chairman
Dr. Karen de Segundo

Unless otherwise indicated, information is as of December 31, 2016, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Management Board (and Information on Other Directorships)

Dr. Johannes Teyssen
Born in 1959 in Hildesheim, Germany
Chairman of the Management Board and CEO since 2010
Member of the Management Board since 2004
Strategy and Corporate Development, Turkey, HR, Health/Safety and Environment, Sustainability, Political Affairs and Communications, Legal and Compliance, Corporate Audit, Reorganization Project
→ Deutsche Bank AG
→ Uniper SE

Dr.-Ing. Leonhard Birnbaum
Born in 1967 in Ludwigshafen, Germany
Member of the Management Board since 2013
Regional Energy Networks, Renewables, Regulation Policy, Procurement and Real Estate Management, Consulting, PreussenElektra
→ E.ON Business Services GmbH[1] (Chairman, until December 31, 2016)
→ E.ON Czech Holding AG[1] (Chairman)
→ Georgsmarienhütte Holding GmbH
→ E.ON Sverige AB[2] (Chairman)
→ E.ON Hungária Zrt.[2] (Chairman)

Dr. Bernhard Reutersberg
Born in 1954 in Düsseldorf, Germany
Member of the Management Board since 2010 (until June 30, 2016)
→ Uniper SE (Chairman)
→ E.ON Sverige AB
→ PJSC Unipro (Chairman)
→ Uniper Benelux N.V.
→ Uniper France S.A.S. (Chairman, until January 4, 2016)

Michael Sen
Born in 1968 in Korschenbroich, Germany
Member of the Management Board since 2015
Finance, Mergers and Acquisitions, Risk Management, Accounting and Controlling, Investor Relations, Tax, Uniper
→ Uniper SE (until December 31, 2016)

Dr. Marc Spieker
Born in 1975 in Essen, Germany
Member of the Management Board since January 1, 2017
→ Uniper SE (since April 14, 2016)

Dr. Karsten Wildberger
Born in 1969 in Gießen, Germany
Member of the Management Board since April 1, 2016
Regional Sales and Customer Solutions, Distributed Generation, Energy Management, Marketing, Digital Transformation, Innovation, IT
→ E.ON Business Services GmbH[1] (since January 1, 2017, Chairman since January 6, 2017)
→ E.ON Sverige AB[2] (since July 1, 2016)

Unless otherwise indicated, information is as of December 31, 2016, or as of the date on which membership in the E.ON Management Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Exempted E.ON Group directorship. [2]Other E.ON Group directorship.

Dividend Proposal

The Management Board proposes to the Annual Shareholders Meeting that the €452,024,286.00 in net income available for distribution for the 2016 fiscal year be used as follows:

€	
Distribution of a dividend of €0.21 per dividend-paying share	410,003,286.00
Carryforward of remaining amount as earnings carried forward	42,021,000.00
Total	**452,024,286.00**

The dividend proposal takes into account the dividend-paying shares at the time the annual financial statements were prepared on March 13, 2017. The number of dividend-paying shares may change by the time of the Annual Shareholders Meeting. If this is the case, an appropriately amended proposed resolution on the use of the net income available for distribution will be presented for a vote at the Annual Shareholders Meeting; the proposed dividend of €0.21 per dividend-paying share will not be changed in the amended resolution. The total amount to be distributed as a dividend and the amount of the earnings to be carried forward will be appropriately adjusted in such case.

Other Information

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
:agile accelerator GmbH[2, 9]	DE, Düsseldorf	100.0	0.1	–
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH[6]	DE, Borgstedt	49.0	10.9	2.5
Amrum-Offshore West GmbH[1, 9, 10]	DE, Düsseldorf	100.0	0.1	–
Anacacho Wind Farm, LLC[1]	US, Wilmington	100.0	148.9	-1.5
AV Packaging GmbH[1]	DE, Munich	0.0	13.9	-4.8
Avacon AG[1]	DE, Helmstedt	61.5	1,287.7	206.7
Avacon Beteiligungen GmbH[1, 9]	DE, Helmstedt	100.0	61.0	–
Avacon Hochdrucknetz GmbH[1, 9]	DE, Helmstedt	100.0	14.5	–
Avacon Natur GmbH[1, 9]	DE, Sarstedt	100.0	17.8	–
AWE-Arkona-Windpark Entwicklungs-GmbH[4]	DE, Hamburg	50.0	186.7	-0.2
Bayernwerk AG[1, 9]	DE, Regensburg	100.0	1,637.7	–
Bayernwerk Natur GmbH[1]	DE, Unterschleißheim	100.0	79.3	7.6
Bayernwerk Netz GmbH[2, 9]	DE, Regensburg	100.0	0.0	–
BMV Energie GmbH & Co. KG[6]	DE, Fürstenwalde/Spree	25.6	17.3	0.7
Celle-Uelzen Netz GmbH[1, 9]	DE, Celle	97.5	77.5	–
Champion WF Holdco, LLC[1]	US, Wilmington	100.0	139.3	-7.1
Champion Wind Farm, LLC[1]	US, Wilmington	100.0	139.3	-7.1
DD Turkey Holdings S.à r.l.[1]	LU, Luxembourg	100.0	2,745.1	0.0
DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG[5]	DE, Oldenburg	26.3	167.9	37.3
Dutchdelta Finance S.à r.l.[1]	LU, Luxembourg	100.0	2,747.7	5.9
E WIE EINFACH GmbH[1, 9]	DE, Cologne	100.0	50.0	–
E.DIS AG[1]	DE, Fürstenwalde/Spree	67.0	1,224.5	135.7
e.discom Telekommunikation GmbH[2]	DE, Rostock	100.0	17.7	1.9
e.disnatur Erneuerbare Energien GmbH[1, 9]	DE, Potsdam	100.0	3.2	–
e.distherm Wärmedienstleistungen GmbH[1]	DE, Potsdam	100.0	28.3	1.3
e.kundenservice Netz GmbH[1, 9]	DE, Hamburg	100.0	37.9	–
E.ON Asset Management GmbH & Co. EEA KG[1, 8]	DE, Grünwald	100.0	346.2	3.1

