2011 Annual Report

E.ON Group Financial Highlights[1]

€ in millions	2011	2010	+/- %
Electricity sales[2] (billion kWh)	1,144.8	1,030.4	+11
Gas sales[2] (billion kWh)	1,718.1	1,342.4	+28
Sales	112,954	92,863	+22
EBITDA[3]	9,293	13,346	-30
EBIT[3]	5,438	9,454	-42
Net loss/Net income	-1,861	6,281	-130
Net loss/Net income attributable to shareholders of E.ON AG	-2,219	5,853	-138
Underlying net income[3]	2,501	4,882	-49
Investments	6,524	8,286	-21
Cash provided by operating activities of continuing operations	6,610	10,614	-38
Economic net debt (at year-end)	-36,385	-37,701	+1,316[4]
Debt factor[5]	3.9	2.8	+1.1[4]
Equity	39,613	45,585	-13
Total assets	152,872	152,881	–
ROACE (in %)	8.4	14.4	-6.0[6]
Pretax cost of capital (%)	8.3	8.3	–
After-tax cost of capital (%)	6.1	6.1	–
Value added	90	4,000	-98
Employees (at year-end)	78,889	85,105	-7
Earnings per share[7,8] (€)	-1.16	3.07	–
Equity per share[7,8] (€)	18.76	21.87	-14
Dividend per share[9] (€)	1.00	1.50	-33
Dividend payout	1,905	2,858	-33
Market capitalization[8] (€ in billions)	31.8	43.7	-27

[1]Adjusted for discontinued operations.
[2]Includes trading sales volume.
[3]Adjusted for extraordinary effects (see Glossary).
[4]Change in absolute terms.
[5]Ratio of economic net debt and EBITDA.
[6]Change in percentage points.
[7]Attributable to shareholders of E.ON AG.
[8]Based on shares outstanding.
[9]For the respective financial year; the 2011 figure is management's proposed dividend.

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[1]Part of the Combined Group Management Report.

Dear Shareholders,

Despite a difficult business environment—weak energy demand and its adverse impact on capacity utilization, prices, and margins; keen competitive pressure in our gas wholesale business; and the early shutdown of a number of our nuclear power stations in Germany—in 2011 we were able to move forward with our strategy and, under our E.ON 2.0 program, to take the first important steps towards a significantly more efficient organizational setup.

Our EBITDA reflects two main effects: a non-recurring adverse effect of €1.5 billion relating to the early shutdown of nuclear power stations in Germany and a loss in our gas wholesale business in the high three-digit million range. It was predominantly these factors that necessitated a correction in our earnings guidance at the time of our half-year interim report. Our full-year results are in line with this adjusted guidance. Our sales rose to €113 billion. Our 2011 EDITDA of €9.3 billion was 30 percent below the high prior-year figure, and our underlying net income was €2.5 billion. Nevertheless, we'll recommend to the Annual Shareholders Meeting the payment of a cash dividend of €1 per share for the 2011 financial year. Furthermore, E.ON plans to pay a divided of €1.10 per share for the 2012 financial year and at least €1.10 for the 2013 financial year.

To ensure that we continue to have the necessary earnings strength going forward, we're systematically realigning our business for the future. We're guided by the four key components of our strategy for cleaner & better energy: focus our business in Europe, enhance our performance by increasing our efficiency and improving our organizational setup, optimize our investment strategy, and achieve selective growth outside Europe. We made significant progress in all of these areas in 2011.

We're focusing our businesses in Europe and systematically seizing the opportunities created by the transformation of its energy system. A key focus of our growth in Europe is renewables, particularly offshore wind. In 2011, our pacesetting role earned us a Global Energy Award in the category Green Power Producer of the Year. Our strong growth will continue. Over the next five years, we plan to invest €7 billion to expand our renewables capacity. More than €2 billion of this figure is for the construction of three large offshore wind farms in the North Sea and Baltic Sea. Going forward, we intend to commission a new offshore wind farm every 18 months and at the same time further significantly reduce the costs of building and operating these assets. Together with careful site selection and planning, these cost reductions will ensure that our investments yield consistently attractive returns. Distributed generation also has the potential to play an important role in the energy world of the future. A team of experts drawn from across our company is currently designing a strategy for propelling E.ON's growth in this area.

The business environment for conventional generation, however, has deteriorated in most European markets. The economic situation is temporarily dampening the demand for power, resulting in markedly narrower margins and lower utilization factors for our conventional power stations. Primarily in our markets in Southern Europe but also in the Benelux countries and Central Europe, we currently face overcapacity, low power prices, and narrower margins, particularly in power generation. This made it necessary for us to record impairment charges totaling approximately €3 billion on our businesses in 2011. We're responding by taking steps to further optimize our conventional generation portfolio. We're reducing costs, enhancing our assets' ability to be dispatched more flexibly where possible, and looking into shutting down facilities temporarily or permanently where necessary.

We're also responding to a dramatically altered market environment in our gas business. The extraction of new, unconventional reserves has massively altered the global gas market, and, at least for now, is resulting in oversupply and is putting our business under enormous pressure. From an organizational perspective, the separation of our gas-supply, gas-storage, and LNG businesses from our trading business no longer offers any advantages. We're going to combine these businesses, which will enable us to better realize synergy potential by, for example, taking an integrated approach to marketing our assets and contracts and by having a consistent market presence. As for our long-term gas supply contracts, we've made further progress in adjusting them to reflect new market realities. In 2011, we negotiated more favorable terms for about 40 percent of our long-term contracted gas offtake. We continue to expect that we can bring all our long-term gas supply contracts to a competitive level by 2013.

Europe's energy markets are consolidating. The growth opportunities are primarily elsewhere. We're already very successful in two markets outside Europe: onshore wind in North America and conventional power generation in Russia. In North America, we're building what is already our seventeenth wind farm, and our 2.2 gigawatts ("GW") of installed capacity ranks us among the top-five wind-power players in the United States. In Russia, we commissioned three technologically advanced gas-fired generating units with a total capacity of 1.2 GW through year-end 2011, and all of them offer attractive returns on our investment. Many other parts of the world face the challenge of producing enough electricity to power their robust economic growth. Our intention to forge a strategic partnership with Brazil's MPX represents our first step. Together, we plan to build roughly 20 GW of conventional and renewable-source generating capacity in this booming region. We're currently also talking to potential partners in Turkey and India about opportunities for cooperation. We expect concrete results in the course of 2012.

In view of the business challenges we face in Europe in the next several years, however, we need to adopt a different strategy for our growth investments. We need to create more value with less capital. This means, for example, that we'll no longer necessarily be both operator and sole owner of wind farms. Instead, we'll create value through wind-farm design, planning, construction, and operation. But our business remains capital intensive. E.ON 2.0, our efficiency-enhancement program, is making good progress. In mid-January, we reached an agreement with two trade unions (ver.di and IGBCE) on a collective-bargaining contract for the implementation of E.ON 2.0 in Germany. The contract establishes binding mechanisms and a socially responsible framework for the staff reductions that are necessary at E.ON. It lays the groundwork for employees to transition to a job elsewhere and for us to implement E.ON 2.0 as planned. This will enable us to reduce our controllable costs from roughly €11 billion in 2011 to not more than €9.5 billion anually by 2015 and give us flexibility for our investments in the future. I'd like to add that E.ON's business performance is clearly reflected in the Board of Management's compensation, which will be significantly lower than in the prior year and is also below average among DAX 30 companies.

In line with our strategy, in 2011 we also worked systematically to improve E.ON's financial strength and flexibility. By the end of the year, we had reduced E.ON's net debt to about €36.4 billion and our net financial position to about -€18 billion. The main driver was the implementation of our divestment program. For example, in 2011 we sold Central Networks in the United Kingdom. Since November 2010, we've divested businesses worth approximately €9.2 billion.

Policy decisions and massive changes in our markets are presenting us with unprecedented challenges. Our clear strategy gives us the answers for our business. We're systematically reorganizing our business in Europe and in fast-growing markets elsewhere, achieving substantial cost reductions, and boosting our performance. Renewables, new markets like Russia, and gas production will already be mainstays of our business and earnings by 2013. We know that the companies that remain successful in the new energy world will do more than adapt. They'll set off in new directions. Just like E.ON is doing.

Best wishes,

Dr. Johannes Teyssen

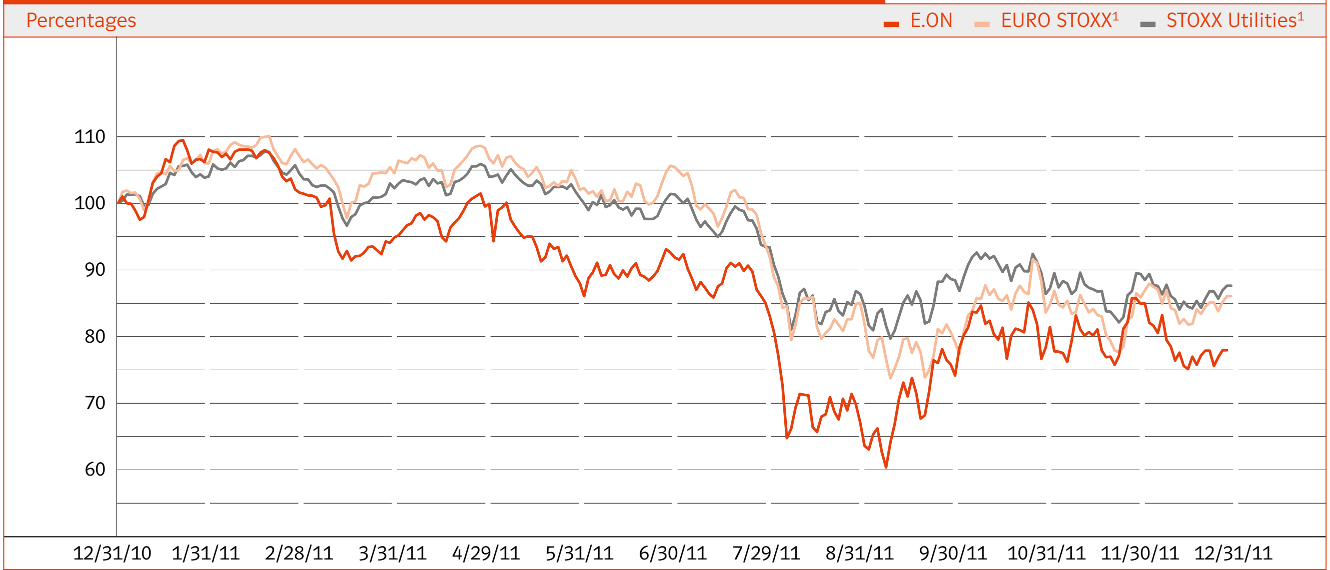
E.ON Stock

E.ON Stock in 2011

E.ON stock (factoring in reinvested dividends) finished 2011 23 percent below its year-end closing price for 2010, thereby underperforming the STOXX Utilities index (-13 percent), Germany's DAX index (-15 percent), and the EURO STOXX 50 index (-14 percent). E.ON's stock-exchange trading volume declined by 4 percent year on year to €57.4 billion due to the stock's lower average price.

E.ON Stock Performance

Percentages



[1]Based on performance index.

Ten-Year Performance of E.ON Stock

Investors who purchased €5,000 worth of E.ON stock at the end of 2001 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment increase to €6,804 by the end of 2011, which represents an average annual return of 3.1 percent. E.ON stock thus slightly underperformed the STOXX Utilities (+3.5 percent) but outperformed the DAX (+1.3 percent) and the EURO STOXX 50 (-2.2 percent).

Development 2000–2011

	+/- %
E.ON	+36
STOXX Utilities	+41
DAX	+14
EURO STOXX	-20

E.ON Stock Key Figures[1]

€ per share	2011	2010
Earnings attributable to the shareholders of E.ON AG	-1.16	3.07
Earnings from underlying net income	1.31	2.56
Dividend[2]	1.00	1.50
Dividend payout (€ in millions)	1,905	2,858
Twelve-month high[3]	25.11	29.36
Twelve-month low[3]	12.88	21.13
Year-end closing price as of December 30[3]	16.67	22.94
Number of shares outstanding (in millions)	1,905	1,905
Market capitalization[4] (€ in billions)	31.8	43.7
E.ON stock trading volume[5] (€ in billions)	57.4	59.8

[1]Adjusted for discontinued operations.
[2]For the respective financial year; the 2011 figure is management's proposed dividend.
[3]Xetra.
[4]Based on ordinary shares outstanding.
[5]On all German stock exchanges, including Xetra.

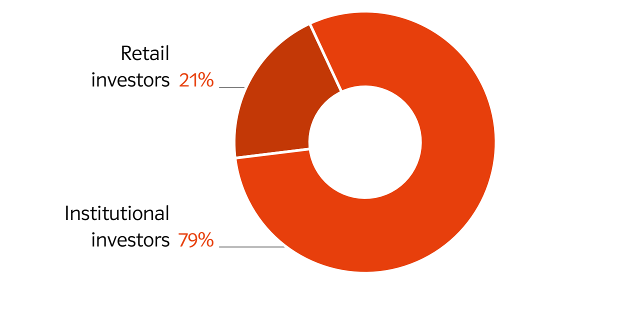
Dividend

At the 2012 Annual Shareholders Meeting, management will propose a cash dividend of €1 per share for the 2011 financial year (prior year: €1.50). The payout ratio (as a percentage of underlying net income) would be 76 percent compared with a ratio of 59 percent in the prior year. Based on E.ON stock's year-end 2011 closing price, the dividend yield is 6 percent. E.ON plans to pay out a per-share dividend of €1.10 for the 2012 financial year and at least €1.10 for the 2013 financial year.

Shareholder Structure

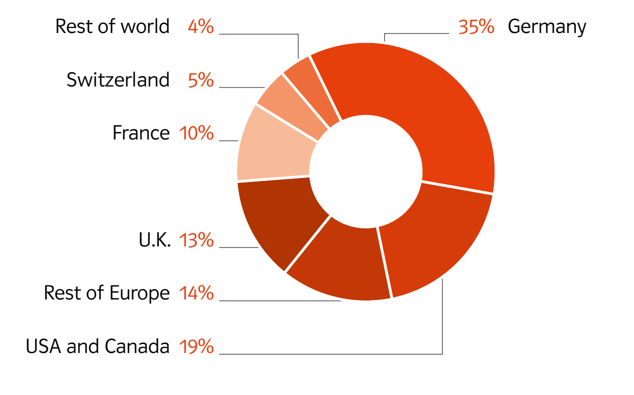
Our most recent survey shows that we have roughly 79 percent institutional investors and 21 percent retail investors. Investors in Germany hold about 35 percent of our stock, those outside Germany the remaining about 65 percent.

Shareholder Structure by Group[1]



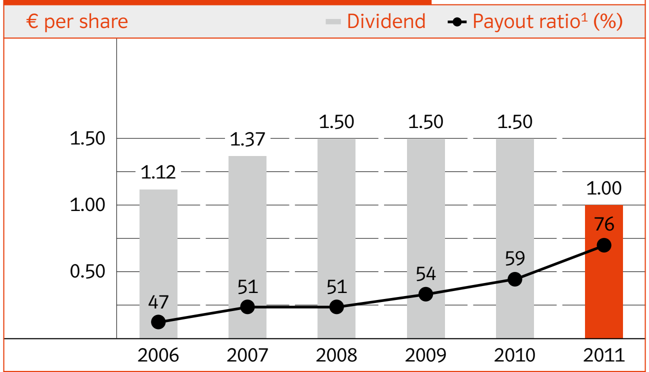
[1]Percentages based on total investors identified.
Sources: Share register (as of January 31, 2012), Thomson Reuters (as of December 31, 2011).

Shareholder Structure by Country/Region[1]



[1]Percentages based on total investors identified.
Sources: Share register (as of January 31, 2012), Thomson Reuters (as of December 31, 2011).

Dividend per Share



[1]Payout ratio not adjusted for discontinued operations.

Investor Relations

Our investor relations ("IR") are founded on four principles: openness, continuity, credibility, and equal treatment of all investors. Each year we work hard to be even better in each of these areas. Our mission is to provide prompt, transparent information at our periodic road shows, at conferences, at eon.com, and when we meet personally with investors.

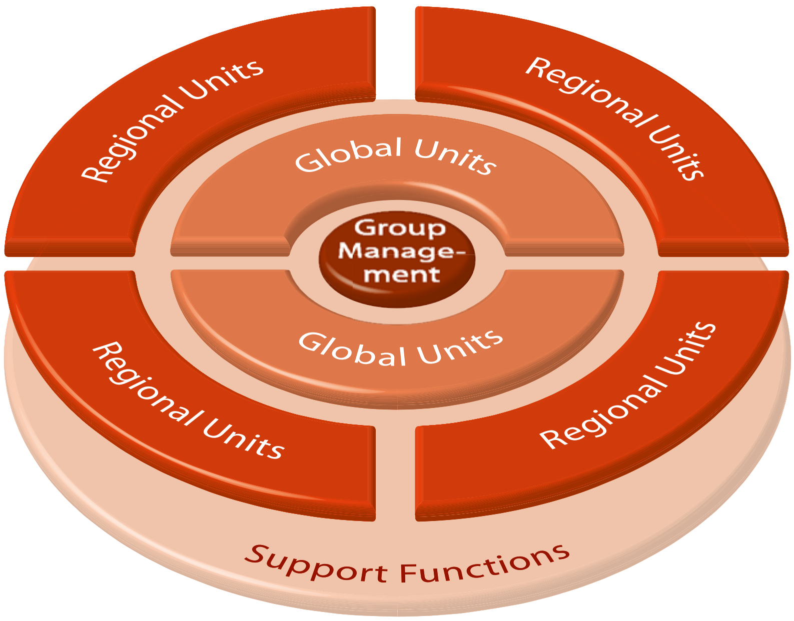
The 2011 financial year was characterized by challenges resulting from the transformation of Germany's energy system. On the release of our half-year results in August, we therefore adjusted our financial targets for 2011 and 2013 to reflect our altered business environment. Despite the adjustments to key metrics (EBITDA, underlying net income, and dividend), we will continue on the strategic course we have set. Furthermore, to underscore the importance of our IR principles, we also issued, for the first time, a longer-term forecast. The disclosure of our targets for 2015 is designed to provide investors with even more transparency. Alongside the sale of non-core assets and the focus on growth businesses, we have launched a significant cost-cutting program that will permanently reduce our controllable costs to €9.5 billion by 2015.

Despite our difficult business environment, we continued to seek opportunities for intensive, personal dialog with our analysts and investors. Continually communicating with our investors and strengthening our relationships with them are essential for good IR.

