E.ON SE Financial Statements pursuant to German GAAP and Combined Group Management Report for the 2018 Financial Year

E.ON SE's Financial Statements, the Combined Group Management Report and the Separate Combined Non-Financial Report for the 2018 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

Page references in the Combined Group Management Report refer to the 2018 E.ON Annual Report.

Combined Group Management Report

Corporate Profile

Business Model

E.ON is an investor-owned energy company with approximately 43,000 employees. Led by corporate headquarters 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.

Corporate Headquarters
Corporate Headquarters' main task is to lead the E.ON Group. This involves charting E.ON's strategic course and managing and funding its existing business portfolio. Corporate headquarters' tasks include optimizing E.ON's overall business across countries and markets from a financial, strategic, and risk perspective 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 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. Substantially all of the operations in this segment are classified as discontinued operations effective June 30, 2018 (for more information, see pages 22 and 23 of the Combined Group Management Report and Note 4 to the Consolidated Financial Statements).

Non-Core Business
This segment consists of our non-strategic activities. This applies to the operation of our nuclear power stations in Germany (which is managed by our PreussenElektra unit) and the generation business in Turkey.

Special Events in the Reporting Period

Asset Swap with RWE
On March 12, 2018, E.ON SE and RWE AG reached an agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy SE as part of an extensive asset swap. As part of this swap, E.ON will transfer to RWE substantially all of its renewables business as well as the minority stakes, held by its subsidiary PreussenElektra, in Emsland und Gundremmingen nuclear power stations, which are operated by RWE. However, the E.ON Group will retain certain assets reported in its Renewables segment, namely: businesses operated by e.disnatur in Germany and Poland as well as a 20-percent stake in Rampion offshore wind farm. In return for its innogy stake, RWE will receive a 16.67-percent stake in E.ON. The stock will be issued by means of a 20-percent capital increase against contributions in kind from E.ON SE's existing authorized capital. In addition, RWE will make a cash payment of €1.5 billion to E.ON. Furthermore, RWE will receive innogy's gas storage business and its stake in Kelag, an Austria-based energy supplier. The transaction, which was filed with the European Commission in January 2019, will take place in several steps and is subject to the usual antitrust approvals.

Renewables
Pursuant to IFRS 5, the operations in the Renewables segment that will be transferred are reported as discontinued operations effective June 30, 2018 (for more information, see Note 4 to the Consolidated Financial Statements). Until their final transfer to RWE, however, these operations will be managed as before. For the purpose of internal management control, their results will therefore be fully included in the relevant key performance indicators. In addition, the scheduled depreciation charges required by IFRS 5 and the carrying amount of these discontinued operations will be recorded in equity and disclosed accordingly. The Combined Group Management Report's presentation of the key performance indicators relevant for management control and of sales therefore includes the results of discontinued operations in the Renewables segment. Pages 32 to 34 of the Combined Group Management Report and Note 33 to the Consolidated Financial Statements contain reconciliations of these indicators to the disclosures in the E.ON SE and Subsidiaries Consolidated Statements of Income, Consolidated Balance Sheets, and Consolidated Statements of Cash Flows.

Minority Stakes in Nuclear Power Stations
Under the agreement with E.ON, RWE will acquire not only substantially all of E.ON's renewables business but also its minority stakes in Kernkraftwerke Lippe-Ems GmbH and Kernkraftwerk Gundremmingen GmbH nuclear power stations, which are operated by RWE. These minority stakes and the associated debt, which had previously been reported at Non-Core Business, were reclassified as a disposal group effective June 30, 2018.

Voluntary Public Takeover Offer for innogy SE Stock
Following approval of the offer documents by the German Federal Financial Supervisory Authority (known by its German acronym, "BaFin"), on April 27, 2018, E.ON published its voluntary public takeover offer ("PTO") for innogy SE stock. The PTO's extended acceptance period ended on July 25, 2018. In addition to the 76.8-percent stake to be acquired from RWE, 9.4 percent of innogy stock was tendered under the PTO.

To finance the PTO, E.ON originally secured a €5 billion acquisition facility, which will fund the acquisition of innogy stock not held by RWE. Considering the tender ratio under the PTO, E.ON reduced the facility to €1.75 billion.

innogy's Agreements in Principle with E.ON and RWE
On July 18, 2018, innogy concluded two legally binding agreements—one with E.ON, another with RWE—on the planned integration of innogy into E.ON and the planned integration of innogy's renewables business into RWE. The agreements call for the planned transaction to be implemented in a transparent process in which all employees will be treated fairly and as equally as possible, regardless of which company they currently work for. In addition, the integrations will take into account the companies' respective strengths. Essen will remain the registered office and headquarters of the new E.ON. innogy will play a positive role in supporting the swift implementation of the planned transaction between RWE and E.ON.

Sale of Uniper Stake
In September 2017 E.ON and Fortum Corporation of Espoo, Finland, concluded an agreement under which E.ON had the right to sell its 46.65-percent stake in Uniper to Fortum in early 2018. Until the end of September 2017 we classified this stake as an associated company and accounted for it using the equity method. We then reclassified it as an asset held for sale. In January 2018 E.ON decided to exercise its option to tender its Uniper stake. After all the necessary antitrust approvals were obtained, the transaction closed on June 26, 2018, with E.ON receiving liquid funds totaling €3.8 billion. The disposal of the stake and the derecognition of the associated derivative financial instruments resulted in income totaling €1.1 billion. Note 4 to the Consolidated Financial Statements contains more information.

Changes in Segment Reporting
At the beginning of 2018 we made a number of reclassifications. The generation business in Turkey is now reported under Non-Core Business. Customer Solutions' heat business in Germany is no longer reported at its Germany unit but rather at its Other unit. In addition, costs for the ongoing expansion of our business of providing new digital products and services as well as innovative projects, which were previously allocated to Corporate Functions/Other, are now allocated to the appropriate operating units at Customer Solutions. We adjusted the prior-year figures accordingly. These reclassifications were already factored into the earnings forecast for 2018 contained in our 2017 Annual Report.

IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers"

We apply IFRS 9, "Financial Instruments," and IFRS 15, "Revenue from Contracts with Customers," for the first time effective the start of 2018. The impact of the initial application of these standards on E.ON SE and Subsidiaries Consolidated Financial Statements as of December 31, 2018—in particular, on sales, costs of materials, and a reduction in the value of financial assets—is explained in detail in Note 2 to the Consolidated Financial Statements.

Sale of E.ON Elektrárne

On July 26, 2018, E.ON sold its stake in E.ON Elektrárne s.r.o. to Západoslovenská energetika a.s. ("ZSE"). The parties agreed not to disclose the sales price. The transaction included the repayment of shareholder loans. ZSE is owned jointly by the Slovakian state (51 percent) and the E.ON Group (overall, 49 percent). The assets of E.ON Elektrárne s.r.o. include primarily Malženice combined-cycle gas turbine.

Sale of E.ON Gas Sverige

On April 25, 2018, the E.ON Group closed the sale of E.ON Gas Sverige AB, its gas distribution network company in Sweden, with retroactive economic effect to January 1, 2018. The buyer was the European Diversified Infrastructure Fund II.

Sale of Hamburg Netz

In 2017 E.ON agreed to sell its 74.9-percent stake in Hamburg Netz GmbH to the Free and Hanseatic City of Hamburg. The transaction closed on January 1, 2018. The payment was received in 2017.

Initial Public Offering of Enerjisa Enerji

A 20-percent stake (E.ON's share: 10 percentage points) of Enerjisa Enerji A.Ş. was successfully placed on the stock market on February 8, 2018. The issuance price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. continues to be a joint venture between E.ON and Sabanci, each of which holds 40 percent. The book gain on this transaction was more than offset by cumulative adverse currency-translation effects.

Management System

Our corporate strategy aims to deliver sustainable growth in shareholder value. We have 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 organizational entities and all processes—by means of binding company policies and minimum standards.

Key Performance Indicators

Our most important key performance indicators ("KPIs") for managing our operating business are adjusted EBIT and cash-effective investments. Other KPIs for managing the E.ON Group are cash-conversion rate, ROCE, adjusted net income, earnings per share (based on adjusted net income), and debt factor. The Combined Group Management Report's presentation of the KPIs relevant for management control includes the results of discontinued operations in the Renewables segment (for more information, see pages 22 and 23 of the Combined Group Management Report).

Adjusted earnings before interest and taxes ("adjusted EBIT") is E.ON's most important KPI for purposes of internal management control and as an indicator of its businesses' long-term earnings power. The E.ON Management Board is convinced that adjusted EBIT is the most suitable KPI 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, certain restructuring expenses, impairment charges, the marking to market of derivatives, and other non-operating earnings (see the explanatory information on pages 31 to 33 to 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. These include the investments of discontinued operations in the Renewables segment.

Cash-conversion rate is equal to 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 adjusted EBIT to annual average capital employed.

Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has likewise been adjusted to exclude non-operating effects (see the explanatory information on page 33 of the Combined Group Management Report).

E.ON manages its capital structure by means of its debt factor (see the section entitled Finance Strategy on page 34). Debt factor is equal to our economic net debt divided by 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.

Other KPIs
Alongside our most important financial management KPIs, the Combined Group Management Report includes other financial and non-financial 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. Our sustainability KPIs include total recordable frequency index ("TRIF"), which measures reported work-related injuries and illnesses. The section entitled Employees contains explanatory information about this KPI.

In addition, some KPIs are important for E.ON as a customer-focused company. For example, we see our ability to acquire new customers and retain existing ones as crucial to our success. Net promoter score ("NPS") measures customers' willingness to recommend E.ON to a friend or colleague. Our Sustainability Report and the Separate Combined Non-Financial Report describe how NPS fits into our management approach.

However, these other KPIs are not the focus of the ongoing management of our businesses.

Innovation

E.ON's innovation activities reflect its strategy of focusing systematically on the new energy world of empowered and proactive customers, renewables and distributed energy, energy efficiency, local energy systems, and digital solutions. E.ON therefore 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 distributed 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 want to identify 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 toward distributed, sustainable, and innovative energy offerings. These arrangements benefit new technology companies and E.ON, since we gain access to their new business models and have a share in the value growth.

In 2018 we invested in Sight Machine, Lumenaza, tado°, and Virta.

Sight Machine is a software startup based in the United States that has created an Internet of Things digital manufacturing platform that uses artificial intelligence, machine learning, and advanced analytics, which will help our B2B customers address critical challenges in quality, productivity, and visualization.

Lumenaza is a German software provider for the new, distributed, and digitized energy world. Its modular software platform functions as a utility-in-a-box, offering all the functionalities needed in the energy market. Lumenaza can connect and intelligently manage all participants in the new energy world in a single digital marketplace. It provides the platform for a peer-to-peer energy market.

Germany-based tado° is redefining how households use energy by enhancing comfort, savings, and well-being. Its smart wall and radiator thermostats along with the Climate Assistant app offer functions like geofencing, weather adaption, open-window detection, air comfort, and repair service for boilers.

Virta is a Finnish company with a powerful IT platform for connecting electric vehicles to charging infrastructures and energy grids. E.ON uses the platform as the digital backbone for its offerings to B2B customers and for supplementing billing with vehicle-to-grid and other value-added services.

Partnerships with Universities

Our innovation activities include partnering with universities and research institutes to conduct research projects in a variety of areas. The purpose 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. This research is conducted primarily at the E.ON Energy Research Center at RWTH Aachen University, which focuses on renewables, technologically advanced electricity networks, and efficient technology for buildings.

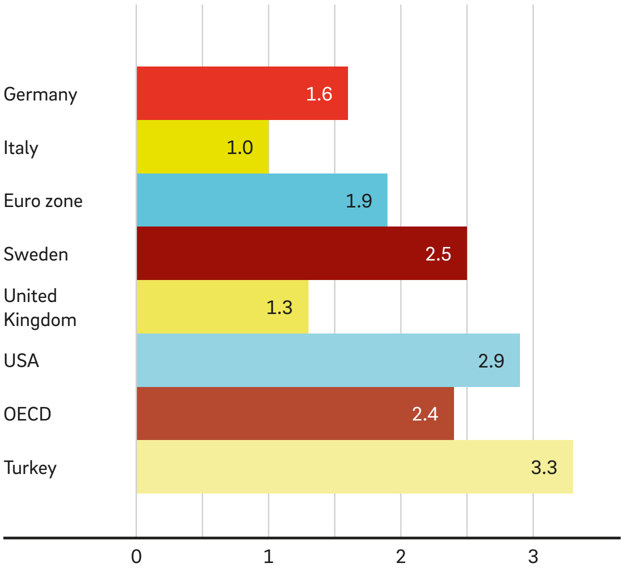
Macroeconomic and Industry Environment

Macroeconomic Environment

The OECD believes the global economy experienced a growth spike in 2018. Labor market growth remained stable, whereas risks relating to international trade and private investments served as a slight damper. The OECD estimates that the global economy grew at a rate of 3.7 percent in 2018.

2018 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2018.

Energy Policy and Regulatory Environment

Global

The 24th United Nations climate change conference took place in Katowice, Poland, from December 2 to 15, 2018. It too focused on defining measures to limit the increase in global temperatures to under 2 degrees Celsius. The conference agreed on a rulebook for the implementation of the Paris Agreement and for countries' reporting obligations.

Europe

In 2018 the EU made important progress in enacting the proposals contained in the Clean Energy for All Europeans package of energy and climate legislation. The adoption of the governance regulation introduced a new instrument for monitoring the member states' climate policies. It obliges them to submit, by the end of 2019, national energy and climate plans for 2021 to 2030. The new versions of the Energy Efficiency and Renewable Energy Directives set new binding EU-wide targets for 2030. The EU intends to achieve energy savings of 32.5 percent relative to forecast primary energy consumption and for renewables to meet 32 percent of gross final energy consumption in the electricity, heat, and transport sectors. Both targets could be reviewed and, if necessary, revised upward in 2023.

By contrast, the EU did not revise its binding decarbonization targets. The newly adopted targets for energy efficiency and the share of renewables are expected to raise the emission reduction to 45 percent compared with 1990. At the end of 2018 the EU set an emission-reduction target for personal transport. The discussion between the European Parliament, the European Commission, and the member states resulted in a target of reducing these emissions by 37.5 percent by 2030 compared with 2021.

Germany

Following the 2017 Bundestag elections, the CDU, CSU, and SPD decided to continue the grand coalition. The coalition agreement affirmed the climate targets for 2030 and 2050. One target is for renewables to meet about 65 percent of the country's gross electricity consumption by 2030. The agreement also foresees an ambitious action plan for upgrading and expanding energy networks, recognizing the increased importance of distribution networks. The scope for digital business models is to be expanded, with data protection to be a top priority.

On June 6, 2018, the German federal government appointed a Commission for Growth, Structural Change, and Employment to assist with its climate-protection plans. The commission came up with economic-development measures for lignite mining regions in Germany and worked out a timetable and, in particular, a target date for the phaseout of coal-fired power generation. On January 26, 2019, the commission issued its final report, in which it recommends to the German federal government that the country completely phase out coal-fired generation by 2038 at the latest. The commission calls for the phaseout to be gradual. It proposes that in 2022 a total of no more than 15 GW of lignite-fired generating capacity and 15 GW of hard-coal-fired capacity should be operational. By 2030 the figures are to decline to 9 GW for lignite and 8 GW for hard coal. The phaseout plan is to be reviewed at regular intervals. In addition, the commission recommends leaving the option open in 2032 to move the complete phaseout of coal-fired generation forward to 2035.

Effective January 1, 2018, the preferential treatment of self-supply combined-heat-and-power ("CHP") units that entered service after August 1, 2014, was rescinded. After the European Commission and the German federal government reached an agreement in principle during the year, the rescission was reversed with retroactive effect for CHP units of less than 1 MW and more than 10 MW, which received EU state aid approval. These units will continue to pay 40 percent of the renewables levy. Depending on their number of full-use hours, newer CHP units between 1 and 10 MW will have to pay between 40 and 100 percent of the renewables levy unless they are used for self-supply by specially approved enterprises.

At the end of 2018 the Bundestag and the Bundesrat passed the Omnibus Energy Act, which makes various amendments to energy legislation, such as the Renewable Energy Act and the CHP Act. The Omnibus Energy Act extends the aforementioned preferential treatment of self-supply for new CHP plants and establishes special tenders for 4 GW of onshore wind and solar capacity, as foreseen by the coalition agreement. The special tenders will be conducted between 2019 and 2021. Furthermore, the Omnibus Energy Act gradually reduces the remuneration for solar arrays between 40 kW and 750 kW to 8.9 cents per kWh by April 2019.

Great Britain

Following a period of negotiations, on November 25, 2018, the U.K. Government and the European Union formally approved the Withdrawal Agreement and Political Declaration on the future relationship between the U.K. and the EU. If approved by the House of Commons, the agreement will be transposed into U.K. law and then ratified by the EU before March 29, 2019. If the agreement is rejected by the House of Commons, a number of scenarios are possible. They include a revised deal, a second Brexit referendum, and a disorderly no-deal exit. There remains substantial uncertainty over the detail of Brexit.

The Court of Justice of the European Union ruled the European Commission's approval of the introduction of a capacity market in the United Kingdom invalid. The market is therefore suspended. Until state aid approval is again obtained, no capacity auctions can be held and no capacity payments can be made to market participants holding contracts from previous auctions. The U.K. government is working with the European Commission to support its investigation and ensure a timely relaunch of the capacity market. It is unclear at this stage what impact Brexit could have on the European Commission's jurisdiction over the U.K. capacity market.

Italy

The Italian government aims for renewables to meet 55 percent of the country's electricity consumption by 2030. To achieve this goal, the government intends to put in place a direct subsidy scheme based on bilateral contracts for differences in the short term and a market for efficient power purchase agreements in the long term. Alongside growth in renewables, the Italian market faces a decline in installed thermal capacity. To ensure supply security and system stability and to continue the phaseout of coal-fired generation, the Italian government proposed establishing a capacity market. Although the European Commission approved the most recent version of the proposal in February 2018, the timetable for implementation remains uncertain. This is because the Italian government temporarily suspended implementation in September 2018 owing to the potential risk that the proposed capacity market will favor carbon-intensive generation technologies such as coal.

Sweden

Sweden's energy policy is focused on the 2016 cross-party energy agreement that foresees a fully renewable electricity system over the long term. The agreement features a number of climate policies, including a target of 100 percent renewable electricity generation by 2040. The main policy instrument, the elcertificate market scheme, has resulted in substantial growth in wind power and the conversion of fossil fuel to biomass. With nearly 9.5 TWh of new wind power capacity under construction as of October 2018, Sweden will likely achieve its 2030 renewables target in the early 2020s. General elections were held in September 2018. A government was formed in January 2019.

East-Central Europe

The Romanian electricity market has been fully liberalized since January 1, 2018. However, a government ordinance took effect on December 29, 2018, that places the residential power supply under the oversight of the Romanian Energy Regulatory Authority from March 1, 2019, to February 28, 2022. In addition, in September 2018 the Romanian Energy Ministry presented its draft energy strategy for 2018–2030 looking toward 2050. It identifies a number of projects of strategic national interest, including significant investments in nuclear and hydroelectric capacity. Hungary announced that it will phase out coal-fired generation by 2030. The gap will be made up by an existing nuclear power plant ("NPP") and two new units at Paks II NPP, which are in the preparatory phase of construction. Slovakia is preparing a national 2050 low-carbon strategy aided by the World Bank, which may include the commissioning of two NPPs. The Czech Republic is also considering nuclear as part of the transition from coal-fired generation. It intends to decide in the near future whether to build, and how to finance, a new unit at one of its existing NPPs.

Business Performance

E.ON's operating business continued to deliver a positive performance in 2018. Nevertheless, our sales of €30.3 billion were €7.7 billion below the prior-year figure. The decline resulted largely from changes in the accounting treatment of certain renewables-support payments pursuant to IFRS 15, which was applied for the first time in 2018. These payments are no longer reported in full but rather are netted against the corresponding costs of materials.

Adjusted EBIT for the E.ON Group declined by €0.1 billion to €3 billion. Adjusted net income increased by about €0.1 billion to €1.5 bllion. Adjusted EBIT and adjusted net income were therefore at the upper end of our forecast range of €2.8 to €3 billion and €1.3 to €1.5 billion, respectively. In addition, our objective was to record a cash-conversion rate of at least 80 percent. Cash-conversion rate is equal to operating cash flow before interest and taxes (€4.1 billion) divided by adjusted EBITDA (roughly €4.8 billion). Our cash-conversion rate was therefore 84 percent. Our ROCE was 10.4 percent, slightly higher than our forecast of 8 to 10 percent.

Our investments of €3.5 billion were slightly above the prior-year figure of €3.3 billion but below the €3.8 billion forecasted for 2018. The deviation is principally attributable to changes in project planning at our Customers Solutions and Renewables segments.

Cash provided by operating activities of continuing and discontinued operations of €2.9 billion was substantially above the prior-year figure of -€3 billion, primarily because of our payment into Germany's public fund for nuclear-waste disposal in July 2017. The non-recurrence of the nuclear-fuel-tax refund recorded in 2017 was an adverse factor.

Acquisitions, Disposals, and Discontinued Operations in 2018

We executed the following significant transactions in 2018. Note 4 to the Consolidated Financial Statements contains detailed information about them:

- Reclassification of substantially all of our Renewables segment as discontinued operations in conjunction with the planned transaction with RWE
- Sale of our 46.65-percent Uniper stake
- Sale of E.ON Gas Sverige
- Sale of Hamburg Netz.

Cash provided by investing activities of continuing operations includes cash-effective disposal proceeds totaling €4,306 million in 2018 (prior year: €750 million).

Earnings Situation

Sales

We recorded sales of €30.3 billion in 2018, €7.7 billion less than the prior-year figure. The initial application of IFRS 15 reduced sales by €7.9 billion. Energy Networks' sales declined by €8.2 billion, primarily because of the aforementioned netting effects in conjunction with IFRS 15 in Germany and the Czech Republic and by the sale of gas operations in Sweden and Germany. Customer Solutions' sales rose by about €0.6 billion, in particular owing to price increases and a weather-driven increase in gas sales volume in the United Kingdom. Higher sales prices in Sweden, Italy, and Hungary along with the transfer of the gas business in Sweden from Energy Networks were also positive factors. By contrast, sales were adversely affected by netting effects pursuant to IFRS 15 in the Czech Republic and the expiration of sales contracts to certain wholesale customers in Germany that were transferred to Uniper. Renewables' sales rose by €150 million year on year, owing primarily to an increase in owned generation. This was because in 2018 some wind farms in the United States were, for the first time, operational for the entire year and because a wind farm came online in the United Kingdom. Sales at Non-Core Business declined by €186 million, principally because of lower sales prices and the absence of one-off items in conjunction with legal proceedings. Sales recorded under Corporate Functions/Other resulted mainly from intragroup IT, finance, and HR services. The decline relative to the prior year is due in part to the expiration of a service contract with Uniper.

Sales[1]

€ in millions	Fourth quarter 2018	Fourth quarter 2017	+/- %	Full year 2018	Full year 2017	+/- %
Energy Networks[2]	2,355	4,123	-43	8,769	16,990	-48
Customer Solutions	6,320	6,091	+4	22,127	21,576	+3
Renewables	541	474	+14	1,754	1,604	+9
Non-Core Business	416	355	+17	1,399	1,585	-12
Corporate Functions/Other	144	234	-38	644	796	-19
Consolidation	-1,169	-1,249	–	-4,440	-4,586	–
E.ON Group	**8,607**	**10,028**	**-14**	**30,253**	**37,965**	**-20**

[1]Includes the discontinued operations in the Renewables segment. Sales from continuing operations amounted to €29.6 billion in 2018 (prior year: €37.3 billion).
[2]Income and expenses resulting from the Renewable Energy Law's feed-in scheme have been netted out; we adjusted the prior-year quarters accordingly (see Note 2 to the Consolidated Financial Statements).

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €394 million (2017: €513 million) resulted mainly from the capitalization of IT projects and network investments.

Other operating income declined by 31 percent, from €7,371 million to €5,107 million, mainly because of the refund of roughly €2.85 billion in nuclear-fuel taxes recorded in the prior year. In addition, the sale of securities resulted in lower income than in the prior year. Income from currency-translation effects of €1,607 million declined by 18 percent, whereas income from derivative financial instruments rose by 120 percent, from €593 million to €1,303 million. Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses. In addition, 2018 income from derivative financial instruments includes the derecognition of a derivative in conjunction with contractual rights and obligations relating to the sale of our Uniper stake. The sale of equity interests yielded income of €899 million, which includes €593 million from the sale of our remaining Uniper stake to Fortum as well as €154 million and €134 million from the sale of Hamburg Netz and E.ON Gas Sverige AB, respectively.

Costs of materials of €22,813 million were significantly below the prior-year level of €29,961 million. The decline is mainly attributable to the aforementioned netting effects in conjunction with the initial application of IFRS 15 in 2018.

Personnel costs of €2,460 million were €573 million below the prior-year figure of €3,033 million. The decline resulted mainly from lower expenditures for strategic renewal and reorganization programs from prior years. In addition, an adjustment to pension commitments in the United Kingdom resulted in negative past service costs.

Depreciation charges declined significantly, from €1,700 million to €1,575 million, primarily because of a reduction in impairment charges. In 2018 scheduled depreciation charges were recorded in particular at Energy Networks. In 2018 impairment charges were recorded primarily at Customer Solutions' business in the United Kingdom.

Other operating expenses of €4,550 million were 28 percent below the prior-year level of €6,279 million. This is chiefly because expenditures relating to derivative financial instruments decreased substantially, from €1,828 million to €630 million. Expenditures relating to currency-translation effects totaled €1,626 million (prior year: €1,668 million). The prior-year figure was adversely affected by our obligation to pass on a portion of the refunded nuclear-fuel tax to the minority shareholders of our jointly owned power stations (€327 million).

Income from companies accounted for under the equity method of €269 million was below the prior-year figure of €720 million. In 2018 we recorded no equity earnings from our Uniper stake (prior year: €466 million). This effect was partially counteracted by overall higher earnings from our equity investments in Turkey (Enerjisa Enerji: -€56 million; Enerjisa Üretim: +€96 million).

Adjusted EBIT

In 2018 adjusted EBIT in our core business was €74 million below the prior-year figure. Energy Networks' adjusted EBIT declined by €190 million. The principal reasons were the non-recurrence of a positive one-off item involving the delayed repayment of personnel costs for regulatory reasons, the sale of Hamburg Netz, and the beginning of the third regulatory period for gas in Germany. A reduction in earnings at the East-Central Europe/Turkey unit resulting from lower equity earnings on our stake in Enerjisa Enerji in Turkey was another adverse factor. These items were partially offset by an improved gross margin in the power business in Sweden, which resulted from tariff increases. Adjusted EBIT at Customer Solutions declined by €66 million. The principal causes were persistently challenging market conditions, a weather-driven reduction in power sales volume, regulatory effects and higher restructuring expenditures in the United Kingdom, and the unavailability of a cogeneration plant that Customer Solutions' Other unit operates for a customer. By contrast, the transfer of the gas business in Sweden from Energy Networks had a positive effect on earnings. Adjusted EBIT in Germany was significantly higher primarily because of a wider gross margin in the power and gas business. Renewables' adjusted EBIT rose by €67 million, owing in particular to an increase in owned generation. This was because in 2018 some wind farms in the United States were, for the first time, operational for the entire year and because a new wind farm came online in the United Kingdom.

The E.ON Group's adjusted EBIT was €85 million below the prior-year figure. In addition to the aforementioned factors affecting adjusted EBIT in our core businesses, PreussenElektra's earnings were adversely impacted by lower sales prices and one-off effects. This was almost completely offset by higher earnings from the generation business in Turkey.

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 2018.

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.

Adjusted EBIT

	Fourth quarter			Full year		
€ in millions	2018	2017	+/- %	2018	2017	+/- %
Energy Networks	372	531	-30	1,844	2,034	-9
Customer Solutions	53	137	-61	413	479	-14
Renewables	238	206	+16	521	454	+15
Corporate Functions/Other	-73	-43	–	-153	-275	–
Consolidation	-21	-3	–	-18	-11	–
Adjusted EBIT from core business	**569**	**828**	**-31**	**2,607**	**2,681**	**-3**
Non-Core Business	68	129	-47	382	393	-3
Adjusted EBIT	**637**	**957**	**-33**	**2,989**	**3,074**	**-3**

Net Income/Loss

We recorded net income attributable to shareholders of E.ON SE of €3.2 billion and corresponding earnings per share of €1.49. In the prior year we recorded net income of €3.9 billion and earnings per share of €1.84.

Pursuant to IFRS 5, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and includes the earnings from the discontinued operations at Renewables. Note 4 to the Consolidated Financial Statements contains more information.

The tax expense in 2018 amounted to €46 million (2017: €803 million). In 2018 the tax rate was 1 percent (2017: 16 percent). In the year under review, an increase in tax-free and tax-exempt earnings components and the reversal of tax provisions for previous years led to a reduction in the tax rate. Significant changes in the tax rate relative to the prior year also reflect one-off items relating to the refund of the nuclear-fuel tax and the resulting increase in income taxes in Germany. The effects relating to the nuclear-fuel tax led to the utilization of tax loss carryforwards and were subject to a minimum tax.

Financial results declined by €0.7 billion year on year, mainly because interest pending during legal proceedings was paid back in the prior year in conjunction with the refund of the nuclear-fuel tax.

Net book gains in 2018 were substantially above the prior-year figure, mainly because of the disposal of our Uniper stake, Hamburg Netz, and E.ON Gas Sverige. Overall, the initial public offering of Enerjisa Enerji in Turkey resulted in a book loss. By contrast, the prior-year figure contains the proceeds from the sale of a shareholding at Customer Solutions in Sweden as well as significantly higher book gains on the sale of securities.

Restructuring expenses declined substantially year on year. The decrease is in part attributable to considerably lower expenditures in conjunction with Group-wide cost-reduction programs.

Net Income/Loss

€ in millions	Fourth quarter 2018	Fourth quarter 2017	Full year 2018	Full year 2017
Net income/loss	369	277	3,524	4,180
Attributable to shareholders of E.ON SE	*303*	*219*	*3,223*	*3,925*
Attributable to non-controlling interests	*66*	*58*	*301*	*255*
Income/Loss from discontinued operations, net	-116	127	-286	-23
Income/Loss from continuing operations	**253**	**404**	**3,238**	**4,157**
Income taxes	-152	263	46	803
Financial results	215	111	669	-28
Income/Loss from continuing operations before financial results and income taxes	**316**	**778**	**3,953**	**4,932**
Income/Loss from equity investments	-24	-48	44	-5
EBIT	**292**	**730**	**3,997**	**4,927**
Non-operating adjustments	**110**	**27**	**-1,521**	**-2,293**
Net book gains (-)/losses (+)	*2*	*-87*	*-857*	*-375*
Restructuring expenses	*12*	*367*	*64*	*539*
Marking to market of derivative financial instruments	*295*	*471*	*-610*	*954*
Impairments (+)/Reversals (-)	*61*	*171*	*61*	*171*
Other non-operating earnings	*-260*	*-895*	*-179*	*-3,582*
Reclassified businesses of Renewables (adjusted EBIT)	235	200	513	440
Adjusted EBIT	**637**	**957**	**2,989**	**3,074**
Impairments (+)/Reversals (-)	27	33	45	72
Scheduled depreciation and amortization	414	356	1,475	1,488
Reclassified businesses of Renewables (scheduled depreciation and amortization, impairment charges and reversals)	87	69	331	321
Adjusted EBITDA	**1,165**	**1,415**	**4,840**	**4,955**

By contrast, in 2018 we for the first time recorded expenditures in conjunction with the planned acquisition of innogy.

At December 31, 2018, the marking to market of the derivatives we use to shield our operating business from price fluctuations as well as other derivatives resulted in a positive effect of €610 million (prior year: -€954 million). The positive figure in 2018 is mainly attributable to the derecognition, in the second quarter, of derivative financial instruments in conjunction with contractual rights and obligations relating to the sale of our Uniper stake. As in the prior year, there were also effects resulting from hedging against price fluctuations, in particular at Customer Solutions.

In 2018 we recorded impairment charges principally at Customer Solutions' operations in the United Kingdom and at E.ON Connecting Energies. In the prior year we recorded impairment charges primarily at Customer Solutions' operations in the United Kingdom.

The substantial decline in other non-operating earnings is chiefly attributable to our receipt of the refund of the nuclear-fuel tax in the prior year, which also includes the equity earnings on our Uniper stake. This stake was reclassified as an asset held for sale as of the end of September 2017. Since this date, its book value is no longer recorded in equity.

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 includes the earnings (adjusted to exclude non-operating effects) of the discontinued operations at Renewables as if they had not been reclassified and valued pursuant to IFRS 5. Pages 22 and 23 of the Combined Group Management Report and Notes 4 and 33 of the Consolidated Financial Statements contain more information.

As a rule, the E.ON Management Board uses this figure in conjunction with its consistent dividend policy and aims for a continual increase in dividend per share. In view of the planned acquisition of innogy as part of an extensive asset swap with RWE, we intend to propose to the Annual Shareholders Meeting that E.ON pay a dividend of €0.43 per share for the 2018 financial year. Furthermore, in line with the current dividend policy, the E.ON Management Board and Supervisory Board will propose paying shareholders a dividend of €0.46 per share for the 2019 financial year.