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Beteiligungen GmbH[1, 8, 9]	DE, Düsseldorf	100.0	17,890.5	–
E.ON Bioerdgas GmbH[1, 9]	DE, Essen	100.0	0.0	–
E.ON Business Services Berlin GmbH[2, 9]	DE, Berlin	100.0	11.5	–
E.ON Business Services GmbH[1, 9]	DE, Hanover	100.0	557.2	–
E.ON Business Services Hannover GmbH[2, 9]	DE, Hanover	100.0	7.2	-0.4
E.ON Business Services Regensburg GmbH[2, 9]	DE, Regensburg	100.0	7.5	-0.2
E.ON Česká republika, s.r.o.[1]	CZ, České Budějovice	100.0	330.2	17.5
E.ON Climate & Renewables Canada Ltd.[1, 12]	CA, Saint John	100.0	58.9	3.0
E.ON Climate & Renewables GmbH[1, 9]	DE, Essen	100.0	18.0	–
E.ON Climate & Renewables Italia S.r.l.[1]	IT, Milan	100.0	443.5	21.4
E.ON Climate & Renewables North America, LLC[1, 12]	US, Wilmington	100.0	1,146.8	-65.2
E.ON Climate & Renewables Services GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON Climate & Renewables UK Developments Limited[1]	GB, Coventry	100.0	54.1	40.0
E.ON Climate & Renewables UK Humber Wind Limited[1]	GB, Coventry	100.0	26.1	38.9
E.ON Climate & Renewables UK Limited[1]	GB, Coventry	100.0	61.7	283.8
E.ON Climate & Renewables UK London Array Limited[1]	GB, Coventry	100.0	94.5	48.0
E.ON Climate & Renewables UK Offshore Wind Limited[1]	GB, Coventry	100.0	48.4	9.4
E.ON Climate & Renewables UK Operations Limited[1]	GB, Coventry	100.0	22.7	1.0
E.ON Climate & Renewables UK Robin Rigg West Limited[1]	GB, Coventry	100.0	41.3	14.2
E.ON Connecting Energies GmbH[1, 8, 9]	DE, Essen	100.0	0.0	–
E.ON Connecting Energies Italia S.r.l.[1]	IT, Milan	100.0	50.5	-3.3
E.ON Czech Holding AG[1, 8, 9]	DE, Munich	100.0	552.9	–
E.ON Dél-dunántúli Áramhálózati Zrt.[1]	HU, Pécs	100.0	289.1	0.2
E.ON Dél-dunántúli Gázhálózati Zrt.[1]	HU, Pécs	100.0	100.6	-0.4
E.ON Distribuce, a.s.[1]	CZ, České Budějovice	100.0	1,571.1	78.2
E.ON Distribuţie România S.A.[1]	RO, Târgu Mureş	56.5	779.4	58.6
E.ON edis Contracting GmbH[2, 9]	DE, Fürstenwalde/Spree	100.0	1.0	–
E.ON edis energia Sp. z o.o.[1]	PL, Warsaw	100.0	87.5	6.1
E.ON Elnät Stockholm AB[1]	SE, Malmö	100.0	19.2	0.1
E.ON Elnät Sverige AB[1]	SE, Malmö	100.0	45.9	2.6