Want to find out more?
eon.com/investors
You can contact us at:
investorrelations@eon.com

Combined Group Management Report

- EBITDA down by 30 percent
- Cash provided by operating activities down by 38 percent
- Management to propose dividend of €1 per share
- 2012 EBITDA expected at between €9.6 and €10.2 billion and 2013 EBITDA still expected to be between €11.6 and €12.3 billion



Corporate Profile and Operating Environment

Corporate Structure and Operations

E.ON is a major investor-owned energy company. Our setup ensures that roles and responsibilities are clearly defined across our organization so that we can achieve our objectives in the most efficient way possible. Our operations are segmented into global units and regional units. This setup took effect on January 1, 2011. Figures of our former market units were allocated to our new entities.

E.ON AG in Düsseldorf serves as Group Management. It oversees and coordinates the operations of the entire Group. We see ourselves as a global, specialized provider of energy solutions. Five global units are responsible for Generation, Renewables, New Build & Technology, Gas, and Trading. Twelve regional units manage our operating business in Europe. Russia is a special focus country. Support functions like IT, procurement, and business processes are organized functionally.

Group Management

Group Management in Düsseldorf oversees the E.ON Group as a whole and coordinates its operations. Its tasks include charting E.ON's strategic course, defining its financial policy and initiatives, managing business issues that transcend individual markets, managing risk, continually optimizing the Group's business portfolio, and conducting stakeholder management.

IT, procurement, insurance, consulting, and business processes provide valuable support for our core businesses wherever we operate. These functions are centrally organized so that we pool professional expertise across our organization and leverage synergies.

Global Units

We manage all our operations in Europe's converging markets on a cross-border basis through functionally segmented entities called global units.

Four of our global units are reporting segments: Generation, Renewables, Gas, and Trading (see the Forecast section for our new segmentation effective 2012). A fifth, New Build & Technology, is not.

New Build & Technology brings together our comprehensive project-management and engineering expertise to support the construction of new power plants and the operation of existing plants across E.ON. This unit also coordinates our Group-wide research and development projects for the E.ON Innovation Centers.

Generation

Our generation fleet is one of the biggest and most efficient in Europe. We have major asset positions in Germany, the United Kingdom, Sweden, Italy, Spain, France, and the Benelux countries, giving us one of the broadest geographic footprints among European power producers. We also have one of the most balanced fuel mixes in our industry.

The Generation global unit consists of all of our conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables

Our Renewables global unit plays a key role in expanding renewables capacity in many countries across Europe and the world. Renewables are good for the environment and have great potential as a business. This is why we are steadily increasing renewables' share of our generation portfolio and aim to play a leading role in this growing market. We continually seek out new solutions and technologies that will make the energy supply more environmentally friendly. We therefore make significant investments in wind, biomass, solar, and marine energy.

Gas

Our Gas global unit operates along the entire gas value chain. It has a growing exploration and production business and is also active in the global liquefied natural gas business. We rank among Europe's largest gas companies and supply gas to resellers (regional and municipal utilities), large industrial customers, and gas-fired power stations in Germany and in other European countries. Our geographically diverse portfolio of long-term supply contracts with key producing countries makes us a mainstay of gas supply security in Europe. We are also engaged in gas storage in Germany, Austria, Hungary, and the United Kingdom and in gas transmission in Germany.

Trading

As the link between E.ON and the world's wholesale energy markets, our Trading global unit buys and sells electricity, natural gas, oil, coal, freight, biomass, and carbon allowances. It ensures the best-possible utilization of our generation fleet in Europe, trades and procures worldwide the fuel and carbon allowances needed to operate this fleet, and locks in margins for our generation in forward markets. By doing so, it aggregates and minimizes our commodity price risk.

Regional Units

Twelve regional units manage our operating business in Europe. They are responsible for sales, regional energy networks, and distributed generation. They are also close partners of the global units operating in their respective region, for which they provide a broad range of important functions, such as HR management and accounting. In addition, they are the sole point of contact for all stakeholders, including policymakers, government agencies, trade associations, and the media.

In 2011, we were active in the following countries: Germany, the United Kingdom, Sweden, Italy, Spain, France, the Netherlands, Hungary, Czechia, Slovakia, Romania, and Bulgaria.

Russia is a special focus country, where our business centers on power generation. This business is not integrated into the Generation global unit because of its geographic location and because Russia's power system is not part of Europe's integrated grid.

In addition, through E.ON International Energy (which is not a reporting segment) we want to work with local partners to develop renewable-source and conventional generating capacity in attractive, fast-growing regions outside Europe.

Strategy

Cleaner & better energy—in and outside Europe—is the guiding theme of the new strategic course we announced in November 2010. E.ON will transform itself from a primarily European energy utility into a global, specialized provider of energy solutions. Our new course states a clear commitment on our part and provides answers not only to current challenges but also to long-term megatrends in the European and global energy world.

By making cleaner & better energy our guiding theme, we are not setting targets for E.ON or for policymakers but rather stating our commitment to improving the world of energy wherever we operate. We purposely chose "clean" and not "green." And we purposely chose the comparative form because this is not about defining absolute metrics or uniform targets for all parts of the world but rather about continual improvement processes. In this sense, our products and services are cleaner if they substantially improve energy quality in terms of environmental protection and efficiency. Our energy is better when our performance and the way we deploy technologies are significantly better than our competitors, thereby enabling us to design superior products and services for our customers.

Though the market environment in Europe became even more difficult for us in 2011, we remain firmly convinced that this strategy prepares us well for the future. We believe that the European energy system's trend towards renewables will continue. And we believe that in many markets outside Europe the demand for energy will continue to increase, fueled by steady population growth and rising living standards. In all our markets, however, we will only achieve lasting success if we focus on what we do better than others and if our superior performance enables us to offer products and services at competitive terms.

E.ON's transformation will not happen overnight. Nevertheless, we already made noteworthy progress in executing our strategy in many areas during 2011. This is all the more remarkable because we continue to face a challenging market environment in Europe. Power and gas markets remain oversupplied, and government regulation and intervention continue to increase. In addition, our business is affected by Germany's decision to transform its energy system and to accelerate the phaseout of nuclear energy as well as by new recessionary fears stemming from Europe's debt crisis. It is also affected by technological developments, such as the significant decrease in the manufacturing costs of equipment for renewable-source power generation.

Our strategy focuses on achieving clear competitive advantages and offering efficient, environmentally friendly energy solutions in and outside Europe. The transformation of our company will benefit our employees, customers, and investors alike.

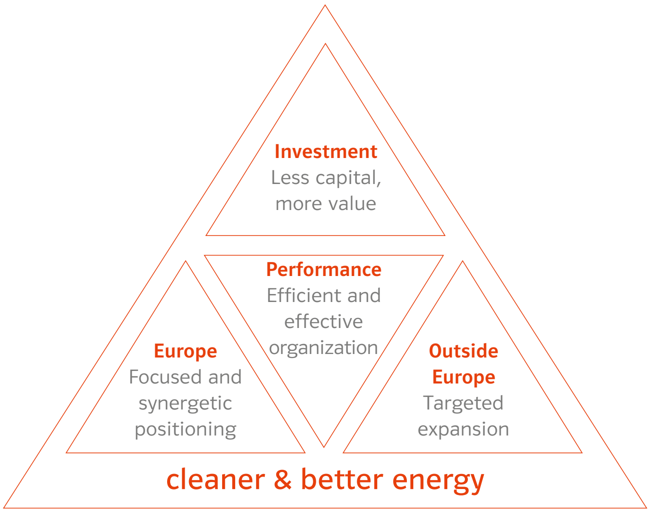
Strategic Focus Areas

Everywhere we operate we have a single objective: we want energy to be cleaner and better. Even in economically difficult times, we are convinced that affordability, security of supply, and climate protection can be mutually compatible elements of a successful business strategy.

In the years ahead, we will adjust E.ON's business portfolio in line with our strategy, thereby propelling E.ON's transformation. Our main focus will be on expanding our operations in renewables, generation outside Europe, and decentralized energy solutions. These are the areas in which we see significant market opportunities and can capitalize on our capabilities. We will therefore direct our new growth investments at these businesses. In Europe, we will sharpen the focus of our current position. To achieve this, we will concentrate on activities in which we can leverage our expertise as well as cross-border and cross-business synergies of scale and scope into attractive returns. To propel E.ON's transformation and to increase our financial flexibility, we plan to divest €15 billion worth of businesses by the end of 2013. By the end of 2011, we had already made approximately €9.2 billion of divestments.

Another key focus area will be performance and competitiveness, which are decisive success factors in an increasingly demanding market environment. We will therefore not only make our organizational setup and processes significantly more efficient but also further enhance our operating performance. This will enable us to achieve sustained cost savings and to react more swiftly to market changes.

How will we achieve all this? The four key components of our strategy provide answers:



Europe

Europe is and will remain our home market and the main focus of our business operations. But we will sharpen the focus of our businesses in Europe and, in light of the difficult market environment, systematically assess their competitiveness and optimize them where necessary. The transformation of Europe's energy system offers us attractive growth opportunities which we intend to seize. Electricity offers so many distinct advantages as an energy source that the electrification of daily life—at our homes and businesses, in industry and transportation—is nowhere near to complete. Examples include electric heat pumps and electric vehicles. With these factors in mind, we have set the following course for our businesses in Europe:

A key focus of our growth in Europe is renewables, primarily onshore and offshore wind but also solar and biomass. At the end of 2011, we had almost 2 GW of installed capacity in these technologies in Europe, 17 percent more than at the end of 2010. In 2011, our successful development of offshore wind projects earned us the coveted Global Energy Award in the category Green Power Producer of the Year. In the years ahead, E.ON will continue to rapidly expand its renewable capacity on an industrial scale. In doing so, we strive to further reduce the specific costs of renewables relative to conventional technologies, helping to make renewables increasingly competitive. Over the next five years, we plan to invest at least €7 billion in renewables worldwide, a large portion of which will be in Europe. Focusing exclusively on the best locations and partners will ensure that our projects yield attractive returns.

Alongside renewables, competitive conventional generation assets will remain an important part of E.ON's business in Europe. Flexible, conventional generating capacity ideally supplements the steadily increasing proportion of renewables and ensures a reliable power supply even on cloudy, windless days. However, the conventional power generation business in Europe is facing substantial margin pressure due to the massive, publicly supported expansion of renewables and due to overcapacity in the wake of the economic crisis. In the years ahead, E.ON will therefore focus on optimizing its existing conventional generation portfolio to enhance its competitiveness. This includes shutting down about 6 GW of installed capacity over the next three years for technical and regulatory reasons. In addition, we are investigating, on a case-by-case basis, the shutdown of unprofitable power stations. At the same time, we plan to invest selectively in flexible and climate-friendly generating capacity, such as new pumped-storage hydro stations.

Due to the gradual phaseout of nuclear energy in Germany by 2022, we expect to achieve our emissions target—to halve, by 2020, our European generation portfolio's specific carbon emissions from a 1990 baseline—five years later. This development is consistent with the EU's ambitious targets, published at the end of 2011 in the European Energy Roadmap 2050, which also call for a 50-percent cut in specific carbon emissions in the power sector by 2025.

We intend to enhance the competitiveness of our sales business by making our organizational setup and processes even more efficient and by offering innovative power, gas, and heat products. In Germany, for example, we already offer certified green power tariffs. We aim to selectively expand our decentralized energy business and have accordingly made it a strategic development focus. Innovative customer solutions that we already offer in this area or are currently developing include decentralized generation systems such as small CHP units, energy-efficiency services such as energy-smart building upgrades, and integrated offerings such as smart-home packages that optimize residential energy consumption and supply.

We will combine our gas-supply, gas-storage, and LNG operations with our current energy trading business. This will enable us to better realize existing synergy potential and to ensure maximum value creation through the integrated optimization and marketing of E.ON's assets and contracts. The successful adjustment of our long-term gas supply contracts to reflect new market realities remains a strategic priority. In 2011, we achieved beneficial contract adjustments for about 40 percent of our long-term contracted gas offtake. Our aim is for our gas import business to return to a normal earnings level in 2013. On the production side, we intend to focus on organic growth in the North Sea and on continual performance improvements.

Attractive distribution network businesses contribute significantly to the balance of our overall portfolio and play a critical role in the transformation of Europe's energy system towards a greater reliance on renewables. We intend to focus on network businesses that deliver a consistently high financial and operating performance. We will develop these businesses in a way that is consistent with the requirements of the new energy world.

Outside Europe

The European Union is concentrating on transforming its energy system, whereas other parts of the world are experiencing strong demand growth and therefore need to add a huge amount of technologically advanced generating capacity. We have outstanding expertise in planning, building, and operating conventional and renewable generating facilities. Going forward, we intend to increasingly profit from this expertise outside Europe, as well.

We will not only develop our existing businesses in Russia and North America but also expand into other attractive, fast-growing regions. After a thorough analysis phase in 2011, we selected three countries as potential target markets: Brazil, Turkey, and India. Drawing on our capabilities, we intend to work with local partners in these markets to build renewable and conventional generating capacity in order to achieve profitable growth for comparatively less capital.

Our operations in North America focus on renewables, particularly the development and operation of large onshore wind farms. We will continue to develop our current position, which consists of more than 2.2 GW of installed capacity, in accordance with the policy and regulatory framework. In Russia, our strategic focus is on the successful completion of our conventional power new-build program. After commissioning three state-of-the-art combined-cycle gas turbines with a total capacity of 1.2 GW through the end of 2011, we are now concentrating on rapidly completing the construction of a 0.8 GW coal-fired generating unit, which is scheduled to enter service in 2014. Our entire new-build program offers attractive returns and is making an important contribution to the modernization of power generation in Russia.

We have already reached an important first milestone in executing our strategy to expand into new regions. We agreed to form a strategic partnership with Brazil's MPX for investments in the Brazilian and Chilean energy markets. MPX has the largest portfolio of already licensed power generation projects in South America. E.ON and MPX intend to form a joint venture in which each holds 50 percent. Our ambition is to develop conventional and renewable generation projects with a total capacity of around 20 GW. This would give the joint venture 20 percent of the Brazilian generation market, making it the largest private energy company in Brazil. The formation of the joint venture is planned for the first half of 2012 and will represent E.ON's successful entry into the Brazilian market. We are currently also talking to promising local partners in Turkey and India about opportunities for cooperation. We expect concrete progress in the course of 2012.

Performance

Top performance is indispensable to remain successful in an increasingly competitive and demanding environment. Only if E.ON can demonstrate superior performance will it create real added value and thus offer truly better energy to its customers. Our aim is to be in the top quartile of our industry for all the businesses we are active in. We want to be measured by our ability to deliver top performance and to actively and consistently embrace a performance culture.

Top performance requires efficient processes and an efficient organizational setup. Through an efficiency program called PerformtoWin, we already defined and delivered annual cost reductions and operational improvements of €1.5 billion starting in 2011. We intend to build on this achievement. In August 2011, we launched the E.ON 2.0 program. Its objective is to reduce E.ON's controllable costs from roughly €11 billion in 2011 to €9.5 billion by 2015 at the latest in order to give us greater flexibility for investments. It also aims to simplify E.ON's organizational setup in order to speed up our decision-making. The third objective is to reduce our administrative functions to the absolute minimum in order to put our operating business at the center of what we do.

E.ON 2.0 is making swift progress. In its first phase, twelve working groups, set up according to the structure of our business, identified specific efficiency-improvement potential in four key areas: changes to our organizational setup, leaner administrative functions, improvements in procurement, and operational excellence.

On the organizational side, E.ON 2.0 aims to create a lean, transparent organizational setup with flat hierarchies. Currently, there are a number of E.ON companies in complex hierarchical structures, largely due to past mergers and acquisitions. Structural changes like the streamlining of Group Management, the reorganization of the Germany regional unit, the combination of E.ON Energy Trading and E.ON Ruhrgas, and organizational improvements at the Generation global unit will significantly improve management structures and clearly delineate responsibilities. At the same time, we intend to reduce the number of E.ON entities to create an organization with a clear focus on steering and management and on our operating business.

On the administrative side, the program aims to streamline and consolidate IT and a number of other support functions. A benchmarking conducted in the summer of 2011 made possible a comprehensive and nuanced analysis of the effectiveness and efficiency of several corporate functions (finance, HR, procurement, and business services). The results show that many of our processes in these areas are highly effective but, compared with our best peers, could be more efficient. E.ON 2.0 will create standardized business and decision-making processes that are leaner and faster. A key focus is on establishing efficient support services tailored to the needs of E.ON's operating business. For example, E.ON 2.0 also aims to combine into separate entities those support functions that offer considerable potential for standardization and thus for synergies and bundling effects.

On the procurement side, the program aims to increase the efficiency and effectiveness of E.ON's entire procurement organization. Currently, procurement functions are carried out by a range of E.ON entities and are not always clearly aligned with the requirements of our operating business. E.ON 2.0 will help create functional, overarching procurement teams that can systematically leverage scale and synergy effects. Achieving procurement advantages through price negotiations, specification adjustments, and demand reduction is an important part of E.ON's effort to meet its cost-reduction targets.

On the operational side, E.ON 2.0 aims to make E.ON more competitive relative to its peers in the long run. This applies primarily to our global generation operations and our local sales and infrastructure operations. The initiatives will include the standardization of processes as well as changes to our corporate structure that will enable us to achieve a top-quartile position in all our businesses.

Completed in November 2011, the first phase of E.ON 2.0 identified specific savings potential and the levers for realizing this potential. In the next phase, this savings potential will be articulated in greater detail in more than 50 projects, delivered gradually through numerous individual measures starting in 2012, and completely realized by the end of 2014 at the latest.

In parallel to E.ON 2.0, E.ON will develop a performance culture that focuses on implementing decisions swiftly, standardizing processes and activities, delineating responsibilities clearly, and, more generally, always paying attention to what will create value for the Group. E.ON's senior leadership is closely involved with E.ON 2.0 and will actively expedite the implementation of the changes that are ahead.

Investments

Although our market environment has become even more difficult, we see clear growth opportunities in energy markets, particularly in renewables and in conventional power generation outside Europe. But we also need to consider that in the years ahead E.ON will face significant business challenges resulting from public policy decisions and a significantly altered environment in European markets.

If we want to optimally seize the market opportunities that are out there, we need to find new ways to achieve growth with less capital. We need to grow by deploying our expertise and less by deploying ever-increasing amounts of capital.

We will take a variety of approaches to getting more value growth from less capital. For example, in renewables we will no longer necessarily be both operator and sole owner of wind farms. Instead, for projects where we find interested partners to be co-owners, we intend to concentrate on making our money through wind-farm design, planning, construction, and operation.

This will apply even more so in new markets, where capital is available. What we will bring to the table is our expertise. We will work with financially sound partners that have good local connections. Our role will be to contribute our expertise in building and operating various generation technologies as well as our understanding of global wholesale markets. The idea behind this new strategy is for us to focus more on activities and process steps in which we are a world leader and in which the potential for value creation is high.

We have high expectations for our planned investments for the period 2012–2014. In times of limited capital, it is essential to seize the most profitable opportunities in the market. We are therefore applying strict investment discipline and expect new growth projects, such as our planned offshore wind farms in Europe, to deliver a return significantly above their cost of capital. This additional return is generally 2.5 percentage points, but can vary by business area.