Adjusted Net Income

	Fourth quarter		Full year	
€ in millions	2018	2017	2018	2017
Income/Loss from continuing operations before financial results and income taxes	**316**	**778**	**3,953**	**4,932**
Income/Loss from equity investments	-24	-48	44	-5
EBIT	**292**	**730**	**3,997**	**4,927**
Non-operating adjustments	110	27	-1,521	-2,293
Reclassified businesses of Renewables (adjusted EBIT)	235	200	513	440
Adjusted EBIT	**637**	**957**	**2,989**	**3,074**
Net interest income/loss	-191	-62	-713	33
Non-operating interest expense (+)/income (-)	53	-87	174	-703
Reclassified businesses of Renewables (operating interest expense (+)/income (-))	-36	-20	-135	-74
Operating earnings before taxes	**463**	**788**	**2,315**	**2,330**
Taxes on operating earnings	-126	-631	-544	-970
Operating earnings attributable to non-controlling interests	-54	-93	-221	-278
Reclassified businesses of Renewables (taxes and minority interests on operating earnings)	14	398	-45	345
Adjusted net income	**297**	**462**	**1,505**	**1,427**

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 has unrestricted access to capital markets 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. For the purpose of internal management control, economic net debt includes the discontinued operations at Renewables as well as the waste-disposal and dismantling obligations associated with E.ON's stakes in Emsland and Gundremmingen nuclear power stations at PreussenElektra, which are classified as a disposal group (see Note 4 to the Consolidated Financial Statements).

The low interest-rate environment continued. In some cases this led to negative real interest rates on asset-retirement obligations. As in prior years, our provisions therefore exceeded the amount of our asset-retirement obligations at year-end without factoring in discounting and cost-escalation effects. This limits the relevance of economic net debt as a key figure. We want economic net debt 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 have therefore used the aforementioned actual amount of the obligations instead of the balance-sheet figure to calculate our economic net debt since the 2016 financial year.

Without factoring in the innogy takeover, we target a debt factor of 4 for the medium term. After the innogy transaction closes, we will adjust the debt factor for the future E.ON.

Due to the development of our economic net debt described in the next paragraph, our debt factor at year-end 2018 was 3.4, which is below our medium-term target of 4.

Economic Net Debt

Compared with the figure recorded at December 31, 2017 (€19.2 billion), our economic net debt declined by €2.7 billion to €16.6 billion, in particular because of the proceeds from the sale of our Uniper stake. In addition, liquid funds were used to repay €2 billion in financial liabilities on schedule.

Our net financial position at the balance-sheet date was also influenced by the dissolution of Versorgungskasse Energie VVaG i.L. ("VKE i.L.") in the first quarter of 2018 and the transfer of these assets to other investment vehicles. Because most of these assets were transferred to our contractual trust arrangement ("CTA"), this affected our economic net debt only slightly, since our provisions for pensions were reduced by the nearly same amount. The impact on our economic net debt of the transfer of the remaining VKE i.L. assets to other share investments and third parties was offset by positive effects from the sale of Hamburg Netz.

Economic Net Debt

€ in millions	December 31, 2018	2017
Liquid funds	5,423	5,160
Non-current securities	2,295	2,749
Financial liabilities	-10,721	-13,021
FX hedging adjustment	-28	114
Net financial position	**-3,031**	**-4,998**
Provisions for pensions	-3,261	-3,620
Asset-retirement obligations[1]	-10,288	-10,630
Economic net debt	**-16,580**	**-19,248**
Adjusted EBITDA	4,840	4,955
Debt factor	**3.4**	**3.9**

[1]These figures are not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet from continuing and discontinued operations (December 31, 2018: €11,889 million; December 31, 2017: €11,673 million). This is because we calculate our economic net debt in part based on the actual amount of our obligations.

Reconciliation of Economic Net Debt

€ in millions	December 31, 2018	2017
Economic net debt	**-16,580**	**-19,248**
Reclassified businesses of Renewables and PreussenElektra	1,961	–
Economic net debt (continuing operations)	**-14,619**	**-19,248**

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 through different markets and debt instruments to maximize the diversity of our investor base. We issue bonds with tenors that give our debt portfolio a balanced maturity profile. Moreover, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. External funding is generally carried out by E.ON SE, and the funds are subsequently on-lent in the Group. In the past, external funding was also carried out by our Dutch finance subsidiary, E.ON International Finance B.V. ("EIF"), under guarantee of E.ON SE. In 2018 we paid back in full maturities of €2 billion. We issued no new debt.

Financial Liabilities

€ in billions	December 31, 2018	2017
Bonds[1]	9.0	10.7
EUR	*4.0*	*4.0*
GBP	*3.8*	*3.9*
USD	*0.9*	*2.5*
JPY	*0.2*	*0.2*
Other currencies	*0.1*	*0.1*
Promissory notes	0.1	0.4
Other liabilities	1.6	1.9
Total	**10.7**	**13.0**

[1]Includes private placements.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE's and EIF's currently outstanding bonds were issued under our Debt Issuance Program ("DIP"). The DIP simplifies our ability to issue debt to investors in public and private placements in flexible time frames. E.ON SE's DIP was last updated in April 2018 with a total volume of €35 billion, of which about €9 billion was utilized at year-end 2018. E.ON SE intends to renew the DIP in 2019.

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 notes. At year-end 2018 E.ON again had no CP outstanding.

E.ON also has access to a five-year, €2.75 billion syndicated revolving credit facility, which was concluded on November 13, 2017, and which includes two options to extend the facility, in each case for one year. The first option to extend the credit facility was exercised in November 2018. The facility is undrawn and rather serves as a reliable, ongoing general liquidity reserve for the E.ON Group. The credit facility is made available by 18 banks which constitute E.ON's core group of banks.

To finance the voluntary public takeover offer for innogy SE stock, E.ON originally secured a €5 billion acquisition facility to fund the acquisition of innogy stock not held by RWE. Considering the tender ratio under the voluntary public takeover offer, E.ON reduced the facility to €1.75 billion.

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, as well as 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.

E.ON's creditworthiness has been assessed by Standard & Poor's (S&P) and Moody's with long-term ratings of BBB and Baa2, respectively. The outlook for both ratings is stable. Both S&P and Moody's anticipate that over the near and medium term E.ON will be able to take over innogy and to maintain a debt ratio commensurate with these ratings. S&P's and Moody's short-term ratings are unchanged at A-2 and P-2, respectively.

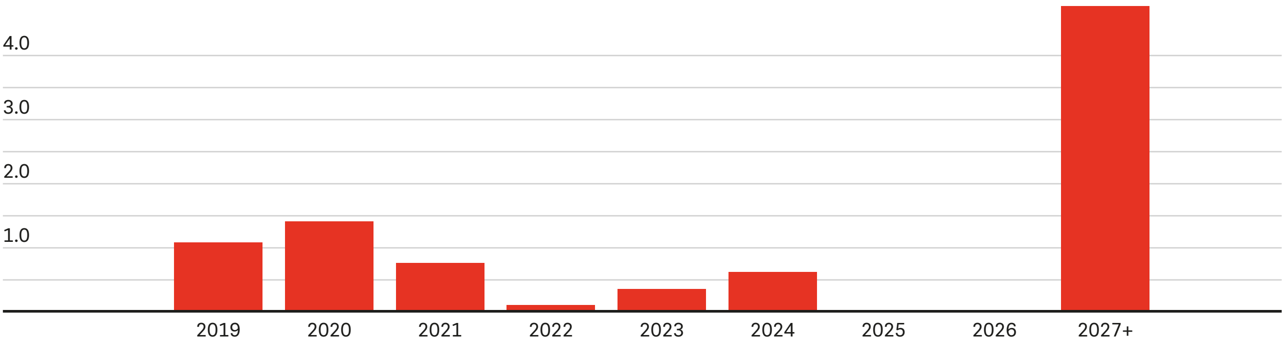
E.ON SE Ratings

	Long term	Short term	Outlook
Moody's	Baa2	P-2	Stable
Standard & Poor's	BBB	A-2	Stable

E.ON strives to maintain rating agencies and investors' trust by means of a clear strategy and transparent communications. To achieve this purpose, we hold E.ON debt investor updates in major European financial centers and an annual informational meeting for our core group of banks.

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

€ in billions | December 31, 2018



Investments

In 2018 investments in our core business and in the E.ON Group as a whole were above the prior-year level. We invested about €3 billion in property, plant, and equipment and intangible assets (prior year: €3.1 billion). Share investments totaled €493 million versus €232 million in the prior year.

Investments

€ in millions	2018	2017	+/- %
Energy Networks	1,597	1,419	+13
Customer Solutions	637	596	+7
Renewables	1,037	1,225	-15
Corporate Functions/Other	86	53	+62
Consolidation	-3	1	–
Investments in core business	**3,354**	**3,294**	**+2**
Non-Core Business	169	14	–
E.ON Group investments	**3,523**	**3,308**	**+6**

Energy Networks' investments were substantially above the prior-year level. Investments in Germany of €802 million were significantly above the prior-year figure of €703 million, primarily because of expansion, upgrades, and replacements in our power grids there. Investments in Sweden were at the prior-year level. Investments in East-Central Europe/Turkey were €83 million higher, in particular because of the transfer of investment projects (especially for replacement investments) in the Czech Republic from Customer Solutions to Energy Networks.

Customer Solutions invested €41 million more than in the prior year. Investments in Sweden were significantly higher, particularly for the maintenance, upgrade, and expansion of existing assets and for the heat distribution network. By contrast, the aforementioned transfer of investment projects from Customer Solutions to Energy Networks led to significantly lower investments in the Czech Republic. In addition, E.ON Connecting Energies invested in embedded power plants at customers' facilities. On balance, investments in Germany and the United Kingdom were at the prior-year level.

Investments at Renewables were €188 million lower. Investments in property, plant, and equipment and intangible assets declined by €286 million year on year, primarily because of the completion of large new-build projects (Radford's Run, Bruenning's Breeze, and Rampion); the first two entered service at the end of 2017, the third in April 2018. By contrast, investments in shareholdings were €98 million higher, due principally to expenditures for the Arkona project.

Investments at Non-Core Business were €155 million above the prior-year level, primarily because of a capital increase at Enerjisa Üretim in Turkey, which we account for using the equity method. The capital increase was covered by cash inflow from the initial public offering of Enerjisa Enerji.

Cash Flow

Cash provided by operating activities of continuing and discontinued operations before interest and taxes of €4.1 billion was €6.3 billion above the prior-year level. The main reason for the increase is that in July 2017 we paid about €10.3 billion into Germany's public fund to finance nuclear-waste disposal. This amount was partially offset by the roughly €2.85 billion nuclear-fuel-tax refund we received in June 2017 and positive working-capital effects in 2017. The adverse factors affecting cash provided by operating activities of continuing and discontinued operations included higher interest and tax payments.

Cash provided by investing activities of continuing and discontinued operations totaled approximately +€1 billion versus -€0.4 billion in the prior year. The sale of our stake in Uniper SE was the principal factor (+€3.8 billion). This was partially offset by a year-on-year reduction in the net cash inflow from the sale of securities and changes in financial liabilities (-€1.9 billion) and an increase in cash-effective investments (-€0.2 billion).

Cash Flow[1]

€ in millions	2018	2017
Cash provided by (used for) operating activities (operating cash flow)	2,853	-2,952
Operating cash flow before interest and taxes	4,087	-2,235
Cash provided by (used for) investing activities	1,011	-391
Cash provided by (used for) financing activities	-2,637	540

[1]From continuing and discontinued operations.

Cash provided by financing activities of continuing and discontinued operations of -€2.6 million was €3.1 billion below the prior-year figure of +€0.5 billion. This is principally attributable to the issuance of €2 billion in bonds in the first half of 2017 and the roughly €1.35 billion capital increase conducted in March 2017. In addition, E.ON SE's dividend payout was about €0.3 billion higher than in the prior year. These items were partially offset by a reduction in cash outflow to repay bonds.

Asset Situation

Our total assets and liabilities of €54.3 billion were about €1.6 billion, or 3 percent, below the figure from year-end 2017. Non-current assets of €30.9 billion were €9.3 billion lower than at year-end 2017, in particular because of the reclassification of operations at Renewables that are to be transferred to RWE. This resulted in the reclassification of non-current assets as assets held for sale, which are reported under current assets. This reclassification led, in particular, to a significant reduction in fixed assets.

Current assets increased by 48 percent, from €15.8 billion to €23.4 billion, mainly because of the aforementioned reclassification of assets at Renewables in the amount of €11.3 billion. The derecognition of our Uniper stake in the amount of €3 billion, which had been classified as an asset held for sale, had a countervailing effect.

Our equity ratio (including non-controlling interests) at December 31, 2018, was 16 percent, which is 4 percentage points higher than at year-end 2017. This change primarily reflects our positive net income in 2018. The dividend payout of €0.9 billion and the revaluation of pension obligations in the amount of €0.5 billion due to altered actuarial assumptions were countervailing factors. Equity attributable to shareholders of E.ON SE was about €5.8 billion at year-end 2018. Equity attributable to non-controlling interests was roughly €2.8 billion.

Non-current debt decreased by €4.7 billion, or 13 percent. This was likewise attributable to the aforementioned reclassification of operations at Renewables as discontinued operations. In addition, the waste-disposal and dismantling obligations associated with our stakes in Emsland and Gundremmingen nuclear power stations, which are to be transferred to RWE, were reclassified as current debt. A decline in provisions for pensions was another reason that non-current debt was lower.

Current debt of €15.3 billion was 9 percent above the figure at year-end 2017, due mainly to the aforementioned effects of the reclassification of debt at Renewables and PreussenElektra. By contrast, the repayment of a dollar-denominated bond in the amount of roughly €1.7 billion in April 2018 and a decline in operating liabilities served to reduce current debt.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2018	%	Dec. 31, 2017	%
Non-current assets	30,883	57	40,164	72
Current assets	23,441	43	15,786	28
Total assets	**54,324**	**100**	**55,950**	**100**
Equity	8,518	16	6,708	12
Non-current liabilities	30,545	56	35,198	63
Current liabilities	15,261	28	14,044	25
Total equity and liabilities	**54,324**	**100**	**55,950**	**100**

Additional information about our asset situation is contained in Notes 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, 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	2018	2017
Intangible assets and property, plant, and equipment	10	12
Financial assets	33,241	37,358
Non-current assets	**33,251**	**37,370**
Receivables from affiliated companies	7,472	7,697
Other receivables and assets	1,932	1,349
Liquid funds	3,041	2,025
Current assets	**12,445**	**11,071**
Accrued expenses	28	36
Asset surplus after offsetting of benefit obligations	–	1
Total assets	**45,724**	**48,478**
Equity	9,432	9,029
Provisions	1,480	2,127
Bonds	2,000	2,000
Liabilities to affiliated companies	32,456	34,350
Other liabilities	354	970
Deferred income	2	2
Total equity and liabilities	**45,724**	**48,478**

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 2018 reflects, in particular, the in-phase distribution of net income available for distribution from E.ON Beteiligungen GmbH resulting from the release of capital reserves, of which €2,320 million was recorded in earnings, and a profit transfer of €725 million from E.ON Beteiligungen GmbH. The primary countervailing factors were the expenditures from loss transfers of €1,017 million from E.ON Finanzanlagen GmbH and of €787 million from E.ON US Holding GmbH.

The change in liabilities resulted mainly from the aforementioned distribution of net profit from E.ON Beteiligungen GmbH, as well as, by contrast, from the sale of Uniper stock to energy company Fortum Corporation, Espoo, Finland, by E.ON Beteiligungen GmbH in June 2018 (€3.8 billion). Due to cash pooling, this led to an increase in intragroup liabilities. Considering these items as well as the repayment of mature bonds and the €650 million dividend payout, on balance liquid funds increased by €1,016 million.

In addition, the aforementioned repayment of €755 million in bonds and the €3,480 million of the distribution of net income from E.ON Beteiligungen GmbH that was not recorded in earnings were the main factors in the reduction in financial assets.

The change in equity results from net income and the divided payout in 2018.

Information on treasury shares can be found in Note 19 to the Consolidated Financial Statements.

Income Statement of E.ON SE (Summary)

€ in millions	2018	2017
Income from equity interests	1,171	4,676
Interest income/loss	-140	-1,368
Other expenditures and income	-225	-497
Taxes	247	-171
Net income	**1,053**	**2,640**
Net income transferred to retained earnings	–	-1,320
Net income available for distribution	**1,053**	**1,320**

The increase in interest income/loss is primarily attributable to the market-value adjustment carried out in the previous year, which resulted from the intragroup restructuring of liabilites due to the transfer of loans to E.ON Finanzholding SE & Co. KG.

The negative figure recorded under other expenditures and income results primarily from expenditures of €171 million for third-party services, personnel expenditures of €138 million, net currency translation losses of €106 million, expenditures of €93 million for consulting and auditing services, and income of €271 million from a necessary adjustment for certain environmental remediation obligations of predecessor entities.

The Company recorded total income taxes of roughly €248 million (income) in 2018. Applying the minimum tax rate resulted in corporate taxes of €14 million, a solidarity surcharge of about €1 million, and trade taxes of €10 million in 2018. Tax income for previous years amounted to €273 million.

At the Annual Shareholders Meeting on May 14, 2019, management will propose that net income available for distribution be used to pay a cash dividend of €0.43 per ordinary share and the remaining amount of €121 million to be brought forward as retained earnings.

Management's proposal for the use of net income available fordistribution is based on the number of ordinary shares on February 28, 2019, the date the Financial Statements of E.ON SE were prepared.

Furthermore, in line with the current dividend policy, the E.ON Management Board and Supervisory Board will propose paying shareholders a dividend of €0.46 per share for the 2019 financial year.

The complete Financial Statements of E.ON SE, with an 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 weighted-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 2018 led to no change in the after-tax cost of capital, which remained 4.7 percent. This was mainly because general interest-rate levels were almost unchanged, resulting in a stable risk-free interest rate and a constant market-risk premium. The table below shows the derivation of cost of capital before and after taxes.

Cost of Capital

	2018	2017
Risk-free interest rate	1.25%	1.25%
Market premium[1]	6.25%	6.25%
Debt-free beta factor	0.48	0.50
Indebted beta factor[2]	0.95	1.01
Cost of equity after taxes	**7.20%**	**7.50%**
Average tax rate	27%	27%
Cost of equity before taxes	9.9%	10.3%
Cost of debt before taxes	2.9%	2.4%
Marginal tax rate	27%	27%
Cost of debt after taxes	**2.10%**	**1.80%**
Share of equity	50%	50%
Share of debt	50%	50%
Cost of capital after taxes	**4.70%**	**4.70%**
Cost of capital before taxes	**6.40%**	**6.40%**

[1]The market premium reflects the higher long-term returns of the stock market compared with government bonds.
[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
ROCE is a pretax total return on capital and is defined as the ratio of our adjusted EBIT to annual average capital employed.

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. 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. Changes to E.ON's portfolio during the course of the year are factored into average capital employed. For purposes of internal management control, average capital employed includes activities at Renewables classified as discontinued operations.

Annual average capital employed does not include the marking to market of other share investments and derivatives. The purpose of excluding these items 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 2018

ROCE decreased from 10.6 percent in 2017 to 10.4 percent in 2018 owing to the decline in adjusted EBIT and the increase in capital employed. Overall, ROCE of 10.4 percent surpassed pretax cost of capital, which was unchanged relative to the prior year, yielding value added of about €1.15 billion.

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

ROCE

€ in millions	2018	2017
Goodwill, intangible assets, and property, plant, and equipment[1]	30,915	30,345
Shares in affiliated and associated companies and other share investments	4,263	4,339
Non-current assets	**35,178**	**34,684**
Inventories	710	794
Other non-interest-bearing assets/liabilities, including deferred income and deferred tax assets[2]	-4,862	-5,688
Current assets	**-4,152**	**-4,893**
Non-interest-bearing provisions[3]	-1,655	-1,541
Capital employed in continuing and discontinued operations (at year-end)[4]	**29,371**	**28,250**
Capital employed in continuing and discontinued operations (annual average)[4]	28,811	29,112
Adjusted EBIT[5]	**2,989**	**3,074**
ROCE[6]	**10.4%**	**10.6%**
Cost of capital before taxes	**6.4%**	**6.4%**
Value added[7]	**1,145**	**1,211**

[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 nuclear-waste management.
[4]For purposes of internal management control, average capital employed includes activities at Renewables classified as discontinued operations.
[5]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.
[6]Adjusted for non-operating effects; for purposes of internal management control, adjusted EBIT includes the earnings from activities at Renewables classified as discontinued operations.
[7]ROCE = adjusted EBIT divided by annual average capital employed.
[8]Value added = (ROCE – cost of capital) x annual average capital employed.

Employees

People Strategy

We developed our People Strategy to enable E.ON to maintain continuity in times of change, regardless of how the organization structures its business or how we adjust our strategic priorities in order to meet customer needs.

The three focus areas of our People Strategy are: Preparing Our People for the Future, Providing Opportunities, and Recognizing Performance. In 2018 we continued to bring these focus areas to life through a combination of local unit-level activity and Group-wide projects:

- Continuing to implement grow@E.ON, a Group-wide framework for the personal and professional development of our employees and managers (Preparing for the Future)
- Developing and rolling out a Group-wide employee value proposition (Providing Opportunities)
- Embedding YES! Awards, a way we recognize outstanding achievements as they happen and further motivate employees (Recognizing Performance).

In addition, we continued the process of digitizing our HR offerings. In particular, the basic components of grow@E.ON consist of modern applications harnessing the potential of advanced IT solutions, such as Cloud-based platforms that can be accessed from anywhere.

Collaborative Partnership with Employee Representatives

Working with employee representatives as partners has a long tradition at E.ON. This collaborative partnership is integral to our corporate culture.

At a European level, E.ON management works closely together with the SE Works Council of E.ON SE, which consists of representatives 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. A special emphasis is placed on early and open discussion of employee matters.

In 2014 management and the Group Works Council in Germany concluded the Agreement on the Future Social Partnership. The agreement stipulates key principles of the social partnership between the Company and its employee representatives and thus manifests a shared responsibility for the Company and its employees. It has proven its worth and remains to this day the foundation for a successful social partnership at E.ON.

Consequently, the mechanisms are in place for mutually trustful, respectful, and transparent dialog between management and employee representatives at a European and national level. For the benefit of our employees and our company, management and employee representatives' shared objective is for this proven collaborative parnership to continue and further develop in the future.

innogy Integration and the Involvement of Employee Representatives

Social partnership is particularly important in times of change. The planned integration of innogy into the E.ON Group also will be conducted in a close, collaborative partnership between the Company and its employee representatives. In July the E.ON Management Board, the SE Works Council, and the Group Works Council therefore concluded a Framework Agreement, which applies to all E.ON companies in Europe.

In essence, the Framework Agreement provides that the close cooperation and partnership which the Company and its employee representatives have practiced for many years in Group-wide transformation projects will be continued in the planned integration of innogy. In addition, the Agreement lays down key principles for the social protection of employees affected by changes. It also defines the key elements of a binding operational framework for the future involvement of employee representatives and for change management related to the integration process during the years ahead.

Specific points covered by the Agreement include:

- ensuring early and comprehensive transparency regarding the project
- placing a strong and comprehensive focus on providing the required training to employees
- mutually agreeing that management and employee representatives will seek to reach consensus-based solutions to necessary organizational changes
- taking into account the interests of severely disabled employees when allocating jobs and filling positions

- generally ensuring economically equivalent working conditions when transferring employees
- continuing to place a particular emphasis on training young people
- retaining current social support agreements, unless they are superseded by other agreements.

In November innogy's Group Works Council and SE Works Council acceded to the Agreement. This now establishes that the Agreement will apply to all employees of the future E.ON, regardless of which company they work for prior to the planned integration. It reflects the close and trusting collaboration between E.ON and innogy's codetermination councils. As soon as legally permissible, innogy employee representatives will be involved in the project work and in shaping overarching strategic processes.

Employee Development and Working Conditions
We aim to attract talented people to our company and provide them with a work environment that enables them to do their best. Our People Strategy helps us do this, especially in times of change. Its three focus areas—Preparing Our People for the Future, Providing Opportunities, and Recognizing Performance—are crucial for maintaining attractive work conditions and fostering our employees' personal and professional development. A key enabler for the latter is Grow@E.ON, a Group-wide competency framework that is integrated into all our HR mechanisms. It helps ensure that we recruit, retain, and develop the people who will continue to drive E.ON's success. We offer a range of career paths. This ensures that we are an attractive employer to people who wish to pursue a specialist or a generalist career.

In 2018 we decentralized our HR activities to be closer to the business. One important function of Group HR is the HR management of our company's top 100 leaders. These tasks include executive development, placement, succession planning, and talent pipeline management. Each unit must have in place its own mechanisms to identify and develop talent and to conduct succession planning. Its management's responsibilities include ensuring that all new employees receive a company orientation as well as training on essential topics like health and safety. For this purpose, the units may use standardized E.ON e-learning modules. These and other virtual learning tools as well as courses and training programs are offered by the HR Business Solutions team in Group HR. E-Learning is an effective, flexible, and up-to-date way of delivering learning to our employees.

The Senior Vice President for HR is periodically invited to attend Management Board meetings to talk about employee issues. The Management Board discusses the current status of our talent pool each time a top executive position is filled. Once or twice a year, it gets an overview of our entire talent pool, including lower levels of management.

To ensure our people have a consistent framework within our decentralized manage approach, the HR team and the E.ON Management Board developed and approved our People Commitments in 2017. They establish twelve principles that articulate our values and how we treat our employees. These principles are binding for the entire E.ON Group and are fully supported by the SE Works Council of E.ON SE. Units have adopted these principles in a way that reflects their particular legal, cultural, and business environment. Our People Guidelines and our People Commitments encompass a number of policies and guidelines. Examples include agreements on remote working and flexible work arrangements, such as sabbaticals, part-time work, and special holidays. Our international transfer policy governs the temporary foreign deployment of our employees. The average length of a foreign deployment is between two and three years.

We have in place a wide range of measures to make working at E.ON attractive and to develop our employees. E.ON offers vocational training in numerous careers and work-study programs. One example is the E.ON training initiative in Germany, which helps school-leavers get a start on their careers through internships that prepare them for an apprenticeship as well as school projects and other programs. The E.ON Graduate Program ("EGP") recruits highly qualified university graduates for a 24-month program during which they receive a broad overview of our business through three to six deployments in different E.ON units and departments. In 2018 we offered the EGP in the United Kingdom, Sweden, the Czech Republic, Hungary, and Romania.

We use a single management hiring process throughout the Group. It is designed to improve how we fill senior management positions, make hiring more transparent, and ensure equal opportunity. Its main component is a biweekly placement conference at which HR managers from around our company discuss vacancies and potential candidates. We also conduct an annual management review. These mechanisms ensure that our managers are engaged in ongoing professional development and that we have a transparent view of our current talent situation and our needs for the future.

We believe that an attractive compensation package including appealing fringe benefits is essential for rewarding our employees. 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 performance indicators that are also used in the Management Board's compensation plan.

E.ON has a long tradition of maintaining a constructive, mutually trusting partnership with employee representatives (see the section above entitled Collaborative Partnership with Employee Representatives). Our relationship with employees and their representatives is founded on a social partnership.

Diversity
Going forward, 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. We foster and utilize diversity in specific ways and create an inclusive work environment. Diversity is a key success factor. 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. In 2006 we issued a Group Policy on Equal Opportunity and Diversity. In late 2016 E.ON along with the SE Works Council of E.ON SE renewed this commitment to diversity.

In April 2018 the E.ON Management Board, the German Groups Works Council, and the Group representation for severely disabled persons signed the Shared Understanding of Implementing Inclusion at E.ON, creating a strong foundation for integrating people with disabilities into our organization.

In 2008 E.ON publicly affirmed its commitment to fairness and respect by signing the German Diversity Charter, which now has about 2,700 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. However, we prioritize three dimensions: gender, age, and internationality.

In 2018 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. We set new, ambitious targets to increase the proportion of women in management positions. By year-end 2026, we want the proportion of women in management positions to be the same—32 percent—as the proportion of women in our overall workforce was at year-end 2016. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We also have Group-wide recruiting and hiring guidelines for management positions. These guidelines require that at least one male and one female must be on the short list for a vacant management position. Through these measures, the proportion of women in management positions rose from just over 11 percent in 2010 to 21.2 percent at year-end 2018 for the Group as a whole and from 9 percent to 15.9 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. 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.

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 2018 the E.ON Group had 43,302 employees worldwide, slightly more (+1.4 percent) than at year-end 2017. E.ON also had 899 apprentices in Germany and 132 board members and managing directors worldwide.

Employees[1]

	December 31,		
Headcount	2018	2017	+/- %
Energy Networks	17,896	17,379	+3
Customer Solutions	19,692	19,519	+1
Renewables	1,374	1,206	+14
Corporate Functions/Other[2]	2,447	2,683	-9
Core business	**41,409**	**40,787**	**+2**
Non-Core Business	1,893	1,912	-1
E.ON Group	**43,302**	**42,699**	**+1**

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

The main reason for the increase in Energy Networks' headcount was the filling of vacancies (in Germany, predominantly with apprentices who had successfully completed their training) to expand the business and the integration of formerly outsourced activities in Romania. In the Czech Republic employees were transferred to this segment from Customer Solutions. These effects were partially offset by the sale of Hamburg Netz GmbH.

The increase in the number of employees at Customer Solutions mainly reflects the transfer of employees who were previously reported under Corporate Functions/Other and new hiring in the Czech Republic, Romania, and Sweden. The increase was partially offset by the impact of restructuring projects in Germany and, in particular, the United Kingdom.

The expansion of onshore operations (particularly in the United States), offshore operations in Germany and the United Kingdom, and support functions led to an increase in Renewables' headcount.

The transfer of employees to other segments, in particular Customer Solutions, was the main reason for the significant decline in the number of employees at Corporate Functions/Other. The Phoenix reorganization program also led to staff reductions.

Non-Core Business consists of our nuclear energy business in Germany. Its headcount decreased because of the ongoing transition from power generation to asset dismantling, which requires less staff.

Geographic Profile

At year-end 2018, 27,399 employees, or 63 percent of all employees, were working outside Germany, slightly more than the 62 percent at year-end 2017.

Employees by Country[1]

	Headcount		FTE[3]	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Germany	15,903	16,138	15,400	15,635
United Kingdom	9,502	9,975	9,077	9,504
Romania	6,427	5,711	6,363	5,648
Hungary	5,244	5,081	5,234	5,073
Czech Republic	2,771	2,563	2,758	2,549
Sweden	2,058	1,990	2,027	1,968
USA	681	585	679	585
Other[2]	716	656	703	647

[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

As at the end of 2017, 32 percent of our employees were women at the end of 2018.

Proportion of Female Employees

Percentages	2018	2017
Energy Networks	21	20
Customer Solutions	43	43
Renewables	20	21
Corporate Functions/Other[1]	49	45
Core business	**32**	**32**
Non-Core Business	13	13
E.ON Group	**32**	**32**

[1]Includes E.ON Business Services.

At year-end 2018 the average E.ON Group employee was about 42 years old and had worked for us for just under 14 years.

Employees by Age

Percentages at year-end	2018	2017
30 and younger	19	18
31 to 50	53	54
51 and older	28	28

A total of 3,328 employees, or 8 percent of all E.ON Group employees, were on a part-time schedule. Of these, 2,673, or 80 percent, were women.

Part-Time Rate

Percentages	2018	2017
Energy Networks	5	5
Customer Solutions	10	11
Renewables	3	3
Corporate Functions/Other[1]	12	12
Core business	**7**	**8**
Non-Core Business	8	6
E.ON Group	**8**	**8**

[1]Includes E.ON Business Services.

The turnover rate resulting from voluntary terminations averaged 4.8 percent across the organization, slightly higher than in the prior year (4.6 percent).

Turnover Rate

Percentages	2018	2017
Energy Networks	1.8	1.7
Customer Solutions	7.2	6.7
Renewables	8.7	9.3
Corporate Functions/Other[1]	7.6	8.6
Core business	**4.9**	**4.8**
Non-Core Business	1.6	2.1
E.ON Group	**4.8**	**4.6**

[1]Includes E.ON Business Services.

Occupational Health and Safety
Occupational health and safety have the highest priority at E.ON. E.ON employees' total recordable injury frequency ("TRIF") was 2.5 in 2018, similarly low as in the prior year (2.3).

TRIF measures the number of reported fatalities and occupational injuries and illnesses per million hours of work. It includes injuries that occur during work-related travel that result in lost time or no lost time and/or that lead to medical treatment, restricted work, or work at a substitute workstation.

Unfortunately, three E.ON employees died on the job in 2018. In addition, two contractor employees died while working for us. The accidents occurred in Germany, Romania, Sweden, the Czech Republic, and Hungary.

To continually improve their safety performance, our units have in place health, safety, and environmental ("HSE") management systems certified to internationally recognized standards. They also develop HSE improvement plans based on a management review. Centrally mandated HSE activities for all E.ON companies in 2018 included conducting one-day HSE culture workshops for our 100 most senior executives including other culture initiatives, rolling out a Group-wide software solution for reporting and investigating incidents (PRISMA), and refining our processes for incident management through stricter standards and special training in root-cause analysis for investigators. In addition, all units were required to continue conducting the HSE leadership training begun in 2017 and to review risks posed by new customer solutions.