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Energia S.p.A.[1]	IT, Milan	100.0	113.7	-0.3
E.ON Energiakereskedelmi Kft.[1]	HU, Budapest	100.0	145.0	–
E.ON Energiaszolgáltató Kft.[1]	HU, Budapest	100.0	90.6	-41.4
E.ON Energie 25. Beteiligungs-GmbH[2, 9]	DE, Munich	100.0	0.0	–
E.ON Energie 38. Beteiligungs-GmbH[2, 9]	DE, Munich	100.0	0.0	–
E.ON Energie AG[1, 8, 9]	DE, Düsseldorf	100.0	3,258.0	–
E.ON Energie Deutschland GmbH[1, 9]	DE, Munich	100.0	595.1	–
E.ON Energie Deutschland Holding GmbH[1, 9]	DE, Munich	99.8	376.8	–
E.ON Energie Dialog GmbH[2, 9]	DE, Potsdam	100.0	2.5	–
E.ON Energie Kundenservice GmbH[1, 9]	DE, Landshut	100.0	6.0	–
E.ON Energie Odnawialne Sp. z o.o.[1, 12]	PL, Szczecin	100.0	47.0	-8.2
E.ON Energie Real Estate Investment GmbH[2]	DE, Munich	100.0	20.8	0.3
E.ON Energie România S.A.[1]	RO, Târgu Mureş	68.2	202.5	25.2
E.ON Energie, a.s.[1]	CZ, České Budějovice	100.0	168.2	32.1
E.ON Energihandel Nordic AB[1]	SE, Malmö	100.0	69.8	0.1
E.ON Energy Projects GmbH[1, 9]	DE, Munich	100.0	20.7	–
E.ON Energy Solutions GmbH[2, 9]	DE, Unterschleißheim	100.0	0.1	–
E.ON Energy Solutions Limited[1]	GB, Coventry	100.0	1,310.5	0.1
E.ON Energy Trading S.p.A.[1]	IT, Milan	100.0	140.1	-0.8
E.ON Észak-dunántúli Áramhálózati Zrt.[1]	HU, Győr	100.0	416.2	0.0
E.ON Finanzanlagen GmbH[1, 8, 9]	DE, Düsseldorf	100.0	5,017.2	–
E.ON Försäljning Sverige AB[1]	SE, Malmö	100.0	98.0	25.8
E.ON Fünfundzwanzigste Verwaltungs GmbH[1, 10]	DE, Düsseldorf	100.0	6,936.0	-4,460.4
E.ON Gas Mobil GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON Gas Sverige AB[1]	SE, Malmö	100.0	144.6	1.5
E.ON Gazdasági Szolgáltató Kft.[1]	HU, Győr	100.0	22.2	–
E.ON Gruga Objektgesellschaft mbH & Co. KG[1, 8]	DE, Essen	100.0	230.0	-3.1
E.ON Human Resources International GmbH[1, 8, 9]	DE, Hanover	100.0	0.0	–
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság[1]	HU, Budapest	100.0	938.3	1.0
E.ON Iberia Holding GmbH[1, 8, 9]	DE, Düsseldorf	100.0	0.0	–

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Inhouse Consulting GmbH[2, 9]	DE, Essen	100.0	0.4	–
E.ON Innovation Co-Investments Inc.[1, 12]	US, Wilmington	100.0	54.3	-2.5
E.ON Insurance Services GmbH[2, 9, 10]	DE, Essen	100.0	0.0	0.0
E.ON INTERNATIONAL FINANCE B.V.[1]	NL, Amsterdam	100.0	293.0	30.1
E.ON IT UK Limited[2]	GB, Coventry	100.0	25.5	2.7
E.ON Italia S.p.A.[1]	IT, Milan	100.0	633.0	344.1
E.ON Közép-dunántúli Gázhálózati Zrt.[1]	HU, Nagykanizsa	99.8	68.8	1.0
E.ON Metering GmbH[2, 9]	DE, Unterschleißheim	100.0	10.0	–
E.ON NA Capital LLC[1, 12]	US, Wilmington	100.0	2,154.8	31.7
E.ON Nord Sverige AB[1]	SE, Malmö	100.0	359.9	-0.5
E.ON Nordic AB[1]	SE, Malmö	100.0	7,227.0	4,277.5
E.ON North America Finance, LLC[1, 12]	US, Wilmington	100.0	1,911.4	1.9
E.ON Power Plants Belgium BVBA[2]	BE, Vilvoorde	100.0	20.4	0.0
E.ON Produzione S.p.A.[1]	IT, Milan	100.0	242.4	-236.1
E.ON RE Investments LLC[1, 12]	US, Wilmington	100.0	95.4	-1.8
E.ON Real Estate GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON Rhein-Ruhr Ausbildungs-GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON România S.R.L.[1]	RO, Târgu Mureş	100.0	393.1	-4.1
E.ON Ruhrgas GPA GmbH[1, 8, 9]	DE, Essen	100.0	219.9	–
E.ON Ruhrgas Portfolio GmbH[1, 8, 9]	DE, Essen	100.0	1,827.6	–
E.ON Sechzehnte Verwaltungs GmbH[1, 8, 9]	DE, Düsseldorf	100.0	90.7	–
E.ON Service GmbH[2, 9]	DE, Essen	100.0	0.2	–
E.ON Servisní, s.r.o.[1]	CZ, České Budějovice	100.0	21.6	4.6
E.ON Slovensko, a.s.[1]	SK, Bratislava	100.0	403.8	23.3
E.ON Sverige AB[1]	SE, Malmö	100.0	7,243.2	3,434.3
E.ON Tiszántúli Áramhálózati Zrt.[1]	HU, Debrecen	100.0	286.6	0.0
E.ON UK CHP Limited[1]	GB, Coventry	100.0	25.0	5.9
E.ON UK Holding Company Limited[1]	GB, Coventry	100.0	1,632.8	-445.4
E.ON UK plc[1]	GB, Coventry	100.0	2,962.0	600.4
E.ON US Corporation[1, 12]	US, Wilmington	100.0	4,135.4	96.5