Energy Policy and Regulatory Environment

International

Following a natural disaster, an accident occurred at a nuclear power station in Fukushima, Japan, on March 11, 2011, resulting in the destruction of its reactors and the uncontrolled release of nuclear radiation. The 17th United Nations climate change conference took place in Durban, South Africa, from November 28 to December 11, 2011. Its resolutions included a commitment to agree on a unilateral climate-protection agreement by 2015.

Europe

At the center of Europe's energy-policy debate was the Energy Roadmap 2050 presented by the European Commission in December 2011. It describes how Europe's energy system will need to be transformed to reduce greenhouse-gas emissions by 80 to 95 percent by 2050 and at the same time to ensure supply security and affordable energy prices. The roadmap is not intended to replace the energy policies of the member states but rather to provide a framework for them.

The main components of the Energy Roadmap announced by EU Energy Commissioner Günther Oettinger are also contained in E.ON's cleaner & better energy strategy.

The Commission's approach to transforming the energy system is substantially different from the German federal government's. The EU approach is technology neutral, promotes further integration of EU internal market for energy, and requires a greater coordination of member-state energy policies, leading over the medium term to an extensive harmonization of energy-policy mechanisms.

The Energy Roadmap 2050 adopts a scenario technique in which five different scenarios are compared with two reference scenarios. The four main decarbonization routes—energy efficiency, renewables, nuclear, and carbon capture and storage ("CCS")—are combined in the scenarios in different ways. Electricity is expected to double its share of energy consumption by 2050, decentralization will increase, and, with renewables providing most of Europe's electricity (over 86 percent), electricity prices could increase by 82 percent by 2050 compared with 2005. For the Commission, nuclear energy remains indispensible, particularly if CCS is not deployed.

Regardless of the future energy mix, the cost of energy will rise. Yet the more European in scope the energy system is in the future, the more affordable energy will be for consumers, since the synergies of the internal market will make it possible to realize cost savings.

The roadmap will now be submitted for debate in the European Parliament and European Council. The Commission's first concrete step will be to present a Renewable Energy Strategy 2030 late in the spring of 2012.

Germany

The energy-policy debate in Germany in 2011 focused on implementing the components of the energy strategy announced in 2010. The strategy's purpose is to enable Germany to gradually transition from its current energy supply to one based predominantly on renewables by 2050. Following the Fukushima accident, the federal government adopted resolutions on June 6, 2011, that revised its energy strategy into what it calls the *Energiewende*: the transformation of the energy system. A central component of this significantly accelerated transformation is moving Germany's phaseout of nuclear energy up to 2022, thus rescinding the extension of nuclear power plant ("NPP") operating lives. At the same time, the seven NPPs temporarily shut down during the moratorium were permanently shut down. Other components of the transformation continue the course set by the energy strategy of 2010: the expansion of renewables and the expansion of network infrastructure. Many components of the transformation (such as the building-upgrade program) had not yet been put into legislation in 2011.

Incentive-Based Regulation

The German Federal Court of Justice ruled in June 2011 that the German Federal Network Agency had set revenue caps, which are used to calculate network charges for the years 2009 to 2012/2013, too low. The court stated that the German Energy Act does not give the agency the power to set a general productivity factor. Furthermore, it stated that network operators are entitled to a risk premium for equity of more than 40 percent. However, in 2011 the German federal government had already amended the general legislative foundation for the application of a productivity factor starting in 2012 and plans to implement the Incentive Regulation Ordinance in 2012.

Central Eastern Europe

In view of the current economic and financial crisis, it is anticipated that energy markets in this region will see increasing political and regulatory intervention in the form of additional taxes, price moratoriums, and changes to support schemes for renewables.

France

Drawing on the Champsaur Commission's report, in 2010 the French government produced a draft package of electricity-market reforms (the package is known by its French acronym, NOME). Under NOME, regulated tariffs for medium-sized and industrial customers will be completely eliminated by 2015; regulated tariffs for residential and small-business customers will be retained for an initial period. NOME also calls for a 15-year transition period during which competitors in France's electricity market will be given regulated access (at the ARENH tariff) to the baseload capacity of EdF's existing NPPs. In the future, tariffs for small-business and residential customers will be adjusted towards the ARENH tariff in a way that ensures that alternative suppliers can be competitive against the regulated tariff. In addition, the French government decided to introduce a capacity market by 2015 in order to ensure supply security during peakload hours. France also made changes to its support schemes for photovoltaic plants. In order to better manage the growth in new capacity, in 2011 France instituted a tender process for selected photovoltaic projects.

Italy

In response to the economic crisis, the Italian government introduced a special tax levied only on energy companies. Other policy debates affecting Italy's energy market included the introduction of new dispatching rules, a reevaluation of existing incentive programs for renewables (which could result in lower feed-in tariffs), and a power-market reform focusing on changes to the clearing mechanism. Discussions continued on the introduction of a capacity market starting in 2017.

Netherlands

In 2011, energy companies and the Dutch government agreed to a Green Deal under which the operators of coal-fired power stations pledged to continue cofiring biomass at current levels from 2012 to 2014 (that is, after cofiring subsidies expire). In return, the government pledged to introduce a scheme to compensate operators starting in 2015.

Spain

On October 1, 2010, Spain's Council of Ministers promulgated a law to support domestic coal production. The measures to implement this law are supposed to be in place by 2014. In addition, a new ministerial decree to raise capacity payments was approved in November 2011. These payments apply to all generation technologies except nuclear. Spain's regulatory agency is now tasked with developing, in the first half of 2012, a new market design for the capacity market, which would take effect after 2013. A royal decree of 2010 calls for the tariff deficit to be completely eliminated by 2013.

Sweden

Effective January 1, 2012, Sweden and Norway became the first countries to have a joint trading scheme for green-power certificates. The scheme is expected to add further impetus to the growth of renewables in both countries.

In late 2011, the Swedish government decided to double, for the next three years, the fee that NPP operators in Sweden pay for nuclear-waste management.

The Swedish government is currently evaluating policies that give third parties access to the district-heating market. Such policies could enhance competition in this market.

United Kingdom

The U.K. government is currently reforming the country's wholesale power market with the aim of improving the investment climate for low-carbon technologies and enhancing supply security. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, renewables, and CCS. The introduction of a capacity market is intended to enhance supply security by promoting investment in flexible generating capacity that has short ramp-up and ramp-down times. It is anticipated that the drafting of legislation to implement these reforms will continue in the first half of 2012 and that the reforms will be in place by the end of 2014.

Russia

The gradual liberalization of Russia's electricity market was completed in 2011. Effective January 1, 2011, companies can sell their entire power output, with the exception of power supplied to residential and similarly classed customers, on the wholesale market. 2011 was also the first year in which the government's pricing scheme for new generating capacity took full effect. The scheme allows power producers to conclude ten-year supply contracts for their new capacity at prices that cover their fixed costs plus a reasonable return on their investment.

USA

It remains uncertain whether the United States will enact legislation that takes a long-term approach to climate protection. On the other hand, federal policies to support renewables have made the United States a global leader in wind power. These policies include production tax credits and investment cash grants. In addition, many states have established programs that set mandatory targets for renewables in their power markets, which has resulted in trading in green-power certificates at a regional level. Currently, Washington is considering whether to extend tax credits for new wind farms beyond 2012; support for solar energy is in place through 2016.

Macroeconomic Environment

In 2011, the global economy did not continue its strong recovery from the prior year. According to the OECD, global gross domestic product ("GDP") grew at a rate of 3.8 percent in real terms in 2011, down from 5 percent in 2010. This lower growth rate, however, roughly matches the average growth rate for the years 1999 to 2008. Following a recession year (2009) and a boom year (2010), global trade expanded at a rate of 6.7 percent, which also marks a return to its long-term average. The OECD attributes the global economy's weak growth in 2011 to anti-inflationary (and thus growth-dampening) policies, lower import demand in emerging countries, and a decline in confidence in OECD countries. Positive trends in the OECD zone largely fizzled during the course of the year. Surveys taken since the summer show that economic confidence has declined, but not to the levels seen during the crisis of 2008.

Weak growth in the OECD zone in 2011 was propelled by private consumption and investment activity. Growth in domestic demand declined by nearly 50 percent compared with the prior year, and growth in net exports, which had helped drive economic growth in 2010, fell back to its pre-crisis level prior to 2007.

Economic recovery in the United States slowed significantly. Because of high unemployment and restrictive fiscal policies, domestic demand grew at a lower rate despite robust demand for consumption and investment goods. Growth in U.S. net exports, which also returned to its normal rate after the boom of 2010, was not sufficient to offset the decline in domestic demand.

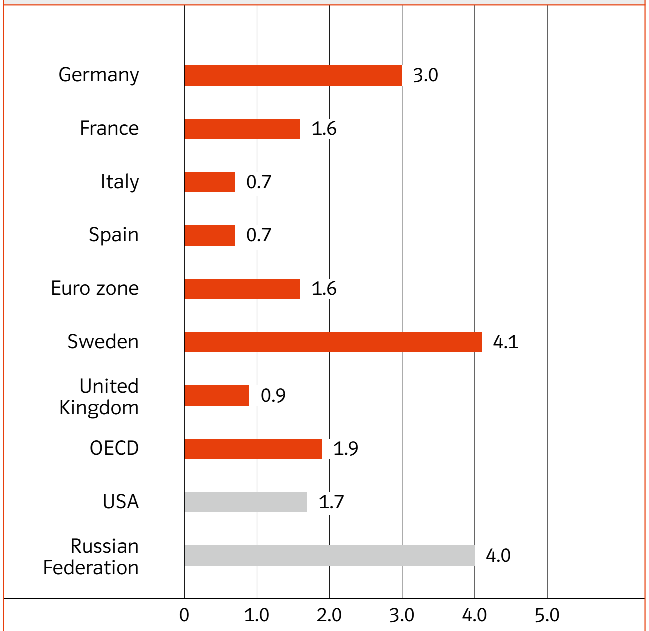
The economic performance in the euro zone was also tepid in 2011. Private investment activity provided some impetus, but the increase in private consumption was generally weak, and there was no increase in public consumption due to restrictive fiscal policies. Little growth impetus came from net exports. Southern European countries (Greece, Italy, Portugal, Spain) recorded the lowest growth rates. Buoyed by robust domestic demand, Sweden's GDP growth was among the highest in the EU. The United Kingdom experienced lower domestic demand despite fiscal policies designed to stimulate it. Its economy expanded only incrementally thanks to net exports.

Germany was one of the few countries to have a high rate of economic growth in 2011. Fueled by net exports and, compared with recent years, by uncommonly robust private consumption demand, Germany's economy continued its solid recovery from the recession of 2009 and, almost without interruption, its upward trend of 2010.

The BRIC countries (Brazil, Russia, India, China) continue to offer growth potential. Higher oil prices helped stabilize Russia's economy, but GDP growth in China was lower due to restrictive monetary policy.

2011 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2011.

Energy Industry

According to preliminary figures from AGEB, an energy industry working group, Germany's consumption of primary energy in 2011 declined by just under 5 percent to about 457.6 million metric tons of hard coal equivalent ("MTCE"). The biggest factor was mild weather in 2011, which significantly reduced the need for energy for heating. Higher energy prices constituted another important factor. Adjusted for temperature effects, Germany consumed just 1 percent less energy.

Germany's petroleum consumption fell by 3 percent to the lowest level since 1990. Gas consumption declined by more than 10 percent because of significantly warmer weather compared with the cold prior year and because less gas was used to fuel power and heat plants. Consumption of hard coal was slightly lower year on year, with the steel industry using 4 percent more, but the power industry using 2 percent less. Lignite consumption rose by just under 4 percent. Lignite production reflects the increase in deliveries to power stations, which consume 90 percent of Germany's lignite. Nuclear power's contribution declined by just under 23 percent due to the phaseout decision. Renewables' share of primary energy consumption increased by just over 4 percent. Wind generation was up by 22 percent, whereas hydroelectric generation (excluding pumped storage) declined by 9 percent. Photovoltaic production recorded a sharp increase (67 percent). For the year as a whole, Germany exported slightly more power to neighboring countries than it imported. However, this masks a trend towards significantly higher power imports and lower power exports.

2011 Primary Energy Consumption in Germany by Energy Source

Percentages	2011	2010
Petroleum	33.8	33.4
Natural gas	20.6	21.8
Hard coal	12.6	12.0
Lignite	11.7	10.7
Nuclear	8.8	10.9
Renewables	10.8	9.9
Other (including net power imports/exports)	1.7	1.3
Total	**100.0**	**100.0**

Source: AG Energiebilanzen.

The decrease in Germany's energy consumption led to a more than 3-percent reduction in its energy-related carbon emissions. Adjusted for temperature effects, carbon emissions would have risen by about 1 percent.

Electricity consumption in England, Scotland, and Wales was about 307 billion kWh in 2011 compared with 320 billion kWh in 2010. Gas consumption (excluding power stations) fell from 647 billion kWh to 544 billion kWh. Exceptionally cold weather in the first and third quarters of 2010 along with warm temperatures in 2011 were the main factors in the decline.

The Nordic region consumed 379 billion kWh of electricity in 2011, about 15 billion kWh less than in 2010 due to overall higher temperatures and lower industrial demand. Net electricity imports from surrounding countries were around 5.3 billion kWh in 2011 compared with roughly 18.7 billion kWh in 2010.

Hungary consumed 32.1 billion kWh of electricity, 1.3 percent more than in the prior year. The different number of work days and higher industrial demand were the main reasons for the increase. Driven by weather factors, Hungary's gas consumption fell by 7.4 percent to 11.9 billion cubic meters.

Italy consumed 332.3 billion kWh of electricity, an increase of 0.6 percent from the prior-year figure (330.5 billion kWh). Gas consumption declined by 6 percent to 822 billion kWh (prior year: 874.8 billion kWh) due to weather factors.

Peninsular electricity consumption in Spain was 255 billion kWh, 2.1 percent below the prior-year figure (consumption declined by 1.2 percent if adjusted for differences in temperature and the number of working days). Retail gas consumption decreased slightly, declining by 0.8 percent to 263 billion kWh.

France's electricity consumption fell by 5 percent to 350.1 billion kWh (consumption fell by 0.5 percent if adjusted for differences in temperature and the number of working days). By contrast, total generation increased by 0.3 percent to 400.3 billion kWh.

Energy consumption in the Russian Federation increased by 1.2 percent relative to the prior year. Consumption was lower in Siberia due to higher temperatures and higher in the European part of Russia due to economic growth.

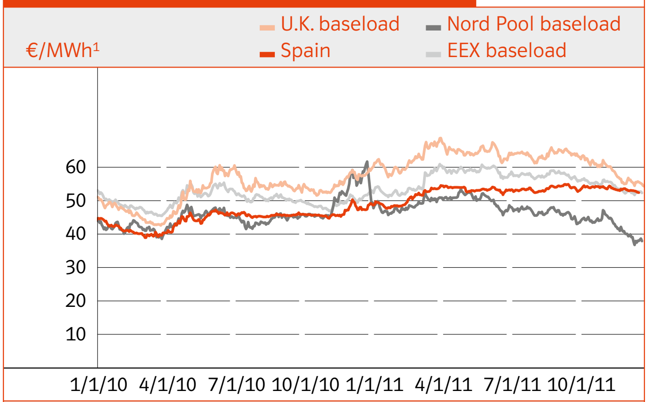
Energy Prices

Four main factors drove electricity and natural gas markets in Europe and the electricity market in Russia in 2011:

- international commodity prices (especially oil, gas, coal, and carbon-allowance prices)
- macroeconomic and political developments
- weather and natural disasters
- the availability of hydroelectricity in Scandinavia.

In the first half of the year, energy markets were driven largely by the unrest in North Africa and the Middle East and by the earthquake and tsunami in Japan. In the second half, Europe's debt crisis and worse prospects for global economic growth became increasingly tangible factors, in part because initiatives by European governments to combat the crisis remained largely ineffectual and because the United States' fundamental budget and trade-balance problems remained unsolved.

Wholesale Electricity Price Movements in E.ON's Core Markets



[1]For next-year delivery.

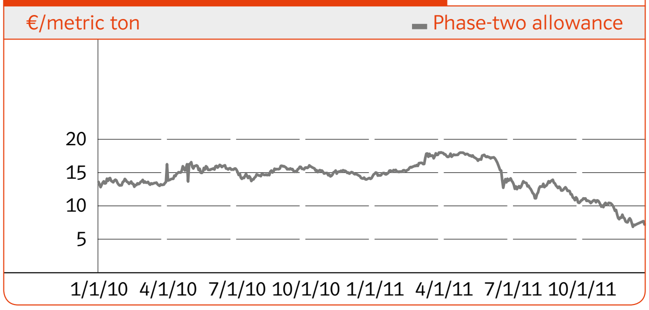
After starting the year at well under $100 per barrel, oil prices at times exceeded $125 in the second quarter due to the unrest in North Africa. In the third quarter, oil prices began a steady decline, albeit with intermittent sharp fluctuations, amid uncertainty on equity and commodity markets. Prices briefly dipped below $100 in the fourth quarter and finished the year at about $106 per barrel.

Prices on Europe's coal market (as measured by the API#2 index) began the year with a dramatic rise and in early April reached a high of $134 per metric ton for next-year delivery. After this, prices trended continually lower and finished 2011 at $113 per metric ton, which was actually slightly below the level at the start of the year. The main reasons for the decline were lower oil prices and lower demand due to the uncertain economic outlook. By contrast, global demand for coal for power generation was robust, increasing by an estimated 5 to 6 percent compared with the prior-year figure. Largely responsible for the increase was India, whose coal consumption rose by nearly 40 percent year on year. The freight market benefited somewhat from China's increased demand for iron ore but otherwise remained weak because of ongoing oversupply.

After recovering strongly in the first quarter and remaining largely stable in the second, European forward gas prices declined sharply in the second half of the year, particularly in the fourth quarter. The main factors were Europe's extremely mild weather and higher-than-anticipated availability of gas, particularly from Norway but also on the LNG market. The Asian LNG market, on the other hand, remained tight, chiefly because of the situation in Japan, where most nuclear power stations remain out of service. The market's sensitivity to the availability of LNG in Asia became apparent in August, when Qatar's announcement that it would withdraw several liquefaction plants from service for scheduled maintenance briefly sent prices sharply higher. On the U.K. market, gas prices for next-year delivery finished the year at about €23 per MWh.

After rising significantly in March, the December carbon contract for next-year delivery of EU allowances under the European Emissions Trading Scheme came under considerable pressure throughout the rest of 2011, finishing the year at about €7 per metric ton. Europe's debt crisis and worse prospects for global economic growth led to lower industrial production and consequently to lower demand for power, which resulted in an oversupply of allowances. This trend was enhanced by the announcement of emission-reduction measures, including measures to increase energy efficiency.