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 resulting in an inability 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 management focuses on preventing these diseases. We strive to prevent psychological problems by providing mental-health training and by conducting an employee-assistance program, which gives employees free access to outside health consultants and social counseling. Check-ups and preventive care (fit-for-work examinations) by our company doctors help to reduce general and workplace-specific risks. We also conduct campaigns to raise awareness of diseases such as bowel cancer and the importance of early cancer detection. Flu vaccination programs help to prevent dangerous illnesses. Together, these programs address the increasing significance of health and well-being for maintaining our employees' ability to work, in particular by focusing on their mental health.

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 performance indicators 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.

Apprenticeships
E.ON continues to place great emphasis on vocational training for young people. The E.ON Group had 899 apprentices and work-study students in Germany at year-end 2018. This represented 5.4 percent of E.ON's total workforce in Germany, slightly less than at the end of the prior year (5.5 percent).

E.ON provides vocational training in more then 20 careers and work-study programs in order to meet its own needs for skilled workers and to take targeted action to address the consequences of demographic change.

Apprentices in Germany

	Headcount		Percentage of workforce	
At year-end	2018	2017	2018	2017
Energy Networks	818	846	8.4	8.5
Customer Solutions	24	20	0.9	0.8
Renewables	–	–	–	–
Corporate Functions/Other	14	29	0.7	1.3
Core business	**856**	**895**	**5.8**	**5.9**
Non-Core Business	43	47	2.2	2.4
E.ON Group	**899**	**942**	**5.4**	**5.5**

Forecast Report

Business Environment

Macroeconomic Situation

In November 2018 the OECD predicted that global economic growth will remain strong in 2019 and in 2020, although it will be slightly below the peak of 2018. It expects the global economy to grow by 3.5 percent in 2019 and 2020. The corresponding figures for the United States are 2.7 percent and 2.1 percent, whereas weaker growth (1.8 percent and 1.6 percent) is forecast for the euro zone.

Anticipated Earnings Situation

Forecast Earnings Performance

In line with our corporate strategy as well as the macroeconomic and industry-specific environment, we are addressing the challenges in our operating business. We want to make Energy Networks even more high-performing, in particular through innovative digital solutions at all of our network companies. We want to expand Customer Solutions' market share and make it more profitable.

Against this backdrop, we expect the E.ON Group's 2019 adjusted EBIT to be between €2.9 and €3.1 billion and its 2019 adjusted net income to be between €1.4 and €1.6 billion. In addition, we expect to achieve a cash-conversion rate of at least 80 percent and ROCE of 8 to 10 percent.

At this time, we are issuing no statements about the possible future implications of the acquisition of innogy as part of a extensive asset swap with RWE, in particular because it is subject to the usual antitrust approvals.

Our forecast by segment:

Adjusted EBIT[1]

€ in billions	2019 (forecast)	2018
Energy Networks	Slightly above prior year	1.8
Customer Solutions	Significantly below prior year	0.4
Renewables	Above prior year	0.5
Corporate Functions/Other	Above prior year	-0.2
Non-Core Business	At prior-year level	0.4
E.ON Group	**2.9 to 3.1**	**3.0**

[1]Adjusted for non-operating effects.

We expect Energy Networks' 2019 adjusted EBIT to be slightly above the prior-year figure. The network business in Germany will deliver a positive performance and benefit from additional investments in its regulated asset base. In addition, higher power tariffs in Sweden will increase earnings. The new regulatory period for gas networks in Romania will have an adverse impact.

We anticipate that Customer Solutions' adjusted EBIT will be significantly below the prior-year level. The intervention of the U.K. Competition and Markets Authority will be the primary negative factor.

We expect Renewables' adjusted EBIT to be above the prior-year level. The completion of Arkona offshore wind farm in December 2018 and the expansion of onshore wind capacity in North America will have a positive impact on earnings.

We anticipate that adjusted EBIT at Corporate Functions/Other will improve and thus exceed the previous year's level, primarily because of additional cost savings.

We expect Non-Core Business's adjusted EBIT to be at the prior-year level. We anticipate positive operating developments at the generation business in Turkey accompanied by a deterioration of the exchange rate. We expect PreussenElektra's earnings to reflect rising market prices counteracted by higher depreciation charges in conjunction with our dismantling obligations along with the absence of one-off items recorded in 2018.

Anticipated Financial Situation

Planned Funding Measures

In addition to our investments planned for 2019 and the dividend for 2018, in 2019 we will make payments for bonds that have matured. We also expect to have increased funding needs due to the innogy acquisition. Over the course of the year, these payments will be funded with available liquid funds and debt.

Dividend

E.ON will propose paying its shareholders a dividend of €0.43 per share for the 2018 financial year in view of the planned acquisition of innogy as part of an extensive asset swap with RWE. In addition, in line with the current dividend policy, the E.ON Management Board and Supervisory Board intend to propose paying shareholders a dividend of €0.46 per share for the 2019 financial year.

Planned Investments

For the 2019 financial year we plan cash-effective investments of €3.7 billion. E.ON will continue its strategy aimed at delivering sustainable growth. Our capital allocation will of course continue to be selective and disciplined.

Cash-Effective Investments: 2019 Plan

	€ in billions	Percentages
Energy Networks	1.7	46
Customer Solutions	0.8	22
Renewables	1.1	29
Corporate Functions/Other	0.1	3
Non-Core Business	–	–
Total	**3.7**	**100**

Energy Networks' investments will consist in particular of numerous individual investments to expand our networks, switching equipment, and metering and control technology as well as other investments to continue to ensure the reliable and uninterrupted transmission and distribution of electricity.

Investments at Customer Solutions will go toward metering and upgrade projects as well as the expansion of our e-mobility activities. We will also invest in our heat business in Sweden, Germany, and the United Kingdom.

Renewables' investments in onshore wind will serve primarily to expand its business in the United States. In addition, it will continue to maintain and expand its offshore-wind and solar portfolio.

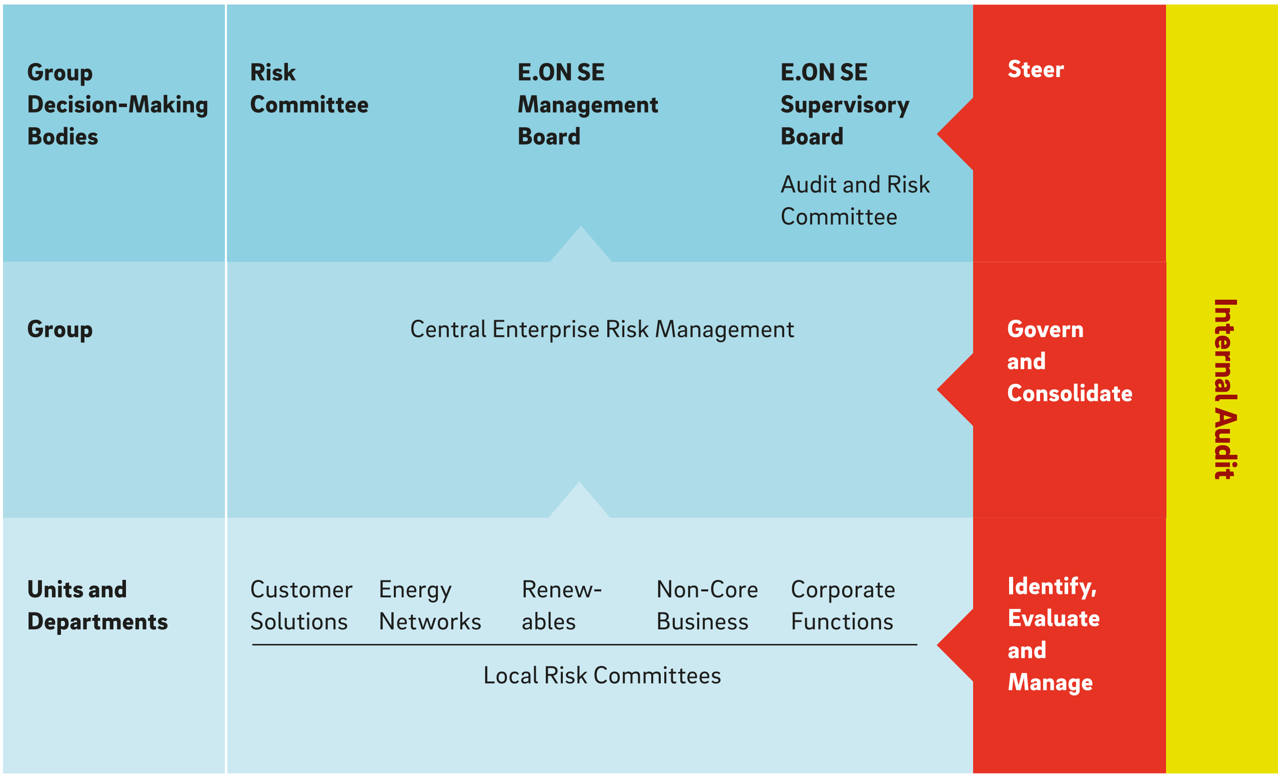
Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) will increase slightly to meet the demands of the business.

General Statement of E.ON's Future Development

The 2019 financial year too will reflect our high proportion of regulated businesses and our clear commitment to a consistent dividend policy. On balance, we expect a stable performance and want to be even better at seizing the opportunities of the green, distributed, and digital energy world. Our ambition is and will remain to do the best job possible of making the great opportunities in the energy world available to our customers and shareholders.

Enterprise Risk Management System in the Narrow Sense



Objective

Our Enterprise Risk Management ("ERM") provides the management of all units as well as the 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, thereby 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 requirements 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
- the ERM, which is 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 system identifies risks early so that steps can be taken to actively address them. Reporting by the 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.

Managing Operational and IT Risks

To limit operational and IT risks, we continually improve our network management and the optimal dispatch of our 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, and Environmental ("HSE"), Human Resources ("HR"), and Other Risks

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

- systematic employee training, advanced training, and qualification programs for our employees
- 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 risks and to minimize them through 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, interest-rate, 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 for financial funds 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 business units. 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.

To promote uniform financial reporting Group-wide, we have in place a central, standardized system that enables effective and automated risk reporting. Company data are systematically collected, transparently processed, and made available for analysis both centrally and decentrally at the units.

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
HSE, 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, interest-rate, 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 5th and 95th 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 5th and 95th 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 financial key performance indicator, adjusted EBIT.

Risk Category

Risk category	Worst case (5th percentile)	Best case (95th percentile)
Legal and regulatory risks	Major	Medium
Operational and IT risks	Medium	Moderate
HSE, HR, and other	Low	Low
Market risks	Major	Major
Strategic risks	Medium	Low
Finance and treasury risks	Medium	Moderate

The E.ON Group has major risk positions in the following categories: legal and regulatory risks and market risks. As a result, the aggregate risk position of E.ON SE as a 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 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 a source of external risks, such as the uncertainty surrounding the so-called Brexit and the possibility that the United Kingdom could leave the European Union without an agreement. This would confront E.ON with direct and indirect consequences that could potentially lead to financial disadvantages. Other risks result from decisions by governments to phase out power generation using certain energy sources. In the recent past these decisions have supplemented by energy-policy decisions at the European and national level. These include, in particular, the EU package of climate-protection measures and the recommendations regarding the phaseout of hard-coal- and lignite-fired power generation made by the commission appointed by the German federal government. In addition, in the wake of the economic and financial crisis in many EU member states, interventionist policies and regulations have been adopted in recent years, 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 major risks to, as well as opportunities for, E.ON's operations in these countries. There may also be final risks from obligations arising from regulatory requirements following the Uniper split. This risk category 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 medium chance position.

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

In 2003, Section 6 of Germany's Atomic Energy Act ("the 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. Settlement talks are currently under way between the complainants and the defendant agency. If the court rules definitively 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 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 established a new compensation mechanism the sixteenth amended version of the Act. In addition, NPPs need to acquire production rights, also known as a residual electricity allotment, in order to operate until their closure dates prescribed by law. These matters could yield major chances and major risks.

Customer Solutions
The E.ON Group's operations subject it to certain risks relating to legal proceedings, ongoing planning processes, and regulatory changes. But these risks also 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 a major risk.

Energy Networks
The operation of energy networks in Germany, in Sweden, but also in other countries is subject to a large degree of regulation. New laws and regulatory periods cause uncertainty as well as chances in this business. For example, matters related to Germany's Renewable Energy Law, such as issues regarding solar energy, can cause temporary fluctuations in our cash flow and adjusted EBIT. This could create major chances as well as pose a major risk. The rapid growth of renewables is also creating new risks for the network business. For example, insolvencies among renewables operators or feed-in tariffs unduly paid by grid operators could lead to court or regulatory proceedings.

Renewables
Regulatory and legal risks attend our renewables business as well. For example, legal proceedings and approvals could pose a major risk. Furthermore, the various national regulatory regimes in Europe can in some cases undergo considerable change. Changes to legislation and regulations sometimes have a considerable impact on subsidy and remuneration mechanisms, which result in a major chance and a major risk. New and amended laws can themselves become the subject of administrative or court proceedings.

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 major 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. Our operations in and outside Germany face major risks of 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 medium risk position and a moderate chance position in this category.

General project risks can include a delay in projects and 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 likewise lead to risks.

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.

HSE, 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 reputational 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 Risk

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. However, market developments could also have a positive impact on our business. Such factors include wholesale and retail price developments, customer churn rates, and temporary volume effects in the network business. This results in a major risk position and a major chance position in this category.

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 have a positive impact owing to higher demand for electricity and natural gas.

E.ON’s portfolio of physical assets, long-term contracts, and end-customer sales is exposed to uncertainty resulting from fluctuations in commodity prices. This yields a major risk and a major chance, although only for PreussenElektra. After the Uniper spinoff, E.ON established procurement capabilities for its sales business and ensured market access for the output of its remaining energy production in order to 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. It is also possible that we will not be able to realize our strategic ambition of enlarging our investment pipeline and that significant amounts of capital could be used for other opportunities. 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 addition, after transactions close we could face major liability risks resulting from contractual obligations.

The overall 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 owed on existing accounts receivable, and from replacement risks in open transactions. For example, E.ON's historical connection with Uniper continues to pose major, albeit unlikely, risks. In addition, in unlikely cases joint and several liability for jointly operated power plants could lead to a major risk.

E.ON's international business operations expose it to risks from currency fluctuation. One form of this risk is transaction risk, which arises when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which arises 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-rate derivatives that are based on variable interest rates and from asset-retirement obligations.

In addition, the price changes and other uncertainty relating to the current and non-current investments E.ON makes to cover its non-current obligations (particularly pension and asset-retirement obligations) could, in individual cases, be major.

Declining or rising discount rates could lead to increased or reduced provisions for pensions and asset-retirement obligations, including non-current liabilities. This can create a high risk for E.ON.

In principle, E.ON could also encounter tax risks and chances; in one case, the chance could be high.

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

Management Board's Evaluation of the Risk and Chances Situation

The overall risk and chances situation of the E.ON Group's operating business at year-end 2018 remained nearly unchanged relative to year-end 2017. 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.

Energy Networks

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

Energy Passthrough[1]

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2018	2017[2]	2018	2017	2018	2017	2018	2017
Fourth quarter								
Power	27.8	27.7	10.1	9.6	10.0	9.7	47.9	47.0
Line loss, station use, etc.	1.1	1.0	0.3	0.3	0.6	0.7	2.0	2.0
Gas	26.7	35.1	–	0.8	15.7	15.2	42.4	51.1
Full year								
Power	106.9	107.6	37.1	36.9	37.9	37.3	181.9	181.8
Line loss, station use, etc.	3.8	3.8	1.1	1.1	2.6	2.8	7.5	7.7
Gas	89.4	110.6	1.5	3.9	44.5	45.2	135.4	159.7

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Consolidated Financial Statements).
[2]Power passthrough, line losses, and so forth, not including power fed back into upstream systems (2017 adjusted retroactively).

Power and Gas Passthrough

Power passthrough in 2018 of 181.9 billion kWh was at the prior-year level. Gas passthrough declined by 24.3 billion kWh.

Power passthrough and line losses in Germany of 106.9 billion kWh and 3.8 billion kWh, respectively, were at the prior-year level. Gas passthrough declined by 21.2 billion to 89.4 billion kWh, owing primarily to the sale of Hamburg Netz effective January 1, 2018.

Power passthrough in Sweden was at the prior-year level. Gas passthrough declined because of the sale of the gas distribution network in April 2018.

On balance, power and gas passthrough at East-Central Europe/ Turkey were at the prior-year level in the Czech Republic, Romania, and Hungary.

System Length and Connections

Our power system in Germany was about 350,000 kilometers long, roughly the same as in the prior year. At year-end we had about 5.8 million connection points for power (prior year: 5.7 million). The sale of Hamburg Netz shortened our gas system from about 60,000 to about 51,000 kilometers and reduced the number of connection points from 0.9 to 0.7 million.

The length of our power system in Sweden was roughly 137,900 kilometers, slightly more than the prior-year figure of 136,900 kilometers. The number of connection points in the power distribution system was unchanged at roughly 1 million. We sold our gas network in 2018.

System length in East-Central Europe/Turkey—about 231,000 kilometers for power and about 45,000 kilometers for gas—was almost unchanged from the prior year, as were the roughly 4.7 million connection points for power and the roughly 1.3 million for gas.

Sales and Adjusted EBIT

Energy Networks' sales were €8.2 billion below the prior-year figure. Adjusted EBIT declined by €190 million.

Sales in Germany declined by 56 percent, from €14.2 billion to €6.2 billion. They were reduced primarily by netting effects in conjunction with IFRS 15 (€7.6 billion). In addition, sales in gas distribution were reduced by the sale of Hamburg Netz. Adjusted EBIT declined by €135 million year on year to €895 million. The principal reasons were the non-recurrence of a positive one-off item involving the delayed repayment of personnel costs in Germany for regulatory reasons, the sale of Hamburg Netz, and the beginning of the third regulatory period for gas. These factors were partially offset by a positive one-off item in 2018.

Sales in Sweden were below the prior-year level due to adverse currency-translation effects, the transfer of the gas business to Customer Solutions, and the sale of the gas distribution network in April 2018. Adjusted EBIT rose owing to an improved gross margin in the power business, which resulted from tariff increases. This was partially offset by adverse currency-translation effects.

Sales in East-Central Europe/Turkey declined significantly, primarily owing to netting effects in conjunction with IFRS 15 in the Czech Republic (€0.2 billion). Adjusted EBIT fell significantly—by €79 million—year on year, in particular because of a decline in equity earnings on our stake in Enerjisa Enerji in Turkey. Higher operating earnings were more than offset, primarily by higher refinancing costs. The initial public offering reduced our stake by 10 percentage points, which also adversely affected earnings relative to the prior year. In addition, adjusted EBIT in Romania was significantly lower, mainly because of higher costs (primarily for maintenance) and lower prices.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2018[1]	2017	2018	2017	2018	2017	2018	2017
Fourth quarter								
Sales	1,683	3,402	260	241	412	480	2,355	4,123
Adjusted EBITDA	306	411	172	165	154	223	632	799
Adjusted EBIT	140	249	135	129	97	153	372	531
Full year								
Sales	6,243	14,199	989	1,072	1,537	1,719	8,769	16,990
Adjusted EBITDA	1,488	1,621	648	632	683	767	2,819	3,020
Adjusted EBIT	895	1,030	498	474	451	530	1,844	2,034

[1]Income and expenses resulting from the Renewable Energy Law's feed-in scheme in Germany have been netted out; we adjusted the prior-year quarters accordingly (see Note 2 to the Consolidated Financial Statements).

Customer Solutions

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

Power Sales[1]

	Germany Sales		United Kingdom		Other[2]		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Fourth quarter								
Residential and SME	4.8	4.6	4.7	5.2	6.0	5.9	15.5	15.7
I&C	2.0	2.0	3.1	3.7	6.3	7.1	11.4	12.8
Sales partners	–	–	–	–	0.2	0.2	0.2	0.2
Customer groups	**6.8**	**6.6**	**7.8**	**8.9**	**12.5**	**13.2**	**27.1**	**28.7**
Wholesale market	3.5	4.1	0.2	0.5	2.6	2.7	6.3	7.3
Total	**10.3**	**10.7**	**8.0**	**9.4**	**15.1**	**15.9**	**33.4**	**36.0**
Full year								
Residential and SME	16.7	17.0	17.7	18.9	22.5	21.7	56.9	57.6
I&C	8.4	8.3	13.7	14.8	25.6	26.6	47.7	49.7
Sales partners	–	–	–	–	0.7	0.8	0.7	0.8
Customer groups	**25.1**	**25.3**	**31.4**	**33.7**	**48.8**	**49.1**	**105.3**	**108.1**
Wholesale market	13.0	14.2	0.9	1.1	8.9	9.8	22.8	25.1
Total	**38.1**	**39.5**	**32.3**	**34.8**	**57.7**	**58.9**	**128.1**	**133.2**

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Consolidated Financial Statements).
[2]Excludes E.ON Connecting Energies.

Gas Sales[1]

	Germany Sales		United Kingdom		Other[2]		Total	
Billion kWh	2018	2017	2018	2017	2018	2017	2018	2017
Fourth quarter								
Residential and SME	7.4	7.0	11.7	11.8	9.8	9.8	29.0	28.6
I&C	2.0	1.6	2.3	2.1	6.3	6.4	10.6	10.1
Sales partners	–	–	–	–	0.7	1.5	0.7	1.5
Customer groups	**9.4**	**8.6**	**14.0**	**13.9**	**16.9**	**17.7**	**40.3**	**40.2**
Wholesale market	1.2	4.2	–	–	1.6	1.2	2.8	5.4
Total	**10.6**	**12.8**	**14.0**	**13.9**	**18.5**	**18.9**	**43.1**	**45.6**
Full year								
Residential and SME	22.0	21.9	35.9	34.8	28.2	28.9	86.1	85.6
I&C	6.4	5.0	8.2	7.7	22.3	20.9	36.9	33.6
Sales partners	–	–	–	–	1.7	2.2	1.7	2.2
Customer groups	**28.4**	**26.9**	**44.1**	**42.5**	**52.2**	**52.0**	**124.7**	**121.4**
Wholesale market	4.6	17.0	–	–	5.8	2.7	10.4	19.7
Total	**33.0**	**43.9**	**44.1**	**42.5**	**58.0**	**54.7**	**135.1**	**141.1**

[1]Includes passthrough not recorded in sales pursuant to IFRS 15 (for more information, see Note 2 to the Consolidated Financial Statements).
[2]Excludes E.ON Connecting Energies.

Power and Gas Sales Volume

This segment's power and gas sales declined by 5.1 billion kWh and 6 billion kWh, respectively.

Power sales in Germany of 38.1 billion kWh were 4 percent below the prior-year level. Power sales to the wholesale market declined owing to lower sales volume on already-contracted deliveries to some Uniper wholesale customers relative to 2017. By contrast, buybacks through the direct marketing of output in conjunction with Germany's Renewable Energy Law were higher. Power sales to residential and small and medium enterprise ("SME") customers and to industrial and commercial ("I&C") customers were at the prior-year level. Gas sales of 33 billion kWh were 25 percent below the prior-year level. The reason for the significant decline in gas sales to the wholesale market (-12.4 billion kWh) is the same as for power. Residential and SME customers consumed about as much gas as in the prior year. By contrast, gas sales to I&C customers rose.

Power sales in the United Kingdom declined by 2.5 billion kWh. Lower average consumption and lower customer numbers were the principal factors for residential and SME customers. Power sales to I&C customers likewise decreased owing to lower average offtake per customer. By contrast, gas sales rose by 1.6 billion kWh. Gas sales to residential and SME customers and to I&C customers increased mainly because of weather factors.

Power sales at the Other unit (Sweden, Hungary, the Czech Republic, Romania, and Italy) declined by 1.2 billion kWh. Power sales to I&C customers in the Czech Republic declined owing primarily to keener competition. The expiration of a sales contract in the Czech Republic was the principal factor in the significant decline in power sales to the wholesale market. This was partially offset by increased deliveries to existing wholesale customers in Hungary. Power sales to residential and SME customers were higher, due in particular to the acquisition of new customers in Italy and Sweden. Gas sales were 3.3 billion kWh higher. Gas sales to I&C customers rose mainly because of the transfer of the gas business in Sweden, which in the prior year was reported at Energy Networks. This was partially offset by a weather-driven decline in gas sales to I&C customers in Romania. The increase in gas sales to the wholesale market is attributable to weather-driven demand spikes in Romania and the advent of direct market access in Italy. By contrast, gas sales to residential and SME customers declined owing to weather factors, particularly in Romania.

Customer Numbers

This segment had about 21 million customers at year-end 2018, fewer than the prior-year figure of 21.1 million. The number of customers in the United Kingdom declined form 6.8 to 6.6 million; power customers accounted for most of the customer losses. In Germany they increased from 5.9 million in 2017 to 6 million in 2018; of these, 5.1 million were power customers and 0.9 million gas customers (2017: 5.1 million power customers, 0.8 million gas customers). We had a total of 8.5 million customers in the other countries where this segment operates, about as many as in 2017.

Sales and Adjusted EBIT

Customer Solutions' sales rose by €551 million. Its adjusted EBIT decreased by €66 million.

Sales in Germany declined primarily because of the expiration of sales contracts to certain wholesale customers that were transferred to Uniper. Price adjustments and a decline in power sales to residential and SME customers were additional adverse factors. These effects were partially offset by an increase in gas sales to I&C customers. Adjusted EBIT was significantly above the prior-year level, primarily because of a wider gross margin in the power and gas sales business.

Sales in the United Kingdom were higher due to price increases and a weather-driven increase in gas sales volume. This was partially offset by a reduction in power sales volume and adverse currency-translation effects. Adjusted EBIT declined owing to persistently challenging market conditions, higher restructuring expenditures, regulatory effects, and a weather-driven decline in power sales volume.

Sales at this segment's Other unit rose by €244 million, principally because of higher sales prices in Sweden, Italy, and Hungary. The transfer of the gas business in Sweden from Energy Networks and higher sales volume in Italy were also positive factors. Sales in the Czech Republic declined, mainly because of netting effects pursuant to IFRS 15. Adverse currency-translation effects in Sweden had a negative impact as well. Adjusted EBIT declined year on year, in particular because of the unavailability of a cogeneration plant at E.ON Connecting Energies that this unit operates for a customer. In addition, an improved gross power margin in Romania was more than offset by a narrower gas margin resulting from higher procurement costs. By contrast, the aforementioned transfer of the gas sales business in Sweden had a positive impact on adjusted EBIT.

Customer Solutions

	Germany Sales		United Kingdom		Other		Total	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Fourth quarter								
Sales	1,876	1,892	2,326	2,122	2,118	2,077	6,320	6,091
Adjusted EBITDA	45	33	26	137	63	57	134	227
Adjusted EBIT	36	26	-1	108	18	3	53	137
Full year								
Sales	6,768	7,014	7,758	7,205	7,601	7,357	22,127	21,576
Adjusted EBITDA	193	132	237	351	294	312	724	795
Adjusted EBIT	160	102	142	248	111	129	413	479

Renewables

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

Fully Consolidated and Attributable Generating Capacity

December 31 MW	Fully consolidated 2018	Fully consolidated 2017	Attributable 2018	Attributable 2017
Wind	523	523	672	479
Solar	–	–	–	–
Germany	**523**	**523**	**672**	**479**
Wind	4,776	4,178	5,023	4,625
Solar	35	15	47	27
Outside Germany	**4,811**	**4,193**	**5,070**	**4,652**
Total	**5,334**	**4,716**	**5,742**	**5,131**

Generating Capacity

At 5,334 MW, this segment's fully consolidated generating capacity at year-end 2018 was by 13 percent higher (prior year: 4,716 MW); its attributable generating capacity of 5,742 MW was 12 percent higher (prior year: 5,131 MW). The principal reason for the increase was the commissioning of Stella and Arkona wind farms at the end of 2018.

Power Production and Sales

This segment's sales volume rose by 2.8 billion kWh.

Owned generation was 2.2 billion kWh higher, in particular because Bruenning's Breeze and Radford's Run onshore wind farms in the United States were for the first time operational for the entire year, Stella onshore wind farm in the United States entered service in December 2018, and Rampion offshore wind farm in the United Kingdom entered service in April 2018. Unfavorable wind conditions, especially in Germany, had an adverse impact on owned generation.

Power procurement increased, principally because of new power supply contracts at our onshore business in the United Kingdom. This was partially offset by a reduction in power procurement due to adverse wind conditions in Denmark.

Onshore Wind/Solar's availability factor of 94.8 percent was at the prior-year level of 94.6 percent. Offshore Wind/Other's availability factor declined from 97.6 to 96.8 percent because of lower availability at Amrumbank West in Germany and certain assets in the United Kingdom.

Power Generation

Billion kWh	Renewables 2018	Renewables 2017
Fourth quarter		
Owned generation	4.2	3.8
Purchases	1.0	0.8
Jointly owned power plants	*0.2*	*0.3*
Third parties	*0.8*	*0.5*
Power sales	**5.2**	**4.6**
Full year		
Owned generation	14.7	12.5
Purchases	3.0	2.4
Jointly owned power plants	*0.7*	*0.9*
Third parties	*2.3*	*1.5*
Power sales	**17.7**	**14.9**

Sales and Adjusted EBIT
Renewables' sales and adjusted EBIT were up by €150 million and €67 million, respectively.

Renewables

€ in millions	2018	2017
Fourth quarter		
Sales	541	474
Adjusted EBITDA	327	277
Adjusted EBIT	238	206
Full year		
Sales	1,754	1,604
Adjusted EBITDA	861	785
Adjusted EBIT	521	454

This segment's sales and adjusted EBIT rose year on year, in particular owing to an increase in owned generation. This was because Bruenning's Breeze and Radford's Run onshore wind farms in the United States were for the first time operational for the entire year and Rampion offshore wind farm in the United Kingdom entered service. This was partially offset by adverse price effects in the United States and Europe.

Non-Core Business

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

Fully Consolidated and Attributable Generating Capacity
PreussenElektra's fully consolidated and attributable generating capacity of 4,150 MW and 3,808 MW, respectively, were unchanged from the prior year.

Power Generation and Sales Volume
This segment's power procured (owned generation and purchases) of 39.3 billion kWh was slightly above the prior-year level. The increase in owned generation is principally attributable to the unplanned outage of Brokdorf nuclear power station in 2017. Consequently, less power was purchased to meet delivery obligations than in the prior year. The increase in sales volume relative to 2017 resulted primarily from the aforementioned outage at Brokdorf.

Power Generation

	PreussenElektra	
Billion kWh	2018	2017
Fourth quarter		
Owned generation	8.5	8.6
Purchases	2.1	1.4
Jointly owned power plants	*0.4*	*0.3*
Third parties	*1.7*	*1.1*
Total power procurement	**10.6**	**10.0**
Station use, line loss, etc.	–	-0.1
Power sales	**10.6**	**9.9**
Full year		
Owned generation	31.2	27.5
Purchases	8.1	9.9
Jointly owned power plants	*1.4*	*1.3*
Third parties	*6.7*	*8.6*
Total power procurement	**39.3**	**37.4**
Station use, line loss, etc.	-0.1	-0.2
Power sales	**39.2**	**37.2**

Sales and Adjusted EBIT

PreussenElektra's sales declined by €186 million, mainly because of lower sales prices and the absence of one-off items in conjunction with legal proceedings.

Adjusted EBIT decreased from €393 million to €382 million. The decline is mainly attributable to lower sales prices and the absence of one-off items at PreussenElektra. This was partially offset by lower expenditures to procure power to cover delivery obligations due to the increase in owned generation.

By contrast, adjusted EBIT at the generation business in Turkey was higher because prior-year equity earnings on our stake in Enerjisa Üretim were adversely affected in particular by a book loss on the sale of a hydroelectric station. In addition, Enerjisa Üretim recorded a volume- and price-driven increase in earnings in 2018.

Non-Core Business

	PreussenElektra		Generation/Turkey		Total	
€ in millions	2018	2017	2018	2017	2018	2017
Fourth quarter						
Sales	416	355	–	–	416	355
Adjusted EBITDA	120	157	23	-20	143	137
Adjusted EBIT	45	149	23	-20	68	129
Full year						
Sales	1,399	1,585	–	–	1,399	1,585
Adjusted EBITDA	556	654	-17	-113	539	541
Adjusted EBIT	399	506	-17	-113	382	393

Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4 of the German Commercial Code on the Internal Control System for the Accounting Process

General Principles

We apply Section 315e, Paragraph 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 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. E.ON SE combines the financial statements of subsidiaries belonging to its scope of consolidation into its Consolidated Financial Statements using standard consolidation software. Group Accounting 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 relevant for accounting 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 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 equally to the Consolidated Financial Statements and to 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 Financial Statements, the Combined Group Management Report, Half-Year Finance Report, and the Quarterly Statements.

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 another key component of our internal control system, defining the minimum requirements for the system to function. These principles encompass 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 contractor management, project management, audit, and transactions.

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 the 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

A functionally managed digital organization and third-party service providers provide digital and IT services for the E.ON Group. IT systems used for accounting are subject to provisions of the internal control system, which encompasses the general IT controls. These include access controls, the separation of functions, processing controls, measures to prevent the intentional and unintentional falsification of the programs, data, and documents as well as controls related to contractor management. The documentation of the general IT controls is stored in our documentation system.