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON US Holding GmbH[1, 8, 9]	DE, Düsseldorf	100.0	1,168.9	–
E.ON Värme Sverige AB[1]	SE, Malmö	100.0	214.3	12.4
E.ON Wind Kårehamn AB[1]	SE, Malmö	100.0	27.2	0.0
E.ON Wind Norway AB[2]	SE, Malmö	100.0	10.3	-0.6
E.ON Wind Sweden AB[1]	SE, Malmö	100.0	47.2	8.3
E.ON Zweiundzwanzigste Verwaltungs GmbH[2, 9]	DE, Düsseldorf	100.0	0.0	–
EBY Port 1 GmbH[1, 9]	DE, Munich	100.0	92.5	–
EBY Port 3 GmbH[1]	DE, Regensburg	100.0	142.6	2.6
EC&R Asset Management, LLC[1, 12]	US, Wilmington	100.0	-10.6	4.3
EC&R Canada Ltd.[1, 12]	CA, Saint John	100.0	72.9	0.0
EC&R Development, LLC[1, 12]	US, Wilmington	100.0	1,515.2	23.0
EC&R Energy Marketing, LLC[1, 12]	US, Wilmington	100.0	-10.1	36.0
EC&R Investco Mgmt, LLC[1, 12]	US, Wilmington	100.0	2,836.1	7.8
EC&R Investco Mgmt II, LLC[1, 12]	US, Wilmington	100.0	286.6	36.8
EC&R Magicat Holdco, LLC[1, 12]	US, Wilmington	100.0	67.2	-20.2
EC&R NA Solar PV, LLC[1, 12]	US, Wilmington	100.0	108.7	4.8
EC&R Panther Creek Wind Farm III, LLC[1, 12]	US, Wilmington	100.0	193.2	-4.3
EC&R Services, LLC[1, 12]	US, Wilmington	100.0	18.5	-32.0
EC&R Solar Development, LLC[1, 12]	US, Wilmington	100.0	14.4	-7.0
Economy Power Limited[1]	GB, Coventry	100.0	28.4	–
Elektrizitätswerk Schwandorf GmbH[2]	DE, Schwandorf	100.0	20.5	0.8
Elevate Wind Holdco, LLC[4, 12]	US, Wilmington	50.0	227.5	1.2
ENACO Energieanlagen- und Kommunikationstechnik GmbH[6]	DE, Maisach	26.0	21.5	1.5
Energetyka Cieplna Opolszczyzny S.A.[6]	PL, Opole	46.7	63.4	8.0
Energie und Wasser Potsdam GmbH[5]	DE, Potsdam	35.0	86.8	–
Energie Vorpommern GmbH[6]	DE, Trassenheide	49.0	17.6	2.7
Energieversorgung Alzenau GmbH (EVA)[6]	DE, Alzenau	69.5	11.5	0.5
Enerjisa Enerji A.Ş.[4]	TR, Istanbul	50.0	2,555.8	85.5
EPS Polska Holding Sp. z o.o.[1]	PL, Warsaw	100.0	28.7	2.9
Ergon Overseas Holdings Limited[1]	GB, Coventry	100.0	972.9	–

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
e-werk Sachsenwald GmbH[7]	DE, Reinbek	16.0	27.2	3.8
ewyso GmbH[2, 9, 10]	DE, Essen	100.0	0.0	0.0
Forest Creek Investco, Inc.[1, 12]	US, Wilmington	100.0	-22.7	0.0
Forest Creek WF Holdco, LLC[1]	US, Wilmington	100.0	111.2	18.1
Forest Creek Wind Farm, LLC[1]	US, Wilmington	100.0	111.2	18.1
Gasag Berliner Gaswerke Aktiengesellschaft[5]	DE, Berlin	36.9	562.9	44.7
Gasversorgung im Landkreis Gifhorn GmbH (GLG)[1]	DE, Wolfsburg	95.0	17.0	3.5
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung[5]	DE, Würzburg	49.0	35.4	9.8
Gelsenberg GmbH & Co. KG[1, 8]	DE, Düsseldorf	100.0	142.7	1.0
Gelsenwasser Beteiligungs-GmbH[2, 9]	DE, Munich	100.0	0.0	–
Gemeindewerke Wedemark GmbH[6]	DE, Wedemark	49.0	12.6	0.5
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG[1]	DE, Emmerthal	100.0	313.0	63.0
Gemeinschaftskraftwerk Weser GmbH & Co. oHG[1]	DE, Emmerthal	66.7	131.5	-64.8
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH[6]	DE, Kiel	33.3	22.3	-1.8
GLG Netz GmbH[1, 9]	DE, Gifhorn	100.0	0.0	–
GNS Gesellschaft für Nuklear-Service mbH[6]	DE, Essen	48.0	52.5	26.5
Grandview Wind Farm, LLC[4]	US, Wilmington	50.0	370.0	1.4
Hamburg Netz GmbH[1, 9]	DE, Hamburg	74.9	82.6	–
HanseWerk AG[1]	DE, Quickborn	66.5	461.9	127.2
HanseWerk Natur GmbH[1, 9]	DE, Hamburg	100.0	59.0	–
Harzwasserwerke GmbH[5]	DE, Hildesheim	20.8	88.7	5.4
Herzo Werke GmbH[7]	DE, Herzogenaurach	19.9	12.8	–
HEW HofEnergie+Wasser GmbH[7]	DE, Hof	19.9	22.1	–
HGC Hamburg Gas Consult GmbH[2, 9]	DE, Hamburg	100.0	3.1	0.6
Inadale Wind Farm, LLC[1, 12]	US, Wilmington	100.0	163.8	-3.0
Induboden GmbH[2]	DE, Düsseldorf	100.0	14.0	0.0
Induboden GmbH & Co. Grundstücksgesellschaft OHG[2, 11]	DE, Essen	100.0	11.9	-0.1
Industriekraftwerk Greifswald GmbH[6]	DE, Kassel	49.0	25.2	1.1
infra fürth gmbh[7]	DE, Fürth	19.9	68.4	–
InfraServ-Bayernwerk Gendorf GmbH[6]	DE, Burgkirchen a.d.Alz	50.0	24.1	1.5