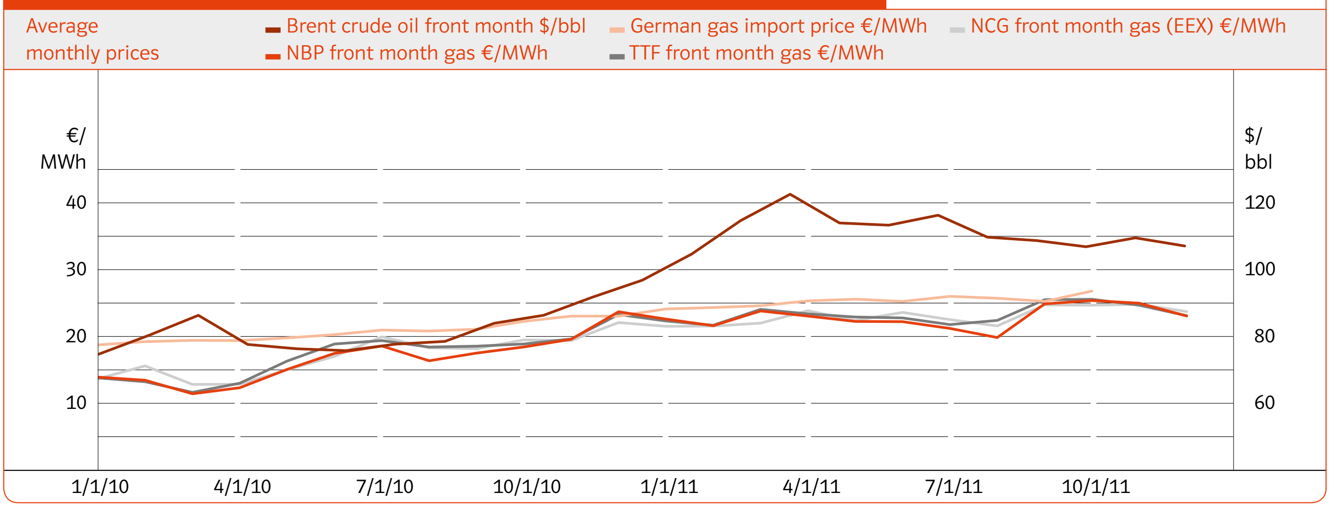
Carbon Allowance Price Movements in Europe



After spiking in the first quarter because of the Japan crisis and Germany's subsequent nuclear-energy moratorium and trending downward in the second quarter because of declining carbon prices, German prices for baseload electricity for 2012 delivery were relatively stable in the third quarter. In the fourth quarter, prices moved lower due to the good supply situation on Europe's energy markets, high renewables output in Germany, and comparatively mild weather. As a result, German power prices for 2012 delivery finished the year at about €52 per MWh, roughly where they had started it. U.K. power prices generally moved in a similar pattern to Germany's, although the extremely mild weather at the end of the year had a significantly greater impact, resulting in prices under €55 per MWh. In the fourth quarter, power prices in the Nordic market continued to be strongly influenced by the situation in the region's water reservoirs. After extremely low reservoir levels in the first quarter, abundant precipitation and the resulting increase in inflows led to record-high reservoir levels, causing temporary sharp declines in spot prices, which also affected forward prices. Prices for delivery in 2012 finished the year at about €38 per MWh, €12 below the price at the start of the year. Because Italy's power market is highly dependent on oil-indexed natural gas, Italian power prices for next-year delivery tended to track the fluctuations in oil prices and generally stayed between €72 and €75 per MWh. Prices reached a high of over €77 per MWh at the end of the year due to the fact that Italy is less dependent on coal, which means that lower carbon prices had less of an impact on power prices there than in other European countries. Forward power prices in Spain trended upward, reaching a high of just under €55 per MWh in September, which also saw the highest spot prices of 2012. Driven by lower demand and lower carbon prices, prices declined at the end of the year to €52, about €2 above the level at the start of the year.

Prices on the Russian market rose significantly in the first half of the year on higher fuel prices and increased demand in the European price zone. This trend reversed itself in the second half on lower demand and a marked increase in generating capacity. In the European price zone, the weighted-average spot price fell by 7 percent in the second half of the year to RUB 912 (around €22) per MWh, although this was still 12 percent higher than the price at the end of 2010. In the Siberian zone, the spot price remained generally stable (in part because lower demand was offset by a maintenance-related reduction in plant availability) and finished the year at RUB 541 (around €13) per MWh, which was slightly more than 10 percent above the price at the start of the year.

Crude Oil and Natural Gas Price Movements in E.ON's Core Markets



Attributable Generating Capacity

The E.ON Group's attributable generating capacity increased by 2 percent, from 68,475 MW at year-end 2010 to 69,557 MW at year-end 2011.

Attributable generating capacity at the Generation global unit declined by about 800 MW to 46,846 MW, mainly because of the shutdown of nuclear capacity (Unterweser, Isar 1, Krümmel, Brunsbüttel) due to the amendment of Germany's Nuclear Energy Act. This effect was partially offset by the commissioning of new gas-fired generating capacity.

Renewables' attributable generating capacity increased by about 600 MW, predominantly because of new wind farms in the United States.

The Germany regional unit's attributable generating capacity remained relatively stable at 1,876 MW.

Other EU Countries' attributable generating capacity of 1,942 MW was also at the prior-year level.

Russia's attributable generation capacity increased by about 1,200 MW, owing mainly to the commissioning of new gas-fired units at Surgutskaya and Yaivinskaya power stations.

Attributable Generating Capacity

December 31, 2011, MW	Generation	Renewables	Germany	Other EU Countries	Russia	E.ON Group
Nuclear	5,403	–	–	–	–	5,403
Lignite	852	–	–	–	–	852
Hard coal	6,016	–	–	–	–	6,016
Natural gas	3,863	–	736	–	–	4,599
Oil	772	–	106	–	–	878
Hydro	–	1,759	678	–	–	2,437
Wind	–	198	–	–	–	198
Other	24	–	356	–	–	380
Germany	**16,930**	**1,957**	**1,876**	**–**	**–**	**20,763**
Nuclear	2,774	–	–	–	–	2,774
Lignite	–	–	–	79	1,528	1,607
Hard coal	10,765	–	–	–	–	10,765
Natural gas	13,239	–	–	1,541	8,416	23,196
Oil	3,138	–	–	–	–	3,138
Hydro	–	3,024	–	55	–	3,079
Wind	–	3,836	–	1	–	3,837
Other	–	132	–	266	–	398
Outside Germany	**29,916**	**6,992**	**–**	**1,942**	**9,944**	**48,794**
E.ON Group	**46,846**	**8,949**	**1,876**	**1,942**	**9,944**	**69,557**

Power Procurement

The E.ON Group's owned generation declined by 2 percent, from 276.1 billion kWh in 2010 to 271.2 billion kWh in 2011. By contrast, power procured increased by 15 percent to 894.3 billion kWh.

The reduction in Generation's owned generation is primarily attributable to the shutdown of Unterweser and Isar 1 nuclear power stations in Germany after the expiration of the moratorium period set by the German federal government. The decline was also due to narrower margins in the United Kingdom, which made some plant less economic to operate.

Renewables' owned generation of 24 billion kWh exceeded the prior-year figure (22.2 billion kWh). Owned generation in the Hydro reporting unit declined by 0.5 billion kWh due to lower water levels in nearly all countries, particularly in Germany, which saw considerably less precipitation than in the prior year. By contrast, owned generation in Sweden rose due to high inflows. Owned generation at the Wind/Solar/Other reporting unit rose by 29 percent to 10.2 billion kWh. Wind farms accounted for 96 percent of Renewables' owned generation, with biomass and micro-hydro facilities accounting for the rest.

Owned generation at the Germany regional unit's distributed generating facilities was 6.6 billion kWh, slightly below the prior-year level. Lower flowthrough was responsible for the decline in hydro output, warm weather (and the resulting reduction in the use of cogeneration units) for the decline in output from natural-gas and oil assets.

Other EU Countries' owned generation declined by 0.8 billion kWh, mainly because narrower margins in the United Kingdom made some gas-fired units less economic to operate. Owned generation declined in Sweden and the Netherlands due to less demand from our Trading unit. The 2011 and 2010 figures for this segment include CHP output in the United Kingdom.

Power Procurement

	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Owned generation	170.8	182.9	24.0	22.2	–	–	6.6	7.1	7.3	8.1	62.5	55.8	–	–	271.2	276.1
Purchases	30.3	50.2	6.2	6.3	982.2	804.9	180.4	190.4	159.8	156.7	4.3	5.3	-468.9	-437.7	894.3	776.1
Jointly owned power plants	*9.9*	*12.0*	*1.9*	*1.8*	–	–	*0.2*	*0.1*	–	–	–	–	–	*-0.9*	*12.0*	*13.0*
Trading/outside sources	*20.4*	*38.2*	*4.3*	*4.5*	*982.2*	*804.9*	*180.2*	*190.3*	*159.8*	*156.7*	*4.3*	*5.3*	*-468.9*	*-436.8*	*882.3*	*763.1*
Total	**201.1**	**233.1**	**30.2**	**28.5**	**982.2**	**804.9**	**187.0**	**197.5**	**167.1**	**164.8**	**66.8**	**61.1**	**-468.9**	**-437.7**	**1,165.5**	**1,052.2**
Station use, line loss, etc.	-2.3	-2.6	-0.5	-0.7	–	–	-5.7	-6.2	-10.2	-9.9	-2.0	-1.8	–	–	-20.7	-21.2
Power sales	**198.8**	**230.5**	**29.7**	**27.8**	**982.2**	**804.9**	**181.3**	**191.3**	**156.9**	**154.9**	**64.8**	**59.3**	**-468.9**	**-437.7**	**1,144.8**	**1,031.0**

The Russia unit generated about 94 percent of its total needs of 66.8 billion kWh at its own power stations. When it made business sense, Russia met its delivery obligations by purchasing electricity instead of producing it.

Owned Generation by Energy Source

	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
Billion kWh	2011	%	2011	%	2011	%	2011	%	2011	%	2011	%
Nuclear	60.9	36	–	–	–	–	–	–	–	–	60.9	22
Lignite	4.8	3	–	–	–	–	0.3	4	11.1	18	16.2	6
Hard coal	62.0	36	–	–	–	–	–	–	–	–	62.0	23
Natural gas, oil	43.1	25	–	–	2.0	30	6.0	82	51.4	82	102.5	38
Hydro	–	–	13.9	58	2.3	35	0.1	1	–	–	16.3	6
Wind	–	–	9.8	41	–	–	–	–	–	–	9.8	4
Other	–	–	0.3	1	2.3	35	0.9	13	–	–	3.5	1
Total	**170.8**	**100**	**24.0**	**100**	**6.6**	**100**	**7.3**	**100**	**62.5**	**100**	**271.2**	**100**

Gas Procurement

E.ON Ruhrgas procured 660.5 billion kWh of natural gas from producers in and outside Germany in 2011, about 4 percent less than in the prior year. The biggest suppliers were Russia (which accounted for 27 percent), Norway (23 percent), Germany (22 percent), and the Netherlands (18 percent). E.ON Földgáz Trade of Hungary, whose biggest supplier is Russia, accounted for the Gas global unit's remaining procurement (roughly 79 billion kWh).

In addition, the Trading unit procured 1,192 billion kWh of gas, primarily at gas trading hubs.

The Gas global unit's gas production in the North Sea declined to 1,175 million cubic meters. Oil and condensates production of 3.6 million barrels was also down, declining by 31 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord and Rita fields and natural production declines at older fields. Together, these factors caused total upstream production of gas, liquids, and condensates to fall by 26 percent to 11 million barrels of oil equivalent. In addition to our North Sea production, we had 6.4 billion cubic meters of production from Yuzhno Russkoye, which was acquired at the end of 2009 and is accounted for using the equity method. This represents a slight increase from the prior-year figure.

Upstream Production

	2011	2010	+/- %
Oil/condensates (million barrels)	3.6	5.2	-31
Gas (million standard cubic meters)	1,175	1,513	-22
Total (million barrels of oil equivalent)	**11.0**	**14.8**	**-26**

Trading Volume

To execute its procurement and sales mission for the E.ON Group and to optimize the E.ON asset portfolio, the Trading global unit traded the following financial and physical quantities:

Trading Volume

	2011	2010
Power (billion kWh)	1,967	1,472
Gas (billion kWh)	2,480	2,005
Carbon allowances (million metric tons)	598	650
Oil (million metric tons)	92	72
Coal (million metric tons)	269	289

The table above shows our entire trading volume, including volume for delivery in future periods.

Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 11 percent year on year to 1,144.8 billion kWh due to higher trading sales volume, primarily deliveries to France and Italy.

Generation sold 31.7 billion kWh less power than in the prior year. Power sales declined by 11.6 billion kWh in Germany, where the shutdown of Unterweser and Isar 1 nuclear power stations reduced deliveries to the Trading unit. Generation sold 8.4 billion kWh less power in Italy and 8.3 billion kWh less in France due to lower demand from Trading. Power sales declined by 3.1 billion kWh in the United Kingdom because narrower margins made some plant less economic to operate.

Renewables sold 1.9 billion kWh more power than last year. Power sales at the Hydro reporting unit declined by an aggregate 0.3 billion kWh on lower output in all regions except Sweden, where power sales were higher due to higher water levels. Wind/Solar/Other, which sells its output exclusively in markets with incentive mechanisms for renewables, grew power sales by 2.2 billion kWh, or 24 percent, primarily because of an increase in generating capacity.

The decline in power sales at the Germany regional unit primarily reflects the sale of our ultrahigh-voltage transmission system (transpower) in late February 2010. A decline in customer numbers was also an adverse factor.

Other EU Countries sold 2 billion kWh more power. Gains of 8.9 billion kWh (primarily in France and the United Kingdom, including output from CHP plants for 2011 and 2010) more than offset declines of 6.9 billion kWh (primarily in Italy, Sweden, and Czechia).

The Russia unit sold 64.8 billion kWh of electricity on the wholesale market. This 9-percent increase is attributable in particular to the commissioning of new generating capacity.

Power Sales

	Generation		Renewables		Trading		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	–	–	–	–	–	–	25.0	27.2	64.3	63.5	–	–	–	–	89.3	90.7
I&C	3.9	4.0	–	2.1	–	–	37.2	28.6	73.4	73.7	–	–	-0.2	-0.2	114.3	108.2
Sales partners	26.7	36.4	4.7	2.9	–	–	82.9	85.9	1.7	3.3	–	–	-4.9	-9.0	111.1	119.5
Customer segments	**30.6**	**40.4**	**4.7**	**5.0**	**–**	**–**	**145.1**	**141.7**	**139.4**	**140.5**	**–**	**–**	**-5.1**	**-9.2**	**314.7**	**318.4**
Wholesale market/ Trading	168.2	190.1	25.0	22.8	982.2	804.9	36.2	49.6	17.5	14.4	64.8	59.3	-463.8	-428.5	830.1	712.6
Total	**198.8**	**230.5**	**29.7**	**27.8**	**982.2**	**804.9**	**181.3**	**191.3**	**156.9**	**154.9**	**64.8**	**59.3**	**-468.9**	**-437.7**	**1,144.8**	**1,031.0**

Gas Sales

On a consolidated basis, the E.ON Group increased its gas sales by 375.7 billion kWh, or 28 percent, to 1,718.1 billion kWh. Higher trading sales volume, resulting in particular from increased hedging activities on European energy exchanges, was the main factor.

Our Gas global unit is responsible for procuring gas for our regional sales entities and the Trading unit and for marketing gas in regions in which our sales and trading entities do not operate. This is reflected in Gas's sales volume, which is adjusted for intrasegment effects and consists of the gas sales of E.ON Ruhrgas, Ferngas Nordbayern, and E.ON Földgáz Trade. Gas sold a total of 731 billion kWh of gas, a reduction of about 48 billion kWh, or roughly 6 percent, relative to 2010. Broken down by customer segment, Gas made 2 percent of its gas sales to I&C, 12 percent to sales partners, 54 percent to the Germany regional unit, 16 percent outside Germany, and 16 percent to Trading. The sales partner segment consists mainly of E.ON sales entities and regional gas companies and municipal utilities supplied directly by Gas. The 54 billion kWh decline in sales to this segment primarily reflects customer losses by E.ON sales entities and warmer weather compared with the prior year. Gas sales to the Germany regional unit were about 16 billion kWh lower, also mainly because of customer losses and warmer weather. Gas sales outside Germany, which declined by about 8 billion kWh, consist mainly of the sales volume of E.ON Földgáz Trade, which sold about 85 billion kWh of gas. Gas sales to Trading rose by about 21 billion kWh year on year because of an increase in spot trading, which resulted mainly from increased trading in LNG cargos and an increase in short-term trading.

The Germany regional unit sold about 36 billion kWh less gas, mainly because of customer losses and weather effects.

Gas sales volume at Other EU Countries was down by 10.5 billion kWh. The main drivers were very cold weather in the prior year in the United Kingdom and Italy, ongoing energy-efficiency measures in the United Kingdom, increased customer churning in Italy, and a reduction in deliveries to gas-fired power plants in Sweden. Gas sales volume was higher in other markets, particularly in the Netherlands and Czechia, on higher sales to Trading and the acquisition of new wholesale customers.

Gas Sales

	Gas		Generation		Trading		Germany		Other EU Countries		Consolidation		E.ON Group	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Residential and SME	–	–	–	–	–	–	25.4	32.0	97.7	103.7	–	–	123.1	135.7
I&C	16.5	7.2	–	–	–	–	132.9	133.0	44.9	53.3	-11.4	-9.9	182.9	183.6
Sales partners	89.1	143.0	–	–	–	–	263.4	292.4	0.8	1.2	-94.8	-106.4	258.5	330.2
Customer segments	**105.6**	**150.2**	**–**	**–**	**–**	**–**	**421.7**	**457.4**	**143.4**	**158.2**	**-106.2**	**-116.3**	**564.5**	**649.5**
Germany	394.4	410.7	–	–	–	–	–	–	–	–	-394.4	-410.7	–	–
Other countries	116.0	124.2	–	–	–	–	–	–	–	–	-43.3	-51.1	72.7	73.1
Wholesale market/ Trading	114.5	93.2	0.2	2.8	1,433.2	836.6	43.6	43.8	14.4	10.1	-525.0	-366.7	1,080.9	619.8
Total	**730.5**	**778.3**	**0.2**	**2.8**	**1,433.2**	**836.6**	**465.3**	**501.2**	**157.8**	**168.3**	**-1,068.9**	**-944.8**	**1,718.1**	**1,342.4**

Business Performance

At the end of the 2011 financial year, the E.ON Group's business performance was in line with our expectations. Sales rose by 22 percent year on year to roughly €113 billion. But our EBITDA declined by 30 percent to roughly €9.3 billion. The adverse factors include the early shutdown of a number of nuclear power stations in Germany, Germany's nuclear-fuel tax, and continued margin pressure in our gas wholesale business. By contrast, a number of our growth businesses—renewables, upstream gas, and power generation in Russia—increased their earnings. These results are in line with our adjusted forecast for 2011. Our EBITDA was between €9.1 and €9.3 billion and our underlying net income was between €2.3 and €2.5 billion. We adjusted our forecast at the time of our half-year earnings release because—in addition to the adverse impact of the shutdown of several of our nuclear power stations and the nuclear-fuel tax—the economic environment remained difficult in most of the European markets where we operate. Furthermore, it was nearly impossible to quantify the risks of international economic and financial developments.