Disclosures Pursuant to Section 289a, Paragraph 1, and Section 315a, Paragraph 1, of the German Commercial Code and Explanatory Report

Composition of Share Capital

The share capital totals €2,201,099,000.00 and consists of 2,201,099,000 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. The employee stock purchase program was not offered in 2018.

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

Legal Provisions and Rules of the Company's Articles of Association Regarding the Appointment and Dismissal 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 10, 2017, the Company is authorized, until May 9, 2022, to acquire treasury shares. The shares acquired and other treasury 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 its affiliated companies or by third parties for the Company's account or one of its affiliate's account.

With regard to treasury shares that will be or have been acquired based on the aforementioned 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 contributions 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, with or without consideration, for purchase and transferred to individuals who are or were employed by the Company or one of its affiliates as well as to board members of affiliates of the Company
- to be used for the purpose of a scrip dividend where shareholders may choose to contribute their dividend entitlement to the Company in the form of a contribution in kind in exchange for new shares.

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, separately or collectively, including with respect to treasury shares acquired by affiliated companies or companies majority-owned by the Company or by third parties for their account or the Company's 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 utilization of the aforementioned authorization, in particular 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 10, 2017, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 9, 2022, the Company's share capital 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 (authorized capital pursuant to Sections 202 et seq. AktG; Authorized Capital 2017). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

With the Supervisory Board's approval, the Management Board adopted a resolution that took effect on March 12, 2018, to utilize almost all of Authorized Capital 2017, which had been resolved by the Annual Shareholders Meeting of May 10, 2017, and to increase E.ON SE's share capital—excluding shareholders' subscription rights pursuant to Section 203, Paragraph 2, and Section 186, Paragraph 3 of the AktG—from €2,201,099,000 to €2,641,318,800 through the issuance of 440,219,800 new registered no-par-value shares against contributions in kind. The capital increase and its implementation have not yet been filed for entry into the Commercial Register. This is to take place after certain conditions precedent are met. The capital increase and the issuance of new stock will not take effect until the capital increase has been implemented and entered into the Commercial Register of E.ON SE. Note 19 to the Consolidated Financial Statements contains more information about Authorized Capital 2017.

At the Annual Shareholders Meeting of May 10, 2017, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) up to the amount of €175 million (Conditional Capital 2017). Note 19 to the Consolidated Financial Statements contains more information about Conditional Capital 2017.

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

The underlying contracts of debt issued since 2007 contain change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON SE and 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. More 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).

To the extent that the Company has agreed to settlement payments for Management Board members in the case of a change of control, the purpose of such agreements is to preserve the independence of Management Board members.

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

Other Disclosures Relevant to Takeovers

The Company has not been informed about, nor is it aware of, any direct or indirect interests in its share capital that exceed 10 percent of the voting rights. Note 19 to the Consolidated Financial Statements contains more information about the planned acquisition of E.ON SE stock by RWE Downstream Beteiligungs GmbH. Stock with special rights granting power of control has not been issued. In the case of stock given by the Company to employees, employees exercise their rights of control directly and in accordance with legal provisions and the provisions of the Articles of Association, just like other shareholders.

Corporate Governance Declaration in Accordance with Section 289f and Section 315d 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 February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection 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 February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) since the last declaration on December 18, 2017.

Essen, December 18, 2018

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)

This declaration and those of the previous five years are 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 the past financial year 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 SE fully complies with all of the Code's recommendations 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:

- Half-year financial report and quarterly statements
- Annual Reports
- Annual press conference
- Press releases
- Telephone conferences held on release of the quarterly and annual results
- Numerous events for financial analysts in and outside Germany.

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

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.

Managers' Transactions
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 Article 19 of the EU Market Abuse Regulation in conjunction with Section 26, Paragraph 2, of the German Securities Trading Act. Such dealings that took place in 2018 have been disclosed on the Internet at www.eon.com.

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 (anti-corruption), and the selection of suppliers and service providers. Other matters addressed include human rights and the handling of 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 2018 the Management Board consisted of four members initially and, after the appointment of Thomas König effective June 1, 2018, of five members. It had one Chairman. No Management Board member has more than three supervisory board memberships in listed non-Group companies or on the supervisory bodies of non-Group companies that require a similar commitment. 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 next financial year as well as the medium-term plan to the Supervisory Board, 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 the year under review. 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 the reporting period.

The Management Board has no board committees but 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:

The Management Board has established a Disclosure Committee and an Ad Hoc Committee for issues relating to financial disclosures. These committees ensure 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 (known by its German abbreviation, "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 in order 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

Pursuant to E.ON SE's then-valid Articles of Association, effective the conclusion of the 2018 Annual Shareholders Meeting the Supervisory Board was reduced to 12 members. At the recommendation of the Supervisory Board and Management Board, the 2018 Annual Shareholders Meeting adopted a resolution to expand the Supervisory Board to 14 members. After the effective date of this change to the Articles of Association, the E.ON SE Supervisory Board has 14 members. Pursuant to E.ON SE'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. As a rule, the Annual Shareholders Meeting decides on the elections by individual vote. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other currently seven members of the Supervisory Board are appointed by the SE Works Council, with the provision 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, or
- 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.

The members of the E.ON SE Supervisory Board fulfill these requirements. Pursuant to the AktG, at least one member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board believes that, in particular, Andreas Schmitz 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 separate Combined Non-Financial 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, which are available on the Company's Internet page. It holds at least 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. Shareholder representatives and employee representatives can prepare for Supervisory Board meetings separately. 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	Executive Committee	Audit and Risk Committee	Investment and Innovation Committee	Nomination Committee
Kley, Dr. Karl-Ludwig	5/6	3/3	–	–	1/1
Lehner, Prof. Dr. Ulrich	3/3	1/1	–	–	–
Clementi, Erich	6/6	2/2[3]	–	1/1 (guest)	1/1[3]
Dybeck Happe, Carolina	6/6	–	2/2[3]	2/2[2]	–
Fröhlich, Klaus	1/2[5]	–	–	2/2[4]	–
Kingsmill, Baroness Denise	3/3	–	–	–	–
Schmitz, Andreas	6/6	–	4/4	–	–
Segundo, Dr. Karen de	6/6	1/1 (guest)	–	4/4	1/1
Siegert, Dr. Theo	3/3	1/1 (guest)	2/2	–	–
Woste, Ewald	6/6	–	–	4/4	–
Scheidt, Andreas	6/6	3/3	–	–	–
Broutta, Clive	6/6	–	–	4/4	–
Gila, Tibor	3/3	–	–	–	–
Luha, Eugen-Gheorghe	6/6	–	–	4/4	–
Pinczésné Márton, Szilvia	3/3[5]	–	–	–	–
Schulz, Fred	5/5[5]	3/3	4/4	–	–
Šmátralová, Silvia	3/3	–	–	–	–
Wallbaum, Elisabeth	6/6	–	4/4[1]	–	–
Zettl, Albert	6/6	–	–	4/4	–

[1]Member since January 1, 2018.
[2]Member until May 9, 2018.
[3]Member since May 9, 2018.
[4]Member since May 29, 2018.
[5]Once as a guest.

In view of Item 5.4.1 of the German Corporate Governance Code and Section 289f, Paragraph 2, Item 6, of the German Commercial Code, in December 2017 the Supervisory Board defined targets for its composition, including a diversity concept and a competency profile, that go beyond the applicable legal requirements. They are as follows:

"The composition of the Supervisory Board of E.ON SE shall comply with the specific SE requirements and Germany's Stock Corporation Act, and with the recommendations of the German Corporate Governance Code.

a) In this context, the following general objectives shall be observed:

- *The Supervisory Board shall include a reasonable number of independent members. Members shall be deemed to be independent if they have no personal or business relationship with the Company, its corporate bodies, a major shareholder or any company affiliated with the latter, where such relationship may give rise to a material and not merely temporary conflict of interests. If the total number of Supervisory Board members is 12, a reasonable number of independent members will be 8; if the total number of Supervisory Board members is 14, a reasonable number of independent members will be 10. In this context, employee representatives will always be regarded as independent members.*
- *The Supervisory Board shall not include more than two former members of the Board of Management.*
- *Members of the Supervisory Board must not have seats on the boards of, or act as consultants for, any of the Company's major competitors.*

- *Supervisory Board membership shall usually be limited to no more than three full terms of office (15 years).*

- *All Supervisory Board members must have sufficient time available to perform their duties on the boards of various companies. Persons who are members of the board of management of a listed company shall only be eligible as members of E.ON's Supervisory Board if they do not have seats on a total of more than two supervisory boards of listed non-Group companies or of comparable supervisory bodies.*

b) In addition, the Supervisory Board has adopted the following diversity concept so as to ensure a balanced structure of the Supervisory Board in terms of age, gender, personality, educational background and professional experience.

- *In the search for qualified Supervisory Board members, due consideration shall be given to diversity. When preparing nominations for the election of Supervisory Board members, due consideration shall be given in each case to the question as to whether complementary academic profiles, professional and life experience, a balanced age mix, various personalities and a reasonable gender balance benefit the Supervisory Board's work. In this context, care shall be taken to ensure that a gender quota of 30 percent will be achieved; this shall apply to the Supervisory Board as a whole and to the shareholders' and employees' representatives separately.*

- *An upper age limit of 75 years shall apply to members of the Supervisory Board; candidates shall not be older than 72 years when they are elected.*

- *Four Supervisory Board members shall have international experience, i.e. they shall have spent, for instance, many years of their professional career outside Germany.*

c) In addition, the following skills profile shall apply; especially the Nominations Committee will strive to apply the skills profile when preparing nominations of candidates for the shareholders' representatives to be proposed to the Annual General Meeting.

- *The shareholders' representatives should have leadership experience in companies or other large organizations by the majority. At least four members shall have experience, as management or supervisory board members, in the strategic management or supervision of listed organizations and shall be familiar with the functioning of capital and financial markets.*

- *At least two members shall be familiar, in particular, with innovation, disruption and digitization and the associated new business models and cultural change.*

- *At least four members shall have specific expertise in the businesses and markets that are particularly relevant for E.ON. This includes in particular the energy sector, the sales and retail business, regulated industries, new technology as well as relevant customer sectors.*

- *At least two independent representatives of the shareholders shall have expertise in the fields of accounting, risk management and auditing of financial statements.*

- *At least two members shall be familiar with legal and compliance, HR, IT and sustainability."*

Current Composition
a) The Supervisory Board believes that all of its members are independent. No former Management Board member sits on the Supervisory Board. Furthermore, no member has a seat on the boards of, or acts as a consultant for, any of the Company's major competitors or has been on the Supervisory Board for more than three full terms of office (15 years). The Supervisory Board believes that in the case of no Supervisory Board member is there specific indications of relevant situations or relationships that could give rise to a conflict of interests. Only one management board member of a listed company, Klaus Fröhlich, a member of the Board of Management of Bayerische Motoren Werke Aktiengesellschaft, sits on the Supervisory Board.

b) In its current composition the Supervisory Board meets the objectives of its diversity concept. The Supervisory Board's composition of women and men complies with the legal requirements for minimum percentages; separate compliance with the statutory gender quota occurred from the 2018 Annual Shareholders Meeting. The age range of the Supervisory Board is currently 43 to 72 years, with an average age of 57. At least four members have international experience.

c) The members bring a wide range of specific knowledge to committee work and have special expertise in one or more businesses and markets relevant to the Company.

Current CVs of Supervisory Board members are published on the Company's Internet page.

The Management Board and the Supervisory Board intend to propose to the 2019 Annual Shareholders Meeting that the number of Supervisory Board members be increased by six persons to make it possible for innogy employee representatives to join the Supervisory Board of the parent company, E.ON SE, shortly after the takeover of innogy SE. This would prevent half the workforce not being represented in the E.ON SE Supervisory Board after the implementation of the innogy takeover. The enlargement of the Supervisory Board is to take effect with the implementation of the innogy takeover. From the 2023 Annual Shareholders Meeting onward, the E.ON SE Supervisory Board is to have a total of twelve members. In view of continually changing business requirements, the Supervisory Board will continue to identify necessary competencies early to ensure that it has them.

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. In addition, it prepares the Supervisory Board's decision on the Group's investment, financial, and personnel plan for the next financial year. 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 or auditing. The Supervisory Board believes that in particular Andreas Schmitz fulfills this requirement. 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, Andreas Schmitz, fulfills these requirements. In particular, the Audit and Risk Committee deals with accounting issues (including the accounting process), risk management, compliance, the necessary independence of the independent auditor, the issuance of the audit mandate to the independent auditor, the definition of the audit priorities, the agreement regarding the independent auditor's fees, and any additional services performed by the independent auditor. The committee's monitoring of risk management encompasses reviewing the effectiveness of the internal control system, internal risk management, and the internal audit system. The 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 is responsible for the preliminary review of the Financial Statements of E.ON SE, the Management Report, the Consolidated Financial Statements, the Combined Group Management Report and the proposal for profit appropriation of profits as well as—if these are not already part of the (Combined Group) Management Report—the separate Non-Financial Report and the separate Combined Non-Financial Report. It discusses the half-yearly reports and quarterly statements or financial reports with the Management Board prior to their publication. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and the Group's 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. The Audit and Risk Committee may commission an external review of the contents of the Non-Financial Statement or the separate Non-Financial Report or the Combined Non-Financial Statement or the separate Combined Non-Financial Report. 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 auditor 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 resolved in a satisfactory manner
- promptly inform the Supervisory Board of anything it becomes aware of 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, or to note in the audit report, if the audit has led to findings that contradict the Declaration of Compliance with the German Corporate Governance Code by the Management Board or Supervisory Board.

The Investment and Innovation Committee consists of six members. It advises the Management Board on all issues of Group financing and investment planning as well as issues relating to market developments and innovation. 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 aforementioned thresholds, the 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 8 to 9) contains information about the activities of the Supervisory Board and its committees in the year under review. Pages 242 and 243 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 convening of the Annual Shareholders Meeting and the reports and documents required by law for the Annual Shareholders Meeting, including the Annual Report, are published on the Company's Internet page together with the agenda and the explanation of the conditions of participation, shareholders' rights, and any countermotions and election proposals submitted by shareholders. The Company's financial calendar, which is published in the Annual Report, in the quarterly statements or financial 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 select the Company's independent auditor.

At the Annual Shareholders Meeting on May 9, 2018, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2018 financial year and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Report for the 2018 financial year and the first quarter of 2019. 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 the reporting period, the Management Board consisted initially of four and subsequently of 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.

In May 2017 the Management Board set targets of 30 percent for the proportion of women in the first level of management below the Management Board and a target of 35 percent for the second level of management below the Management Board. The deadline for achieving both targets is June 30, 2022. At year-end 2018, the proportion of women in first and second levels of management below the Management Board was roughly 24 percent and roughly 18 percent, respectively.

For all other E.ON Group companies concerned, 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. The deadline for achieving these targets is June 30, 2022.

Diversity Concept for the Management Board

At its meeting in December 2017 the E.ON SE Supervisory Board adopted a resolution on the following succession planning/diversity concept for the Management Board:

In cooperation with the Executive Committee and the Management Board, the Supervisory Board is in charge of long-term succession planning for the Management Board. With regard to the Management Board's composition, the Supervisory Board of E.ON SE has developed a diversity concept that is in line with the relevant recommendations of the German Corporate Governance Code.

Appointment Objectives

- When appointing members of the Management Board, the candidates' outstanding professional qualifications, long-term leadership experience and past performance, as well as value-driven management shall be of paramount importance. Members shall be capable of taking forward-looking strategic decisions. In particular, they shall be capable of managing businesses sustainably and of ensuring that they are consistently focused on customer needs.

- The Management Board as a whole must have expertise and experience in the energy sector as well as in the fields of finance and digitization.

- The members of the Management Board shall be leaders and as such shall act as role models for the employees through their own performance and conduct.

- Attention shall be paid to diversity when appointing members of the Management Board. For the Supervisory Board, diversity means, in particular, different complementary academic profiles, professional and personal experience, personalities, as well as internationality and a reasonable age and gender structure. The Supervisory Board has therefore adopted a target quota of 20 percent for the share of women on the Management Board; this target shall be achieved by December 31, 2021.

- The appointment period of a member of the Management Board shall generally end at the end of the month on which the Management Board member reaches the general retirement age but at the close of the subsequent Annual Shareholders Meeting at the latest.

Achievement of Objectives

With the exception of the target quota regarding the share of women, which is to be achieved by December 31, 2021, the current composition of the Management Board already meets the appointment objectives described above.

Compensation Report Pursuant to Section 289a, Paragraph 2, and Section 315a, Paragraph 2 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 2018. 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 February 7, 2017.

Basic Features of the Management Board Compensation Plan

The Management Board compensation plan that took effect on January 1, 2017, is supposed to create an incentive for successful and sustainable corporate governance and to link the compensation of Management Board members with the Company's short-term and long-term performance while also factoring in their individual performance. The plan's parameters are therefore transparent, performance-based, and aligned with the Company's business success; variable compensation is based predominantly on multi-year metrics. In order to align management's and shareholders' interests and objectives, long-term variable compensation is based not only on the development of E.ON's stock price in absolute terms but also on a comparison with competitors. Share ownership guidelines further strengthen E.ON's capital-market orientation and shareholder culture.

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. In its review of the compensation plan's market conformity and the appropriateness of compensation levels, the Supervisory Board was supported by an external compensation expert.

The compensation plan that took effect on January 1, 2017, was presented to the 2016 Annual Shareholders Meeting and approved by a majority of 91.14 percent.

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

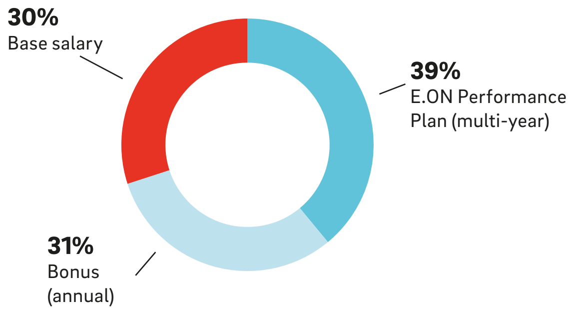
Summary Overview of Compensation Components

Compensation component	Metric/Parameter
Non-performance-based 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: €1,417,500 – Target bonus for Management Board members: €675,00–€825,000 • Cap: 200 percent of target bonus • Amount of bonus depends on: – Company performance: actual earnings per share ("EPS") versus budget – Individual performance factor: collective performance and individual performance (up/down or "bonus/malus adjustment") • Annual bonus corresponds to 45 percent of performance-based compensation
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: E.ON Share Matching Plan (granted until 2016)	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Management Board Chairman: €1,260,000 (excluding LTI components from annual bonuses) – Target value for Management Board members: €600,000–€733,333 (excluding LTI components from annual bonuses) • 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
Long-term variable compensation: E.ON Performance Plan (granted from 2017)	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Management Board Chairman: €1,732,500 – Target value for Management Board members: €825,000–€1,008,333 • Final number of virtual shares depends on E.ON stock's TSR relative to the TSR of companies in the STOXX® Europe 600 Utilities index; ¼ of TSR performance is locked in annually • Allocation limit; that is, the maximum number of virtual shares: 150 percent • 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 • Cap: 200 percent of the target value • Annual target allocation corresponds to 55 percent of performance-based compensation
Pension benefits	
Final-salary-based benefits[1]	• Lifelong pension payment equaling a maximum of 75 percent of fixed compensation from the 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 21 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	
Share Ownership Guidelines	• Obligation to buy and hold E.ON stock until the end of service on the Management Board • Investment in E.ON stock equaling a percentage of base compensation: – 200 percent (Management Board Chairperson) – 150 percent (other Management Board members) • Until the required investment is reached, obligation to invest net payouts from long-term compensation in E.ON stock
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 up to 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
Clawback rule	The Supervisory Board's right pursuant to Section 87, Paragraph 2 of the German Stock Corporation Act to reduce compensation if the Company's situation deteriorates

[1]Only applies to Dr. Johannes Teyssen.

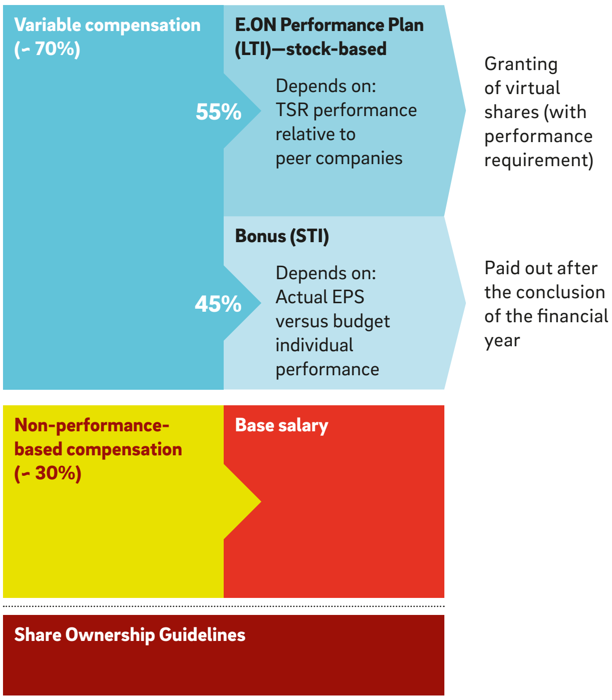
Components and Compensation Structure

The compensation of Management Board members consists of a fixed base salary, an annual bonus, and long-term variable compensation. The components account for the following percentages of total compensation:[1]



[1]Not including fringe, other, and pension benefits.

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



Non-Performance-Based Compensation

No revisions were made to non-performance-based compensation relative to the previous financial year.

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

No revisions were made to performance-based compensation relative to the previous financial year.

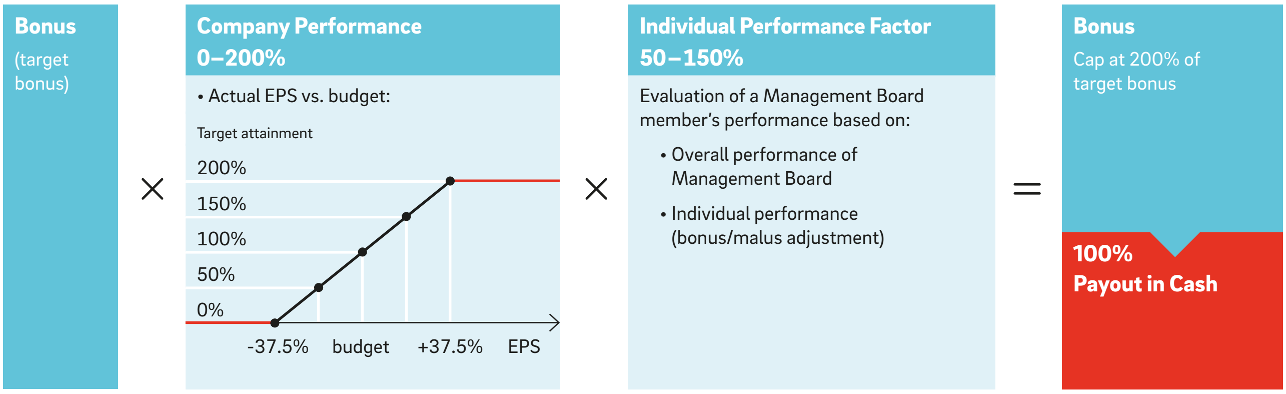
55 percent of performance-based compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act.

Annual Bonus

Management Board members' annual bonus (45 percent of the performance-based compensation) consists of a cash payment made after the end of the financial year.

The amount of the annual 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.

The Supervisory Board has no additional discretionary power in the assessment of the Company's performance.



The Company's performance is assessed on the basis of earnings per share ("EPS"), E.ON's key performance indicator. EPS used for this purpose will be derived from adjusted 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. Because the budget is derived from the Company's corporate strategy, no specific target figures are disclosed for competitive reasons. 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 Supervisory Board determines the degree to which Management Board members have attained the targets of their individual performance factors, giving adequate consideration to their individual and collective contributions. The factors range between 50 and 150 percent. The amount of the bonus can therefore be adjusted up or down depending on performance (in the sense of a "bonus/malus adjustment").

The targets for individual performance factors are set at the beginning of each financial year and are exclusively strategic in nature. Here too, therefore, no specific target figures are disclosed for competitive reasons. The Supervisory Board may also factor in, for example, quantitative and qualitative customer targets as well as performance indicators for the Company's core businesses or matters such as health, safety, and environment and personnel management.

In addition, the Supervisory Board may, as part of the annual bonus, grant Management Board members special compensation for outstanding achievements. In assigning Management Board members their individual performance factors and in granting special compensation, the Supervisory Board pays attention to the criteria of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code.

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

Long-term variable compensation currently consists of tranches from several financial years granted under two different plans. First, tranches of the E.ON Performance Plan—Performance Plan, first tranche (2017–2020) and second tranche (2018–2021)—were granted in 2017 and 2018. Second, there are still tranches of the E.ON Share Matching Plan outstanding. The last tranche of the E.ON Share Matching Plan—Share Matching Plan, fourth tranche (2016–2020) and the LTI components of the bonus from 2016 Share Matching Plan, fifth tranche (2017–2021)—was granted in 2016.

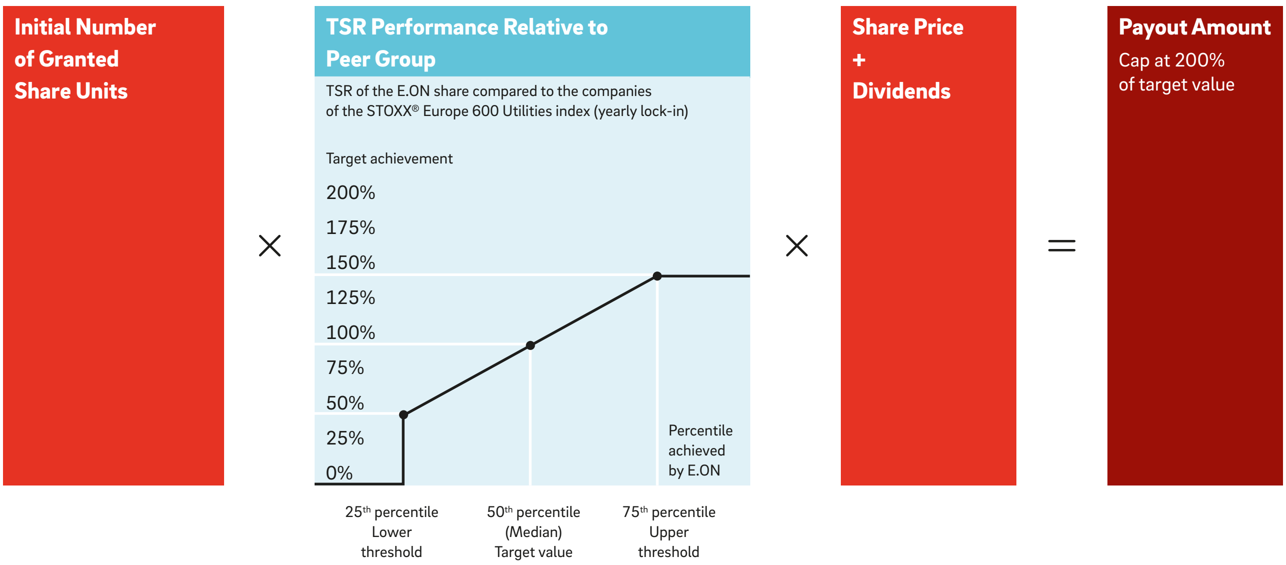
E.ON Performance Plan (Granted from 2017)

Management Board members receive stock-based, long-term variable compensation under the E.ON Performance Plan, which replaced the E.ON Share Matching Plan as the Company's new long-term compensation plan effective January 1, 2017. Each tranche of the E.ON Performance Plan 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 grants virtual shares to each member of the Management Board in the amount of the contractually agreed-on target. The conversion into virtual shares is based on the fair market value on the date when the shares are granted. The fair market value is determined by applying methods accepted in financial mathematics, taking into account the expected future payout, and hence, the volatility and risk associated with the E.ON Performance Plan. The number of granted virtual shares may change in the course of the four-year vesting period depending on 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. It takes into account the stock price, including the assumption that dividends are reinvested, and is adjusted to exclude changes in capital. The peer group used for relative TSR will be the companies in E.ON's peer index, the STOXX® Europe 600 Utilities.

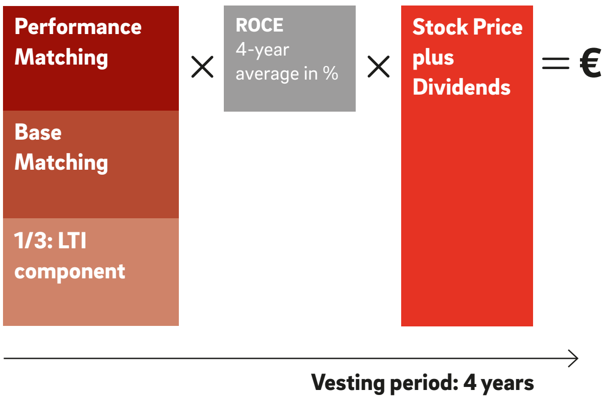
During a tranche's vesting period, E.ON's TSR performance is measured once a year in comparison with the companies in the peer group and set for that year. E.ON SE's TSR performance in a given year determines the final number of one fourth of the virtual shares granted at the beginning of the vesting period. For this purpose, the TSRs of all companies are ranked, and E.ON SE's relative position is determined based on the percentile reached. Target attainment is 100 percent if E.ON SE's TSR is equal to the median of the peer group. The lower threshold is the 25th percentile; a TSR performance below this threshold would reduce the number of virtual shares granted by one quarter. If E.ON's performance is at or above the 75th percentile (upper cap) the quarter of virtual shares granted for that particular year increases to a maximum of 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 contractually agreed-on target.

E.ON Share Matching Plan (Granted until 2016)

Until the introduction of the new compensation plan on January 1, 2017, Management Board members received stock-based compensation under the E.ON Share Matching Plan. At the beginning of each financial year, the Supervisory Board decided, 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 had a vesting period of four years. The tranche started on April 1 of each year.



Following the Supervisory Board's decision to allocate a new tranche, Management Board members initially received vested virtual shares equivalent to the amount of the LTI component of their bonus. The determination of the LTI component took into consideration the overall target attainment of the old compensation plan's bonus for the preceding financial year. The number of virtual shares was calculated on the basis of the amount of the 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 could receive, on the basis of annual Supervisory Board decisions, a base matching of additional non-vested virtual shares in addition to the virtual shares that resulted from their LTI component. In addition, Management Board members could, depending on the company's performance during the vesting period, receive performance matching of up to two additional non-vested virtual shares per share that resulted from base matching.

The arithmetical total target value allocated at the start of the vesting period, which began on April 1 of the year in which a tranche was allocated, was 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 rate of return set in advance by the Supervisory Board for the entire period at the time it allocated a new tranche. Pursuant to a Supervisory Board resolution, from the 2016 financial year onward these performance targets were 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 used ROACE as a key performance indicator and it was 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.

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 zero 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.

The last complete tranche of the E.ON Share Matching Plan (LTI components of prior-year bonus as well as base and performance matching) was granted in the 2016 financial year and runs through 2020 (Share Matching Plan, fourth tranche [2016–2020]). Because the old compensation plan was in effect until year-end 2016, in 2017 Management Board members were granted virtual shares based on the LTI components of their bonuses for the 2016 financial year under the terms of the E.ON Share Matching Plan. This tranche runs through 2021 (Share Matching Plan, fifth tranche [2017–2021]).

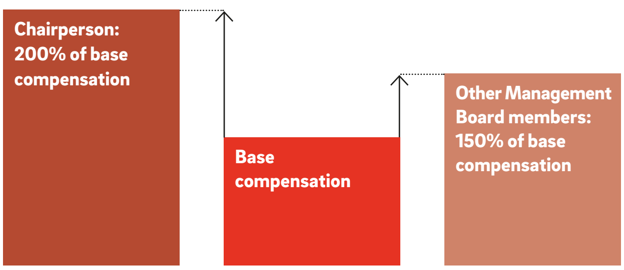
Overall Cap

In line with the German Corporate Governance Code's recommendation, Management Board members' annual 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-on target compensation, which consists of base salary, target bonus, and the target allocation value of long-term variable compensation. The cap increases in accordance with the amounts of fringe benefits and pension benefits from the respective financial year.

Share Ownership Guidelines

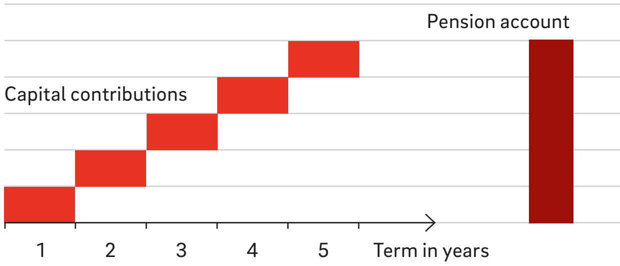
To strengthen E.ON's capital-market focus and shareholder-oriented culture, effective 2017 share ownership guidelines apply to Management Board members. The guidelines obligate Management Board members to invest in E.ON stock equaling 200 percent of base compensation (for the Management Board Chairperson) 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 amounts equivalent to the net payouts from their long-term compensation in actual E.ON stock. At December 31, 2018, the Management Board fulfilled the share ownership guidelines at a rate of 84.42 percent.