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Kalmar Energi Holding AB[4]	SE, Kalmar	50.0	11.0	0.0
Kernkraftwerk Brokdorf GmbH & Co. oHG[1]	DE, Hamburg	80.0	546.9	-54.6
Kernkraftwerk Brunsbüttel GmbH & Co. oHG[5]	DE, Hamburg	33.3	249.9	-141.5
Kernkraftwerk Gundremmingen GmbH[5]	DE, Gundremmingen	25.0	84.2	8.3
Kernkraftwerk Krümmel GmbH & Co. oHG[3]	DE, Hamburg	50.0	438.4	-187.1
Kernkraftwerk Stade GmbH & Co. oHG[1]	DE, Hamburg	66.7	128.2	-29.0
Kernkraftwerke Isar Verwaltungs GmbH[1, 9]	DE, Essenbach	100.0	1.0	–
Kraftwerk Burghausen GmbH[1, 9]	DE, Munich	100.0	4.8	–
Kraftwerk Hattorf GmbH[1, 9]	DE, Munich	100.0	0.0	–
Kraftwerk Marl GmbH[1, 9]	DE, Munich	100.0	0.1	–
Kraftwerk Plattling GmbH[1, 9]	DE, Munich	100.0	0.1	–
LandE GmbH[1]	DE, Wolfsburg	69.6	175.2	18.1
Lillo Energy NV[6]	BE, Brussels	50.0	14.9	8.7
LSW Holding GmbH & Co. KG[5]	DE, Wolfsburg	57.0	41.7	10.8
Magicat Holdco, LLC[5]	US, Wilmington	20.0	592.4	-0.1
Matrix Control Solutions Limited[1]	GB, Coventry	100.0	14.7	1.8
MEON Pensions GmbH & Co. KG[1, 8]	DE, Grünwald	100.0	1,878.4	-63.1
Munnsville Investco, LLC[1, 12]	US, Wilmington	100.0	14.9	0.0
Munnsville WF Holdco, LLC[1]	US, Wilmington	100.0	48.1	-0.7
Munnsville Wind Farm, LLC[1]	US, Wilmington	100.0	48.1	-0.7
Netzgesellschaft Hildesheimer Land GmbH & Co. KG[6]	DE, Giesen	49.0	17.6	1.7
Netzgesellschaft Schwerin mbH (NGS)[6]	DE, Schwerin	40.0	13.0	0.9
Neumünster Netz Beteiligungs-GmbH[1, 9]	DE, Neumünster	50.1	25.6	–
Nord Stream AG[5]	CH, Zug	15.5	3,006.8	325.8
OOO E.ON Connecting Energies[4]	RU, Moscow	50.0	25.8	0.0
Oskarshamns Energi AB[4]	SE, Oskarshamn	50.0	14.1	2.4
Panther Creek Wind Farm I&II, LLC[1]	US, Wilmington	100.0	316.4	-14.6
PEG Infrastruktur AG[1]	CH, Zug	100.0	641.8	50.6
Pioneer Trail Wind Farm, LLC[1]	US, Wilmington	100.0	202.9	-1.4
Portfolio EDL GmbH[1, 8, 9]	DE, Helmstedt	100.0	0.1	–