We executed the following significant transactions in 2011.

Acquisitions, Disposals, and Discontinued Operations in 2011

Note 4 to the Consolidated Financial Statements contains detailed information about these transactions.

Disposal Groups and Assets Held for Sale

In line with our strategy, which includes divesting €15 billion of assets by the end of 2013, we sold our U.K. power distribution system to PPL Corporation of the United States effective April 1, 2011.

In mid-December 2010, contractual agreements were concluded to sell 100 percent of the shares of E.ON Rete, which operates a gas distribution network in Italy, to a consortium. We reclassified these operations as a disposal group effective December 31, 2010. The transaction closed in early April 2011.

After the disposal of the Thüga Group, our stakes in Stadtwerke Karlsruhe and Stadtwerke Duisburg were reclassified as assets held for sale effective December 31, 2010. The transactions closed in early 2011 and in July 2011, respectively.

Furthermore, in the third quarter of 2010 a concrete stage was reached in the negotiations to sell our 40-percent stake in HEAG Südhessische Energie AG. The sales agreement for the disposal of this stake was signed in February 2012. The closing of the transaction, which is subject to approval by various municipal entities of the city of Darmstadt and by the Supervisory Board of E.ON Ruhrgas AG, is expected to take place in the first half of 2012.

In a portfolio-streamlining measure, E.ON sold most of its stake in Gazprom. The remaining stake was reclassified as an asset held for sale. It was sold in the first quarter of 2011.

In December 2011, E.ON signed a contract to sell its wholly owned subsidiary E.ON Bulgaria to Energo-Pro of the Czech Republic.

These disposals resulted in cash-effective items totaling €5,987 million in 2011 (prior year: €9,601 million).

Sales

Our sales rose by 22 percent year on year to €113 billion. All our reporting segments recorded higher sales and generally had a higher share of external sales, particularly Trading.

Sales € in millions	2011	2010	+/- %
Generation	14,979	14,741	+2
Renewables	2,439	1,943	+26
Gas	23,012	21,348	+8
Trading	70,463	47,948	+47
Germany	37,244	36,403	+2
Other EU Countries	23,032	22,654	+2
Russia	1,615	1,252	+29
Group Management/ Consolidation	-59,830	-53,426	–
Total	**112,954**	**92,863**	**+22**

Generation

The Generation global unit increased its sales by €238 million relative to the prior-year figure.

Sales € in millions	2011	2010	+/- %
Nuclear	4,944	5,066	-2
Fossil	9,811	9,639	+2
Other/Consolidation	224	36	+522
Generation	**14,979**	**14,741**	**+2**

The Nuclear reporting unit's sales declined by €122 million due to the German federal government's nuclear-energy moratorium and the shutdown of Unterweser and Isar 1 nuclear power stations. By contrast, higher market-based transfer prices for deliveries to our Trading unit in Germany had a positive impact on sales. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace three years prior to delivery. The resulting transfer prices, which our Trading unit pays our generating units for their output, were higher in 2011 than the prices for the 2010 delivery period. In Sweden, Nuclear's sales were positively impacted by higher sales volume, higher average transfer prices, and positive currency-translation effects.

The Fossil reporting unit grew sales by €172 million, mainly due to higher market-based transfer prices for deliveries to our Trading unit in Germany, the United Kingdom, and the Netherlands. The commissioning of new gas-fired generating units in Germany and the United Kingdom was another positive factor. Sales declined significantly in Italy, mainly due to lower sales volume.

Renewables

Sales at Renewables rose by €496 million.

Sales € in millions	2011	2010	+/- %
Hydro	1,453	1,277	+14
Wind/Solar/Other	986	666	+48
Renewables	**2,439**	**1,943**	**+26**

The €176 million increase in sales recorded at the Hydro reporting unit is mainly attributable to higher market-based transfer prices for deliveries to our Trading unit in Germany and Sweden. Lower output had a negative impact on sales.

The primary reason for the €320 million increase in Wind/Solar/Other's sales was a considerable increase in generating capacity, particularly in the United Kingdom, Denmark, and the United States.

Gas

Gas's sales were up by 8 percent to around €23 billion (prior year: €21.3 billion).

Sales € in millions	2011	2010	+/- %
Upstream	1,517	1,391	+9
Midstream	21,177	20,001	+6
Transmission/Shareholdings	1,199	1,555	-23
Other/Consolidation	-881	-1,599	–
Gas	**23,012**	**21,348**	**+8**

The Upstream reporting unit's sales were up by €126 million. Positive energy price developments, particularly for output from Yuzhno Russkoye gas field in Siberia, more than offset lower production at North Sea gas fields.

The Midstream reporting unit grew sales by €1.2 billion. Lower sales volume was more than offset by higher sales prices. The commissioning of new storage capacity led to higher sales at the storage business.

Lower transport revenues in the regulated business and lower sales of control and balancing energy resulted in a decrease in sales at Transmission/Shareholdings.

Trading

Trading recorded sales of about €70.5 billion in 2011. The increase relative to the prior year resulted mainly from an increase in trading activity in power and gas. On the gas side, optimization of long-term supply contracts and of E.ON-owned gas-fired power plants led to a significant increase in sales, as did an adjustment of our hedging strategy. On the power side, sales rose in particular because of the marketing of additional output from E.ON-owned power plants and from an increase in trading activities to optimize the value of E.ON's generation portfolio. The increase in sales is reflected almost identically in the increase in cost of materials, since optimization involves buying quantities and then reselling them. The Consolidated Statements of Income include Proprietary Trading's sales net of the associated cost of materials.

Sales € in millions	2011	2010	+/- %
Proprietary Trading	111	-36	–
Optimization	70,352	47,984	+47
Trading	**70,463**	**47,948**	**+47**

Germany

Sales at the Germany regional unit increased by €0.8 billion.

Sales € in millions	2011	2010	+/- %
Distribution Networks	11,276	10,504	+7
Non-regulated/Other	25,968	25,899	–
Germany	**37,244**	**36,403**	**+2**

The increase is entirely attributable to the Distribution Networks reporting unit, mainly because it recorded significantly higher sales in conjunction with Germany's Renewable Energy Law. A regulation-driven decline in network charges was the main negative factor.

Sales at the Non-regulated/Other reporting unit were on par with the prior-year figure.

Other EU Countries

Other EU Countries grew sales by €378 million.

Sales € in millions	2011	2010	+/- %
UK (£ in millions)	8,554 (7,422)	8,732 (7,579)	-2 (-2)
Sweden (SEK in millions)	2,922 (26,381)	3,235 (30,858)	-10 (-14)
Czechia (CZK in millions)	2,765 (67,991)	2,338 (59,114)	+18 (+15)
Hungary (HUF in millions)	1,948 (544,196)	2,032 (559,800)	-4 (-3)
Remaining regional units	6,843	6,317	+8
Other EU Countries	**23,032**	**22,654**	**+2**

Sales at the UK regional unit declined by €178 million. The decline in sales resulting from the disposal of the regulated business (Central Networks) was partially offset by higher sales in the retail business.

The Sweden regional unit's sales decreased by €313 million, despite positive currency-translation effects of €155 million. The decline was mainly due to lower retail sales which reflect a decline in spot prices from the high level seen in the first half of 2010.

Sales in Czechia rose by €427 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

Sales at the Hungary regional unit were slightly below the prior-year level because of lower sales in the regulated business and lower sales prices.

Sales at the remaining reporting units rose by €526 million, in particular because of positive margin and price effects in France, the Netherlands, Spain, and Romania. The acquisition of new customers in the Netherlands was another positive factor. Sales in Italy declined on lower sales volume.

Russia

An increase in generating capacity along with higher power prices enabled Russia to grow its sales by 29 percent, from €1,252 million in 2010 to €1,615 million in 2011. In local currency, sales were up by 31 percent, from RUB 50,344 million to RUB 66,039 million.

Other Significant Line Items from the Consolidated Statements of Income

Own work capitalized of €519 million was 12 percent below the prior-year level (€588 million) and consisted chiefly of engineering services performed in our network business in conjunction with new-build projects.

Other operating income declined by 14 percent to €13,785 million (prior year: €15,961 million). Higher income from exchange-rate differences of €6,027 million (€5,177 million) was more than offset by significantly lower income from derivative financial instruments of €4,559 million (€6,046 million). In derivative financial instruments, there were significant effects from commodity derivatives in 2011. These principally affected our positions in natural gas, oil, and emission allowances. Gains on the disposal of securities, fixed assets, and shareholdings amounted to €1,548 million (€3,478 million). In 2011, these gains are primarily attributable to the sale of additional Gazprom stock and our U.K. power distribution network. In the prior year, they were attributable to the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission and to the sale of Gazprom stock. Miscellaneous other operating income consisted primarily of reductions to valuation allowances and provisions as well as compensation payments received for damages.

Costs of materials rose by €24,252 million to €97,827 million (€73,575 million), primarily due to an increase in trading volume compared with the prior year, higher costs stemming from the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of nuclear power plants ("NPPs") in Germany (around €1.5 billion), and higher procurement costs.

Personnel costs rose by €666 million to €5,947 million (€5,281 million), chiefly because of restructuring expenditures in conjunction with the E.ON 2.0 project.

Depreciation charges increased by €624 million to €7,081 million (€6,457 million). In the fourth quarter of 2011, we recorded a total of €3 billion in impairment charges on assets and goodwill, mainly at generation businesses. Impairment charges totaling approximately €1.9 billion were necessary in Spain and Italy due to pessimistic forecasts for the long-term development of power prices, regulatory intervention, and reduced utilization of gas-fired and coal-fired power stations. Of these charges, €1.6 billion related to conventional power generation, €0.1 billion to renewable-source power generation, and €0.2 billion to our regional business in Italy. Power output and generation margins are also lower than anticipated in Hungary and Slovakia, necessitating impairment charges of €0.3 billion on power stations and €0.2 billion on our regional business in Hungary. The remaining impairment charges total €0.6 billion, of which €0.2 billion related to power stations and €0.2 billion to our regional business in the Benelux countries. The main reasons are that some older power stations were closed earlier than had been planned and that unfavorable market developments have led to lower earnings from heating plants and district heating. In addition, the amendment of Germany's Nuclear Energy Act, which calls for the early, unplanned shutdown of NPPs in Germany, made it necessary to record impairment charges on assets (€219 million). The prior-year figure primarily reflects impairment charges of €2.6 billion on goodwill and other assets at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa.

Other operating expenses rose by 30 percent, or €4,059 million, to €17,656 million (€13,597 million). This is mainly attributable to higher expenditures relating to currency differences of €6,761 million (€4,936 million), higher expenditures relating to derivative financial instruments of €5,685 million (€3,559 million), which primarily affect commodity derivates, and losses on the disposal of shareholdings and securities of €742 million (€75 million). The latter item mainly reflects negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup.

Income from companies accounted for under the equity method declined to €512 million (€663 million), primarily due to impairment charges resulting from the amendment of Germany's Nuclear Energy Act, which calls for the early, unplanned shutdown of NPPs in Germany (€105 million).

EBITDA

Effective January 1, 2011, our key figure for purposes of internal management control and as an indicator of our units' long-term earnings power is earnings before interest, taxes, depreciation, and amortization ("EBITDA"), which we adjust to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature. EBITDA is unaffected by investment and depreciation cycles and also provides an indication of our cash-effective earnings (see the commentary in Note 33 to the Consolidated Financial Statements).

Our 2011 EBITDA was about €4.1 billion below the prior-year figure. The main reasons were:

- the nuclear-energy moratorium in Germany, the amendment of Germany's Nuclear Energy Act which calls for the early, unplanned shutdown of certain nuclear power stations in Germany, and the nuclear-fuel tax (roughly -€2.5 billion),
- among other factors, substantial pressure on margins in our gas business (roughly -€0.7 billion)
- the disposal of our regulated network business in the United Kingdom (roughly -€0.4 billion).

EBITDA[1]

€ in millions	2011	2010	+/- %
Generation	2,114	3,757	-44
Renewables	1,459	1,207	+21
Gas	1,533	1,975	-22
Trading	-631	1,205	–
Germany	2,421	2,463	-2
Other EU Countries	2,259	2,583	-13
Russia	553	377	+47
Group Management/ Consolidation	-415	-221	–
Total	**9,293**	**13,346**	**-30**

[1]Adjusted for extraordinary effects.

E.ON generates a significant portion of its EBITDA in very stable business areas. The overall share of regulated as well as quasi-regulated and long-term contracted business accounted for 50 percent of EBITDA in 2011.

EBITDA[1]		
€ in millions	2011	%
Regulated business	3,721	40
Quasi-regulated and long-term contracted business	900	10
Merchant business	4,672	50
Total	**9,293**	**100**

[1]Adjusted for extraordinary effects.

Our regulated business consists of operations in which revenues are set by law and based on costs plus a reasonable return on capital employed. These revenues are therefore extremely stable and predictable.

Our quasi-regulated and long-term contracted business consists of operations in which the revenues 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 long-term power-purchase agreements for generating capacity.

Our merchant business consists of all those operations that cannot be subsumed under either of the other two categories.

Generation

Generation's EBITDA declined by €1,643 million.

Generation	EBITDA[1]		EBIT[1]	
€ in millions	2011	2010	2011	2010
Nuclear	272	1,996	25	1,735
Fossil	1,792	1,725	1,061	984
Other/Consolidation	50	36	42	48
Total	**2,114**	**3,757**	**1,128**	**2,767**

[1]Adjusted for extraordinary effects.

The Nuclear reporting unit's EBITDA fell by €1.7 billion. Its operations in Germany were adversely affected in particular by the nuclear-energy moratorium, the amendment of Germany's Nuclear Energy Act (which called for the early, unplanned shutdown of Unterweser, Isar 1, Krümmel, and Brunsbüttel nuclear power stations), and the nuclear-fuel tax. Higher market-based transfer prices for deliveries to Trading in Germany constituted a positive factor. Nuclear's EDITDA in Germany was €2.1 billion below the prior-year figure. Nuclear's EBITDA in Sweden rose by €437 million, primarily because sales volumes and average transfer prices were higher and provisions were lower than in the prior year.

EBITDA at the Fossil reporting unit rose by €67 million. Higher earnings in Germany and the United Kingdom resulted mainly from higher market-based transfer prices relative to the prior year and from the commissioning of new gas-fired generating units. Earnings in Italy were lower due to narrower margins. Earnings in France were adversely affected by negative market-valuation effects and compensation payments in conjunction with the transfer of certain operations to Trading.

Renewables

Renewables' EBITDA increased by €252 million, or 21 percent.

Renewables	EBITDA[1]		EBIT[1]	
€ in millions	2011	2010	2011	2010
Hydro	909	755	793	640
Wind/Solar/Other	550	452	295	240
Total	**1,459**	**1,207**	**1,088**	**880**

[1]Adjusted for extraordinary effects.

The Hydro reporting unit's EBITDA rose by 20 percent to €909 million, chiefly because of higher market-based transfer prices for deliveries to Trading. Earnings were adversely affected by lower output and by lower optimization effects due to volatile market prices in Spain.

EBITDA at Wind/Solar/Other was significantly higher, mainly because of a considerable increase in generating capacity.

Gas

Gas's EBITDA of €1,533 million was €442 million, or 22 percent, below the prior-year figure of €1,975 million.

Gas	EBITDA[1]		EBIT[1]	
€ in millions	2011	2010	2011	2010
Upstream	753	710	507	406
Midstream	-79	487	-224	375
Transmission/ Shareholdings	615	696	472	556
Other/Consolidation	244	82	242	78
Total	**1,533**	**1,975**	**997**	**1,415**

[1]Adjusted for extraordinary effects.

Upstream's EBITDA rose by €43 million, primarily because of positive price developments.

Midstream's earnings development reflects the sharp decline in earnings at the gas wholesale business. The decoupling of oil and gas prices and the resulting negative gas-oil spread led to considerable margin pressure. The prices of our purchase contracts, which are largely based on oil prices, are above the level of the prices that can be achieved in our gas sales business, which are based on market prices for gas. Negotiations with some producers to adjust procurement prices have been partially successful, but do not yet encompass the entire portfolio and in 2011 only partly offset the gas wholesale business's overall negative results. Equity earnings were lower due to the sale of our Gazprom stake, on which we had recorded a dividend in the prior year. Our gas-storage business, which is also part of the Midstream reporting unit, recorded slightly higher earnings, primarily because of an increase in capacity.

EBITDA at Transmission/Shareholdings declined on lower earnings at the transmission business and the absence of positive non-recurring effects recorded in 2010.

Trading

Trading's EBITDA was -€631 million. Optimization, whose main purpose is to limit risks and to optimize the deployment of the E.ON Group's generation and production assets, had earnings of -€675 million, mainly because of higher transfer prices paid to our generation units' non-fossil portfolio and lower achieved prices. Although Proprietary Trading's performance was adversely affected by market developments following the German government's announcement of a nuclear-energy moratorium, it recovered steadily during the year.

Trading	EBITDA[1]		EBIT[1]	
€ in millions	2011	2010	2011	2010
Proprietary Trading	44	-105	42	-107
Optimization	-675	1,310	-684	1,303
Total	**-631**	**1,205**	**-642**	**1,196**

[1]Adjusted for extraordinary effects.

Germany

The Germany regional unit's EDITDA declined by €42 million.

Germany	EBITDA[1]		EBIT[1]	
€ in millions	2011	2010	2011	2010
Distribution Networks	1,535	1,876	885	1,247
Non-regulated/Other	886	587	585	294
Total	**2,421**	**2,463**	**1,470**	**1,541**

[1]Adjusted for extraordinary effects.

Distribution Networks' EBITDA declined by €341 million, chiefly because of a regulation-driven reduction in power and gas network charges.

EBITDA at Non-regulated/Other improved by €299 million, due in part to higher earnings in the retail business and in distributed generation. Earnings also benefited from improvements stemming from cost-cutting measures.

Other EU Countries

Other EU Countries' EBITDA declined by 13 percent, or €324 million.