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.



The Company makes virtual contributions to Management Board members' pension accounts in an amount equal to a percentage of their pensionable income (base salary and annual bonus). The contribution percentage is at most 21 percent. The annual contribution consists of a fixed base percentage (16 percent) and a matching contribution (5 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 ROCE 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 member, Dr. Johannes Teyssen, who was appointed to the Management Board before 2010. Following the end of his service for the Company, Dr. Johannes 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. Johannes 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. Johannes Teyssen would receive an early pension during the period between the end of his service and his reaching 60 years of age (transitional allowance). Dr. Johannes Teyssen's pension entitlements provide for annual pension payments equal to 75 percent of his annual base salary. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, in the case of a Management Board member's death, the pension plan includes benefits for the widow and each child that are equal to 60 percent and 15 percent, respectively, of the deceased'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 a 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. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members may not exceed 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 2018

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 the 2018 financial year there was no reason to adjust the Management Board's compensation.

Performance-Based Compensation in 2018

The annual bonuses of Management Board members for 2018 totaled €7.0 million (prior year: €5.8 million). In determining the performance factor, the Supervisory Board discussed and assessed the Management Board's overall performance.

The Supervisory Board issued the second tranche of the E.ON Performance Plan (2018–2021) for the 2018 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—€6.41 per share—is shown in the following tables entitled "Stock-based Compensation" and "Total Compensation of the Management Board." The value performance of this tranche will be determined by the performance of E.ON stock, per-share dividends, and E.ON TSR relative to the TSR of the companies in its peer index, the STOXX® Europe 600 Utilities, for the years 2018 through 2021. The actual payments made to Management Board members in 2022 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 2018:

Stock-based Compensation

	Value of virtual shares at time of granting		Number of virtual shares granted		Expense (+)/income (-)[1]	
€	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	1,732,500	1,732,500	270,281	296,661	1,570,520	3,423,608
Dr.-Ing. Leonhard Birnbaum	1,008,333	1,008,333	157,307	172,660	943,816	1,860,899
Dr. Thomas König (since June 1, 2018)	481,250	–	75,078	–	104,171	–
Dr. Marc Spieker	825,000	825,000	128,706	141,268	412,378	276,179
Dr. Karsten Wildberger	825,000	825,000	128,706	141,268	577,297	641,804
Total	**4,872,083**	**4,390,833**	**760,078**	**751,857**	**3,608,182**	**6,202,490**

[1]Expense/income pursuant to IFRS 2 for performance rights and virtual shares existing in the 2018 financial year.

Long-term variable compensation granted for the 2018 financial year totaled €4.9 million. Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Management Board Pensions in 2018

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 for the 2018 financial year. The cash value of pension obligations is calculated pursuant to IFRS and the German Commercial Code. An actuarial interest rate according to IFRS of 2.0 percent (prior year: 2.1 percent) was used for discounting; the actuarial interest rate pursuant to the German Commercial Code was 3.21 percent (prior year: 3.68 percent).

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 (€)		(€)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	75	75	930,000	930,000	1,378,642	1,369,019	520,125	504,248	26,250,050	24,767,846
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	332,609	398,343	27,917	26,775	1,450,521	1,329,403
Dr. Thomas König[1, 2] (since June 1, 2018)	–	–	–	–	79,088	–	24,281	–	2,234,273	–
Dr. Marc Spieker[1]	–	–	–	–	237,498	50,303	17,431	16,367	861,135	830,032
Dr. Karsten Wildberger[1]	–	–	–	–	290,723	356,636	10,881	6,144	719,674	518,162

[1]Contribution Plan E.ON Management Board.
[2]Dr. König was already employed by the Company in the prior year. Due to his previous years of service, the cash value of his pension entitlement was €1,982,076 at December 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 (€)		(€)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	75	75	930,000	930,000	2,558,564	1,823,372	696,853	686,225	21,494,788	18,936,224
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	156,636	95,578	40,104	39,868	1,246,423	1,089,787
Dr. Thomas König[1, 2] (since June 1, 2018)	–	–	–	–	356,229	–	58,302	–	1,940,535	–
Dr. Marc Spieker[1]	–	–	–	–	66,048	148,005	23,324	19,481	699,857	633,809
Dr. Karsten Wildberger[1]	–	–	–	–	190,863	188,871	15,278	9,074	606,025	415,162

[1]Contribution Plan E.ON Management Board.
[2]Dr. König was already employed by the Company in the prior year. Due to his previous years of service, the cash value of his pension entitlement was €1,584,306 at December 31, 2017.

Pursuant to IFRS and the German Commercial Code, the cash values of Management Board pensions for which provisions are required increased as of December 31, 2018, relative to year-end 2017. This resulted in part from increases in the number of years of service and from the fact that there were five active members of the Management Board (prior year: four members). Another reason is that the actuarial interest rate E.ON uses for discounting was significantly below the prior-year figure.

Total Compensation in 2018

The total compensation of the members of the Management Board in the 2018 financial year amounted to €15.9 million, about 13.6 percent above the prior-year figure of €14.0 million based on the Management Board's total compensation disclosed in the 2017 Annual Report.

The individual members of the Management Board had the following total compensation.

Total Compensation of the Management Board

	Fixed annual compensation		Bonus		Other compensation		Value of stock-based compensation granted[1]		Total	
€	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	1,240,000	1,240,000	2,494,800	2,296,350	41,365	40,845	1,732,500	1,732,500	5,508,665	5,309,695
Dr.-Ing. Leonhard Birnbaum	800,000	800,000	1,452,000	1,336,500	27,212	27,117	1,008,333	1,008,333	3,287,545	3,171,950
Dr. Thomas König (since June 1, 2018)[2]	408,333	–	693,000	–	25,776	–	481,250	–	1,608,359	–
Dr. Marc Spieker	700,000	700,000	1,188,000	1,093,500	43,456	35,695	825,000	825,000	2,756,456	2,654,195
Dr. Karsten Wildberger	700,000	700,000	1,188,000	1,093,500	67,442	67,346	825,000	825,000	2,780,442	2,685,846
Total	**3,848,333**	**3,440,000**	**7,015,800**	**5,819,850**	**205,251**	**171,003**	**4,872,083**	**4,390,833**	**15,941,467**	**13,821,686**

[1]The present value assigned to the virtual shares of E.ON stock at the time of granting for the second tranche of the E.ON Performance Plan was €6.41 per share.
[2]Prorated compensation because joined Management Board at roughly mid-year.

The following table shows the compensation granted and allocated in 2018 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	
	2017	2018	2018 (min.)	2018 (max.)[1, 2]	2017	2018
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
Fringe benefits	40,845	41,365	41,365	41,365	40,845	41,365
Total	**1,280,845**	**1,281,365**	**1,281,365**	**1,281,365**	**1,280,845**	**1,281,365**
One-year variable compensation	**1,417,500**	**1,417,500**	**–**	**2,835,000**	**2,296,350**	**2,494,800**
Multi-year variable compensation	**1,732,500**	**1,732,500**	**–**	**3,465,000**	**1,635,221**	**2,039,145**
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	*1,635,221*	–
– *Share Matching Plan, second tranche (2014–2018)*	–	–	–	–	–	*2,039,145*
– *Performance Plan, first tranche (2017–2020)*	*1,732,500*	–	–	–	–	–
– *Performance Plan, second tranche (2018–2021)*	–	*1,732,500*	–	*3,465,000*	–	–
Total	**4,430,845**	**4,431,365**	**1,281,365**	**7,581,365**	**5,212,416**	**5,815,310**
Service cost	864,771	858,517	858,517	858,517	864,771	858,517
Total	**5,295,616**	**5,289,882**	**2,139,882**	**8,439,882**	**6,077,187**	**6,673,827**

[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 88, applies as well.

Table of Compensation Granted and Allocated

€	Dr.-Ing. Leonhard Birnbaum (member of the Management Board)					
	Compensation granted				Compensation allocated	
	2017	2018	2018 (min.)	2018 (max.)[1, 2]	2017	2018
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits	27,117	27,212	27,212	27,212	27,117	27,212
Total	**827,117**	**827,212**	**827,212**	**827,212**	**827,117**	**827,212**
One-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**1,336,500**	**1,452,000**
Multi-year variable compensation	**1,008,333**	**1,008,333**	**–**	**2,016,666**	**332,994**	**939,502**
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	*332,994*	–
– *Share Matching Plan, second tranche (2014–2018)*	–	–	–	–	–	*939,502*
– *Performance Plan, first tranche (2017–2020)*	*1,008,333*	–	–	–	–	–
– *Performance Plan, second tranche (2018–2021)*	–	*1,008,333*	–	*2,016,666*	–	–
Total	**2,660,450**	**2,660,545**	**827,212**	**4,493,878**	**2,496,611**	**3,218,714**
Service cost	371,568	304,692	304,692	304,692	371,568	304,692
Total	**3,032,018**	**2,965,237**	**1,131,904**	**4,798,570**	**2,868,179**	**3,523,406**

[1, 2]See footnotes above.

Table of Compensation Granted and Allocated

€	2017	2018	2018 (min.)	2018 (max.)[1, 2]	2017	2018
	Dr. Thomas König (member of the Management Board since June 1, 2018)					
	Compensation granted				Compensation allocated	
Fixed compensation	–	408,333	408,333	408,333	–	408,333
Fringe benefits	–	25,776	25,776	25,776	–	25,776
Total	**–**	**434,109**	**434,109**	**434,109**	**–**	**434,109**
One-year variable compensation	**–**	**393,750**	**–**	**787,500**	**–**	**693,000**
Multi-year variable compensation	**–**	**481,250**	**–**	**962,500**	**–**	**–**
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	–	–	–	–	–	–
– *Performance Plan, first tranche (2017–2020)*	–	–	–	–	–	–
– *Performance Plan, second tranche (2018–2021)*	–	*481,250*	–	*962,500*	–	–
Total	**–**	**1,309,109**	**434,109**	**2,184,109**	**–**	**1,127,109**
Service cost	–	54,807	54,807	54,807	–	54,807
Total	**–**	**1,363,916**	**488,916**	**2,238,916**	**–**	**1,181,916**

[1, 2] See footnotes on page 93.

Table of Compensation Granted and Allocated

€	2017	2018	2018 (min.)	2018 (max.)[1, 2]	2017	2018
	Dr. Marc Spieker (member of the Management Board)					
	Compensation granted				Compensation allocated	
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	35,695	43,456	43,456	43,456	35,695	43,456
Total	**735,695**	**743,456**	**743,456**	**743,456**	**735,695**	**743,456**
One-year variable compensation	**675,000**	**675,000**	**–**	**1,350,000**	**1,093,500**	**1,188,000**
Multi-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**–**	**–**
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	–	–	–	–	–	–
– *Performance Plan, first tranche (2017–2020)*	*825,000*	–	–	–	–	–
– *Performance Plan, second tranche (2018–2021)*	–	*825,000*	–	*1,650,000*	–	–
Total	**2,235,695**	**2,243,456**	**743,456**	**3,743,456**	**1,829,195**	**1,931,456**
Service cost	33,936	220,067	220,067	220,067	33,936	220,067
Total	**2,269,631**	**2,463,523**	**963,523**	**3,963,523**	**1,863,131**	**2,151,523**

[1, 2] See footnotes on page 93.

Table of Compensation Granted and Allocated

€	Dr. Karsten Wildberger (member of the Management Board)					
				Compensation granted		Compensation allocated
	2017	2018	2018 (min.)	2018 (max.)[1, 2]	2017	2018
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	67,346	67,442	67,442	67,442	67,346	67,442
Total	**767,346**	**767,442**	**767,442**	**767,442**	**767,346**	**767,442**
One-year variable compensation	**675,000**	**675,000**	**–**	**1,350,000**	**1,093,500**	**1,188,000**
Multi-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**–**	**–**
– Share Matching Plan, first tranche (2013–2017)	–	–	–	–	–	–
– Share Matching Plan, second tranche (2014–2018)	–	–	–	–	–	–
– Performance Plan, first tranche (2017–2020)	*825,000*	–	–	–	–	–
– Performance Plan, second tranche (2018–2021)	–	*825,000*	–	*1,650,000*	–	–
Total	**2,267,346**	**2,267,442**	**767,442**	**3,767,442**	**1,860,846**	**1,955,442**
Service cost	350,492	279,842	279,842	279,842	350,492	279,842
Total	**2,617,838**	**2,547,284**	**1,047,284**	**4,047,284**	**2,211,338**	**2,235,284**

[1, 2] See footnotes on page 93.

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 on behalf of the members of the Management Board in the 2018 financial year. Page 244 contains additional information about the members of the Management Board.

Payments Made to Former Members of the Management Board

Total payments made to former Management Board members and to their beneficiaries amounted to €12.5 million (prior year: €12.4 million). Provisions of €155.8 million (prior year: €159 million)—pursuant to IFRS—have been provided for pension obligations to former Management Board members and their beneficiaries.

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 2018

The total compensation of the members of the Supervisory Board amounted to €4.1 million (prior year: €4.5 million). As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2018 financial year.

Supervisory Board Compensation

	Supervisory Board compensation		Compensation for committee duties		Attendance fees		Supervisory Board compensation from affiliated companies		Total	
€	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Karl-Ludwig Kley	440,000	440,000	–	–	8,000	13,000	–	–	448,000	453,000
Prof. Dr. Ulrich Lehner (until May 9, 2018)	133,333	320,000	–	–	5,000	12,000	–	–	138,333	332,000
Erich Clementi	260,000	140,000	–	–	9,000	7,000	–	–	269,000	147,000
Andreas Scheidt	320,000	320,000	–	–	9,000	13,000	–	170,853	329,000	503,853
Clive Broutta	140,000	140,000	70,000	70,000	8,000	8,000	–	–	218,000	218,000
Klaus Fröhlich (since May 29, 2018)	93,333	–	46,667	–	2,000	–	–	–	142,000	–
Tibor Gila (until May 9, 2018)	58,333	140,000	–	–	4,000	6,000	–	–	62,333	146,000
Thies Hansen (until Dec. 31, 2017)	–	140,000	–	110,000	–	10,000	–	17,700	–	277,700
Carolina Dybeck Happe	140,000	140,000	96,667	52,500	9,000	10,000	–	–	245,667	202,500
Baroness Denise Kingsmill CBE (until May 9, 2018)	58,333	140,000	–	–	4,000	3,000	–	–	62,333	143,000
Eugen-Gheorghe Luha	140,000	140,000	70,000	70,000	8,000	10,000	15,821	13,114	233,821	233,114
Szilvia Pinczésné Márton (since May 9, 2018)	93,333	–	–	–	3,000	–	–	–	96,333	–
Andreas Schmitz	140,000	140,000	156,667	82,500	10,000	9,000	–	–	306,667	231,500
Fred Schulz (until May 9, 2018; since May 29, 2018)	140,000	140,000	110,000	110,000	13,000	15,000	24,469	22,243	287,469	287,243
Silvia Šmátralová (until May 9, 2018)	58,333	140,000	–	–	4,000	6,000	8,938	24,367	71,271	170,367
Dr. Karen de Segundo	140,000	140,000	140,000	122,500	9,000	11,000	–	–	289,000	273,500
Dr. Theo Siegert (until May 9, 2018)	58,333	140,000	75,000	180,000	7,000	11,000	–	–	140,333	331,000
Elisabeth Wallbaum	140,000	140,000	110,000	–	10,000	6,000	–	–	260,000	146,000
Ewald Woste	140,000	140,000	70,000	52,500	8,000	10,000	15,808	8,000	233,808	210,500
Albert Zettl	140,000	140,000	70,000	52,500	8,000	11,000	20,000	20,000	238,000	223,500
Total	**2,833,331**	**3,180,000**	**1,015,001**	**902,500**	**138,000**	**171,000**	**85,036**	**276,277**	**4,071,368**	**4,529,777**

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.

Separate Combined Non-Financial Report

Editorial Note

This separate Combined Non-Financial Report complies with the reporting requirements of the German CSR Directive Implementation Act (Sections 315b and 315c as well as Sections 289b to e of the German Commercial Code). It applies to both the E.ON Group and E.ON SE (hereinafter: E.ON). In addition to general information, the report contains information on the five mandatory aspects: the environment, employees, social matter, human rights, and anti-corruption. This information is for the reporting period from January 1 to December 31, 2018. The report encompasses all subsidiaries that are fully consolidated in E.ON's Consolidated Financial Statements. Any deviations from this are indicated.

Business Model

Our three core businesses energy networks, customer solutions, and renewables promote the sustainable development of the energy industry. Detailed information about E.ON's business model can be found in the Corporate Profile section of the Combined Group Management Report.

General Information

As a responsible company, we monitor all material impacts of our business operations. We consider not only financial aspects but also environmental and social issues along our entire value chain. The systematic consideration of non-financial issues enables us to identify opportunities and risks for our business development early. Risks are defined as a potential negative deviation from a target value of a material non-financial KPI. In addition to the expectations of investors, E.ON takes into account the expectations of other key stakeholders like customers and employees.

In 2018 we again conducted a materiality assessment to determine which non-financial issues are essential for understanding E.ON's business performance, financial results, and situation and to evaluate the impact of our business operations. The assessment used a combination of internal and external factors to decide whether an issue is material. We analyzed the expectations of our stakeholders on the basis of existing sources and determined the significance of E.ON's economic, environmental, and social impacts on various non-financial issues. The materiality assessment identified the following non-financial issues as material for E.ON.

E.ON's material issues subsumed under the five mandatory aspects

Environmental matters	• Climate protection • Environmental management
Employee matters	• Occupational health and safety • Employee development and working conditions
Social matters	• Security of supply • Customer loyalty • Data protection
Human rights	• General significance of human rights
Anti-corruption	• General significance of compliance

In the following sections we explain our approach to each issue and our progress in 2018. E.ON takes a comprehensive approach to occupational health and safety (Aspect 2: employee matters) and environmental management (Aspect 1: environmental matters), which is explained below. Our description of all approaches is guided by the most recent version (2016) of the Global Reporting Initiative's Sustainability Reporting Standards ("GRI SRS"), in particular GRI standard 103: Management Approach 2016.

In 2018 we conducted a formalized analysis of our non-financial risks mapped against the five mandatory aspects. In consultation with experts from other departments, the Sustainability function at corporate headquarters identified 26 risks. Then our Sustainability Council analyzed each risk individually, considering its likelihood of occurrence, potential impact, and the mitigation measures we have in place to address it. As a result of our non-financial risk process in 2018, it can be stated that E.ON has no overall reportable non-financial net risk exposure. The process and findings of our non-financial risk analysis were presented to and approved by the E.ON Group Risk Committee. Information about our financial risks and opportunities can be found in the Risk and Chances Report in the Combined Group Management Report.

The policies mentioned below set minimum standards, assign responsibilities, and define management tools for the various non-financial issues. They issue instructions and are reviewed on an ongoing basis. Group policies are binding for all companies in which E.ON holds a majority stake and for projects and partnerships for which E.ON has operational responsibility. Our contractors and suppliers are also required to meet our minimum standards.

Our sustainability efforts are guided by internationally recognized standards, which provide orientation and help ensure that we consider all essential aspects of responsible corporate governance. We have been committed to the ten principles of the United Nations Global Compact since 2005. Our sustainability activities also support the achievement of the United Nations' Sustainable Development Goals. In particular, we help give access to affordable, reliable, sustainable, and clean energy, support cities and communities to become sustainable, and help protect the earth's climate.

Annual Sustainability Report

We have published a Sustainability Report annually since 2004. The report, which has been based on GRI standards since 2005, serves as our annual Communication on Progress to the Global Compact. It describes the issues that are material to our stakeholders and to us as a company as well as how we address these issues. It also reports on topics not included in this Combined Non-Financial Report for reasons of materiality and contains information about our sustainability strategy and organization.

Sustainability Ratings and Rankings

Our commitment to transparency includes subjecting our sustainability performance to independent, detailed assessments by specialized agencies and capital-market analysts. The results of these assessments provide important guidance to investors and to us. They help us identify our strengths and weaknesses and further improve our performance. Our Sustainability Channel on our corporate website contains a list of current sustainability ratings and rankings results.

Approach to Health, Safety, and the Environment (HSE)

E.ON's HSE organization, which has developed over the course of many years, centrally manages all our activities for the material issues of climate protection, environmental management, and occupational health and safety. Our overarching HSE policy and the Function Policy "Sustainability and HSE" set minimum standards, assign responsibilities, and define management tools and reporting pathways. These policies are binding across E.ON.

The E.ON Management Board and the management of our units are responsible for our HSE performance. They set our strategic objectives and adopt policies to promote continual improvement. They are supported and advised by the HSE division at corporate headquarters, our employee representatives, and the HSE Council. The council is composed of senior executives and employee representatives from different business areas and countries where we operate. It meets at least three times a year and is chaired by the member of the Management Board responsible for HSE. Our units have HSE committees and expert teams as well. They draw up framework specifications to ensure that their unit meets our HSE standards. Our units also design HSE improvement plans, which contain specific HSE targets for one or more years.

We expect our HSE standards to be met further up the value chain as well, for example by our suppliers. New suppliers must first undergo a qualification process if there is an increased risk that their business activities could have a negative impact on HSE. Depending on their size, we sometimes also require them to be certified to international environmental and occupational health and safety standards (ISO 14001 or EMAS III; OHSAS 18001 or ISO 45001) or we conduct HSE audits of them.

HSE incidents are reported via our online incident management system PRISMA (Platform for Reporting on Incident and Sustainability Management and Audits) in five categories of incidents: They range from 0 (low) to 4 (major). According to our HSE Standard on Incident Management, units must use PRISMA to report category 4 incidents to the HSE division at corporate headquarters within 24 hours. We systematically investigate and analyze incidents depending on their severity and/or potential to end up in an actual incident and use the findings to take preventive action. All E.ON units must adopt and use PRISMA.

Aspect 1: Environmental Matters

Climate Protection

Climate change and environmental damage caused by it are serious and affect us all. The generation and use of conventional energy are accompanied by greenhouse gas ("GHG") emissions. Low-carbon energy generation and the efficient use of energy therefore play key roles in reducing emissions and limiting global warming. E.ON is an energy company focused entirely on the new energy world, climate protection is therefore a crucial issue for us. The transition to a low-carbon economy will require the concerted efforts of everyone who makes or consumes energy. It poses challenges for our competitiveness but also creates opportunities for us to grow our business. Many countries, communities, and companies have already embraced climate-friendly energy production and energy efficiency to achieve their carbon-reduction targets. Our strategic focus on renewables and energy-efficient customer solutions is fully in line with these global trends.

Continuing to expand our renewables business helps society move toward a climate-friendly energy supply. This business is managed by E.ON Climate & Renewables ("EC&R"). Founded in 2007, EC&R develops, builds, and operates large offshore and onshore wind farms as well as solar farms and energy-storage systems. Its Chief Executive Officer reports directly to our Chief Operating Officer – Integration, a member of the E.ON Management Board. She informs him of EC&R's key financial and technical performance indicators, which can be found in our Combined Group Management Report. In 2018 EC&R was active in the United States, the United Kingdom, Germany, Denmark, Sweden, Italy, and Poland. In addition to these large-scale projects, we also deliver solutions that enable medium-sized companies, residential customers, and public entities to generate their own climate-friendly energy.

GHG emissions can be reduced not only by low-carbon generation technologies but also by energy conservation and recovery. Our energy solutions help our customers use energy more efficiently and recover energy. We offer individually tailored solutions to residential, industrial, commercial, and public sector customers. Our portfolio includes easy-to-use online energy audits and apps that help residential customers better understand their energy consumption. We design embedded cogeneration solutions and energy-efficiency plans for commercial customers. And we develop integrated solutions for cities, district developers, and housing companies that encompass elements like efficient heating and cooling, low-carbon generation, and smart energy management. In addition, we offer e-mobility solutions such as electric-vehicle charging systems for homes and businesses as well as public charging infrastructure for cities that help make transport less dependent on fossil fuels and thus less carbon-intensive.

Our Chief Operating Officer – Commercial, who is a member of the E.ON Management Board, has overall responsibility for our customer-oriented businesses, including solutions enabling customers to generate their own climate-friendly energy. Our regional units' sales teams implement and market energy and e-mobility solutions for all classes of customers. Cross-regional teams at corporate headquarters coordinate these activities in technical, commercial, and strategical terms. E.ON Connecting Energies is responsible for the design of technical solutions for commercial customers in Western and Central Europe, the United Kingdom, and Scandinavia. The E.ON Management Board is informed on an ongoing basis about developments at all our customer-oriented businesses through financial performance reports as well as presentations at its meetings describing operational progress using key performance indicators.

Distribution networks like ours are the backbone of the energy transition. They facilitate low-carbon energy generation and the deployment of innovative, efficient energy solutions: wind farms, battery-storage systems, and other climate-friendly technologies are connected to our distribution grids. Going forward, smart grids will serve as the transformative platform for the innovative technologies and business models that are essential to the energy transition's success.

The activities of our core businesses reflect the key emerging energy trends and help protect the earth's climate. But we also want to shrink our own carbon footprint. We measure the annual carbon emissions from our power and heat generation and from our business activities that are not directly related to energy generation. We disclose these figures in our sustainability reporting. We factor in upstream and downstream emissions as well.

We calculate emissions using the globally recognized WRI/WBCSD Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ("GHG Protocol").

In mid-2017 the E.ON Management Board set new climate targets for 2030. We now aim to reduce our carbon footprint by 30 percent and that of our customers (their carbon emissions per kWh of power we sell them) by 50 percent, both relative to a 2016 baseline. Indirect carbon emissions (Scope 3), which arise primarily in connection with the purchase and use of power and gas in our energy sales business, account for most of our carbon footprint. To meet these targets, we have defined measures to reduce our emissions in all three scopes of the GHG Protocol. We intend to reduce our direct emissions (Scope 1) by updating and optimizing our gas networks and our indirect emissions (Scope 2) by conserving energy ourselves and reducing line losses in our network business. Our Scope 3 objective is to increase the share of renewable energy we offer our customers.

CO_2 Emissions (total CO_2 equivalents in million metric tons)

	2018	2017	2016
Scope 1: Direct emissions from our own business operations	4.87	4.81[1]	5.37
Scope 2: Indirect emissions associated with our electricity and heat consumption[2]	2.88	3.37[1]	3.36
Scope 3: Indirect emissions from all other business operations	61.31	71.02	74.02
Total	**69.06**	**79.20**	**82.75**

[1]Prior-year figures have been adjusted due to the subsequent adjustment of certain figures.
[2]Excludes our consumption of district heating due to the immateriality of the quantity compared with the other Scope 2 categories.

Our direct and indirect carbon emissions totaled 69.1 million tons of CO_2e in 2018, a decline from the prior-year figure. This was mainly due to an update of the emission factors we use to calculate power distribution losses (Scope 2) and emissions related to our power and gas sales (Scope 3).

In 2016 we began taking action to help us achieve our new climate-protection targets for 2030. However, year-on-year comparisons can be affected by temporary fluctuations. A period of several years is necessary to determine whether the action we are taking is effective and where we stand with regard to our targets. We will therefore assess the trend every three years, for the first time after year-end 2019. If these findings indicate that corrective measures are necessary, we will work with our units to take such measures to ensure that we meet our targets. Information about the progress we make toward our climate targets is presented first to our Sustainability Council, which met three times in 2018. Our Chief Sustainability Officer, who chairs the council, reports the information to the E.ON Management Board on a regular basis.

Environmental Management

Alongside climate protection, it is our objective to prevent environmental damage and to have as little environmental impact as possible. Even if we do not operate large-scale conventional assets any longer, we still build and operate distribution networks and large-scale renewable assets and also consume energy and other resources at our facilities and offices. In order to retain our stakeholders' trust and license to operate we have to ensure we comply with all international and national environmental laws and regulations. Our environmental management is guided by the precautionary principle endorsed by the United Nations.

We address all environmental requirements in the framework of our HSE management (see above) and have also defined our own requirements, which are mandatory across E.ON. Our Sustainability & HSE Function Policy requires all E.ON units (except for very small negligible entities) to have in place an environmental management system certified to ISO 14001 or EMAS, internationally recognized standards for such systems. These certifications require us to evaluate environmental aspects and impacts and strive for continual improvement. In 2018, we adopted a new E.ON Health, Safety, Environment, & Climate Protection Policy Statement, which supersedes previous statement and is signed by our Management Board. It articulates our commitment to comply with all HSE laws and regulations and defines the appropriate management systems for this. It pledges us to protect the environment and the earth's climate, reduce our energy consumption, conserve resources, operate responsibly, and strive for continual improvement in our environmental performance. Energy management – continually looking for ways to reduce our own energy consumption – plays an important role as part of our environmental management and helps us to reduce our GHG emissions. At all sites at which we have implemented energy efficiency management systems according to ISO 50001, we measure and analyze the energy consumed by our facilities and office buildings. The findings help us identify opportunities to conserve energy and recommend cost-effective energy-efficiency measures. We've already implemented several, such as installing smart LED lighting in buildings, and other smart building controls.

The E.ON Management Board is informed about serious (category 3) environmental incidents by means of monthly reports from HSE and periodic consultations with the Senior Vice President for Sustainability & HSE. In the case of a major incident (category 4), the unit at which it occurred report it directly to the Management Board within 24 hours.

We had one serious environmental incident in 2018. It occurred at Avacon, a subsidiary in Germany. The depressurization of a high-pressure gas pipeline resulted in the unintentional release of oil in aerosol form in the immediate vicinity. This affected our equipment, an adjacent walking path, and part of a nearby field. When the oil leak was detected, it was stopped immediately by closing the blow-out valve.

Our energy consumption in 2018 increased by 38 million gigajoules year on year to 239 million gigajoules. An extension of the survey method was responsible for all of the increase. This will limit the information value of a comparison with the subsequent year's figures.

Aspect 2: Employee Matters

To shape tomorrow's energy world, remain competitive, and launch new businesses, we need talented, dedicated people whose personal and professional skills match our current and future needs. Yet with demographic change affecting the labor market, skilled workers are more in demand than ever. We need to maintain an attractive, supportive, and inclusive work environment in which our people can realize their potential. It is the only way we will be able to attract great employees and retain those we already have. Doing all this in a rapidly changing business environment and amid technological developments and corporate restructuring poses challenges for our human resources ("HR") management.

Information in our strategy and measures concerning employee development and providing attractive working conditions can be found in the Employees chapter in our Combined Group Management Report on pages 44 and 45.

Our 2018 materiality analysis showed that diversity narrowly missed the threshold for materiality and that other employee issues currently have a higher priority. Consequently, although diversity remains an important issue for us, it is no longer material for our non-financial reporting. Moreover, diversity is a broad issue, and the challenges vary by country and sometimes even by region. Country-specific initiatives and targets are therefore more impactful than a single uniform approach. In the wake of our Phoenix reorganization program, we have therefore adopted a different approach to managing diversity and now delegate it to our units.

Occupational Health and Safety

Our employees' health and safety ("H&S") are essential for their well-being and thus for our company's success. Some of our employees perform potentially risky tasks, such as working on power distribution networks. Strict safety standards are therefore of particular importance to us. First and foremost, accidents endanger our employees' health. But accidents may also damage property, cause work stoppages, and harm our reputation. Demographic change and a rapidly changing work environment present additional challenges: we need to address the needs of an aging workforce and maintain our people's ability to work.

Our approach to H&S is proactive and preventive, and we have zero tolerance for accidents. Consequently, our overriding objective is to prevent accidents from ever happening. By signing the Düsseldorf Statement on the Seoul Declaration on Safety and Health at Work and the Luxembourg Declaration on Workplace Health Promotion in 2009, we pledged to promote a culture of prevention.

To live up to our commitment to our employees' H&S, our HSE management assigns responsibilities clearly and sets minimum standards (see HSE Management below). These apply not only to our employees but also to contractor employees who do work on our behalf. All E.ON operating units are required to have an H&S management system certified to ISO 45001 (ISO 45001 replaced OHSAS 18001), a globally recognized standard for such systems. Certification requires an annual management review. The reviews are conducted by the units themselves and are a prerequisite for certification to be renewed. If necessary, Corporate Audit and HSE at our corporate headquarters conduct HSE audits to determine whether our standards are being met. To decide whether an audit of a unit is necessary, we analyze its accidents from the previous year as well as current risk assessments. In addition to audits, performance indicators for lost time, accidents, and dangerous situations also help us investigate accident causes and conduct comprehensive risk analyses. The E.ON Management Board is informed about severe accidents, developments relating to accidents, and related measures and programs by means of monthly reports from HSE and periodic consultations with the Senior Vice President for Sustainability & HSE. In addition, the member of the E.ON Management Board responsible for HSE receives a weekly safety update and presents it at the board meetings. The update contains major incidents that could have led to the death of employees, contractors, customers, or third parties. E.ON investigates all accidents carefully, learns from them, and takes steps to avoid them in the future.

We place great emphasis on continually providing our senior managers with training to enable them to live up to their responsibility for H&S and to ensure that the workplaces for which they are responsible are healthy and safe. The one-day workshop for senior managers at our operating units, which was developed in 2017, was conducted at our four distribution system operators and E.ON Connecting Energies in Germany and at our distribution system operator in Romania in 2018. It trains managers to recognize safety risks early and to motivate their employees to work safely and responsibly.