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Powergen Holdings B.V.[1]	NL, Amsterdam	100.0	1,030.9	0.4
Powergen International Limited[1]	GB, Coventry	100.0	929.6	0.5
Powergen Limited[1]	GB, Coventry	100.0	44.9	–
Powergen UK Investments[1]	GB, Coventry	100.0	97.9	0.0
Powergen US Holdings[1]	GB, Coventry	100.0	264.0	-2.4
Powergen US Investments[1]	GB, Coventry	100.0	133.6	0.6
Powergen US Securities[1]	GB, Coventry	100.0	25.3	0.0
PreussenElektra GmbH[1, 9]	DE, Hanover	100.0	245.2	–
Purena GmbH[1]	DE, Wolfenbüttel	94.1	44.0	4.7
Pyron Wind Farm, LLC[1, 12]	US, Wilmington	100.0	204.3	-5.5
Rampion Offshore Wind Limited[1]	GB, Coventry	50.1	272.2	-0.2
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG[5]	DE, Regensburg	35.5	109.6	22.5
Rødsand 2 Offshore Wind Farm AB[5]	SE, Malmö	20.0	219.8	18.2
Roscoe WF Holdco, LLC[1]	US, Wilmington	100.0	219.1	-7.9
Roscoe Wind Farm, LLC[1]	US, Wilmington	100.0	219.1	-7.9
Safetec Entsorgungs- und Sicherheitstechnik GmbH[2, 9]	DE, Heidelberg	100.0	2.2	–
Sand Bluff WF Holdco, LLC[1]	US, Wilmington	100.0	95.4	-5.6
Sand Bluff Wind Farm, LLC[1]	US, Wilmington	100.0	95.4	-5.6
Schleswig-Holstein Netz AG[1, 9]	DE, Quickborn	83.5	438.6	15.9
Schleswig-Holstein Netz Verwaltungs-GmbH[1, 9]	DE, Quickborn	100.0	0.0	–
SERVICE plus GmbH[2, 9]	DE, Neumünster	100.0	32.2	–
Settlers Trail Wind Farm, LLC[1]	US, Wilmington	100.0	277.4	-3.8
ŠKO-ENERGO FIN, s.r.o.[5]	CZ, Mladá Boleslav	42.5	31.2	12.5
Städtische Betriebswerke Luckenwalde GmbH[6]	DE, Luckenwalde	29.0	13.7	2.4
Städtische Werke Magdeburg GmbH & Co. KG[5]	DE, Magdeburg	26.7	205.2	51.4
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG[6]	DE, Neustadt a. Rbge.	24.9	11.1	2.0
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH[7]	DE, Bamberg	10.0	30.1	–
Stadtwerke Bayreuth Energie und Wasser GmbH[5]	DE, Bayreuth	24.9	29.1	–
Stadtwerke Blankenburg GmbH[6]	DE, Blankenburg	30.0	11.1	1.2

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

Disclosures Pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Stadtwerke Frankfurt (Oder) GmbH[5]	DE, Frankfurt (Oder)	39.0	33.3	–
Stadtwerke Garbsen GmbH[6]	DE, Garbsen	24.9	28.0	2.6
Stadtwerke Geesthacht GmbH[6]	DE, Geesthacht	24.9	22.1	–
Stadtwerke Husum GmbH[6]	DE, Husum	49.9	15.3	1.4
Stadtwerke Ludwigsfelde GmbH[6]	DE, Ludwigsfelde	29.0	12.6	1.8
Stadtwerke Schwedt GmbH[6]	DE, Schwedt/Oder	37.8	22.9	1.0
Stadtwerke Straubing Strom und Gas GmbH[7]	DE, Straubing	19.9	7.2	–
Stadtwerke Vilshofen GmbH[6]	DE, Vilshofen	41.0	10.6	1.3
Stadtwerke Wertheim GmbH[7]	DE, Wertheim	10.0	20.5	–
Stadtwerke Wismar GmbH[5]	DE, Wismar	49.0	36.2	4.8
Stadtwerke Wolfenbüttel GmbH[6]	DE, Wolfenbüttel	26.0	12.7	0.7
Stromnetzgesellschaft Barsinghausen GmbH & Co. KG[6]	DE, Barsinghausen	49.0	117.3	0.1
StWB Stadtwerke Brandenburg an der Havel GmbH & Co. KG[5]	DE, Brandenburg an der Havel	36.8	55.0	12.4
SVO Holding GmbH[1]	DE, Celle	50.1	38.2	15.1
SVO Vertrieb GmbH[1, 9]	DE, Celle	100.0	1.3	–
SWN Stadtwerke Neustadt GmbH[6]	DE, Neustadt bei Coburg	25.1	13.6	–
SWS Energie GmbH[5]	DE, Stralsund	49.0	15.4	–
Szczecińska Energetyka Cieplna Sp. z o.o.[1]	PL, Szczecin	66.5	41.6	4.9
Szombathelyi Távhőszolgáltató Kft.[6]	HU, Szombathely	25.0	10.9	0.3
Tech Park Solar, LLC[1, 12]	US, Wilmington	100.0	11.0	0.5
Tishman Speyer Real Estate Venture VI Parallel (ON), L.P.[2]	US, New York	99.0	13.9	0.0
Überlandwerk Leinetal GmbH[6]	DE, Gronau	48.0	12.7	2.4
Uniper SE[5]	DE, Düsseldorf	46.7	4,367.3	–
Uranit GmbH[4]	DE, Jülich	50.0	71.3	111.3
Valencia Solar, LLC[1, 12]	US, Tucson	100.0	17.5	0.9
Versorgungskasse Energie (VVaG)[1]	DE, Hanover	73.4	55.9	5.6
Visioncash[1]	GB, Coventry	100.0	301.5	–
WEVG Salzgitter GmbH & Co. KG[1]	DE, Salzgitter	50.2	23.6	8.4
Západoslovenská energetika a.s. (ZSE)[5, 12]	SK, Bratislava	49.0	341.1	57.9

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]Profit and loss pooling agreement (earnings after pooling). · [10]Short fiscal year. · [11]E.ON SE is an unlimited-liability partner. · [12]IFRS figures.