Other EU Countries

€ in millions	EBITDA[1] 2011	EBITDA[1] 2010	EBIT[1] 2011	EBIT[1] 2010
UK (£ in millions)	523 (454)	966 (829)	390 (338)	735 (631)
Sweden (SEK in millions)	672 (6,068)	629 (5,997)	411 (3,710)	405 (3,859)
Czechia (CZK in millions)	470 (11,557)	323 (8,167)	359 (8,828)	220 (5,562)
Hungary (HUF in millions)	223 (62,378)	250 (68,973)	104 (29,037)	105 (28,675)
Remaining regional units	371	415	227	248
Total	**2,259**	**2,583**	**1,491**	**1,713**

[1]Adjusted for extraordinary effects.

The UK regional unit's EBITDA decreased by €443 million, primarily because of the disposal of the regulated business (Central Networks), which contributed EBITDA of €430 million in the second through fourth quarters of 2010.

The Sweden regional unit's EBITDA increased by €43 million due to positive currency-translation effects of €36 million and to wider margins in the retail and distribution businesses, which were partially mitigated by negative effects from disposals.

Czechia's EBITDA rose by €147 million, primarily because of higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network.

The main contributions to the Hungary regional unit's EBITDA came from its distribution network business (€183 million) and its retail business (€24 million). The decline from the prior-year figure is attributable to narrower margins and currency-translation effects.

EBITDA at the remaining reporting units decreased by €44 million, mainly because of higher allowances for overdue receivables and the disposal of the distribution network in Italy. Another negative factor was that higher procurement costs led to narrower margins in the gas business in Romania. Cost reductions in the retail and heating businesses in the Netherlands had a positive impact on earnings.

Russia

The Russia unit's EBITDA rose by €176 million, from €377 million in the prior year to €553 million, mainly because of an increase in generating capacity and an improved power margin. EBIT was €398 million (prior year: €250 million). EBITDA in local currency increased by 49 percent, from RUB 15,180 million to RUB 22,620 million. EBIT was RUB 16,256 million (RUB 10,062 million).

Net Earnings

In 2011, we recorded a net loss attributable to shareholders of E.ON AG of -€2.2 billion and corresponding earnings per share of -€1.16. In the prior year, we recorded net income of €5.9 billion and earnings per share of €3.07.

Net Earnings

€ in millions	2011	2010
EBITDA[1]	**9,293**	**13,346**
Depreciation and amortization	-3,689	-3,752
Impairments (-)/Reversals (+)[2]	-166	-140
EBIT[1]	**5,438**	**9,454**
Economic interest expense	-1,776	-2,257
Net book gains/losses	1,221	2,873
Restructuring/cost-management expenses	-586	-621
E.ON 2.0 restructuring expenses	-801	–
Impairment charges[2]	-3,004	-2,598
Other non-operating earnings	-3,403	2,212
Income/Loss (-) from continuing operations before taxes	**-2,911**	**9,063**
Income taxes	1,036	-1,946
Income/Loss (-) from continuing operations	**-1,875**	**7,117**
Income/Loss (-) from discontinued operations, net	14	-836
Net loss/Net income (-)	**-1,861**	**6,281**
Attributable to shareholders of E.ON AG	*-2,219*	*5,853*
Attributable to non-controlling interests	*358*	*428*

[1]Adjusted for extraordinary effects (see Glossary).
[2]Impairments differ from the amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings.

Our economic interest expense improved by €481 million year on year, mainly because of the reduction in the E.ON Group's net debt. The reversal of the adverse interest effect on prepayments to a fund to support renewables recorded at year-end 2010 was also a positive factor.

Economic Interest Expense

€ in millions	2011	2010
Interest expense shown in Consolidated Statements of Income	-2,094	-2,303
Interest income (-)/expense (+) not affecting net income	318	46
Total	**-1,776**	**-2,257**

Net book gains in 2011 were €1,652 million, or 58 percent, below the prior-year level. In 2011, book gains were recorded mainly on the sale of our remaining Gazprom stock, our network business in the United Kingdom, our gas distribution network in Sweden, and securities. The figure for 2010 reflects, in particular, book gains on the sale of Gazprom stock and on the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission.

Restructuring and cost-management expenditures declined by €35 million. As in the prior year, some expenditures resulted from restructuring measures at our regional utilities in Germany and at the UK and France regional units. The 2011 figure also includes expenditures relating to the restructuring of our IT organization.

Expenditures under the E.ON 2.0 program result in particular from obligations relating to early retirement agreements and settlements.

In the fourth quarter of 2011, we recorded a total of €3 billion in impairment charges on assets and goodwill, mainly at generation businesses. Impairment charges totaling approximately €1.9 billion were necessary in Spain and Italy due to pessimistic forecasts for the long-term development of power prices, regulatory intervention, and reduced utilization of gas-fired and coal-fired power stations. Of these charges, €1.6 billion related to conventional power generation, €0.1 billion to renewable-source power generation, and €0.2 billion to our regional business in Italy. Power output and generation margins are also lower than anticipated in Hungary and Slovakia, necessitating impairment charges of €0.3 billion on power stations and €0.2 billion on our regional business in Hungary. The remaining impairment charges total €0.6 billion, of which €0.2 billion related to power stations and €0.2 billion to our regional business in the Benelux countries. The main reasons are that some older power stations were closed earlier than had been planned and that unfavorable market developments have led to lower earnings from heating plants and district heating. The prior-year figure was adversely impacted primarily by impairment charges of €2.6 billion on goodwill and other assets at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa.

Other non-operating earnings include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in a negative effect of €1,805 million at year-end 2011, compared with a positive effect of €2,711 million at year-end 2010. In addition to the impairment charges recorded in the fourth quarter, other impairment charges were recorded earlier in the year. These were recorded mainly on fixed assets following the amendment of Germany's Nuclear Energy Act and on production licenses in our gas business. In 2011, there were also negative effects from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup and from prepayment penalties in connection with our announced debt reduction to the extent that such penalties have a tangible relationship to disposal proceeds.

Our tax expense fell by €3 billion compared with the prior year, principally because of the decline in our earnings.

Prior-year income/loss from discontinued operations, net, consists mainly of the earnings of the U.S. Midwest market unit, which was sold in 2010. Pursuant to IFRS, its results are reported separately in the Consolidated Statements of Income (see Note 4 to the Consolidated Financial Statements). The high negative figure reflects an impairment charge of €0.9 billion on goodwill at U.S. Midwest in conjunction with the disposal of our U.S. power and gas business.

Underlying Net Income

Net income reflects not only our operating performance but also special effects, such as the marking to market of derivatives. Underlying net income is an earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and non-controlling interests) of a special or rare nature. Underlying net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and interests without a controlling influence), as well as special tax effects.

Underlying Net Income

€ in millions	2011	2010	+/- %
Net loss/Net income attributable to shareholders of E.ON AG	-2,219	5,853	–
Net book gains	-1,221	-2,873	–
Restructuring and cost-management expenses	1,387	621	–
Other non-operating earnings	6,407	386	–
Taxes and non-controlling interests on non-operating earnings	-1,708	171	–
Special tax effects	-131	-112	–
Income/Loss from discontinued operations, net	-14	836	–
Total	**2,501**	**4,882**	**-49**

ROACE and Value Added

Group-wide Value-Oriented Management Approach

Our corporate strategy is aimed at delivering sustainable growth in shareholder value. We have put in place a Group-wide planning and controlling system to assist us in planning and managing E.ON as a whole and our individual businesses with an eye to increasing their value. This system ensures that our financial resources are allocated efficiently.

Alongside EBITDA, our most important key figure for purposes of internal management control, we also use return on average capital employed ("ROACE") and value added to monitor the value performance of our operating business. The 2011 financial year is the first for which we are reporting ROACE. Unlike ROCE, which records depreciable assets at their book value, ROACE records them at half of their original acquisition or production cost. ROACE is therefore not affected by an asset's depreciation period. To monitor the periodic performance of our business, we compare ROACE with cost of capital. In addition to ROACE, which is a relative performance metric, we also measure performance using value added, which is an absolute performance metric.

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 (after taxes) that apply in the E.ON Group. The parameters of the cost-of-capital determination are reviewed on an annual basis. The cost of capital is adjusted if there are significant changes.

A number of these parameters changed significantly in 2011. The table at right illustrates the derivation of cost of capital before and after taxes. Although market interest-rate levels were unchanged, the market premium rose from 4 to 4.5 percent due to persistent stock-market volatility. The E.ON Group's debt-to-equity ratio is 50:50. The adjustment of the E.ON Group's capital structure reflects its altered market capitalization.

On balance, the changes to the parameters yielded offsetting effects and therefore did not alter the E.ON Group's cost of capital for 2011. After-tax cost of capital remained at 6.1 percent, pretax cost of capital at 8.3 percent. There were, however, some changes to our reporting segments' minimum ROACE requirements, which for 2011 ranged from 7.5 percent to 10.9 percent (before taxes, calculated in euros).

Cost of Capital	2011	2010
Risk-free interest rate	4.0%	4.0%
Market premium[1]	4.5%	4.0%
Beta factor[2]	1.00	0.84
Cost of equity after taxes	**8.5%**	**7.4%**
Tax rate	27%	27%
Cost of equity before taxes	11.6%	10.1%
Cost of debt before taxes	5.0%	5.0%
Tax shield (tax rate: 27%)[3]	1.3%	1.3%
Cost of debt after taxes	**3.7%**	**3.7%**
Share of equity	50.0%	65.0%
Share of debt	50.0%	35.0%
Cost of capital after taxes	**6.1%**	**6.1%**
Cost of capital before taxes	**8.3%**	**8.3%**

[1]The market premium reflects the higher long-term returns of the stock market compared with German treasury notes.
[2]The beta factor is used as an indicator of a stock's relative risk. A beta of more than one signals a higher risk than the risk level of the overall market; a beta factor of less than one signals a lower risk.
[3]The tax shield takes into consideration that the interest on corporate debt reduces a company's tax burden.

Analyzing Value Creation by Means of ROACE and Value Added

ROACE is a pretax total return on capital. It measures the sustainable return on invested capital generated by operating a business. ROACE is defined as the ratio of EBIT to average capital employed.

Average capital employed represents the interest-bearing capital tied up in the Group. Capital employed is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Depreciable assets are recorded at half of their original acquisition or production cost. ROACE is therefore not affected by an asset's depreciation period. 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.

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

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

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

ROACE and Value Added Performance in 2011

The significant decline in our ROACE, from 14.4 to 8.4 percent, is primarily attributable to the decline in our EBIT. This effect was partially counteracted by a slight reduction in our average capital employed. This resulted from disposals and shutdowns, which were not entirely offset by ongoing investments. At 8.4 percent, our ROACE again exceeded our pretax cost of capital. As a result, value added amounted to €90 million.

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

E.ON Group ROACE and Value Added

€ in millions	2011	2010
EBIT[1]	**5,438**	**9,454**
Goodwill, intangible assets, and property, plant, and equipment[2]	67,987	72,194
+ Shares in affiliated and associated companies and other share investments	8,233	8,543
+ Inventories	4,828	4,064
+ Accounts receivable	4,055	5,184
+ Other non-interest-bearing assets, including deferred income and deferred tax assets	29,331	23,709
- Non-interest-bearing provisions[3]	8,231	8,006
- Non-interest-bearing liabilities, including deferred expenses and deferred tax liabilities	41,132	37,362
- Adjustments[4]	1,908	2,614
Capital employed in continuing operations (at year-end)	**63,163**	**65,712**
Capital employed in continuing operations (annual average)[5]	**64,438**	**-**
ROACE	**8.4%**	**14.4%**
Cost of capital before taxes	**8.3%**	**8.3%**
Value added[6]	**90**	**4,000**

[1]Adjusted for extraordinary effects.
[2]Depreciable assets are included at half their acquisition or production costs. Goodwill represents final figures following the completion of the purchase-price allocation (see Note 4 to the Consolidated Financial Statements).
[3]Non-interest-bearing provisions mainly include current provisions, such as those relating to sales and procurement market obligations. They do not include provisions for pensions or for nuclear-waste management.
[4]Capital employed is adjusted to exclude the mark-to-market valuation of other share investments, receivables and liabilities from derivatives, and operating liabilities for certain purchase obligations to minority shareholdings pursuant to IAS 32.
[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]Due to the switch from capital employed to average capital employed, the prior-year figure reflects cost of capital as of the balance sheet date.

Investments

In 2011, our investments declined by about €1.8 billion year on year to €6.5 billion. We invested about €6.2 billion in property, plant, and equipment and in intangible assets (prior year: €7.9 billion). Share investments totaled €0.3 billion versus €0.4 billion in the prior year.

Our investments outside Germany declined by 21 percent to €4,709 million (prior year: €5,924 million).

Investments

€ in millions	2011	2010	+/- %
Generation	1,711	2,592	-34
Renewables	1,114	1,260	-12
Gas	1,204	1,244	-3
Trading	24	16	+50
Germany	910	1,083	-16
Other EU Countries	1,210	1,565	-23
Russia	322	433	-26
Group Management/ Consolidation	29	93	-69
Total	**6,524**	**8,286**	**-21**
Maintenance investments	*1,257*	*1,110*	*+13*
Growth and replacement investments	*5,267*	*7,176*	*-27*

Generation invested €881 million less than in the prior year. Investments in property, plant, and equipment and intangible assets declined by €1,020 million, from €2,540 million to €1,520 million. The high prior-year figure mainly reflects expenditures on generation projects in Gönyü (Hungary), Malzenice (Slovakia), Irsching (Germany), Algeciras (Spain), and Émile Huchet (France), which are now completed. Another factor was the shutdown of several nuclear power stations in Germany, which resulted in lower investments in nuclear generation. In addition, investments in the generation project in Maasvlakte (Netherlands) were higher in the prior year.

Investments at Renewables were down by €146 million. Hydro's investments of €83 million were 14 percent below the prior-year figure of €97 million. Wind/Solar/Other's investments declined by 11 percent, from €1,163 million to €1,031 million. These expenditures mainly reflect the development and construction of wind farms in Europe and the United States.

Gas invested €1,204 million. Of this figure, €1,123 million (prior year: €1,102 million) went towards property, plant, and equipment and towards intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €81 million (prior year: €142 million) were chiefly attributable to the repurchase of E.ON Bioerdgas from E.ON Climate & Renewables and to a capital increase at the Nord Stream pipeline company.

The Germany regional unit invested €173 million less than in 2010. Investments in property, plant, and equipment and intangible assets declined by €165 million to €892 million, owing principally to lower investment in power distribution and higher expenditures in the prior year for Plattling power station and waste-incineration projects. Share investments totaled €18 million.

Investments at Other EU Countries were €355 million below the prior-year figure. The UK regional unit invested about €212 million (prior year: €523 million). The sale of Central Networks was the main cause for the decline. The Sweden unit's investments of €422 million were €5 million less than the prior-year figure (€427 million). Sweden invested €420 million (prior year: €425 million) in intangible assets and property, plant, and equipment to maintain and expand existing distributed generating units and to upgrade and modernize its distribution network. Investments of €200 million in Czechia were at the prior-year level. Investments in Hungary declined by 7 percent, from €158 million to €147 million.

The Russia unit invested €322 million (prior year: €433 million), mainly in its new-build program.

Cash Flow and Financial Position

E.ON presents its financial condition using, among other financial measures, cash provided by operating activities of continuing operations and economic net debt.

At €6.6 billion, our cash provided by operating activities of continuing operations was considerably below the prior-year figure of €10.6 billion. The main reasons for the decline were cash-effective items in conjunction with the decrease in EBITDA, a non-recurring adverse effect relating to the refunding of pension assets in the United Kingdom, and negative working-capital effects. The main negative factors for the latter item were lower subsidy payments for new wind farms in the United States, portfolio effects, higher interest payments, and changes in working capital at Trading and Gas and at certain regional units. Lower tax payments had a positive effect.

Cash provided by investing activities of continuing operations amounted to about -€3.1 billion in 2011 (prior year: €1.1 billion). Investment expenditures on property, plant, and equipment were lower, as were the proceeds from the sale of equity interests. In addition, significantly more cash was invested in securities and fixed-term deposits than in the prior year.

Cash provided by financing activities of continuing operations of -€5.8 billion (prior year: -€9.9 billion) primarily reflects the net repayment of financial liabilities and E.ON's again high dividend payment.

Compared with the figure recorded at December 31, 2010 (-€37,701 million), our economic net debt improved by €1,316 million to -€36,385 million. The main reasons for the improvement were the sale of Central Networks and the sale of the second tranche of Gazprom stock. Along with these disposal proceeds, our cash provided by operating activities exceeded our investments in property, plant, and equipment. E.ON AG's dividend payout had an adverse effect on our economic net debt. The increase in provisions for nuclear waste management was due in part to the amendment of Germany's Nuclear Energy Act.

The calculation of economic net debt includes the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management) in order to also reflect the foreign-currency effects of financial transactions which, for accounting reasons, would not be included in the components of net financial position.

Economic Net Debt

	December 31	
€ in millions	2011	2010
Liquid funds	7,020	8,273
Non-current securities	4,904	3,903
Total liquid funds and non-current securities	**11,924**	**12,176**
Financial liabilities to banks and third parties	-28,490	-31,799
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,424	-692
Total financial liabilities	**-29,914**	**-32,491**
Net financial position	**-17,990**	**-20,315**
Fair value (net) of currency derivatives used for financing transactions[1]	524	334
Provisions for pensions	-3,245	-3,250
Asset-retirement obligations	-17,269	-15,968
Less prepayments to Swedish nuclear fund	1,595	1,498
Economic net debt	**-36,385**	**-37,701**
EBITDA[2]	9,293	13,346
Debt factor	**3.9**	**2.8**

[1]Does not include transactions relating to our operating business or asset management.
[2]Adjusted for extraordinary effects.

Our debt factor was 3.9 at year-end 2011 (prior year: 2.8). However, this was predominantly attributable to largely non-cash-effective, non-recurring items resulting from Germany's accelerated phaseout of nuclear energy. Adjusted for these effects, our debt factor was 3.4.

Finance Strategy

E.ON's finance strategy has three key components: rating, debt factor, and dividend policy. E.ON targets a solid single A rating. This rating enables us to combine our objective of an efficient capital structure with access to a variety of financing sources.

Our rating target has a direct impact on E.ON's capital structure, which we monitor using our debt factor. Debt factor is our economic net debt divided by EBITDA. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset retirement obligations as well as the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management). Our medium-term target debt factor is less than 3 (prior year: up to 3). To ensure that we achieve our target debt factor of less than 3, in November 2010 we announced an additional program to manage our portfolio and capital structure. These measures included €15 billion of disposals, about €9.2 billion of which have already been made. This was one of the reasons E.ON achieved its target rating of solid single A.

The third key component of our finance strategy is our dividend policy, under which in recent years we have consistently aimed to pay out 50 to 60 percent of underlying net income. In balancing this objective against that of maintaining a stable dividend, we are proposing a dividend of €1 per share for the 2011 financial year, which would be a reduction from the prior-year dividend of €1.50 per share. However, we plan to raise the dividend to €1.10 per share for the 2012 financial year and to at least that amount for the 2013 financial year. As a general rule, we are standing by our target payout ratio of 50 to 60 percent of underlying net income. This dividend policy ensures a long-term, value-enhancing investment with a stable return for our shareholders, even in difficult times.