In the first quarter of 2018 all top 100 executives took part in a mandatory HSE upskilling workshop. The purpose was to expand or refresh their HSE skills, reinforce their awareness of their personal responsibility for HSE, and communicate the main elements of our HSE caring culture.

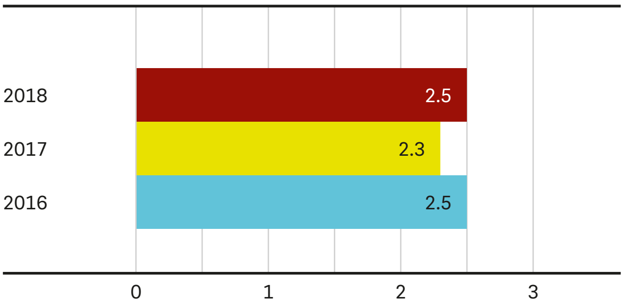
In several countries where we operate, employees who have questions or concerns about their physical or mental health cancontact a free, independent, and strictly confidential health advisory service (employee assistance program). In Germany, this service is a central component of the Group Works Health Agreement, which was concluded between management and the Group Works Council in 2015.

In 2018 we developed a new campaign called HOW WE CARE to foster a caring culture. It will be carried out by managers across E.ON at the start of 2019. It is supported by a safety-walk app that helps managers dialogue with employees to identify H&S risks and issues in the workplace. As part of the campaign, we will issue guidelines for the use of mobile phones in vehicles. By instructing employees, for example, to avoid calls and refrain from listening to machine-read email messages while driving, we aim to reduce the risk of traffic accidents.

The findings of our 2018 audits show that our H&S management systems are largely effective. In some cases, however, we identified room for improvement. Examples included a gap in the effectiveness of how H&S is communicated to engineers, project managers, and contractors on the operational side of the business and a failure of some employees to carry out a risk assessment prior to performing a task or putting on their personal protective equipment. We initiated training courses for employees and managers at these units and took steps to eliminate weaknesses in their processes.

Total recordable injury frequency (TRIF) is our key performance indicator for safety. It measures the number of recordable work-related injuries and illnesses per million hours of work. We have included contractor employees' in our safety performance since 2011 (combined TRIF). The HSE improvement plans of many of our units set annual targets for combined TRIF, which aim to reach our goal of zero accidents. Our most direct influence is on reducing the number of accidents involving our own employees. We therefore present below our employee TRIF performance for the past three years.

Employee TRIF[1]



[1]TRIF measures the number of reported fatalities and occupational injuries and illnesses per million hours of work. It includes injuries that occur during work-related travel that result in lost time or no lost time and/or that lead to medical treatment, restricted work, or work at a substitute work station.

In 2018 our employee TRIF of 2.5 was slightly higher than the prior-year figure (2.3). By contrast, contractor TRIF declined in 2018. The different direction of these two trends may be due to the fact that in 2018 our Renewables segment in particular hired as employees a number of technicians who had previously worked for us as contractors. This segment has an above-average number of accidents compared with our other segments, which led to the increase in employee TRIF. We also assume that the introduction of our new online incident management system improved our reporting culture.

Despite our extensive safety measures, we very much regret to report that three of our employees and two contractor employees died in 2018 while working for us. We immediately investigate all fatal accidents to determine the exact chain of events that led up to them. In addition, within 24 hours a report must be submitted to the Management Board of the unit where the accident occurred and to the member of the E.ON Management Board responsible for H&S. The aim is to identify accident root causes and to take all necessary steps to prevent similar accidents in the future.

Our employees' health rate was 96.3 percent in 2018. It reflects the number of days actually worked in relation to agreed-on work time. The 2018 figure was again high (2017: 96.6 percent).

Aspect 3: Social Matters

Security of Supply

Our task as an energy company and distribution grid operator is to ensure that our customers have a secure supply of electricity. A reliable electricity supply is essential for industrialized countries to be able to maintain their infrastructure and meet their inhabitants' needs. For example, industrial customers that operate a high-precision production facility require a constant network frequency. If the frequency fluctuates, machinery can break down, resulting in higher costs. A power outage can have serious consequences, and not just for industrial customers. Whether at companies, government agencies, or households, most processes are no longer possible without electricity. One of the challenges in energy supply is that, increasingly, electricity comes from distributed sources. As a result, electricity is fed into our networks at many different points. Moreover, renewables feed-in fluctuates because it depends on the weather and other factors beyond our control.

Part of our corporate strategy is to adapt our distribution grids to the emerging distributed energy world. They form a crucial link between electricity producers and consumers. Only if our distribution grids function properly and we equip them to meet the challenges of the new energy world can we continue to ensure a reliable electricity supply in the future. For this purpose, we continually upgrade our existing infrastructure with smart-grid technology. This will enable us to better manage energy generation, distribution, and storage.

Our distribution system operators ("DSOs") are responsible for the safe and reliable operation of our distribution networks. Their network control centers oversee network operations. They are also responsible for resolving unforeseen outages in their network territory. In case of widespread outages, our crisis management system stipulates responsibilities and processes in accordance with the instructions contained in our Incident and Crisis Management Policy. A member of the E.ON Management Board oversees our Energy Networks segment. Under his leadership, two departments at our corporate headquarters actively manage Energy Networks' regional units. This includes strategic development, capital allocation, business controlling, and so forth.

We have in place investment and maintenance plans to maintain and expand our grids to ensure that all of our network customers are connected and have a reliable energy supply. Our regional network companies are responsible for implementing these plans, which encompass one or more years. The amount of the investments is approved centrally. Final approval comes from the E.ON Management Board at the end of the annual medium-term planning and budgeting process. A portion of the investment budget goes towards making our grids smarter. The increasing use of smart-grid technologies makes it possible for us to avoid or delay costly investments in conventional networks by, for example, using this technology to maximize the distribution capacity of existing overhead lines. Investment decisions always focus on efficiency as well as security of supply. We choose the solutions that make the most technical and economic sense. This is because grid investments affect the grid fees included in the electricity price paid by customers.

We record all planned and unplanned outages at our distribution networks. We use these data to calculate the system average interruption duration index ("SAIDI"), which measures the average outage duration per customer per year. Although this figure is not relevant for management purposes, it provides us with information on the reliability of our networks. Some countries where we operate have strict legal thresholds for SAIDI. If we do not meet these requirements, we may have to pay fines or compensation. Some of our regional units therefore set their own SAIDI targets on an annual basis. At regular intervals, the unit managing directors inform the member of the E.ON Management Board responsible for network operations about their achievement of these targets. The SAIDI of all regional units are included in a quarterly performance report to the E.ON Management Board.

SAIDI power[1]

	2018			2017			2016		
Minutes per year	Scheduled	Un-scheduled	Total	Scheduled	Un-scheduled	Total	Scheduled	Un-scheduled	Total
Germany	14	20	34	14	20	34	13	25	37
Sweden	24	120	144	32	89	120	30	91	121
Hungary	132	60	192	126	63	189	121	57	178
Czech Republic	155	49	203	162	70	232	179	44	223
Romania	339	249	588	262	320[2]	582	178	426	604
Slovakia[3]	97	79	176	91	176	267	106	79	185

[1]Totals may deviate due to rounding.
[2]In 2018 the Romanian regulatory agency changed the definition of unscheduled outage, which now excludes interruptions caused by natural phenomena like storms. We adjusted prior-year figure accordingly.
[3]DSO in which we have a 49 percent stake.

In 2018 our SAIDI was comparable to the 2017 figure in most countries. The only noteworthy change was in the Czech Republic and Slovakia, where, on average, our customers were less affected by power outages than in the previous years. In Romania, scheduled interruptions increased because of temporary shutdowns that enabled us to invest more in grid renewal and automation. This resulted in fewer unscheduled interruptions. As in previous years, our grids in Germany were our most reliable.

Like the reliable operation of our distribution networks, the high availability of our renewable facilities helps ensure security of supply. In 2018 Onshore Wind achieved an availability factor of 94.8 percent (2017: 94.6 percent); Offshore Wind, 96.8 percent (2017: 97.6 percent).

Customer Experience

Our ability to acquire new customers and retain our existing ones is crucial for the success of our business. Global trends like climate protection and digitization are not only altering the energy landscape. They are also creating new customer needs. Only by adapting our products and services to meet these needs and by continually improving our performance will we remain successful in the marketplace.

We put our customers at the center of everything we do. This pledge is an E.ON corporate value and is embedded in our customer experience principles, brand personality, and Grow@E.ON, our Group-wide competency framework. Our objective is to continually enhance customer loyalty and to become a customer-led business and the energy-solutions leader in our markets.

We measure customer loyalty by means of Net Promoter Score ("NPS"), which we introduced in 2013. NPS indicates our customers' willingness to recommend us to their family and friends. It also helps us identify which issues are currently of particular importance to our customers. This enables us to adapt our activities to current customer needs. We distinguish between three types of NPS. Strategic NPS or top-down NPS compares our performance to that of our competitors and is based on the feedback of customers regardless of if they have had an interaction with us. Bottom-up NPS is based on the feedback of customers who have had a specific interaction with us, like talking to a call center agent. Journey NPS measures the loyalty of customers who have completed a journey with us, such as transferring their energy service to their new residence when they move. NPS is used by our units in all our markets. In September 2017 we introduced a new methodology that enables us to measure strategic NPS consistently across all our markets. It allows us to identify and resolve cross-market customer issues and also targets areas where we could provide useful innovations for our customers. Furthermore, automated reporting eliminates the errors of manual data entry, thereby improving data quality and auditability. Our internal NPS ("iNPS") program aims to sensitize employees who have no contact with customers to the importance of customer loyalty. iNPS was rolled out across the Group in 2014. It has been implemented in IT, human resources, supply chain management, finance, and other support functions.

We define company-wide targets for strategic NPS and journey NPS annually and use both at segment level for steering purposes. Strategic NPS is highly significant for management purposes because of the information collected about competitors. The Management Board holds quarterly discussions with the units to evaluate their NPS and, if necessary, to decide what action they should take to achieve their NPS target. The variable compensation of senior managers has two components: a company factor and a factor reflecting a manager's individual performance. In 2018 strategic NPS accounted for 20 percent of the company factor and journey NPS was included in the individual performance factor of our senior managers' compensation. The E.ON Management Board's compensation does, nevertheless, not depend on NPS targets. Furthermore, each unit has a set of Game-Changing Initiatives in place to systematically improve its customer experience. They're sponsored by the unit's CEOs and board, who are personally responsible for improving their unit's NPS. The initiatives, which are defined annually, may span multiple years depending on the level of transformation required. We introduced these initiatives in 2017 and initially called them CEO-led signature actions.

The Chief Operating Office – Commercial ("COO-C") at corporate headquarters coordinates our marketing strategy with the aim of bringing the E.ON brand to life. COO-C supports our energy-sales and solutions businesses for all customer divisions, in all our markets. Our customer experience teams serve as our ambassadors for customer loyalty in their respective unit. They take the lead on related projects and activities in their sales territory and share information about successful programs and service improvements on a monthly basis. We have customer experience teams in Germany, the United Kingdom, Italy, Romania, Sweden, the Czech Republic, and Hungary.

The Customer Immersion program brings our senior managers and employees into direct contact with residential and business customers. Its purpose is to bring the customer's voice into our organization and enhance our employees' customer orientation. The program, which has been offered in all our markets since 2015, has been coordinated centrally by COO-C since 2016.

Our average NPS for residential customers increased in 2018 and was slightly above the competitor average at the end of the year. In six out of seven countries the number of promoters (customers who speak positively about us and recommend us to friends and family) rose, while the number of detractors (customers who speak negatively about us) declined. Our average NPS for small and medium-sized enterprises ("SMEs") continued to improve, as did that of our competitors. We need to focus even more on these businesses in order to not just be slightly ahead of our competitors. Our top-down NPS for SME customers was below expectations in five of seven countries. Our strategic NPS is calculated by weighting E.ON's top-down NPS in six countries (Germany, the United Kingdom, Sweden, Czech Republic, Italy, Romania, and Hungary) equally.

Data Protection

Greater digitization opens a wide range of opportunities for offering smart solutions and optimizing our business, technical solutions, and processes. It also potentially poses a risk to the integrity, confidentiality, and availability of personal data. "Personal data" means any information relating to an identified or identifiable natural person. The EU General Data Protection Regulation ("GDPR") and Germany's new Federal Data Protection Act came into effect in May 2018. The former harmonizes the rules for the processing of personal data by organizations in the EU and the wider European Economic Area; the latter establishes specific regulations for Germany. We have an obligation to safeguard personal data in order to protect the persons whose data we process from harm. In addition, data breaches could damage our reputation and lead to fines.

In 2018 we updated our business directives, policies, guidelines, and processes to comply with the GDPR. We implemented a data protection management system ("DPMS") that provides guidance on data protection issues and is intended to ensure that, to the degree possible, we take a structured, coordinated, and consistent approach to data protection across the Group. Our latest data protection policy adopted in 2018 defines roles and responsibilities in a uniform manner E.ON-wide. The minimum standard all units must meet is to implement, where necessary, an adapted version of our DPMS. We have in place a comprehensive set of processes, including those to fulfill the data subject's rights (for information, deletion, and so forth), to consider data protection requirements in relation to our suppliers and other enterprise partners, and to report and handle personal data breaches. We assess a breach's severity using a method developed by the European Union Agency for Data Network and Information Security. In addition, these processes provide guidance to our units, which have implemented the necessary processes in their organizations as well. Our units are responsible for dealing with all data protection issues related to their business and with the claims that individuals address to them pursuant to the individuals' rights under the GDPR, such as information, rectification, deletion, and data portability. Where required by law, the units have appointed Data Protection Officers ("DPOs"). In Germany, for example, an organization with more than ten employees handling personal data must have a DPO. However, the requirements for appointing DPOs vary by country. The DPOs share information with each other on a regular basis and report regularly to our Chief DPO at our corporate headquarters on the following dimensions of data protection: the rights of the data subject, relations to third parties, company documentation, and relations to data protection agencies. The Chief DPO's duties include coordinating data protection activities across the Group.

The Chief DPO reports periodically to the Information Security and Data Protection Council, which includes two Management Board members and, if the need arises, to the entire Management Board.

Internal stakeholders are regularly informed about relevant developments in data protection, such as legislation, technology, decisions issued by regulatory agencies, and so forth. This information is disseminated by email or, where appropriate, through internal communications channels, including Connect, our corporate social media platform. Our employees receive training in data protection every two to three years. New employees typically receive such training in their first year. In addition, individual departments and teams – such as call centers and sales organizations – provide training to meet their special data protection requirements. In 2018 we rolled out a Group-wide e-learning module to familiarize our employees with the GDPR's new rules.

Our DPMS uses the plan-do-check-act ("PDCA") method, which helps us to plan, implement, manage, and improve our processes, which is mandatory under the GDPR. The PDCA cycle includes continuously monitoring the DPMS's effectiveness and taking action if the need for improvement arises. Where necessary we align changes of the DPMS with the board. We therefore consider the DPMS to be effective.

Aspect 4: Human Rights

We are committed to respecting and protecting human rights in all our business processes. Failure to respect people's fundamental rights and needs may have serious consequences for those affected and may damage our reputation. Compliance with social standards also plays an important role in the business relationships with our enterprise partners. In addition, there are increasing regulatory requirements for corporate transparency and control. For example, the U.K. Modern Slavery Act obliges us to report on the steps we take to prevent international human trafficking.

To prevent human rights violations, we adhere to external standards and define our own principles and policies. Our Code of Conduct (see "Aspect 5: Anti-corruption"), a revised version of which took effect at the start of 2018, obliges all our employees to contribute to a non-discriminatory and safe working environment and to respect human rights. The revised Code of Conduct for employees incorporates the standards of our Human Rights Policy Statement. The standards we are guided by include the Universal Declaration of Human Rights of the United Nations, the principles of the UN Global Compact, and the European Convention for the Protection of Human Rights. Our Chief Sustainability Officer, who is a member of the E.ON Management Board, is also our Chief Human Rights Officer. The standards for human rights and ethical business practices we require our suppliers to meet are defined in our Supplier Code of Conduct, which is binding for all non-fuel suppliers; in addition, all our suppliers of uranium and solid biomass are contractually obligated to adhere to these standards. As part of our prequalification process (supplier onboarding) and performance reviews, we systematically assess potential and current suppliers' potential risks relating to corporate social responsibility ("CSR"), including human rights aspects.

In 2018 we completely revised our supplier qualification process and adopted a fully digital supplier onboarding solution, which is integrated into our enterprise resource planning system. Supplier onboarding is the step in which we ensure that existing and new suppliers comply with our minimum requirements. Every non-fuel supplier whose individual transaction volume exceeds €25,000 or whose health, safety, and environment risk is medium or high must complete an online onboarding process. In some cases, we may take additional steps during the supplier onboarding process, such as conducting a supplier audit to assess, among other issues, whether the supplier complies with our standards for human rights. The procurement team at our corporate headquarters conducted and supported more than three times as many supplier audits than in 2017. Between the tool's launch in October 2018 and year-end, we invited 289 new suppliers to take part in onboarding and completed 67 onboardings. In addition, we periodically conduct supplier performance reviews of our key non-fuel suppliers using five key performance indicators ("KPIs"): quality, cost, delivery, innovation, and CSR; the latter includes the protection of human rights. We share the results with each supplier during a performance review meeting. The outcome of the meeting may trigger a change in a supplier's status (including disqualification) and/or result in us requiring a supplier to take specific actions to improve its performance in one or more of the KPIs if it wants to continue doing business with us. In 2018 we increased the number of supplier performance reviews by 46 percent relative to 2017.

Our employees can report potential violations of human rights through internal reporting channels or a Group-wide external whistle-blower hotline. Group Compliance forwards the information to the relevant department or unit. Depending on the nature and severity of the potential violation, Group Compliance may report it immediately to the E.ON Management Board, notify law enforcement, initiate its own investigation, or take other appropriate action. In 2018 no violation of human rights was reported through these channels

Furthermore, in November 2018 we took the first step toward determining which factors are relevant in the design and implementation of a human rights due diligence process at E.ON. The next step will be to define a focus area in which we will deepen our analysis and, where necessary, develop measures to improve our performance.

Aspect 5: Anti-corruption

We are committed to combating corruption in all its manifestations worldwide and support national and international efforts directed against it. We reject it as a member of the UN Global Compact as well. Corruption leads to decisions being made for the wrong reasons. It can thus impede progress and innovation, distort competition, and do long-term damage to companies. Employees, managers, and board members guilty of corruption may be subject to fines and criminal prosecution. To earn our stakeholders' lasting trust, we closely monitor compliance with laws and our own policies. If violations occur, we deal with them transparently and, if necessary, take disciplinary action.

The Management Board has the ultimate responsibility for ensuring compliance with applicable laws and for monitoring compliance risks. The E.ON Group has an effective compliance management system ("CMS"). The CMS sets uniform Group-wide minimum standards for certain compliance issues, such as anti-corruption. Pursuant to a Group-wide policy, the Chief Compliance Officer ("CCO"), the Group Compliance division, and the business units' Compliance Officers are responsible for refining and optimizing the CMS on a continual basis.

The CCO reports to the E.ON Management Board and the Supervisory Board's Audit and Risk Committee on a quarterly basis on the status of the CMS and current developments and incidents. In the event of serious incidents, the Management Board and the Audit and Risk Committee are informed immediately. The same applies to important new laws. Potential violations are investigated centrally by Group Audit and Group Compliance.

Our updated Code of Conduct, entered in force on January 1, 2018, is considerably shorter and clearer, concentrating on our guiding principles ("Doing the right thing"). It is supplemented by several People Guidelines that lay down specific rules ("Doing things right"). As a compulsory reference, the code helps our employees make the right decisions in various professional situations and remain true to our values. In the preface, the E.ON Management Board calls on all employees to act in a correct manner in order to protect themselves and the company. The introduction explains why a Code of Conduct is needed. The main body of the Code contains comprehensible guidance on all issues that are of particular concern to us. These include human rights, anti-corruption, fair competition, and good relationships with business partners. The Code also contains an integrity test. By answering just a few questions, employees can check whether their assessments are in compliance with E.ON principles and values. The Code clearly states our prohibition against company donations to political parties, political candidates, managers of political offices, or representatives of public agencies.

Managers and employees may be invited to events and restaurants, especially by business partners, or receive gifts. The updated version of our Anti-Corruption People Guideline contains a decision-making scheme that uses the familiar green, amber, and red of traffic lights to indicate when accepting or granting such offers or gifts is permissible, potentially problematic, or forbidden. Gratuities above a certain threshold, which varies by country, must receive Compliance Officer approval. Particularly strict requirements apply to invitations and gifts from public, elected, or government officials and their representatives.

To determine in which functions the risk for some compliance violations is particularly high, we conduct compliance risk assessments on a regular basis. Based on their findings, we take preventive measures.

If employees suspect misconduct or a violation of laws or company policies, they are instructed to report it immediately. If they wish, they may do so anonymously through internal reporting channels or a Group-wide external whistle-blower hotline, which we operate with an external law firm. Group Compliance forwards the information to the relevant department or unit.

We want to ensure compliance standards in our supply chain as well. All non-fuel suppliers and all suppliers of uranium and solid biomass must therefore sign our Supplier Code of Conduct, which contains binding standards for ethical business practices. In addition, we conduct compliance checks to determine whether potential suppliers act in accordance with our values and principles.

The effectiveness of our CMS is the main indicator of our compliance performance for purposes of management control. All compliance measures, policies, processes, controls, and so forth are assessed and guided by this criterion. The CMS's effectiveness is also monitored by the E.ON Management Board, the Supervisory Board's Audit and Risk Committee, and Group Audit. The latter, an independent entity, is our third line of defense for monitoring the CMS. The criteria we use for monitoring effectiveness include assessing whether and how prescribed measures are implemented across E.ON. The Management Board and the Audit and Risk Committee are convinced that our CMS was again effective in 2018. Their assessment was based in part on audits, surveys of employees, and stakeholders.

Financial Statements of E.ON SE

Balance Sheet of E.ON SE

€ in millions	Note	2018	2018	2017	2017
					December 31,
Intangible assets	(1)		0.1		0.1
Property, plant and equipment	(1)		10.3		11.5
Financial assets					
Shares in affiliated companies	(2)		32,043.5		35,394.8
Other financial assets	(3)		1,197.6		1,963.4
Fixed assets	(4)		**33,251.5**		**37,369.8**
Receivables and other assets					
Receivables from affiliated companies	(5)		7,471.7		7,697.2
Other assets	(6)		639.3		335.9
Securities	(7)		1,292.3		1,013.3
Liquid funds	(8)		3,041.0		2,024.8
Current assets			**12,444.3**		**11,071.2**
Accrued expenses	(9)		**27.6**		**36.4**
Asset surplus after offsetting of benefit obligations	(10)		**0.4**		**0.5**
Total assets			**45,723.8**		**48,477.9**
Capital stock	(11)	2,201.1		2,201.1	
Accounting value of treasury shares		-33.9		-33.9	
Issued capital			2,167.2		2,167.2
Additional paid-in capital	(12)		3,657.1		3,657.1
Retained earnings	(13)		2,554.4		1,884.2
Net income available for distribution	(14)		1,053.0		1,320.3
Stockholders' equity	(15)		**9,431.7**		**9,028.8**
Provisions for pensions		366.7		312.3	
Right of recourse ("Freistellungsanspruch")		-313.2		-301.6	
	(16)		53.5		10.7
Provisions for taxes	(17)		714.8		1,067.0
Other provisions	(18)		712.1		1,049.7
Provisions			**1,480.4**		**2,127.4**
Bonds			2,000.0		2,000.0
Bank loans			275.1		665.4
Liabilities to affiliated companies			32,455.6		34,349.6
Liabilities to companies in which an interest is held			–		5.4
Miscellaneous liabilities			79.5		299.7
Liabilities	(19)		**34,810.2**		**37,320.1**
Deferred income			**1.5**		**1.6**
Total stockholders' equity and liabilities			**45,723.8**		**48,477.9**

Income Statement of E.ON SE

€ in millions	Note	January 1 to December 31, 2018	2017
Income from equity investments	(20)	1,171.3	4,676.4
Interest income (net)	(21)	-139.5	-1,367.5
Revenues	(22)	41.2	53.6
Other operating income	(23)	2,426.6	2,395.4
Cost of materials	(24)	-28.3	-14.8
Personnel expenses	(25)	-138.1	-162.9
Depreciation of property, plant and equipment		-0.7	-0.7
Other operating expenses	(26)	-2,526.4	-2,767.6
Income taxes	(27)	248.0	-156.3
After-tax results		**1,054.1**	**2,655.6**
Other taxes		-1.1	-15.3
Net income/Net loss		**1,053.0**	**2,640.3**
Profit carryforward from the prior year[1]	(14)	–	0.0
Net income transferred to retained earnings	(13)	–	-1,320.0
Net income available for distribution	(14)	**1,053.0**	**1,320.3**

[1]Profit carryforward from fiscal year 2016 in the amount of €210.00.

Notes to the Financial Statements of E.ON SE

Basis of Presentation

E.ON SE, Essen, is registered at Essen District Court under number HRB 28196.

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code ("HGB") 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").

E.ON SE is a large corporation as defined in Section 267 (3) 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. In order to highlight the character of E.ON SE as a holding company, derogations from the classification scheme pursuant to Section 275 (2) HGB have been made in that the combined items of income from equity investments and interest income have been placed ahead of the remaining items.

The annual financial statements are prepared in euro (€) and amounts are stated in millions of euro. Rounded-off amounts of less than €0.1 million will be stated at €0.0 million and zero values at €– million.

Accounting and Disclosure Policies

Intangible assets acquired against payment recognized within non-current assets and property, plant and equipment are recognized at acquisition or production cost, less scheduled depreciation. Unless otherwise specified, the useful lives applied correspond to the average useful lives. 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, of the Introductory Act to the German Commercial Code (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

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

Depreciable assets with costs of up to €250 (up to €150 in the previous year) are expensed in full in the year of acquisition. A collective item is formed for asset additions if the acquisition costs for the individual asset amount to more than €250 (previous year: more than €150) and up to €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.

Impairments are recognized in the event of anticipated long-term technical or economic impairment. Impairments are reversed if the reasons for the impairments no longer apply.

Shares in affiliated companies, equity interests and non-current securities are generally recognized 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. If the carrying amount of financial assets measured in accordance with these principles exceeds their fair value at the balance sheet date, impairments are recognized if the impairment is expected to be permanent. If the reason for the impairment no longer applies, the impairment is reversed.

Receivables and other assets are stated at their nominal values less appropriate valuation allowances (fair value). All identifiable individual risks are taken into account. Current securities are recognized at cost or at the lower of their market price or redemption value.

Occupational retirement benefit obligations toward employees and semiretirement pension credits and long-term working-time accounts are covered by corresponding funds invested in fund units and fixed-term deposits or liquid funds. The fund units are administered in trust for E.ON SE by E.ON Pension Trust e.V., and the fixed-term deposits covering the semiretirement pension credits by Energie-Sicherungstreuhand e.V., Hanover, Germany. The assets concerned are designated exclusively for the fulfillment of pension obligations and are shielded from all other creditors.

In 2017, E.ON SE signed an additional Past Service Trust Agreement (CTA Past Service) with E.ON Pension Trust e.V. for the pension benefits previously covered by Versorgungskasse Energie VVaG i.L. (VKE), which was dissolved on December 30, 2017. At the beginning of 2018, the follow-on solution transferred E.ON SE's "receivables pledged to beneficiaries" against VKE to CTA Past Service and VKE paid the corresponding liquidity into E.ON Pension Trust e.V.'s trust account.

Guarantee fund assets are measured at fair value. Guarantee fund assets are divided into assets listed on an active market (approx. 77 percent) and assets not listed on an active market (approx. 23 percent). The fair value of guarantee fund assets that are listed on an active market was derived by the designated administration companies from market prices. For assets not listed on an active market, the values were derived using generally accepted valuation methods, such as the discounted cash flow method for property valuations, and industry-specific assumptions as of the balance sheet date. The respective administration company or the experts commissioned by it determine the valuation assumptions, such as interest rates.

The invested assets 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 as "Asset surplus after offsetting of benefit obligations" in a separate line on the balance sheet.

Payments totaling €0.1 million were made into the CTA in the reporting year.

Liquid funds are measured at fair value. Cash, current bank accounts and contingencies denominated in foreign currencies 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 (assets) or a higher valuation (liabilities). If hedged items are aggregated with hedges to form closed positions, the hedged rate is used for the valuation.

Amounts paid during the fiscal year for expenses incurred after the balance sheet date are recognized on the assets side as prepaid expenses. The option to capitalize loan discounts was exercised. 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 that are separated by currency and interest hedging instrument for each currency (macro-hedges). 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 on the balance sheet date.

The valuation of the portfolio is derived from the difference between market values and costs. According to accounting principles under the German Commercial Code (HGB), the negative valuation of a portfolio requires the establishment 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 hedges (micro-hedges). E.ON SE accounts for these hedges using the net hedge presentation method.

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 amount of the pension obligations is derived from the benefit entitlement earned as of the balance sheet date, taking into account future wage and salary growth rates and pension increase rates. Because of the application of Section 253 (2) HGB, pension obligations and obligations similar to pensions that are valued as pension components are discounted using the mid-market interest rate for the past ten years as published by the Deutsche Bundesbank, with an assumed residual term of 15 years.

Actuarial Assumptions

	2018	2017
Discount rate	3.21%	3.68%
Wage and salary growth rate	2.50%	2.50%
Pension increase rate	1.75%	1.75%

The 2018 G versions of the Klaus Heubeck biometric tables ("Richttafeln") are being used as a basis for the actuarial calculations to determine the provisions for the first time (the 2005 G versions were used in the prior year). This resulted in additional expense of €4.0 million during the fiscal year. The final age used for measurement purposes is 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 customary in the industry are also applied.

With effect from December 31, 2006, MEON Pensions GmbH & Co. KG, Grünwald, (MEON) entered into an agreement for the assumption of a collateral promise towards active employees and their beneficiaries, together with the assumption of benefit obligations towards the company (co-assumption of liability). 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 indemnity claim is measured in the same manner as the underlying benefit obligation.

The indemnity claim is openly netted against the pension provisions.

Provisions for taxes and other provisions take into account all identifiable and uncertain obligations. These provisions 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 indications are 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. Provisions with a term of more than 50 years are discounted for the first time at an interest rate derived from the Ultimate Forward Rates (UFR) concept of the European Insurance and Occupational Pensions Authority (EIOPA). In view of the sharp decline in average interest rates over the past several years, this change in measurement leads to a more accurate presentation of the net assets and results of operations of E.ON SE. As a result of this change in measurement, the provision as of December 31, 2018, was approximately €90 million lower.

Liabilities are recognized at their settlement amount on the balance sheet date. Pension obligations are recognized at present value using a mid-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.

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 (asset overhang), 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 2018 is a deferred tax asset, which is not included on the balance sheet.

Notes on the Balance Sheet

(1) Intangible Assets and Property, Plant and Equipment

The intangible assets recognized in the reporting year relate to software licenses and rights of use acquired for consideration.

Property, plant and equipment declined by €1.2 million from the previous year. Additions of €1.1 million were offset by disposals at carrying amounts of €1.6 million. The reported disposals relate primarily to land and buildings. Scheduled depreciation of property, plant and equipment amounted to €0.7 million in the fiscal year.

(2) Shares in Affiliated Companies

Additions to shares in affiliated companies totaled €129.0 million and disposals with a carrying amount of €3,480.3 million were recorded in the reporting year. Additions to investments in affiliated companies mainly relate to the acquisition of €94.8 million of limited partnership interests in MEON Pensions GmbH & Co. KG and €30.0 million paid into the reserves account of E.ON Finanzholding SE & Co. KG. The distribution from the net income available for distribution of E.ON Beteiligungen GmbH led to a partial disposal of the carrying amount of €3,480.3 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, 2018, is included as part of these Notes on pages 120 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 break down as follows:

Other Financial Assets

€ in millions	2018	2017
Loans to affiliated companies	1,188.6	1,954.4
Investments	8.9	8.9
Other loans	0.1	0.1
Total	**1,197.6**	**1,963.4**

The change in loans to affiliated companies is due to the maturity and repayment of loans.

(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, 2018	Additions	Disposals	December 31, 2018
Concessions acquired for consideration, commercial proprietary rights and similar rights	0.2	–	–	0.2
Intangible assets	**0.2**	**–**	**–**	**0.2**
Real estate, leasehold rights and buildings, including buildings on land owned by third parties	8.7	–	1.6	7.1
Technical equipment, plant and machinery	–	–	–	–
Other plant, fixtures, furniture and office equipment	13.6	0.5	0.2	13.9
Prepayments and construction investments	–	0.6	–	0.6
Property, plant and equipment	**22.3**	**1.1**	**1.8**	**21.6**
Shares in affiliated companies	38,356.0	129.0	3,480.3	35,004.7
Long-term loans to affiliated companies	1,954.4	0.4	766.2	1,188.6
Equity investments	8.9	–	–	8.9
Other long-term loans	0.2	–	0.1	0.1
Financial assets	**40,319.5**	**129.4**	**4,246.6**	**36,202.3**
Fixed assets	**40,342.0**	**130.5**	**4,248.4**	**36,224.1**

(5) Receivables from Affiliated Companies

Receivables from affiliated companies primarily relate to receivables from intragroup financing of €7,429.1 million (2017: €7,455.7 million). This item includes liabilities from profit and loss pooling agreements totaling €1,804.7 million. The item trade receivables totals €6.9 million (2017: €10.6 million) and other receivables totals €35.7 million (2017: €230.9 million).