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report of the Company, which is combined with the Group Management Report, provides a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Essen, Germany, March 13, 2017

The Management Board

Teyssen Birnbaum

Sen Spieker Wildberger

To E.ON SE, Düsseldorf

Report on the Audit of the Annual Financial Statements

Audit Opinion on the Annual Financial Statements

We have audited the annual financial statements of E.ON SE, Düsseldorf, which comprise the balance sheet as at December 31, 2016, and the income statement for the financial year from January 1, to December 31, 2016, and notes to the financial statements, including the accounting and measurement methods presented therein.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company in accordance with (German) principles of proper accounting as at December 31, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the annual financial statements.

Basis for Audit Opinion on the Annual Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our report. We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, to December 31, 2016. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. Uniper spin-off
2. Recoverability of long-term financial assets and calculation of net investment income

Our presentation of these key audit matters has been structured as follows:

a. Matter and issue
b. Audit approach and findings
c. Reference to further information

1. Uniper spin-off

a. As part of the E.ON Group's realignment, the conventional power generation and energy trading activities were bundled into the subsidiaries of Uniper SE. Subsequently, E.ON SE's shares in Uniper Beteiligungs GmbH, which holds an indirect interest of 53.35% in the Uniper activities, were spun off to Uniper SE. The shareholders of E.ON SE were granted shares in Uniper SE as consideration. The decrease in assets due to the spin-off was offset in the annual financial statements of E.ON SE by the reversal of the distributable revenue reserves amounting to EUR 3.6 billion and the partial reversal of the capital reserve amounting to EUR 3.4 billion. From our point of view, this matter was of particular importance during our audit due to the overall complexity of the spin-off and the considerable effects on E.ON SE's equity under German commercial law.

b. As a part of our audit, we, among other things, conducted an in-depth assessment of the Group's internal reorganization preceding the spin-off and assessed whether the spin-off is properly reflected in E.ON SE's annual financial statements. For this we evaluated the joint spin-off report prepared by the boards of management of E.ON SE and Uniper SE as well as the underlying spin-off agreement and inspected the records of the underlying resolutions as well as the corresponding commercial register excerpts and other contractual agreements. With regard to the accounting, we in particular examined the observance of the correct sequence for appropriating equity components for covering the decrease in assets due to the spin-off. We satisfied ourselves that this matter is appropriately presented in the financial statements of E.ON SE.

c. The Company's additional disclosures regarding the spin-off are contained in notes 2, 13, 14 and 15 of the notes to the financial statements.

2. Recoverability of long-term financial assets and calculation of net investment income

Recoverability of long-term financial assets

a. As at December 31, 2016, shares in affiliated companies amounting to EUR 35.4 billion (68 % of total assets) are recognized under E.ON SE's long-term financial assets. As at the balance sheet date, E.ON SE tested the carrying amounts of material long-term equity investments for impairment. Fair value is measured on the basis of the market price, provided the market price is available. Otherwise, the discounted cash flow method is used to determine a total enterprise value, which is adjusted for the net financial position so that equity can be calculated for the purposes of comparing that against the carrying amount of the respective long-term equity investment. No write-downs were required for the carrying amounts of E.ON SE's long-term equity investments in the financial year 2016. The result of this measurement depends to a large extent on management's estimates of future cash flows, the discount rate applied and the growth rate. The assumptions about the long-term development of the underlying prices and the relevant regulatory influencing factors are in particular also of importance. Due to the complexity of the measurement, the considerable uncertainties associated with the underlying assumptions and the materiality for the net assets and results of operations of E.ON SE as a financial holding company, this matter was of particular importance during our audit.

b. As a part of our audit, we satisfied ourselves as to the recoverability of the carrying amounts of material long-term equity investments. We assessed whether the respective measurement model used to determine the total enterprise value properly reflects the conceptual requirements of the relevant measurement standards and whether the calculations in the model were correctly performed. The critical assessment of the key assumptions underlying the measurements was the focal point of our audit. Among other things, we compared the assumptions about the long-term development of prices and the relevant regulatory influencing factors against sector-specific expectations, and we assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated how the long-term growth rates used for terminal value were derived from the market expectations. We satisfied ourselves as to the appropriateness of the future cash flows used for the measurement of the long-term equity investments by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment and finance plan for 2017 prepared by management and approved by the supervisory board as well as the planning for the years 2018 and 2019 prepared by management and noticed by the supervisory board.

Taking into consideration the information available, we consider the measurement parameters and assumptions used by management as appropriate to measure shares in affiliated companies.