Funding Policy and Initiatives

Our funding policy is designed to give E.ON access to a variety of financing sources at any time. We achieve this objective by basing our funding policy on the following principles: First, we use a variety of markets and debt instruments to maximize the diversity of our investor base. Second, we issue bonds with terms that give our debt portfolio a balanced maturity profile. Third, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. As a rule, external funding is carried out by our Dutch finance subsidiary E.ON International Finance B.V. under guarantee of E.ON AG or by E.ON AG itself, and the funds are subsequently on-lent in the Group.

Due to its liquidity situation, E.ON did not issue bonds in 2011. In line with the announcement that we would use at least half of our disposal proceeds to reduce our debt, on January 24, 2011, we made a two-stage offer to repurchase, prior to maturity, several bonds with a total face value of about €7 billion and maturities through 2014. We repurchased about €1.8 billion in bonds under this offer. In addition, we repaid, prior to maturity, about €0.6 billion in promissory notes in 2011. On-schedule bond repayments of €2.1 billion and the deconsolidation of €0.6 billion of debt due to the disposal of our U.K. distribution business also reduced E.ON's gross debt. These effects were partially mitigated primarily by the issuance of commercial paper in the fourth quarter of 2011 to meet a short-term financing need. On balance, in 2011 E.ON reduced its gross debt to financial institutions and third parties by more than €3 billion to €28.5 billion.

Currently outstanding bonds issued by E.ON AG and E.ON International Finance B.V. comprise most of the E.ON Group's gross debt. With the exception of a U.S.-dollar-denominated bond issued in 2008, these bonds were issued under our Debt Issuance Program ("DIP"). The DIP enables us to issue debt to investors in public and private placements. In April 2011, it was extended, as planned, for one year. The DIP has a total volume of €35 billion. About €21.1 billion worth of bonds were outstanding under the program at year-end 2011.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term liabilities. We use CP to finance short-term funding peaks and to further diversify our investor base. We had €869 million in CP outstanding at year-end 2011 (prior year: €0).

Financial Liabilities

€ in billions	Dec. 31, 2011	Dec. 31, 2010
Bonds[1]	23.4	27.5
EUR	*13.3*	*16.6*
GBP	*5.0*	*5.5*
USD	*2.6*	*2.5*
CHF	*1.3*	*1.6*
SEK	*0.3*	*0.4*
JPY	*0.8*	*0.7*
Other currencies	*0.1*	*0.2*
Promissory notes	0.8	1.4
CP	0.9	–
Other liabilities	4.8	3.6
Total	**29.9**	**32.5**

[1]Includes private placements.

Notes 26 and 27 to the Consolidated Financial Statements contain more information about E.ON's bonds as well as liabilities, contingencies, and other commitments.

We also have access to a five-year, €6 billion syndicated revolving credit facility, which was concluded with 30 banks on November 25, 2010. This facility has not been drawn on and instead serves as a reliable, ongoing general liquidity reserve for the E.ON Group. Participation in the credit facility indicates that a bank belongs to E.ON's core group of banks.

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A3. The short-term ratings are A-1 (S&P) and P-2 (Moody's). In July 2011, S&P confirmed its A rating and changed the outlook from stable to negative. In October 2011, Moody's downgraded E.ON's short-term rating from P-1 to P-2 and its long-term rating from A2 to A3 with a stable outlook. The ratings assigned by both agencies therefore remain in line with E.ON's rating target (solid single A).

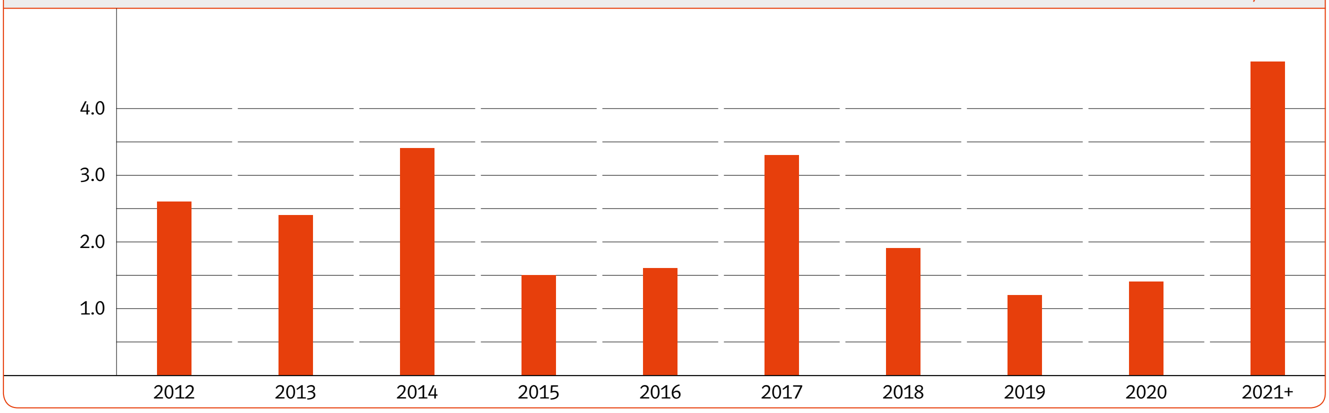
E.ON AG Ratings

	Long term	Short term	Outlook
Moody's	A3	P-2	Stable
S&P	A	A-1	Negative

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

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

€ in billions — December 31, 2011



Non-current assets at year-end 2011 declined by 4 percent compared with the figure at year-end 2010, mainly due to the sale of the assets of our U.K. network business and to impairment charges on assets and goodwill. In the fourth quarter of 2011, we determined the need to record impairment charges of €3 billion on assets and goodwill in Spain and Italy, among other places. These effects were partially offset by investments in property, plant, and equipment and by higher deferred tax assets, primarily from net operating loss carryforwards.

Current assets rose by 10 percent from year-end 2010, mainly because of higher operating receivables and higher income tax assets. These effects were partially offset by the sale of Gazprom stock in the first quarter of 2011.

Our equity ratio of 26 percent was 4 percentage points lower than the figure at year-end 2010. In the fourth quarter of 2011, we recorded substantial impairment charges as well as losses on the marking to market of derivatives used to shield our operating business from price fluctuations.

Non-current liabilities declined by 4 percent relative to year-end 2010, primarily because of the early repayment of non-current debt. This effect was mitigated primarily by an increase in provisions on non-current asset-retirement and restructuring obligations.

Current liabilities rose by 22 percent relative to year-end 2010, mainly because of the accumulation of operating liabilities, higher income tax liabilities, and higher financial liabilities.

The following key figures underscore that the E.ON Group has a solid asset and capital structure:

- Non-current assets are covered by equity at 39 percent (December 31, 2010: 43 percent).
- Non-current assets are covered by long-term capital at 104 percent (December 31, 2010: 108 percent).

Additional information about our asset situation is contained in Notes 4 to 26 to the Consolidated Financial Statements.

Summary Statement on E.ON's Earnings, Financial, and Asset Situation

Although 2011 presented us with a difficult business environment—weak energy demand (and the resulting adverse impact on capacity utilization, prices, and margins), substantial competitive pressure in our gas wholesale business, and the early shutdown of a number of our nuclear power stations in Germany—we were able to deliver results in line with the adjustment to our earnings guidance made at the half-year mark. We improved E.ON's financial strength and flexibility. As of year-end 2011, we had reduced E.ON's net debt to about €36.4 billion and our net financial position to about -€18 billion. In addition, the E.ON Group continues to have a solid asset and capital structure.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2011	%	Dec. 31, 2010	%
Non-current assets	102,221	67	106,657	70
Current assets	50,651	33	46,224	30
Total assets	**152,872**	**100**	**152,881**	**100**
Equity	39,613	26	45,585	30
Non-current liabilities	67,129	44	69,580	45
Current liabilities	46,130	30	37,716	25
Total equity and liabilities	**152,872**	**100**	**152,881**	**100**

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

E.ON AG prepares its Financial Statements in accordance with the German Commercial Code (as codified in the Accounting Law Reform Act, which took effect on May 29, 2009) and the German Stock Corporation Act.

Balance Sheet of E.ON AG (Summary)

€ in millions	December 31 2011	2010
Intangible assets and property, plant, and equipment	125	134
Financial assets	36,385	38,983
Non-current assets	**36,510**	**39,117**
Receivables from affiliated companies	18,457	19,310
Other receivables and assets	6,094	5,835
Liquid funds	1,523	2,271
Current assets	**26,074**	**27,416**
Total assets	**62,584**	**66,533**
Equity	12,787	13,648
Provisions	6,434	6,043
Liabilities to affiliated companies	39,466	44,237
Other liabilities	3,897	2,605
Total equity and liabilities	**62,584**	**66,533**

E.ON AG is the parent company of the E.ON Group. As such, its earnings, financial, and asset situation is affected by income from equity interests. In 2011, this income declined by €1,661 million to €5,081 million because some profit transfers were lower and because loss-offset obligations were higher. Positive income from equity interests benefited in particular from E.ON Energie AG's profit transfer of €2,517 million. In addition, the distribution of capital reserves of E.ON Finanzanlagen GmbH increased earnings by €3,660 million. Income from equity interests was adversely affected by loss-offset obligations relating to provisions recorded at E.ON Iberia Holding GmbH in the wake of impairment charges on financial assets.

The negative figure recorded under other expenditures and income (net) deteriorated by €738 million year on year to -€1,621 million, in particular because of an expense of €1,400 million relating to an addition to capital reserves at E.ON Italia S.p.A. Earnings were positively affected by accretions on interests in affiliated companies of €144 million.

Income Statement of E.ON AG (Summary)

€ in millions	2011	2010
Income from equity interests	5,081	6,742
Interest income	-1,270	-1,324
Other expenditures and income	-1,621	-883
Income from continuing operations	**2,190**	**4,535**
Extraordinary expenses	-37	-86
Taxes	-157	-638
Net income	**1,996**	**3,811**
Net income transferred to retained earnings	-91	-953
Net income available for distribution	**1,905**	**2,858**

All of the income taxes reported represent taxes for prior years.

At the Annual Shareholders Meeting on May 3, 2012, management will propose that net income available for distribution be used to pay a cash dividend of €1 per ordinary share. The dividend is thus being maintained at a high level. We believe that in this way E.ON stock remains attractive to investors.

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

Disclosure of Takeover Barriers

The disclosures pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4 of the German Commercial Code, which are part of this Combined Group Management Report, are in the chapter Disclosure of Takeover Barriers on pages 196 to 199 of this report.

In recent years, society's expectations towards the energy industry have increased. Our stakeholders expect us to operate our businesses responsibly and sustainably. At the same time, we face greater challenges, like finding answers to climate change and sustainable solutions for the energy supply system of the future. E.ON's new strategy, cleaner & better energy, addresses these complex demands. In line with this strategy, in 2011 we designed a new sustainability program that focuses on further embedding sustainability criteria (such as environmental protection, occupational safety, and corporate governance) into key business areas. In dialog with various stakeholders, we have set long-term targets, which we describe in our Sustainability Report. This annual publication also explains our key focus areas and reports on the latest developments. It is only by reporting on our performance transparently and by continually engaging our stakeholders that we will engender the trust and acceptance that we need to ensure the long-term success of our business.

Our successes in 2011 included reducing our accident rate and promoting responsible fuel procurement by cofounding the Better Coal initiative. We were again included in the Dow Jones Sustainability Index, which underscores our performance as a sustainability-oriented company. More information about our sustainability efforts is available at www.eon.com, where you will also find our new Sustainability Report, which will be released in May 2012.

Emissions data for our power and heat generation are segmented by country in accordance with the EU Emissions Trading Scheme. This differs from the segmentation for the rest of our reporting.

E.ON emitted about 125 million metric tons of CO_2 from power and heat generation in 2011, of which 88 million metric tons were in Europe. We were allocated EU carbon allowances for 81 million metric tons. Overall, our carbon intensity increased by about 4 percent to 0.43 metric tons per MWh. Our carbon intensity in Europe rose from 0.39 metric tons per MWh to 0.41 metric tons per MWh. This increase is attributable to Germany's decision in 2011 to shut down several nuclear power stations, which eliminated a portion of our carbon-free generating capacity in our largest market. Nevertheless, reducing our carbon intensity remains our long-term objective.

Carbon Emissions from Power and Heat Generation, Allocated EU Carbon Allowances

Million metric tons	CO_2 emissions	Allocated carbon allowances
Germany	38.16	28.12
United Kingdom	18.73	17.22
Spain	4.98	4.82
France	4.59	7.68
Italy	7.59	7.67
Other EU Countries[1]	14.40	15.16
E.ON Group (Europe only)	**88.45**	**80.67**
Russia[2]	36.14	–
E.ON Group	**124.59**	**–**

[1]Includes carbon emissions from gas transport.
[2]Russia is not covered by the EU Emissions Trading Scheme.

E.ON Group Carbon Intensity[1]

Metric tons of CO_2 per MWh	2011	2010
Germany	0.38	0.32
United Kingdom	0.62	0.66
Spain	0.55	0.51
France	0.71	0.81
Italy	0.45	0.41
Other EU Countries	0.26	0.27
E.ON Group (Europe only)[2]	**0.41**	**0.39**
Russia	0.56	0.56
E.ON Group[3]	**0.43**	**0.42**

[1]Specific carbon emissions are defined as the amount of CO_2 emitted for each MWh of electricity generated.
[2]Includes renewables generation in Europe.
[3]Includes renewables generation outside Europe (wind power in the United States).

Employees

HR Strategy

The knowledge of our employees is of decisive importance for the implementation of E.ON's cleaner & better energy strategy. To promote the implementation of this strategy and at the same time to enhance efficiency of our HR effort, we continue to focus on four strategic HR task areas:

- Managing the Business
- Managing Resources
- Developing Talent
- Operational HR.

Systematically addressing these four areas will make an important contribution towards achieving E.ON 2.0's ambitious targets.

Managing the Business

Following changes to the categories to which we assign our executives, we revamped the main management and steering mechanisms for executives. The incentive systems for all executives, including Board of Management members, were redesigned and standardized and now apply across the entire E.ON Group.

Individual performance—especially the performance of those functions that are central to an individual executive's role—receives increased weighting in the short-term incentive. The company component of the incentive consists of our key earnings metrics, EBITDA, ROACE, and WACC, thus setting uniform objectives for all of our company's executives. In the future, we plan to use these metrics in the incentive systems for our employees, as well.

Managing Resources

Employer Brand

An international study by Universum, a consulting firm, ranked E.ON among Europe's most popular employers. Our performance is similar in other studies. For example, E.ON was included in The Times Top 100 Graduate Employers in the United Kingdom.

In a study conducted by *Career* magazine that assessed, from the applicant's perspective, the quality of the recruiting activities of Germany's 500 biggest companies, E.ON took first place.

Strategic HR Planning

Strategic HR planning is our primary tool for identifying, as early as possible, external factors (such as the shortage of professional staff on the labor market) and internal gaps in mission-critical functions and for taking appropriate countermeasures. It compares our future workforce with a forecast of our long-term staffing needs derived from our corporate strategy and the business development of individual units.

The gradual rollout of strategic HR planning at E.ON is supported by IT tools that were developed for the entire E.ON Group in accordance with a consistent method. The pilot rollout at our network companies in Germany is already under way, as are preparations for rolling out strategic HR planning at other units.

Developing Talent

A key task for all managers is to continually foster the targeted development and professional training of their employees. The conscientious fulfillment of this task establishes the foundation for successful performance management and ensures that our organization proactively and foresightfully prepares itself to meet the challenges of the future. The strategic significance of talent management is increasing, particularly in view of E.ON's new strategy. As part of this effort, in 2011 we revised our existing Group-wide development mechanisms and aligned them more closely with the company's needs.

In addition, we established talent boards (whose purpose is to identify the top talents in our company) and agreed on measures tailored to the needs of each job family. An example of the latter is a high-potential program for the engineering job family.

In 2011, we also redesigned our Group-wide Talent Pool program. The program enables us to identify highly qualified and ambitious managers and next-generation managers, to support their development through multi-year programs, and to prepare them for more senior roles.

Group-wide HR development costs amounted to around €68 million in 2011. The majority of this training is conducted by E.ON Academy, our corporate university.

Diversity

Our diversity management focuses particularly on gender, internationality, and employability. Our ambitious objective for our organization as a whole is to more than double the percentage of women in management positions and to raise it to 14 percent in Germany by the end of 2016.

We support the achievement of this objective with a variety of measures. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We also revised our Group-wide guidelines for filling management positions. For example, at least one male and one female must be considered as potential successors for each vacant management position. Many units also have support mechanisms in place, including mentoring programs for female managers and next-generation managers, the provision of daycare, flexible work schedules, and home-office arrangements. Significantly increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions. In order to further raise our managers' awareness of diversity, it is increasingly part of the curriculum in our management training programs.

A year-on-year comparison shows that we are already making progress. The percentage of female executives at E.ON companies increased from 11.5 to 12.5 percent overall and from 8.6 to 9.5 percent in Germany.

In the context of E.ON's increasing internationalization, the new International Transfer Policy put in place in 2011 helps employees (and their partner and children) become integrated in their host country. The new policy also provides more support for employees' reintegration into their home country and company at the conclusion of their international transfer.

We want to offer our employees a work environment that maintains their health and employability. We do this by fostering life-long learning through a wide variety of training and qualification programs and by promoting health through a range of preventive initiatives.

HealthCheck at E.ON

Occupational health management requires a foundation of trust, and it is important to encourage employees to take advantage of the health-management programs offered by the company. A pilot project called HealthCheck, which was conducted at a number of E.ON offices in Düsseldorf (Group Management, E.ON Climate & Renewables, and E.ON IT) in 2011, achieved a participation rate of over 50 percent and an evaluation of "very good" from employees.

HealthCheck consisted of medical exams, an online questionnaire, and a results report that provided a detailed description of the employee's health status and recommendations for possible follow-up measures.

In 2011, we also held a health campaign at all our companies in Germany to raise awareness of musculoskeletal disorders. Reflecting the greater coordination of our health-management effort, several units outside Germany participated in the campaign, which consisted of screenings and other activities.

Operational HR

The HR team is working on efficiency improvements as part of E.ON 2.0 (see page 11).

Workforce Figures

At year-end 2011, the E.ON Group's consolidated companies had 78,889 employees worldwide, a decline of 7.3 percent from year-end 2010. E.ON also had 2,466 apprentices and 298 board members and managing directors.