As in the previous year, all of the receivables have a residual term of up to one year.

(6) Other Receivables

The other receivables item comprises trade receivables and other assets. The item breaks down as follows:

Other Receivables

€ in millions	2018	2017
Trade receivables	–	2.2
Other assets	639.3	333.7
Total	**639.3**	**335.9**

Other assets mainly relates to corporate income tax plus solidarity surcharge refunds for 2018 of €172.8 million and tax refund and interest claims for prior years of €309.5 million. The increase in tax receivables totaling €269.2 million is mainly attributable to refund claims for assessment year 2018.

The other assets have a residual term of up to one year.

Write-downs				Book values	
January 1, 2018	Additions	Disposals	December 31, 2018	December 31, 2018	December 31, 2017
0.1	–	–	0.1	0.1	0.1
0.1	**–**	**–**	**0.1**	**0.1**	**0.1**
1.1	–	–	1.1	6.0	7.6
–	–	–	–	–	–
9.7	0.7	0.2	10.2	3.7	3.9
–	–	–	–	0.6	–
10.8	**0.7**	**0.2**	**11.3**	**10.3**	**11.5**
2,961.2	–	–	2,961.2	32,043.5	35,394.8
–	–	–	–	1,188.6	1,954.4
–	–	–	–	8.9	8.9
0.1	–	0.1	0.0	0.1	0.1
2,961.3	**–**	**0.1**	**2,961.2**	**33,241.1**	**37,358.2**
2,972.2	**0.7**	**0.3**	**2,972.6**	**33,251.5**	**37,369.8**

(7) Securities

Reported under securities are exclusively other securities. The increase is primarily attributable to the purchase of money market funds.

Units in an equity and bond fund presented here in the previous year were sold during the fiscal year. The gain on disposal of €6.6 million is reported under other operating income.

(8) Liquid Funds

Liquid funds of €3,041.0 million reported as of the balance sheet date consist mainly of cash at banks. Liquid funds in the amount of €580.5 million are restricted.

(9) Accrued Expenses

This item includes discounts on bonds and various loans granted by E.ON International Finance B.V. (€19.2 million; 2017: €22.7 million) and €8.4 million from the accrual of prepaid commitment fees and other expenses (2017: €13.7 million).

(10) Asset Surplus after Offsetting of Benefit Obligations

The offsetting of the guarantee fund assets against the corresponding pension obligations and the settlement backlog arising from semi-retirement arrangements covered by these assets has produced a surplus, which breaks down as follows:

Asset Surplus after Offsetting of Benefit Obligations

€ in millions	December 31, 2018	2017
Benefit obligations[1]		
Settlement amount	*2.3*	*2.3*
Fair value of guarantee fund assets		
Fund units	*2.7*	*–*
Receivables pledged to beneficiaries	*–*	*2.8*
Net value	**0.4**	**0.5**
Fulfilment arrears from partial retirement agreements		
Settlement amount	*–*	*0.3*
Fair value of guarantee fund assets		
Fixed-term deposits or liquid funds	*–*	*0.3*
Net value	**–**	**0.0**
Total	**0.4**	**0.5**

[1]Benefit obligations secured by the Past Service Trust Agreement (previous year: benefit obligations secured at VKE by receivables pledged to beneficiaries).

The acquisition costs of the guarantee fund assets from the Past Service Trust Agreement amounted to €2.9 million in the fiscal year (2017: pension obligations secured at VKE by receivables pledged to beneficiaries amounting to €2.8 million).

(11) Capital Stock

The capital stock is now subdivided into 2,201,099,000 registered ordinary shares with no-par-value ("no-par-value shares") and amounts to €2,201,099,000. By shareholder resolution adopted at the Annual Shareholders Meeting of May 10, 2017, the Management Board was authorized, subject to the Supervisory Board's approval, to increase the Company's capital stock by May 9, 2022, 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). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

By the resolution that took effect on March 12, 2018, the Management Board resolved, with the approval of the Supervisory Board, to make almost full use of the Authorized Capital 2017 resolved by the Annual Shareholders Meeting of May 10, 2017, and to increase the share capital of E.ON SE, excluding shareholder subscription rights, in accordance with Sections 203 (2) and 186 (3) of the German Stock Corporation Act (AktG), from €2,201,099,000 by €440,219,800 to €2,641,318,800 through the issue of 440,219,800 new registered shares with no-par value, against contributions in kind.

Only RWE Downstream Beteiligungs GmbH, with its registered office in Essen and registered in the commercial register of Essen District Court under number HRB 26911, was permitted to subscribe for and acquire the new shares. RWE Downstream Beteiligungs GmbH is a wholly-owned subsidiary of RWE AG. The object of the contribution in kind is the contribution of a total of 100,714,051 no-par-value bearer shares (shares without par value) in innogy SE, Essen, registered in the Commercial Register of Essen District Court under number HRB 27091, with a pro rata amount of the share capital of €2.00 each by way of transfer of ownership by RWE Downstream Beteiligungs GmbH to E.ON SE. Application has not yet been made for registration of the capital increase and its entry in the commercial register. Application will be made after the occurrence of certain conditions precedent, such as the necessary antitrust approvals of the entire transaction. The capital increase and the issue of the new shares will only become effective upon implementation of the capital increase and its entry in the commercial register of E.ON SE. With the approval of the Supervisory Board, the Management Board has made use of the option granted to it by the Annual Shareholders Meeting to exclude subscription rights in the case of capital increases against contributions in kind.

Pursuant to a resolution by the Annual Shareholders Meeting of May 10, 2017, the Company is authorized to purchase own shares until May 9, 2022. 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 2018 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 33,949,567 E.ON treasury shares existing as of January 1, 2018, 7,572,944 shares originated from the share buyback program implemented in 2001 and 2002, and 24,339,280 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. 2,001,463 shares stem from the intragroup purchase of E.ON Sechzehnte Verwaltungs GmbH in 2016.

No additional E.ON shares were purchased and no E.ON shares were used for any other programs in fiscal year 2018.

As of the balance sheet date, the Company continued to hold a total of 33,949,567 treasury shares. This corresponds to 1.54 percent or a computed share of €33,949,567 of the capital stock. This computed share of the capital stock is subtracted openly from the issued capital in the previous column.

At the Annual Shareholders Meeting of May 10, 2017, 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 9, 2022.

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. The conditional capital has not been used.

Information on Stockholders of E.ON SE

The following notices pursuant to Section 33 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received:

Information on Stockholders of E.ON SE

Reporting entity	Date of notice	Threshold exceeded	Over or under threshold	Gained voting rights on	Allocation	Voting rights: Percentages	Voting rights: Absolute
Ministry of Finance for the State of Norway, Oslo, Norway[1]	Feb. 9, 2018	3.0%	Under	Feb. 8, 2018	Indirect	2.96	65,045,991
Amundi S.A., Paris, France[2]	May 2, 2018	3.0%	Under	Apr. 27, 2018	Indirect	2.93	64,505,533
BlackRock Inc., Wilmington, USA	Aug. 2, 2018	5.0%	Over	July 30, 2018	Indirect	6.50	143,099,216
Canada Pension Plan Investment Board, Toronto, Canada	Oct. 4, 2018	3.0%	Over	Sep. 27, 2018	Direct/Indirect	3.13	68,831,843
Capital Income Builder, Wilmington, USA	Nov. 13, 2018	3.0%	Over	Nov. 8, 2018	Direct	3.04	66,805,993
The Capital Group Companies, Inc., Los Angeles, USA	Jan. 31, 2019	5.0%	Over	Jan. 28, 2019	Indirect	5.01	110,324,229

[1]Threshold of 3.0 percent exceeded on February 7, 2018.
[2]Threshold of 3.0 percent exceeded on April 24, 2018.

(12) Additional Paid-in Capital

The additional paid-in capital remains unchanged at €3,657.1 million.

(13) Retained Earnings

Retained earnings developed as follows:

Retained Earnings

€ in millions	As of Jan. 1, 2018	Addition	As of Dec. 31, 2018
Legal reserves	45.3	–	45.3
Other retained earnings	1,838.9	670.2	2,509.1
Total	**1,884.2**	**670.2**	**2,554.4**

In the reporting year, €670.2 million from the 2017 net income available for distribution in accordance with the resolution of the Annual Shareholders Meeting on May 9, 2018, was allocated to other retained earnings. In the prior year, €1,320.0 million from the net income for the year of €2,640.3 million was allocated to other retained earnings.

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., registered in Essen, Germany. In accordance with Section 253 (1) HGB, they are measured at fair value. At the balance sheet date, this amounted to €256.0 million and, taking into account deferred tax liabilities of €0.3 million, exceeded the acquisition cost of €245.2 million by €10.5 million. The difference consists of €10.7 million in increases in value and €0.2 million in impairments. Taking into account deferred tax assets, also in the amount of €0.3 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 €11.0 million.

The amount of the difference between the recognition of provisions for pension obligations based on the corresponding average market interest rate for the past ten fiscal years (3.21 percent p.a.) and the recognition of these provisions based on the corresponding average market interest rate for the past seven fiscal years (2.32 percent p.a.) amounted to €98.0 million as of December 31, 2018, for E.ON SE.

The dividend-restricted amounts totaling €109.0 million mentioned above are fully covered by a sufficient amount of available reserves.

Accordingly, there is no restriction preventing payment in 2019 of the proposed dividend distribution, which is projected to be in the amount of €931.9 million.

(14) Net Income Available for Distribution

Net income available for distribution from the prior year includes profit carried forward of €210.00 from the 2016 fiscal year.

(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	2018 Total	2017 Total
January 1	2,167.2	3,657.1	1,884.2	1,320.3	9,028.8	5,384.8
Dividend of E.ON SE for the previous year	–	–	–	-650.1	-650.1	-452.0
Capital increase	–	–	–	–	–	1,348.6
Withdrawal from retained earnings	–	–	670.2	-670.2	–	–
Transfers from net income to retained earnings	–	–	–	–	–	1,320.0
Change in treasury shares	–	–	–	–	–	107.1
Net income available for distribution	–	–	–	1,053.0	1,053.0	1,320.3
As of December 31	**2,167.2**	**3,657.1**	**2,554.4**	**1,053.0**	**9,431.7**	**9,028.8**

(16) Provisions for Pensions

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

The reported pension obligations, as well as the provisions for electricity allowances, are offset on the balance sheet against the right of recourse against MEON Pensions GmbH & Co. KG, Grünwald, Germany, in the amount of €313.2 million.

Pension Reserves[1]

€ in millions	December 31, 2018	December 31, 2017
Settlement amount[1]	620.0	572.7
Fair value of guarantee fund assets *Fund units*	*253.3*	*260.4*
Total	**366.7**	**312.3**

[1]Pension obligations not hedged by the Past Service trust agreement (2017: pension obligations not hedged with VKE through receivables pledged to beneficiaries).

Acquisition costs of the guarantee fund assets totaled €242.3 million in the reporting year (2017: €243.2 million). Guarantee fund assets are measured at fair value.

Please see Note 13 for more information on the difference in accordance with Section 253 (6), sentence 3 HGB.

(17) Provisions for Taxes

Tax provisions mainly relate to taxes for previous years; they also include a provision of €10.2 million for trade tax in 2018.

(18) Other Provisions

Other provisions break down as follows:

Other Provisions

€ in millions	December 31, 2018	December 31, 2017
Tax-related interest	297.7	320.5
Environmental remediation obligations	230.0	518.7
Other personnel reserves	93.4	114.7
Various other reserves	91.0	95.8
Total	**712.1**	**1,049.7**

The provision for environmental improvement and remediation obligations relates to possible remediation measures arising from the operation of abandoned mines of predecessor companies. Due to the acquisition of additional knowledge on the development of costs and experience in mine shaft rehabilitation, the calculation was adjusted during the fiscal year, including with regard to the timing of the obligations. In addition, the EIOPA concept was chosen for the first time as the method for determining interest rates for maturities of over 50 years. As a result, the provision decreased by €288.7 million overall.

(19) Liabilities
The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2018				December 31, 2017		
		With a remaining term of				With a remaining term of	
	Total	≤ 1 year	> 1 year	> 5 years	Total	≤ 1 year	> 1 year
Bonds	2,000.0	–	750.0	1,250.0	2,000.0	–	2,000.0
Banks	275.1	275.1	–	–	665.4	615.4	50.0
Accounts payable	16.6	16.6	–	–	14.0	14.0	–
Affiliated companies	32,455.6	22,834.3	5,872.5	3,748.8	34,349.6	23,655.8	10,693.8
Companies in which an interest is held	–	–	–	–	5.4	5.4	–
Other liabilities	62.9	62.9	–	–	285.7	285.7	–
Taxes	*60.8*	*60.8*	–	–	*284.0*	*284.0*	–
Social security	–	–	–	–	*0.3*	*0.3*	–
Total	**34,810.2**	**23,188.9**	**6,622.5**	**4,998.8**	**37,320.1**	**24,576.3**	**12,743.8**

Liabilities to affiliated companies relate to intragroup financing (€32,104.2 million; 2017: €33,950.3 million), trade payables (€104.0 million; 2017: €189.4 million) and other liabilities (€247.4 million; 2017: €209.8 million). Liabilities from intragroup financing contains receivables from profit transfer amounting to €724.9 million (2017: €5,532.2 million); other liabilities includes liabilities from loss transfers amounting to €78.2 million (2017: €56.2 million).

Income from profit transfers and expenses from profit and loss pooling agreements are explained in Note 20.

Liabilities to affiliated companies primarily relate to liabilities to E.ON Energie AG (€7,269.2 million; 2017: €6,726.4 million), to E.ON Finanzholding SE & Co. KG (€5,930.0 million; 2017: €5,939.8 million), E.ON International Finance B.V. (€4,637 million; 2017: €5,956.2 million), and E.ON Beteiligungen GmbH in the amount of €2,673.8 million (2017: €3,990.0 million).

The change in liabilities is primarily due to the payment of liabilities to banks and the reduction in liabilities to affiliated companies, which was primarily influenced by the distribution from net income available for distribution of E.ON Beteiligungen GmbH.

Contingencies and Other Financial Obligations
Contingent liabilities consist of the following:

Contingencies

€ in millions	December 31, 2018	2017
Contingent liabilities arising from abstract guarantees	18,893.5	18,836.1
Toward affiliated companies	*3,505.4*	*1,590.7*
Contingent liabilities arising from guarantees bound to a principal obligation (*Bürgschaften*)	119.5	333.8
Toward affiliated companies	–	–
Total	**19,013.0**	**19,169.9**

Of the contingent liabilities arising from abstract guarantees, an amount of €7,865.0 million relates to repayment guarantees made to holders of bonds issued by E.ON International Finance B.V. Bond liabilities of €1,663.6 million were repaid in the course of 2018. Furthermore, E.ON SE has provided guarantees in connection with the disposal of activities of the E.ON Group. Of these, €780.2 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 €1,755.4 million arising from the implementation of the CTA and a guarantee to secure the acquisition financing in the amount of €1,750.0 million in connection with the voluntary public takeover offer submitted to the shareholders of innogy SE.

In addition, there are liabilities as of December 31, 2018, from guarantees bound to a principal obligation under German law; these essentially consist of contractual obligations.

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 normally 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 €956.9 million for former Group companies, which, for the most part, will expire in the short to medium term or be repaid or assumed by the companies of the Uniper Group.

Up to the time the annual financial statements are prepared, the knowledge gained from the assessment of the risks is included in the assessment 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.

In connection with the framework agreement concluded on March 12, 2018, with RWE AG, certain activities will in future be transferred from E.ON to RWE. E.ON SE has entered into compensation agreements with the affiliated companies holding the interests in the divested activities to compensate for the disposal of these assets. The expected payment obligations for E.ON SE resulting from these agreements are based on expert opinions concerning the respective activities. The actual payments to affiliated companies due after completion of the transaction with RWE are subject to possible valuation adjustments that may result from the final valuation of the assets transferred to RWE.

The entire transaction will be completed in multiple steps and is subject to the usual antitrust approvals. For more information, please refer to the presentation in the Combined Management Report.

Other financial obligations amounted to €3.8 billion as of December 31, 2018. Of this amount, €3.7 billion relates to obligations toward affiliated companies (2017: €254.8 million).

Derivative Financial Instruments

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.

Derivative Financial Instruments

€ in millions Instrument	December 31, 2018 Nominal volume	December 31, 2018 Fair value (market value)	December 31, 2017 Nominal volume	December 31, 2017 Fair value (market value)
Forward transactions with banks	14,967.0	-5.0	12,778.5	71.5
Forward transactions with affiliated companies	8,204.5	21.3	8,071.4	-61.6
Interest rate swaps with banks	4,492.6	-845.4	4,530.0	-834.3
Interest rate swaps with affiliated companies	1,122.6	78.8	1,160.0	89.0
Cross-currency and interest rate/cross-currency swaps with banks	5,554.3	-132.3	6,383.3	-91.9
Cross-currency and interest rate/cross-currency swaps with affiliated companies	2,413.9	-997.3	2,457.2	-907.8
Total	**36,754.9**	**-1,879.9**	**35,380.4**	**-1,735.1**

Foreign Exchange Risk

Cross-currency swaps and interest rate/cross-currency swaps with a total nominal value of €3,140.5 million were entered into to hedge Group loans in foreign currencies that were granted by E.ON International Finance B.V., Amsterdam, the Netherlands. For each of its micro-hedges, E.ON protects itself against the risk of variable cash flows arising from changes in exchange rates. As of December 31, 2018, Group loans with a maximum term of 19 years were recognized in corresponding valuation units. As part of the share transfer in connection with the framework agreement with RWE AG, mentioned above, E.ON SE also hedges against the risk of a highly probable future payment in foreign currency. As of December 31, 2018, currency swaps with a term of less than one year and a nominal volume of €2,742.6 million are included in this valuation unit. 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 6 years. The total nominal volume of all currency-specific portfolios was €25,526.1 million as of December 31, 2018 (of which €25,256.7 million related to open transactions, €50.4 million to assets and €219.0 million to liabilities). The foreign-currency portfolio of E.ON SE is nearly 100% hedged. As of the reporting date, the cumulative surplus on losses in currency hedging transactions was recognized in the form of a €0.2 million provision (2017: €1.7 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-hedges. The maximum term of the transactions is 10 years. Underlying and hedging transactions are valued for this purpose based on the underlying discounted cash flows. The total nominal volume was €3,615.2 million as of December 31, 2018 (all of which related to open transactions). The interest rate from existing risk positions and bonds to be issued in the future was hedged by means of interest rate swaps with a total nominal volume of €2,000 million within the framework of micro-hedges. The corresponding expected borrowings relate, after the borrowings carried out in 2017, to the years after 2021, for terms of a maximum of 28 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 €3,545.2 million. Of this total, €2,617.7 million is attributable to foreign exchange risk and €927.5 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	2018	2017
Income from companies in which equity investments are held	2,328.5	–
From affiliated companies	*2,328.5*	–
Income from profit and loss pooling agreements	725.8	5,532.2
Expense from the assumption of losses	-1,883.0	-855.8
Total	**1,171.3**	**4,676.4**

Income from investments is primarily derived from a distribution received during the same period from the net income available for distribution of E.ON Beteiligungen GmbH, which resulted from the release of capital reserves. This investment income of €2,320.2 million is exceptionally large for fiscal year 2018. For the effects on the carrying amount of the investment, see Note 2.

Income from profit transfers is also primarily derived from the earnings of E.ON Beteiligungen GmbH in the amount of €724.9 million. The significant year-on-year decline is attributable to the refund of the nuclear-fuel-element tax in the profit transfer agreement of E.ON Energie AG in 2017 and the reversal of the impairment charge on the Uniper shareholding held by E.ON Beteiligungen GmbH.

Losses from profit and loss pooling recognized in 2018 primarily relate to E.ON Finanzanlagen GmbH (€1,017.2 million) and E.ON US Holding GmbH (€787.0 million). The profit and loss pooling for both companies is mainly due to the likely permanent impairment of the investments in affiliated companies. The profit and loss pooling is exceptionally large.

(21) Interest Income (Net)

Net interest income breaks down as follows:

Interest Income (Net)

€ in millions	2018	2017
Income from other securities and long-term loans included in financial assets	74.0	108.3
From affiliated companies	*74.0*	*106.9*
Other interest and similar income	292.7	486.0
From affiliated companies	*73.6*	*64.1*
Interest and similar expenses	-506.2	-1,961.8
Paid to affiliated companies	*-217.5*	*-1,330.1*
Accretion of discounted provisions	*-68.0*	*-135.7*
Total	**-139.5**	**-1,367.5**

Other interest and similar income includes negative interest in the amount of €10.1 million.

The expense from the accretion of provisions consists mainly of the net expense of €67.1 million (prior year: €37.2 million) arising from the unwinding of discounts (including effects of changes in interest rates) on provisions for pensions (€63.9 million; prior year: €49.5 million) and expenses from the corresponding guarantee fund assets (€3.2 million; prior year: €12.3 million).

The main reason for the decrease in interest and similar expenses is the transfer of euro-denominated loans with debt discharge to E.ON Finanzholding SE & Co. KG and the resulting expense of €753.7 million from market value adjustment in the previous year. As in the previous year, the item includes negative interest expenses due to the cash pooling agreement between E.ON SE and its subsidiaries in the amount of €99.1 million (prior year: €109.4 million).

(22) Revenues

Revenues mainly comprise income from the provision of intragroup marketing services (€17.0 million; 2017: €8.2 million), income from the provision of IT services (€8.6 million; 2017: €– million), income from the passthrough of personnel expenses for employees seconded within the Group (€6.1 million; 2017: €13.4 million) and rental income (€4.6 million; 2017: €7.3 million).

(23) Other Operating Income

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

Other Operating Income

€ in millions	2018	2017
Exchange-rate differences	1,640.6	1,593.1
Cross-currency interest-rate swaps and currency options	386.9	427.6
Reversal of provisions	283.9	292.4
Miscellaneous	115.2	82.3
Total	**2,426.6**	**2,395.4**

Of the income from exchange rate differences reported, €805.8 million originated from relationships with affiliated companies and €834.8 million from external relationships.

Income from the reversal of provisions represents income unrelated to the accounting period and mainly relates to the adjustment of the calculation of the provision for environmental improvement and remediation obligations in the amount of €270.9 million and is exceptionally large.

(24) Cost of Materials

The cost of materials of €28.3 million (2017: €14.8 million) relates exclusively to expenses for purchased services and is directly related to the income recorded under revenues.

(25) Personnel Expenses

The following table shows the structure of personnel expenses:

Personnel Expenses

€ in millions	2018	2017
Wages and salaries	115.9	152.5
Social security contributions, pension costs and other employee benefits	22.2	10.4
For pensions	*12.6*	*0.5*
Total	**138.1**	**162.9**

Personnel expenses of €138.1 million were €24.8 million lower than in the previous year. The year-on-year decline resulted primarily from lower expenses from allocations to provisions for share-based payments (€9.2 million; 2017: €28.6 million) and lower personnel and bonus expenses due to the lower headcount (€83.2 million; 2017: €100.8 million). This was offset by higher pension expenses of €12.6 million (2017: €0.5 million). Personnel expenses do not include amounts resulting from the accumulation of interest on personnel provisions, in particular pension provisions and the effects of interest rate changes. Both effects are recognized in net interest income.

(26) Other Operating Expenses

Other operating expenses break down as follows:

Other Operating Expenses

€ in millions	2018	2017
Exchange rate differences	1,746.3	1,626.8
Cross-currency/Interest rate swaps and currency option premiums	428.1	428.3
Professional fees	93.4	156.6
Miscellaneous expenses	258.6	555.9
Total	**2,526.4**	**2,767.6**

Of the expenses from exchange rate differences reported, €1,139.9 million originated from relationships with affiliated companies and €606.4 million from external relationships.

The decline in other expenses is attributable in particular to the allocation of €94.1 million to the provision for environmental improvement and remediation obligations recognized under this item in the previous year as well as lower overhead costs resulting from the Phoenix restructuring program in the previous year, among other factors.

(27) Income Taxes

The net tax income reported for the 2018 fiscal year relates both to the current year and previous years.

For 2018, application of the minimum tax rate will result in corporation tax of €14.0 million plus a solidarity surcharge of €0.8 million and trade tax of €10.2 million. Tax income for prior years amounts to €273.0 million.

Deferred taxes are not included in tax expenses. Overall, as of December 31, 2018, 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 primarily result from valuation differences in property, plant and equipment. 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 2018 fiscal year by E.ON SE was 755 (2017: 872). This average does not include the five members of the Management Board. The employees are divided into Corporate Headquarters (599 employees), E.ON SE Customer Solutions (102 employees), E.ON Deutschland (36 employees) and E.ON Deutschland Heat (18 employees).

Fees and Services of the Independent Auditor

During 2018, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") GmbH, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses.

Auditor Fees

€ in millions	2018	2017
Audit services	20	19
Germany	*15*	*14*
Attestation services	3	4
Germany	*2*	*3*
Tax consulting services	0	1
Germany	0	*0*
Other services	1	1
Germany	*1*	*1*
Total	**24**	**25**
Germany	*18*	*18*

In addition to the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates, the auditor's fees also include fees for auditing reviews of the IFRS interim financial statements and other tests directly required by the audit. The fees for other auditing services include all attestation services that are not auditing services and are not used in connection with the audit. In 2018, these costs are for the legally required attestation services (e.g. as a result of the Renewable Energy Act and the KWKG) and the other half of the costs will be for other voluntary attestation services (in connection with new IT systems).

Fees for other services consist primarily of technical support in connection with the implementation of new requirements in the areas of IT and accounting.

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

On December 18, 2018, 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.

Transactions with Related Parties

Material transactions between E.ON SE and related parties are conducted exclusively at arm's length.

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

In the 2018 fiscal year, E.ON SE did business with affiliated and associated companies. Contracts with such entities resulted in expenses totaling €202.1 million and income totaling €107.6 million. They primarily relate to IT services (expenses: €136.1 million), property (expenses: €12.1 million; income: €4.3 million), provision of external personnel (expenses: €10.5 million) and other consulting and service agreements (expenses: €43.4 million; income €103.3 million).

Corporate financing activities resulted in expenses of €1,334.6 million, income of €993.7 million, interest expense of €217.5 million and interest income of €147.6 million.

Disclosures on the Boards

Board Compensation

Supervisory Board

The total compensation for 2018 of the members of the Supervisory Board amounts to €4.1 million (2017: €4.5 million).

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

As in 2017, there were no loans to members of the Supervisory Board in the 2018 fiscal year.

The members of the Supervisory Board, along with additional directorships held, are listed on pages 116 et seq.

Management Board

Total compensation of the Management Board amounts to €15.9 million (2017: €14.0 million, based on the total compensation of the Management Board reported in the 2017 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	
€	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	1,240,000	1,240,000	2,494,800	2,296,350	41,365	40,845	1,732,500	1,732,500	5,508,665	5,309,695
Dr.-Ing. Leonhard Birnbaum	800,000	800,000	1,452,000	1,336,500	27,212	27,117	1,008,333	1,008,333	3,287,545	3,171,950
Dr. Thomas König[2] (since June 1, 2018)	408,333	–	693,000	–	25,776	–	481,250	–	1,608,359	–
Dr. Marc Spieker	700,000	700,000	1,188,000	1,093,500	43,456	35,695	825,000	825,000	2,756,456	2,654,195
Dr. Karsten Wildberger	700,000	700,000	1,188,000	1,093,500	67,442	67,346	825,000	825,000	2,780,442	2,685,846
Total	**3,848,333**	**3,440,000**	**7,015,800**	**5,819,850**	**205,251**	**171,003**	**4,872,083**	**4,390,833**	**15,941,467**	**13,821,686**

[1]The fair value for the share-based compensation from the first tranche of the E.ON Performance Plan totaled €6.41 per virtual E.ON share.
[2]Pro rata actual bonus due to joining the Management Board during the year.

The members of the Management Board of E.ON SE were granted second-tranche virtual shares under the E.ON Performance Plan in 2018 (2017: first tranche of the E.ON Performance Plan) as follows: Dr. Teyssen received 270,281 shares valued at €1,732,500 (2017: €1,732,500/296,661 shares); Dr.-Ing. Birnbaum received 157,307 shares valued at €1,008,333 (2017: €1,008,333/172,660 shares); Dr. König received 75,078 shares valued at €481,250 (2017: €–/– shares), Dr. Spieker received 128,706 shares valued at €825,000 (2017: €825,000/141,268 shares), and Dr. Wildberger received 128,706 shares valued at €825,000 (2017: €825,000/141,268 shares).

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 2017, there were no loans to members of the Management Board in the 2018 fiscal year.

The total compensation paid to former members of the Management Board and to their beneficiaries amounted to €12.5 million (2017: €12.4 million).

A provision of €137.2 million (2017: €133.9 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 118.

Supervisory Board (and Information on Other Directorships)

Dr. Karl-Ludwig Kley
Chairman of the E.ON SE Supervisory Board
→ BMW AG
→ Deutsche Lufthansa AG (Chairman)
→ Verizon Communications Inc. (until May 3, 2018)

Prof. Dr. Ulrich Lehner (until May 9, 2018)
Deputy Chairman of the E.ON SE Supervisory Board (until May 9, 2018)
Member of the Shareholders' Committee of Henkel AG & Co. KGaA
→ Deutsche Telekom AG (Chairman)
→ ThyssenKrupp AG (Chairman, until July 31, 2018)
→ Porsche Automobil Holding SE
→ Henkel AG & Co. KGaA

Erich Clementi
Deputy Chairman of the E.ON SE Supervisory Board (since May 9, 2018)
Senior Vice President, Global Integrated Accounts and Chairman, IBM Europe

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

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

Klaus Fröhlich (since May 29, 2018)
Member of the Board of Management of Bayerische Motoren Werke AG
→ Here BV (until February 28, 2018)

Tibor Gila (until May 9, 2018)
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.

Carolina Dybeck Happe
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 IP AB (Chairperson)
→ ASSA ABLOY Kredit AB (Chairperson)
→ ASSA ABLOY Mobile Services AB (Chairperson)

Baroness Denise Kingsmill CBE (until May 9, 2018)
Attorney at the Supreme Court
Member of the House of Lords
→ Monzo Bank Ltd. (Chairperson, until May 30, 2018)
→ Inditex S.A.

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

Szilvia Pinczésné Márton (since May 9, 2018)
Chairperson of the Works Council of E.ON Dél-dunántúli Áramhálózati Zrt.

Andreas Schmitz
Attorney and bank clerk
→ HSBC Trinkaus & Burkhardt AG (Chairman)
→ Scheidt & Bachmann GmbH (Chairman)
→ Andersch AG (Chairman, since April 23, 2018)

Fred Schulz (until May 9, 2018, since May 29, 2018)
Chairman of the SE Works Council of E.ON SE
Deputy Chairman of the E.ON Group Works Council
Chairman of the General Works Council of E.DIS AG
Chairman of the Works Council of E.DIS Netz GmbH-Region East
→ E.DIS AG
→ Szczecińska Energetyka Cieplna Sp. z o.o.

Unless otherwise indicated, information is as of December 31, 2018, 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.

Silvia Šmátralová (until May 9, 2018)
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

Dr. Theo Siegert (until May 9, 2018)
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
Management Consultant
→ TEAG Thüringer Energie AG (Chairman, until June 20, 2018)
→ GASAG AG
→ Bayernwerk AG (since June 25, 2018)
→ GreenCom Networks AG
→ Deutsche Energie-Agentur GmbH (dena)
→ Energie Steiermark AG
→ TEN Thüringer Energienetze GmbH & Co. KG (until June 20, 2018)

Albert Zettl
Deputy Chairman of the SE Works Council of E.ON SE
Chairman of the E.ON Group Works Council
Chairman of the Division Works Council of Bayernwerk AG
Chairman of the Eastern Bavaria Works Council of Bayernwerk Netz GmbH
→ Bayernwerk AG
→ Versorgungskasse Energie VVaG i.L.