Furthermore, we assessed that the respective total enterprise value was correctly calculated and that the net finance position was correctly derived from the financial accounts. Finally, we assessed whether the value calculated in this way was properly compared against the carrying amount in order to determine any impairment losses.

c. The Company's disclosures relating to shares in affiliated companies are contained in note 2 of the notes to the financial statements.

Calculation of net investment income

a. Net investment income of EUR 2.1 billion is recognized in the income statement for the financial year 2016. This is attributable primarily to withdrawals from the reserves of a subsidiary, which were recognized in profit or loss at an amount of EUR 3.8 billion. This is offset by EUR 2.0 billion in absorbed losses. These relate primarily to two subsidiaries and are in particular attributable to the write-down on the long-term equity investment in Uniper SE as a result of the measurement based on the share price, which was required for the first time due to the IPO, and of the losses absorbed in the nuclear energy area due to the accounting treatment of the German Act on Reorganizing Responsibility for Nuclear Waste Management ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung") adopted at the end of 2016.

From our point of view, this item was of particular importance for our audit given its special significance for the Company's results of operations.

b. As a part of our audit, we satisfied ourselves that the net investment income was correctly calculated and recognized. To this end, we assessed, among other things, the proper receipt of distributions and the underlying profit and loss transfer agreements in place with the affiliated companies, as well as other contractual agreements and resolutions. We verified the recognized amounts on the basis of the annual financial statements, which had been issued with unqualified auditors' reports, for the material equity investments. We were able to satisfy ourselves that, overall, the net investment income was appropriately presented in the annual financial statements.

c. The Company's disclosures relating to the material net investment income are contained in note 20 of the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB as well as
- other parts of the annual report of E.ON SE, Düsseldorf, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation of the annual financial statements, which comply with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. Furthermore, management is responsible for such internal control as management determines in accordance with (German) principles of proper accounting is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless this conflicts with legal and actual circumstances.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the annual financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or the management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Company in accordance with (German) principles of proper accounting.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the annual financial statements unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Audit of the Management Report

Audit Opinion on the Management Report

We have audited the management report of E.ON SE, Düsseldorf, which is combined with the Group's management report, for the financial year from January 1, to December 31, 2016.

In our opinion, based on the findings of our audit, the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the management report.

Basis for Audit Opinion on the Management Report

We conducted our audit of the management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Management Report

Management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position, is consistent with the annual financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient and appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the management report.

Auditor's Responsibilities for the Audit of the Management Report

Our objective is to obtain reasonable assurance about whether the management report as a whole provides a suitable view of the Company's position as well as, in all material respects, is consistent with the annual financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the management report.

As part of an audit, we examine the management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the management report is integrated into the audit of the annual financial statements.

- We obtain an understanding of the policies and procedures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).

- We perform audit procedures on the prospective information presented by management in the management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

- We are also not issuing a separate audit opinion on individual disclosures in the management report; our audit opinion covers the management report as a whole.

Report on the Unbundling of Accounting according to § 6b EnWG

We have audited the accounting of E.ON SE, Düsseldorf, regarding the observance of obligations for the accounting according to § 6b Abs. 3 EnWG ("Energiewirtschaftsgesetz": German Energy Industry Act), which require separate bookkeeping for the activities stated in § 6b Abs. 3 EnWG.

The audit of the observance of obligations for the accounting according to § 6b Abs. 3 EnWG, which require separate bookkeeping for the activities stated in § 6b Abs. 3 EnWG has not led to any reservations.

Management of E.ON SE is responsible for the observance of obligations for the accounting according to § 6b Abs. 3 EnWG as well as for such policies and procedures (systems) as management determines are necessary for the observance of these obligations.

We conducted our audit in accordance with German generally accepted standards for the audit of energy supply companies promulgated by the Institute der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the observance of obligations according to § 6b Abs. 3 EnWG to obtain reasonable assurance about whether the amounts stated and the classification of accounts according to § 6b Abs. 3 EnWG are appropriate and comprehensible and whether the principle of consistency has been observed.

Emphasis of Matter and Other Matter – Supplementary Audit

We issue this auditor's report on the basis of our duty-bound audit of the statutory financial statements concluded as of March 7, 2017, and our supplementary audit concluded as of March 14, 2017, which refers to the amendment of a matter that has become known subsequent to the preparation of the statutory financial statements and that is described in note "Subsequent Events" to the statutory financial statements. The audit opinion on the statutory financial statements has not been changed as a result of the supplementary audit compared to the audit opinion before the amendment.

Responsible Auditor

The auditor responsible for the audit is Aissata Touré.

Düsseldorf, March 7, 2017 / limited to the above mentioned adjustment: March 14, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Aissata Touré
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Further information

E.ON SE
Brüsseler Platz 1
45131 Essen
Germany

T +49 201-184-00
info@eon.com
eon.com

Journalists
T +49 201-184-4236
presse@eon.com

Analysts and shareholders
T +49 201-184-2806
investorrelations@eon.com

Bond investors
T +49 201-184-6526
creditorrelations@eon.com

The German version of E.ON SE's Financial Statements and Combined Group Management Report is legally binding.

E.ON SE

Brüsseler Platz 1
45131 Essen
Germany
T +49 201-184-00
info@eon.com

eon.com