Supervisory Board Committees

Executive Committee
Dr. Karl-Ludwig Kley, Chairman
Andreas Scheidt, Deputy Chairman
Erich Clementi (since May 9, 2018)
Prof. Dr. Ulrich Lehner (until May 9, 2018)
Fred Schulz (until May 9, 2018, since May 29, 2018)

Audit and Risk Committee
Andreas Schmitz, Chairman since May 9, 2018
Dr. Theo Siegert, Chairman (until May 9, 2018)
Fred Schulz, Deputy Chairman
(until May 9, 2018, since May 29, 2018)
Caroline Dybeck Happe (since May 9, 2018)
Elisabeth Wallbaum (since January 1, 2018)

Investment and Innovation Committee
Dr. Karen de Segundo, Chairperson
Albert Zettl, Deputy Chairman
Clive Broutta
Carolina Dybeck Happe (until May 9, 2018)
Klaus Fröhlich (since May 29, 2018)
Eugen-Gheorghe Luha
Ewald Woste

Nomination Committee
Dr. Karl-Ludwig Kley, Chairman
Erich Clementi, Deputy Chairman (since May 9, 2018)
Prof. Dr. Ulrich Lehner, Deputy Chairman (until May 9, 2018)
Dr. Karen de Segundo

Unless otherwise indicated, information is as of December 31, 2018, 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, Political Affairs and Communications, Legal and Compliance, Corporate Audit
→ Deutsche Bank AG (until May 24, 2018)
→ Nord Stream AG

Dr.-Ing. Leonhard Birnbaum
Born in 1967 in Ludwigshafen, Germany
Member of the Management Board since 2013
innogy integration project, Renewables, Health/Safety and Environment, Sustainability, PreussenElektra
→ E.ON Czech Holding AG[1] (Chairman, until July 10 ,2018)
→ Georgsmarienhütte Holding GmbH
→ E.ON Sverige AB[2] (Chairman, until August 21, 2018)
→ E.ON Hungária Zrt.[2] (Chairman, until August 2, 2018)
→ E.ON Česká republika s.r.o.[2] (Chairman, until September 30, 2018)
→ E.ON Distribuce, a.s.[2] (Chairman, until August 31, 2018)

Dr. Thomas König
Born in 1965 in Finnentrop, Germany
Member of the Management Board since June 1, 2018
Regional Energy Networks, Procurement, Consulting
→ Avacon AG[1] (Chairman)
→ Bayernwerk AG[1] (Chairman)
→ E.DIS AG[1] (Chairman)
→ Hansewerk AG[1] (Chairman)
→ E.ON Dialog Netz GmbH[1] (Chairman, until October 31, 2018)
→ e.kundenservice Netz GmbH[1] (Chairman, until October 31, 2018)
→ GASAG AG (until September 28, 2018)
→ E.ON Sverige AB[2] (Chairman, since August 21, 2018)
→ E.ON Hungária Zrt.[2] (Chairman, since August 2, 2018)
→ E.ON Česká republika s.r.o.[2] (since October 1, 2018, Chairman since October 11, 2018)
→ E.ON Distribuce, a.s.[2] (Chairman, since September 11, 2018)

Dr. Marc Spieker
Born in 1975 in Essen, Germany
Member of the Management Board since 2017
Finance, Mergers and Acquisitions and Investment Management, Risk Management, Accounting and Controlling, Investor Relations, Tax
→ Uniper SE (until July 16, 2018)
→ E.ON Verwaltungs SE (since March 8, 2018)
→ Nord Stream AG

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

Unless otherwise indicated, information is as of December 31, 2018, 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 within the meaning of Section 100, Paragraph 2, Sentence 2 of the German Stock Corporation Act.
[2]Other E.ON Group directorship.

Dividend Proposal

The Management Board proposes to the Annual Shareholders Meeting that the €1,053,037,097.98 in net income available for distribution for the 2018 fiscal year be used as follows:

€	
Net income available for distribution as of December 31, 2018	1,053,037,097.98
Distribution of a dividend of €0.43 per share with dividend rights	931,874,256.19
Carryforward	**121,162,841.79**

The dividend proposal takes into account the dividend-paying shares at the time the annual financial statements were prepared on February 28, 2019.

Other Information

Disclosures pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

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	11.5	3.0
Amrum-Offshore West GmbH[1, 9]	DE, Düsseldorf	100.0	0.1	–
Anacacho Holdco, LLC[2]	US, Wilmington	100.0	133.0	-5.1
Anacacho Wind Farm, LLC[1]	US, Wilmington	100.0	122.2	-5.0
AV Packaging GmbH[1]	DE, Munich	0.0	17.4	-0.3
Avacon AG[1]	DE, Helmstedt	61.5	1,323.5	226.2
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	–
Avacon Netz GmbH[1, 9]	DE, Helmstedt	100.0	907.6	–
AWE-Arkona-Windpark Entwicklungs-GmbH[4]	DE, Hamburg	50.0	549.0	-0.7
Bayernwerk AG[1, 9]	DE, Regensburg	100.0	1,637.7	–
Bayernwerk Natur GmbH[1]	DE, Unterschleißheim	100.0	75.9	4.8
Bayernwerk Netz GmbH[1, 9]	DE, Regensburg	100.0	880.0	–
BMV Energie GmbH & Co. KG[6]	DE, Fürstenwalde/Spree	25.6	17.3	0.7
Bruenning's Breeze Wind Farm, LLC[1]	US, Wilmington	100.0	221.2	-0.0
Celle-Uelzen Netz GmbH[1, 9]	DE, Celle	97.5	77.5	–
Champion WF Holdco, LLC[1]	US, Wilmington	100.0	113.7	-3.4
Champion Wind Farm, LLC[1]	US, Wilmington	100.0	113.7	-3.4
Charge-ON GmbH[1]	DE, Essen	100.0	14.9	-5.1
Colbeck's Corner, LLC[1]	US, Wilmington	100.0	232.0	-10.7
DD Turkey Holdings S.à r.l.[1]	LU, Luxembourg	100.0	2,744.9	-0.1
Delgaz Grid S.A.[1]	RO, Târgu Mureş	56.5	842.8	44.1
DOTI Deutsche Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG[5]	DE, Oldenburg	26.3	141.0	4.8
Dutchdelta Finance S.à r.l.[1]	LU, Luxembourg	100.0	2,748.1	-0.4
E WIE EINFACH GmbH[1, 9]	DE, Cologne	100.0	50.0	–
E.DIS AG[1]	DE, Fürstenwalde/Spree	67.0	1,278.8	154.3
E.DIS Netz GmbH[1, 9]	DE, Fürstenwalde/Spree	100.0	817.0	–
e.discom Telekommunikation GmbH[2]	DE, Rostock	100.0	22.2	3.3
e.disnatur Erneuerbare Energien GmbH[1, 9]	DE, Potsdam	100.0	3.2	–
e.distherm Wärmedienstleistungen GmbH[1]	DE, Potsdam	100.0	31.0	1.4
e.kundenservice Netz GmbH[1]	DE, Hamburg	100.0	39.4	1.5
E.ON Asset Management GmbH & Co. EEA KG[1, 8]	DE, Grünwald	100.0	363.0	7.5
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 GmbH[1, 9]	DE, Hanover	100.0	557.2	–

[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. · [13]Founded in 2018.

Disclosures pursuant to Section 285 No. 11 HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Business Services Regensburg GmbH[1, 8, 9]	DE, Regensburg	100.0	0.6	–
E.ON Česká republika, s.r.o.[1]	CZ, České Budějovice	100.0	368.2	20.1
E.ON Climate & Renewables Canada Ltd.[1, 12]	CA, Saint John	100.0	64.7	1.5
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	444.5	28.1
E.ON Climate & Renewables North America, LLC[1]	US, Wilmington	100.0	443.6	94.9
E.ON Climate & Renewables Services GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON Climate & Renewables UK Biomass Limited[1]	GB, Coventry	100.0	11.8	11.0
E.ON Climate & Renewables UK Developments Limited[1]	GB, Coventry	100.0	37.2	22.2
E.ON Climate & Renewables UK Humber Wind Limited[1]	GB, Coventry	100.0	67.0	55.0
E.ON Climate & Renewables UK Limited[1]	GB, Coventry	100.0	46.0	113.6
E.ON Climate & Renewables UK London Array Limited[1]	GB, Coventry	100.0	73.6	26.5
E.ON Climate & Renewables UK Offshore Wind Limited[1]	GB, Coventry	100.0	43.3	5.3
E.ON Climate & Renewables UK Operations Limited[1]	GB, Coventry	100.0	25.8	4.8
E.ON Climate & Renewables UK Robin Rigg East Limited[1]	GB, Coventry	100.0	38.7	20.6
E.ON Climate & Renewables UK Robin Rigg West Limited[1]	GB, Coventry	100.0	48.2	21.7
E.ON Connecting Energies GmbH[1, 9]	DE, Essen	100.0	0.0	–
E.ON Connecting Energies Italia S.r.l.[1]	IT, Milan	100.0	38.4	-2.0
E.ON Connecting Energies Limited[1]	GB, Coventry	100.0	-17.6	-4.5
E.ON Control Solutions Limited[1]	GB, Coventry	100.0	16.5	0.3
E.ON Country Hub Germany GmbH[1, 8, 9]	DE, Berlin	100.0	0.5	–
E.ON Danmark A/S[1]	DK, Frederiksberg	100.0	12.3	-192.3
E.ON Dél-dunántúli Áramhálózati Zrt.[1]	HU, Pécs	100.0	105.8	18.5
E.ON Dél-dunántúli Gázhálózati Zrt.[1]	HU, Pécs	100.0	13.0	-1.0
E.ON Distribuce, a.s.[1]	CZ, České Budějovice	100.0	1,825.8	157.1
E.ON Drive Infrastructure GmbH[1, 8, 9, 13]	DE, Essen	100.0	0.0	–
E.ON edis Contracting GmbH[2, 9]	DE, Fürstenwalde/Spree	100.0	5.2	1.1
E.ON edis energia Sp. z o.o.[1]	PL, Warsaw	100.0	104.2	7.5
E.ON Elnät Stockholm AB[1]	SE, Malmö	100.0	18.0	0.0
E.ON Energia S.p.A.[1]	IT, Milan	100.0	128.9	-2.3
E.ON Energiakereskedelmi Kft.[1]	HU, Budapest	100.0	34.6	12.9
E.ON Energidistribution AB[1]	SE, Malmö	100.0	39.2	-2.0
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 Odnawialne Sp. z o.o.[1, 12]	PL, Szczecin	100.0	32.5	-25.4
E.ON Energie Real Estate Investment GmbH[2]	DE, Munich	100.0	21.2	0.7

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Energie România S.A.[1]	RO, Târgu Mureş	68.2	149.8	15.8
E.ON Energie, a.s.[1]	CZ, České Budějovice	100.0	261.7	70.2
E.ON Energihandel Nordic AB[1]	SE, Malmö	100.0	65.3	0.1
E.ON Energilösningar AB[1]	SE, Malmö	100.0	104.4	1.4
E.ON Energy Projects GmbH[1, 9]	DE, Munich	100.0	21.6	–
E.ON Energy Solutions GmbH[2, 9]	DE, Unterschleißheim	100.0	0.8	–
E.ON Energy Solutions Limited[1]	GB, Coventry	100.0	1,167.7	-132.3
E.ON Észak-dunántúli Áramhálózati Zrt.[1]	HU, Győr	100.0	181.1	30.0
E.ON Finanzanlagen GmbH[1, 8, 9]	DE, Düsseldorf	100.0	5,017.2	–
E.ON Finanzholding SE & Co. KG[1, 8, 11]	DE, Essen	100.0	0.1	–
E.ON Fünfundzwanzigste Verwaltungs GmbH[1, 8, 9]	DE, Düsseldorf	100.0	6,935.2	–
E.ON Gas Mobil GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON Gashandel Sverige AB[1]	SE, Malmö	100.0	16.1	1.6
E.ON Gaz Furnizare S.A.[1]	RO, Târgu Mureş	68.2	101.1	2.2
E.ON Gazdasági Szolgáltató Kft.[1]	HU, Győr	100.0	10.3	6.9
E.ON Gruga Geschäftsführungsgesellschaft mbH[1, 8, 9]	DE, Düsseldorf	100.0	92.1	–
E.ON Gruga Objektgesellschaft mbH & Co. KG[1, 8]	DE, Essen	100.0	207.7	-4.5
E.ON Human Resources International GmbH[1, 8, 9]	DE, Hanover	100.0	3.5	–
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság[1]	HU, Budapest	100.0	891.9	34.4
E.ON Iberia Holding GmbH[1, 8, 9]	DE, Düsseldorf	100.0	0.0	–
E.ON Inhouse Consulting GmbH[2, 9]	DE, Essen	100.0	1.0	–
E.ON Innovation Co-Investments Inc.[1, 12]	US, Wilmington	100.0	31.0	2.3
E.ON Insurance Services GmbH[2, 9]	DE, Essen	100.0	0.0	–
E.ON INTERNATIONAL FINANCE B.V.[1]	NL, Amsterdam	100.0	564.4	-4.0
E.ON Italia S.p.A.[1]	IT, Milan	100.0	547.4	-57.6
E.ON Közép-dunántúli Gázhálózati Zrt.[1]	HU, Nagykanizsa	99.9	40.5	3.5
E.ON Metering GmbH[2, 9]	DE, Munich	100.0	10.0	–
E.ON NA Capital LLC[1, 12]	US, Wilmington	100.0	1,713.3	17.7
E.ON Nord Sverige AB[1]	SE, Malmö	100.0	201.4	0.1
E.ON Nordic AB[1]	SE, Malmö	100.0	6,747.9	1.2
E.ON North America Finance, LLC[1, 12]	US, Wilmington	100.0	1,521.4	29.2
E.ON Power Plants Belgium BVBA[1]	BE, Mechelen	100.0	19.4	-0.9
E.ON Produzione S.p.A.[1]	IT, Milan	100.0	118.2	-65.4
E.ON RE Investments LLC[1, 12]	US, Wilmington	100.0	39.4	2.5
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	0.1	–
E.ON România S.R.L.[1]	RO, Târgu Mureş	100.0	430.3	113.3
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	–

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Service GmbH[2, 9]	DE, Essen	100.0	3.4	–
E.ON Servisní, s.r.o.[1]	CZ, České Budějovice	100.0	24.3	2.0
E.ON Slovensko, a.s.[1]	SK, Bratislava	100.0	396.4	15.9
E.ON Solutions GmbH[1, 8, 9]	DE, Essen	100.0	0.1	–
E.ON Sverige AB[1]	SE, Malmö	100.0	3,949.1	420.1
E.ON Tiszántúli Áramhálózati Zrt.[1]	HU, Debrecen	100.0	120.5	19.3
E.ON UK Energy Markets Limited[1]	GB, Coventry	100.0	30.4	8.0
E.ON UK Holding Company Limited[1]	GB, Coventry	100.0	2,100.9	261.2
E.ON UK plc[1]	GB, Coventry	100.0	3,092.8	740.3
E.ON US Corporation[1, 12]	US, Wilmington	100.0	3,042.1	-105.5
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	307.0	208.1
E.ON Wind Kårehamn AB[1]	SE, Malmö	100.0	35.4	-0.2
E.ON Wind Service GmbH[2, 9]	DE, Neubukow	100.0	2.2	–
E.ON Wind Sweden AB[1]	SE, Malmö	100.0	44.0	-2.0
E.ON Zweiundzwanzigste Verwaltungs GmbH[1, 8, 9]	DE, Düsseldorf	100.0	0.0	–
EBERnetz GmbH & Co. KG[6]	DE, Ebersberg	49.0	15.0	0.9
EBY Port 1 GmbH[1, 8, 9]	DE, Munich	100.0	92.5	–
EBY Port 3 GmbH[1]	DE, Regensburg	100.0	141.6	0.2
EC&R Asset Management, LLC[1]	US, Wilmington	100.0	-13.9	-4.6
EC&R Canada Ltd.[1, 12]	CA, Saint John	100.0	76.3	-0.0
EC&R Development, LLC[1]	US, Wilmington	100.0	25.3	14.5
EC&R Energy Marketing, LLC[1]	US, Wilmington	100.0	-48.5	-27.7
EC&R Investco Mgmt, LLC[1]	US, Wilmington	100.0	1,601.7	-31.0
EC&R Investco Mgmt II, LLC[1]	US, Wilmington	100.0	645.3	0.7
EC&R Magicat Holdco, LLC[1]	US, Wilmington	100.0	83.0	-15.4
EC&R NA Solar PV, LLC[1]	US, Wilmington	100.0	31.0	4.6
EC&R Panther Creek Wind Farm III, LLC[1]	US, Wilmington	100.0	139.8	28.9
EC&R Solar Development, LLC[1]	US, Wilmington	100.0	16.5	7.3
Economy Power Limited[1]	GB, Coventry	100.0	27.4	–
Elektrizitätswerk Schwandorf GmbH[2]	DE, Schwandorf	100.0	22.0	0.7
Elevate Wind Holdco, LLC[4]	US, Wilmington	50.0	210.3	2.9
Energetyka Cieplna Opolszczyzny S.A.[5]	PL, Opole	46.7	68.8	9.7
Energie und Wasser Potsdam GmbH[5]	DE, Potsdam	35.0	99.8	6.5
Energie Vorpommern GmbH[6]	DE, Trassenheide	49.0	15.7	2.1
Energieversorgung Alzenau GmbH (EVA)[6]	DE, Alzenau	69.5	11.9	0.8
Enerjisa Enerji A.Ş.[4]	TR, Istanbul	40.0	980.7	110.7
Enerjisa Üretim Santralleri A.Ş.[4]	TR, Istanbul	50.0	666.8	-135.6
EPS Polska Holding Sp. z o.o.[1]	PL, Warsaw	100.0	18.9	0.4
Ergon Overseas Holdings Limited[1]	GB, Coventry	100.0	938.9	–

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ESN Sicherheit und Zertifizierung GmbH[2, 9]	DE, Schwentinental	100.0	0.5	–
e-werk Sachsenwald GmbH[7]	DE, Reinbek	16.0	28.4	4.5
EZV Energie- und Service GmbH & Co. KG Untermain[6]	DE, Wörth am Main	28.9	10.4	1.8
Forest Creek Investco, Inc.[1]	US, Wilmington	100.0	87.6	-4.8
Forest Creek WF Holdco, LLC[1]	US, Wilmington	100.0	87.6	-4.8
Forest Creek Wind Farm, LLC[1]	US, Wilmington	100.0	87.6	-4.8
GASAG AG[5]	DE, Berlin	36.9	497.6	12.9
Gasversorgung im Landkreis Gifhorn GmbH[1]	DE, Gifhorn	95.0	17.9	2.9
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung[5]	DE, Würzburg	49.0	42.9	8.9
Gelsenberg GmbH & Co. KG[1, 8]	DE, Düsseldorf	100.0	144.0	0.5
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	290.9	-85.3
Gemeinschaftskraftwerk Weser GmbH & Co. oHG.[1]	DE, Emmerthal	66.7	164.0	181.7
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH[6]	DE, Kiel	33.3	19.5	-1.3
GNS Gesellschaft für Nuklear-Service mbH[6]	DE, Essen	48.0	53.2	27.2
Grandview Wind Farm, LLC[4]	US, Wilmington	50.0	302.0	-21.5
HanseGas GmbH[1, 9]	DE, Quickborn	100.0	66.1	0.0
HanseWerk AG[1]	DE, Quickborn	66.5	476.2	114.2
HanseWerk Natur GmbH[1, 9]	DE, Hamburg	100.0	59.0	–
Harzwasserwerke GmbH[5]	DE, Hildesheim	20.8	90.7	7.2
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	–
iamsmart GmbH[2, 9]	DE, Essen	100.0	2.4	–
Inadale Wind Farm, LLC[1]	US, Wilmington	100.0	116.7	33.1
Induboden GmbH[2]	DE, Düsseldorf	100.0	14.0	-0.0
Induboden GmbH & Co. Grundstücksgesellschaft oHG[2, 11]	DE, Essen	100.0	12.0	–
Industriekraftwerk Greifswald GmbH[6]	DE, Kassel	49.0	28.5	3.4
infra fürth gmbh[7]	DE, Fürth	19.9	72.9	–
InfraServ - Bayernwerk Gendorf GmbH[6]	DE, Burgkirchen a.d.Alz	50.0	22.7	2.7
Iron Horse Battery Storage, LLC[2]	US, Wilmington	100.0	10.8	-0.2
Kalmar Energi Holding AB[4]	SE, Kalmar	50.0	15.7	-0.0
Kernkraftwerk Brokdorf GmbH & Co. oHG[1]	DE, Hamburg	80.0	295.7	-103.6
Kernkraftwerk Brunsbüttel GmbH & Co. oHG[5]	DE, Hamburg	33.3	84.8	-20.4
Kernkraftwerk Gundremmingen GmbH[5]	DE, Gundremmingen	25.0	92.5	8.3
Kernkraftwerk Krümmel GmbH & Co. oHG[3]	DE, Hamburg	50.0	168.1	-19.9
Kernkraftwerk Stade GmbH & Co. oHG[1]	DE, Hamburg	66.7	33.1	-10.8
Kernkraftwerke Isar Verwaltungs GmbH[1, 9]	DE, Essenbach	100.0	1.0	–
KGW - Kraftwerk Grenzach-Wyhlen GmbH[1, 9]	DE, Munich	100.0	9.2	–

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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	0.3	–
LandE GmbH[1]	DE, Wolfsburg	69.6	180.6	22.4
Lillo Energy NV[6]	BE, Brussels	50.0	11.6	1.4
LSW Holding GmbH & Co. KG[5]	DE, Wolfsburg	57.0	41.7	13.8
Magicat Holdco, LLC[5]	US, Wilmington	20.0	488.4	1.7
MEON Pensions GmbH & Co. KG[1, 8]	DE, Grünwald	100.0	2,239.0	40.0
Munnsville Investco, LLC[1]	US, Wilmington	100.0	39.0	-1.0
Munnsville WF Holdco, LLC[1]	US, Wilmington	100.0	39.0	-1.0
Munnsville Wind Farm, LLC[1]	US, Wilmington	100.0	39.0	-1.0
Netzgesellschaft Hildesheimer Land GmbH & Co. KG[6]	DE, Giesen	49.0	16.5	1.4
Netzgesellschaft Schwerin mbH (NGS)[6]	DE, Schwerin	40.0	16.0	1.9
Neumünster Netz Beteiligungs-GmbH[1, 9]	DE, Neumünster	50.1	25.6	–
NIS Norddeutsche Informations-Systeme Gesellschaft mbH[2, 9]	DE, Schwentinental	100.0	1.0	–
Nord Stream AG[5]	CH, Zug	15.5	2,937.0	371.4
NordNetz GmbH[2, 9]	DE, Quickborn	100.0	0.2	–
Offshore-Windpark Delta Nordsee GmbH[2, 9]	DE, Hamburg	100.0	0.2	0.2
OOO E.ON Connecting Energies[4]	RU, Moscow	50.0	26.4	0.2
Oskarshamn Energi AB[4]	SE, Oskarshamn	50.0	32.4	3.5
Panther Creek Wind Farm I&II, LLC[1]	US, Wilmington	100.0	253.9	-13.1
PEG Infrastruktur AG[1]	CH, Zug	100.0	619.8	41.0
Pioneer Trail Wind Farm, LLC[1]	US, Wilmington	100.0	161.2	-0.2
Portfolio EDL GmbH[1, 8, 9]	DE, Helmstedt	100.0	0.1	–
Powergen Holdings B.V.[1]	NL, Rotterdam	100.0	993.1	0.1
Powergen International Limited[1]	GB, Coventry	100.0	897.4	0.1
PreussenElektra GmbH[1, 9]	DE, Hanover	100.0	245.2	–
Purena GmbH[1]	DE, Wolfenbüttel	94.1	44.9	4.2
Pyron Wind Farm, LLC[1]	US, Wilmington	100.0	193.2	-9.8
Radford's Run Holdco, LLC[1]	US, Wilmington	100.0	391.3	-1.9
Radford's Run Wind Farm, LLC[1]	US, Wilmington	100.0	391.3	-1.9
Rampion Offshore Wind Limited[1]	GB, Coventry	50.1	1,118.7	-20.5
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG[5]	DE, Regensburg	35.5	110.4	23.2
Rødsand 2 Offshore Wind Farm AB[5]	SE, Malmö	20.0	163.0	19.6
Roscoe WF Holdco, LLC[1]	US, Wilmington	100.0	173.0	-11.6
Roscoe Wind Farm, LLC[1]	US, Wilmington	100.0	173.0	-11.6
Safetec Entsorgungs- und Sicherheitstechnik GmbH[2, 9]	DE, Heidelberg	100.0	2.2	–
Sand Bluff WF Holdco, LLC[1]	US, Wilmington	100.0	19.0	-60.3

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Sand Bluff Wind Farm, LLC[1]	US, Wilmington	100.0	19.0	-60.3
Schleswig-Holstein Netz AG[1, 9]	DE, Quickborn	81.1	458.3	19.6
Schleswig-Holstein Netz Verwaltungs-GmbH[1, 9]	DE, Quickborn	100.0	0.0	–
SEC Energia Sp. z o.o.[2]	PL, Szczecin	100.0	12.1	0.9
SERVICE plus GmbH[2, 9]	DE, Neumünster	100.0	32.2	–
Settlers Trail Wind Farm, LLC[1]	US, Wilmington	100.0	195.6	-9.8
ŠKO-ENERGO FIN, s.r.o.[5]	CZ, Mladá Boleslav	42.5	21.5	13.0
Sønderjysk Biogas Bevtoft A/S[6]	DK, Vojens	50.0	18.5	1.4
Städtische Betriebswerke Luckenwalde GmbH[6]	DE, Luckenwalde	29.0	14.5	2.0
Städtische Werke Magdeburg GmbH & Co. KG[5]	DE, Magdeburg	26.7	219.3	48.0
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG[6]	DE, Neustadt a. Rbge.	24.9	14.8	2.6
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH[7]	DE, Bamberg	10.0	30.1	–
Stadtwerke Bayreuth Energie und Wasser GmbH[5]	DE, Bayreuth	24.9	29.6	–
Stadtwerke Blankenburg GmbH[6]	DE, Blankenburg	30.0	11.3	1.3
Stadtwerke Frankfurt (Oder) GmbH[5]	DE, Frankfurt (Oder)	39.0	34.2	1.0
Stadtwerke Garbsen GmbH[6]	DE, Garbsen	24.9	28.1	2.1
Stadtwerke Geesthacht GmbH[6]	DE, Geesthacht	24.9	22.1	–
Stadtwerke Husum GmbH[6]	DE, Husum	49.9	15.9	1.5
Stadtwerke Ludwigsfelde GmbH[6]	DE, Ludwigsfelde	29.0	13.1	2.3
Stadtwerke Schwedt GmbH[6]	DE, Schwedt/Oder	37.8	23.9	1.0
Stadtwerke Straubing Strom und Gas GmbH[7]	DE, Straubing	19.9	10.8	–
Stadtwerke Vilshofen GmbH[6]	DE, Vilshofen	41.0	10.4	1.2
Stadtwerke Wertheim GmbH[7]	DE, Wertheim	10.0	20.5	–
Stadtwerke Wismar GmbH[5]	DE, Wismar	49.0	39.1	4.8
Stadtwerke Wolfenbüttel GmbH[6]	DE, Wolfenbüttel	26.0	14.7	1.0
SVO Holding GmbH[1]	DE, Celle	50.1	45.5	22.3
SVO Vertrieb GmbH[1, 9]	DE, Celle	100.0	1.3	–
SWN Stadtwerke Neustadt GmbH[6]	DE, Neustadt bei Coburg	25.1	14.1	2.3
SWS Energie GmbH[5]	DE, Stralsund	49.0	15.4	–
Szczecińska Energetyka Cieplna Sp. z o.o.[1]	PL, Szczecin	66.5	47.4	7.7
Szombathelyi Távhőszolgáltató Kft.[6]	HU, Szombathely	25.0	11.7	0.6
Tech Park Solar, LLC[1]	US, Wilmington	100.0	10.1	-2.1
Thermondo GmbH[7]	DE, Berlin	19.4	20.3	-11.8
Überlandwerk Leinetal GmbH[6]	DE, Gronau	48.0	11.9	0.8
Uranit GmbH[4]	DE, Jülich	50.0	71.3	98.3
Valencia Solar, LLC[1]	US, Tucson	100.0	18.0	-3.1
Versorgungskasse Energie (VVaG) i. L.[1, 10]	DE, Hanover	70.3	51.7	2.7
Visioncash[1]	GB, Coventry	100.0	291.0	–
WEVG Salzgitter GmbH & Co. KG[1]	DE, Salzgitter	50.2	27.5	8.5
Západoslovenská energetika a.s. (ZSE)[5, 12]	SK, Bratislava	49.0	354.8	70.7

[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. · [13]Founded in 2018.

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, February 28, 2019

The Management Board

Teyssen Birnbaum

König Spieker Wildberger

To E.ON SE, Essen

Report on the Audit of the Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of E.ON SE, Essen, which comprise the balance sheet as at December 31, 2018, and the income statement for the financial year from January 1 to December 31, 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of E.ON SE, which is combined with the group management report, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the annual financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

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, 2018. 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; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1. Recoverability of shares in affiliated companies and net investment income

Our presentation of this key audit matter has been structured as follows:

a. Matter and issue
b. Audit approach and findings
c. Reference to further information

Hereinafter we present the key audit matter:

1. Recoverability of shares in affiliated companies and net investment income

Recoverability of shares in affiliated companies

a. As of December 31, 2018, shares in affiliated companies amounting to EUR 32.0 billion (70% of total assets) are reported under E.ON SE's long-term financial assets. As of the reporting date, E.ON SE performed a scheduled impairment test on the recoverability of the material shares in affiliated companies. No write-downs or reversals of write-downs were required for the shares in affiliated companies of E.ON SE in financial year 2018. Fair value is measured on the basis of the market price or external purchase offers, provided these are available. Otherwise, the discounted cash flow method is used to determine a total enterprise value, which is adjusted by the net debt so that the equity value can be calculated for the purposes of comparing that against the carrying amount of the respective long-term equity investment. The result of these measurements depends to a large extent on the executive directors' 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 also of particular importance. Due to the complexity of the measurement, the considerable uncertainties associated with the underlying assumptions and the importance for the assets, liabilities and financial performance of E.ON SE as a financial holding company, this matter was of particular significance during our audit.

b. As part of our audit, we assessed the recoverability of the carrying amounts of material long-term equity investments. This involved, among other things, assessing 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. We evaluated the appropriateness of the future cash flows used for the measurement of the equity interests by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment, finance and HR plan for 2019 prepared by the executive directors and approved by the supervisory board on December 18, 2018 as well as the planning for the years 2020 and 2021 prepared by the executive directors and acknowledged by the supervisory board. Among other things, we assessed how the long-term growth rates used for perpetual annuities were derived from the market expectations. We also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. In addition, we compared the assumptions about long-term price development and the relevant regulatory influencing factors against sector-specific expectations. We assessed whether the respective total enterprise value was correctly calculated and whether the net finance position was correctly derived from the financial accounting records.

   We then assessed whether the value calculated in this way was properly compared against the carrying amount of the corresponding long-term equity investment in order to determine any impairment losses or reversals of impairment losses.

   Taking into consideration the information available, according to our findings the measurement parameters and assumptions used by the executive directors to measure shares in affiliated companies are appropriate overall.

c. The Company's disclosures relating to shares in affiliated companies are contained in note 2 to the financial statements.

Net investment income

a. Net investment income of EUR 1.2 billion is reported in the income statement of E.ON SE for financial year 2018. This was attributable primarily to the profit transfer of a subsidiary amounting to EUR 0.7 billion as well as its distribution from the net income available for distribution amounting to EUR 2.3 billion, which was proportionally recognized in profit or loss. That was partly offset by the absorption of losses amounting to EUR 1.9 billion, which were attributable mainly to two subsidiaries that had recognized significant write-downs on shares in affiliated companies.

From our point of view, this matter was of particular significance for our audit given the material importance of the amount involved for the Company's results of operations.

b. As part of our audit, we assessed the correct calculation and recognition of the net investment income. To this end, we assessed, among other things, the due and proper collection of the profit/loss transfers and the underlying profit and loss transfer agreements in place with the affiliated companies, as well as the underlying resolutions and proposals on the appropriation of net profit for the distributions collected. We verified the recognized amounts on the basis of the annual financial statements, for which unqualified auditors' reports had been issued, for the material affiliated companies. We were able to satisfy ourselves that the net investment income had been appropriately recognized in the annual financial statements based on the available information.

c. The Company's disclosures relating to the material net investment income are contained in note 20 to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report 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 the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined 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, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient 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 annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are 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 whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs 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 the economic decisions of users taken on the basis of these annual financial statements and this management report.

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 and of the management report, 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 audit opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (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 systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able 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 present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, 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 the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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 auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Audit of Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

We have audited the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act], which require separate accounts to be maintained for the activities pursuant to § 6b Abs. 3 EnWG, for the financial year from January 1 to December 31, 2018.

In our opinion, the accounting obligations pursuant to § 6b Abs. 3 EnWG, which require separate accounts to be maintained for the activities pursuant to § 6b Abs. 3 EnWG, for the financial year from January 1 to December 31, 2018 have been fulfilled in all material respects.

We conducted our audit in accordance with § 6b Abs. 5 EnWG and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described below and in section "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion in this regard.

The executive directors are responsible for the compliance with the obligations pursuant to § 6b Abs. 3 EnWG for maintaining separate accounts as well as for such arrangements and measures (systems) as they have considered necessary to comply with these obligations.

Our objectives are to obtain reasonable assurance about whether the accounting obligations pursuant to § 6b Abs. 3 EnWG have been fulfilled, in all material respects, as well as to issue a report that includes our audit opinion on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG. The audit comprises an assessment of whether the amounts stated and the classification of the accounts pursuant to § 6b Abs. 3 EnWG are appropriate and comprehensible and whether the principle of consistency has been observed.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 9, 2018. We were engaged by the supervisory board on June 25, 2018. We have been the auditor of the E.ON SE, Essen, without interruption since the company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 1965.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Aissata Touré.

Düsseldorf, March 5, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(Markus Dittmann)	(Aissata Touré)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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The German version of E.ON SE's Financial Statements and Combined Group Management Report is legally binding.

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