Employees[1]

	December 31		
	2011	2010	+/- %
Generation	10,578	10,997	-4
Renewables	1,808	1,737	+4
Gas	3,202	3,189	–
Trading	1,002	1,062	-6
Germany	21,542	21,084	+2
Other EU Countries	31,909	37,403	-15
Russia	4,896	4,812	+2
Group Management/Other[2]	3,952	4,821	-18
Total	**78,889**	**85,105**	**-7**

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

The headcount at Generation was lower mainly because of the sale of a power station in Poland and the transfer of employees in Italy from Generation to the Italy regional unit.

The decline in the number of employees at Trading is attributable to the expiration of temporary secondments and employment contracts as part of this unit's centralization and to fluctuations.

The headcount at the Germany unit was higher mainly because of the expansion of service companies and additional employees at our regional distribution companies in conjunction with Germany's Renewable Energy Law. This effect was partially offset by the transfer of employees to the Group Management/Other segment as part of the greater centralization of functions.

The decline in the number of employees at Other EU Countries is mainly attributable to disposals at the UK and Sweden regional units and to efficiency-enhancement measures at UK.

The headcount at Russia increased because of the expansion of a newly created central repair shop.

The increase in Group Management/Other segment's headcount due to the implementation of E.ON's new organizational setup was offset by the outsourcing of IT infrastructure and by a deconsolidation at E.ON IT Group.

Geographic Profile

At year-end 2011, 43,756 employees, or 55 percent of all staff, were working outside Germany, slightly below the percentage from year-end 2010.

Employees by Region[1]

	Dec. 31, 2011
Germany	35,133
United Kingdom	12,264
Romania	6,457
Hungary	5,337
Russia	4,912
Sweden	3,530
Czechia	3,477
Bulgaria	1,999
Spain	1,287
Other[2]	4,493

[1]Figures do not include board members, managing directors, or apprentices.
[2]Includes Italy, France, the Netherlands, Poland, and other countries.

Gender and Age Profile, Part-Time Staff

At the end of 2011, 28 percent of our employees were women, slightly more than at the end of 2010. The average E.ON Group employee was 42 years old and had worked for us for about 14 years. A total of 7,654 E.ON Group employees were on a part-time schedule, of whom 4,386, or 57 percent, were women. Employee turnover resulting from voluntary terminations averaged around 4 percent across the organization.

Health and Safety

Occupational safety and health have the highest priority at E.ON. One of our key performance indicators ("KPIs") for safety is the frequency of lost-time injuries per million hours of work ("LTIF"). In 2011, we further improved the LTIF of E.ON employees to 2.1 (prior year: 2.3), continuing the positive trend of recent years. The LTIF of contractor employees was 3.1 in 2011. We intend to further improve our performance here, as well. Our units' safety performance is a component of the annual personal performance agreements of the Board of Management members and executives responsible for these units.

We use KPIs to monitor and continually improve our safety performance. To ensure continuous improvement, our units design safety improvement plans based on a management review of their performance in the prior year. The results of the implementation of these plans are also used as preventive performance indicators. Despite all our successes in occupational safety, it remains our objective to prevent accidents or other harmful effects on the health of our employees and contractors.

Compensation, Pension Plans, Employee Participation

Attractive compensation and appealing fringe benefits are essential to a competitive work environment. Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention. E.ON companies supplement their company pension plans with attractive programs to help their employees save for the future. Another factor in employee retention is enabling them to participate in their company's success. This includes the performance rights (with a multi-year term) granted to executives under the E.ON Share Performance Plan. Our employee stock purchase program remains attractive thanks to a partially tax-free company contribution. In 2011, 18,924 employees purchased a total of 1,210,014 shares of E.ON stock; 55 percent of employees participated in the program, the same level as in 2010.

Overview of the Compensation Systems for the Board of Management and Supervisory Board

We have compiled a Compensation Report for the 2011 financial year which provides an overview of the compensation plans for the Board of Management and Supervisory Board and each board member's E.ON Group compensation. The report applies the regulations of the German Commercial Code amended to reflect the Management Board Compensation Disclosure Law as well as the principles of the German Corporate Governance Code. The Compensation Report, which is part of this Combined Group Management Report, can be found on pages 180 to 189.

Apprentice Programs

E.ON has always placed great emphasis on apprentice programs. In 2011, apprentices again accounted for about 7 percent of the E.ON Group's workforce in Germany. With a new class of 729 regular apprentices, the E.ON Group had a total of 2,466 apprentices and work-study students in 2011. Established in 2003, the E.ON training initiative to combat youth unemployment was continued in 2011. Through the initiative, we offered more than 900 young people in Germany prospects for the future through vocational training, an internship to prepare them for training, and school projects.

Apprentices in Germany

	Dec. 31, 2011
Germany	1,551
Generation	522
Gas	197
Group Management/Other[1]	128
Renewables	68
E.ON Group	**2,466**

[1]Includes E.ON IT Group.

Technology and Innovation

In 2011, we reconfigured the organizational setup for our Technology and Innovation ("T&I") activities. A new department at Group Management steers our portfolio of activities, monitors potentially disruptive technologies, and evaluates ideas for new business models. One of its key tasks is to develop and manage new businesses until they are handed over to existing business units or newly created business units. Thirteen E.ON Innovation Centers, which are embedded in our businesses and steered by the T&I department at Group Management, coordinate activities in their respective technology area across our entire company:

- Renewables, Hydro
- Combined-Cycle Gas Turbines ("CCGT"), Carbon Capture and Storage ("CCS"), Nuclear, Steam
- Energy Storage, Distribution, Gas
- Retail, E-Mobility, Smart Homes
- Energy Systems.

Two of these technology areas, Energy Storage and Smart Homes, were added in 2011. Both were identified as having significant potential for changes to the competitive landscape, business-model innovation, and disruptive technologies.

Project Examples from 2011

Energy Storage

We pooled our international expertise for all energy storage technologies. In Falkenhagen, Germany, we set up our first power-to-gas pilot project. This procedure uses electrolysis to transform water into hydrogen, which can be stored in the natural gas pipeline system.

Smart Homes

In collaboration with technology partners, E.ON established seven customer test beds in Sweden, the United Kingdom, and Germany with the aim of entering the smart-home market in early 2013. In 2012, several hundred E.ON customers across Europe will test the mass-market potential of smart-home products and services developed jointly by E.ON companies and partners such as Deutsche Telekom, Telefunken, GreenwaveReality, and VS Safety.

Retail

A field test of residential fuel-cell micro CHP achieved 90 percent availability under realistic daily operating conditions and achieved the reduction in carbon emissions predicted by the equipment manufacturer. The EU helps fund the development of this technology. The project involves the installation of 100 units in the United Kingdom and Germany using equipment manufactured by CFCL and Ideal Boilers.

Renewables

Together with partners, we tested methods to reduce underwater noise during the construction of offshore wind farms. In Sicily, we set up arrays of high-concentration photovoltaic ("HCPV") modules to gain firsthand experience with the installation and performance of different HCPV concepts. Pelamis, our wave-power demonstration project in the Orkney Islands, reached 1,000 hours of operation in 2011 and is expected to reach 5,000 hours in 2012.

E-Mobility

We launched a range of comprehensive, custom-tailored e-mobility solutions for business, municipal, and residential costumers. To give inter-city e-mobility users easy access to charging stations, we set up Germany's first public direct-current fast-charge station. We are convinced that this state-of-the-art station is a real alternative to at-home charging using alternating current.

Our long-term goal is to use electric vehicles ("EVs") as a distributed energy storage system. Just as we have developed smart grids that can accept more renewable-source electricity, we see exciting and sustainable possibilities for EVs. On breezy nights, EV batteries could store surplus wind power; during peakload periods of the day, they could feed some of this power back into the grid. We are working to put this into action in field trials, such as the one we conducted with VW with support from Germany's Ministry of the Environment. Our experience from numerous EV field trials across Europe has given us a solid understanding of the technology, products, and customer services we need to make this a reality in the future.

Distribution, Smart Grids

The sustainable city project in the Hyllie district of Malmö received funding from the Swedish Energy Agency, which called it a flagship project for Northern Europe. Our project partners are the City of Malmö and real-estate developers. At our power distributors in Germany, we are conducting five smart-grid projects focusing on the integration of renewables into intermediate- and low-voltage grids. Our Group-wide smart-metering program in the United Kingdom is paving the way for full-scale rollouts in that country and in Germany. The roll-out is completed in Sweden and under way in Spain.

Hydro

A small-scale hydro project on the Isar River in southeast Germany that will use a very-low-head turbine is at an advanced stage and can be completed in the next few years. At our existing run-of-river plants on the Main River, we developed new procedures for increasing operational flexibility so that these plants can respond to the increasing load fluctuations in the power system. We also studied innovative potential sites (a former chalk mine in northern Germany and caverns in the Harz Mountains in central Germany) for new pumped-storage hydro capacity.

CCGT

We conducted research projects whose primary aim is to increase plant flexibility and reduce emissions at partial loads.

CCS

We successfully tested small-scale pilot carbon-capture plants at power stations in Staudinger (Germany) and Karlshamn (Sweden) and started building a large-scale carbon-capture plant in Wilhelmshaven, Germany. As part of the COORETEC program in Germany, of which E.ON is a partner, successful test firing and capture were achieved at a second-generation carbonate looping plant.

Nuclear

Our research projects focused on optimizing E.ON's existing nuclear fleet in several areas (operational support, materials, fuel, safety, and decommissioning). We also ensured that we observe new developments to identify and evaluate new nuclear trends (cogeneration, small modular reactors) so that we can evaluate them.

Steam

To ensure the stable operation of our existing and new-build plants, we conducted several projects to enhance their operational flexibility to respond to the increased, fluctuating feed-in from renewables. We evaluated new components to help minimize the carbon emissions of our existing plants and will retrofit these components in 2012. We also identified pretreatment technologies that could give us more opportunities to cofire biomass.

Gas

We launched a project to increase the efficiency of biogas production by testing innovative membrane technologies for carbon separation at our biogas plant in Kirchlengern, Germany, through 2013. We also continued to press for greater harmonization of gas-quality standards in Europe, with the aim of maximizing the injection of hydrogen and other renewable fuels into the gas pipeline system and of helping to remove barriers to the creation of a single European gas market.

University Support

As one of the world's largest investor-owned power and gas companies, we feel it is our responsibility to actively promote energy research. Our contacts with universities offer students an opportunity to get to know our company and the focal points of our research. E.ON supports a total of more than 20 universities in Germany, the United Kingdom, Sweden, Denmark, the Netherlands, France, Spain, Greece, the Czech Republic, the United States, and Australia. Two main activities are the:

- E.ON Energy Research Center ("ERC")
- E.ON International Research Initiative.

Our flagship project is the ERC, a public-private partnership with renowned RWTH Aachen University. A key research area is how to efficiently integrate a large percentage of fluctuating renewable energy in the electricity system. We are funding the ERC with €40 million over a period of ten years.

The ERC was founded in 2006. Its mission is to foster major technological and conceptual breakthroughs that promote an efficient, sustainable, and climate-friendly energy supply. Its approach is holistic: instead of looking for solutions to isolated technical problems, it designs comprehensive, interdisciplinary solutions that address all aspects of complex energy issues. It has five institutes: Automation of Complex Power Systems, Energy-Efficient Buildings and Indoor Climate, Future Energy Consumer Needs and Behavior, Applied Geophysics and Geothermal Energy, and Power Generation and Storage Systems.

The ERC completed its ramp-up phase in 2011, and now more than 130 employees are carrying out research in renewable energy and energy efficiency.

In September 2011, the E.ON International Research Initiative published its fourth call for outstanding projects from universities and research institutes from around the world. The topic, for which awards will be given in 2012, is "Smart Home: A New Customer Relationship with Energy." The aim is to better understand customers' needs and behavior and the role customers will play in a future energy system.

The E.ON-funded award has been conferred since 2007. E.ON has so far invested €18 million in international research projects in order to find solutions to the challenges of tomorrow's energy system. The awards for the previous three research topics—energy storage, nanotechnology applications in the energy business, and heat storage for concentrated solar power—have already delivered results that will help make the world of energy cleaner and better.

Facts about T&I, Including Research and Development ("R&D")

In 2011, we created a new T&I department at Group Management. This underscores the importance we place on innovative energy technology. We increased our R&D activities in 2011, despite our difficult business environment.

Our R&D expenditures on technology totaled about €81 million in 2011 (2010: €61 million). Intangible R&D assets relating to software development totaled €42 million (2010: €27 million).

In 2011, 202 employees were directly involved in R&D projects at E.ON.

In addition to our investments to optimize and refine technologies, we also actively promote basic research. In 2011, we provided €8 million of support to fund and sponsor energy research at universities and institutes (2010: €6 million).

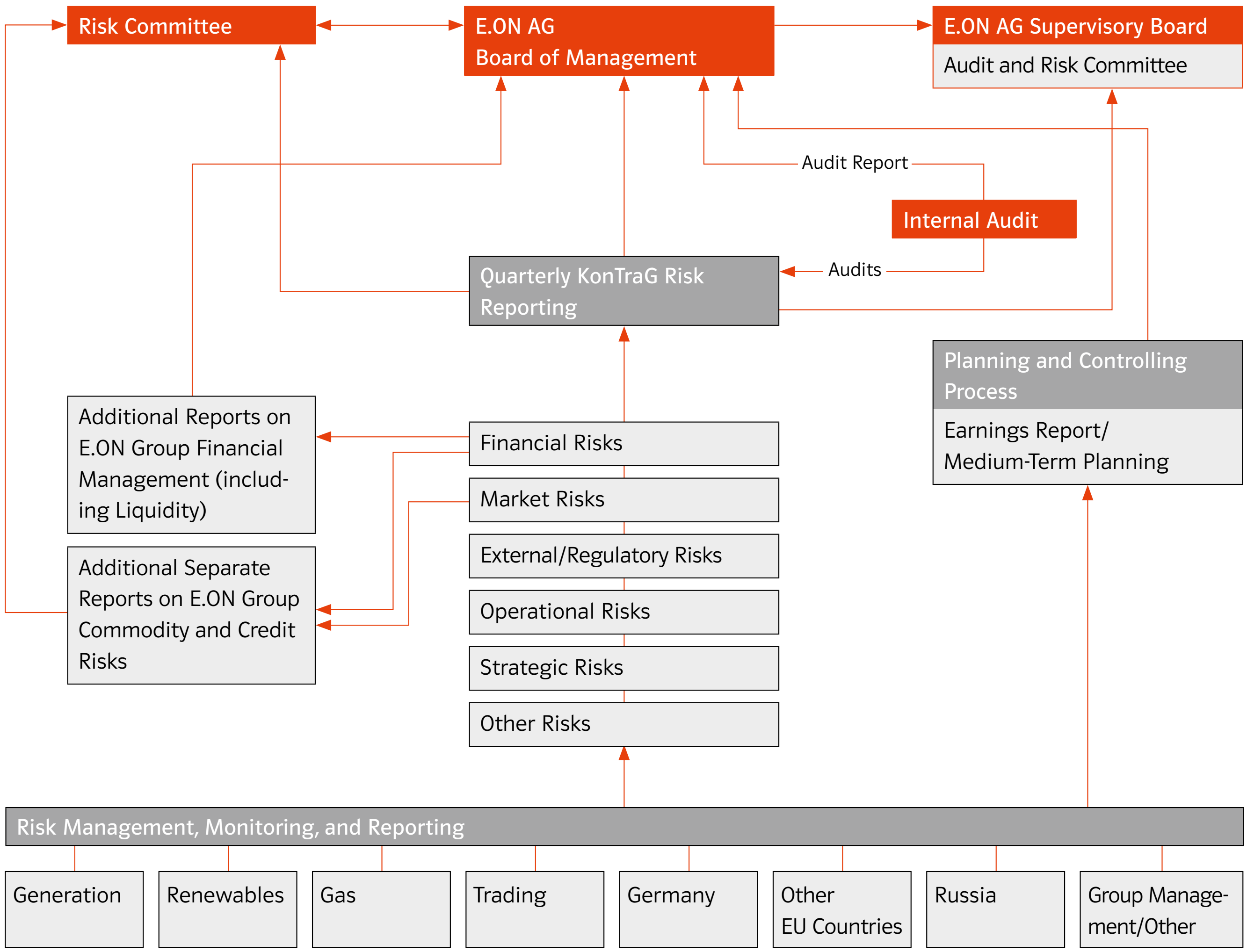
Our total T&I expenditures (which include support for university research, technology R&D, demonstration projects) and software development amounted to €149 million (2010: €120 million).

Technology and Innovation, Software

	Technology and Innovation		Software		Total	
€ in millions	2011	2010	2011	2010	2011	2010
R&D						
Technology	*81*[1]	*61*	–	–	*81*[1]	*61*
Intangible R&D assets						
Software	–	–	*42*	*27*	*42*	*27*
Other						
Demonstration projects	*18*	*26*	–	–	*18*	*26*
University support	*8*	*6*	–	–	*8*	*6*
Total	**107**	**93**	**42**	**27**	**149**	**120**

[1]R&D expenses pursuant to IAS 38 (€59 million; see Note 14 to the Consolidated Financial Statements on page 111) plus other projects that are part of our R&D effort.

Risk Management System



Our risk management system consists of a number of components that are embedded into E.ON's entire organizational structure and processes. As a result, our risk management system is an integral part of our business and decision-making processes. The key components of our risk management system include our Group-wide guidelines and reporting systems; our standardized Group-wide strategy, planning, and controlling processes; Internal Audit activities; the separate Group-wide risk reporting conducted pursuant to the Corporate Sector Control and Transparency Act ("KonTraG"); and the establishment of risk committees. Our risk management system is designed to enable management to recognize risks early and to take the necessary countermeasures in a timely manner. We continually review our Group-wide planning, controlling, and reporting processes to ensure that they remain effective and efficient. As required by law, the effectiveness of our risk management system is reviewed regularly by Internal Audit.

Risk Management and Insurance

E.ON Risk Consulting GmbH, a wholly owned subsidiary of E.ON AG, is responsible for insurance-risk management in the E.ON Group. It develops and optimizes solutions for E.ON's operating risks by using insurance and insurance-related instruments and secures the necessary coverage in international insurance markets. To this end, E.ON Risk Consulting GmbH is, among other things, responsible for management of client data and insurance contracts, claims management, the accounting of risk covering and claims, and all associated reporting.

Risk Committee

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, the E.ON Group has a Risk Committee. The Risk Committee, which consists of representatives of key E.ON AG divisions and departments, is responsible for ensuring that the risk strategy for commodity and credit risks defined by the Board of Management is implemented, complied with, and further developed.

Risk Situation

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. The E.ON Group, and thus E.ON AG, is exposed to the following main categories of risk:

Market Risks

Our units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. Our Gas global unit continues to face considerable competitive pressure in the gas marketplace. Competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable risks for natural gas purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are predominantly indexed to oil prices, whereas sales prices are increasingly guided by wholesale prices. Generally, contracts between producers and importers are subject to periodic adjustments to the current market situation. E.ON Ruhrgas is conducting intensive negotiations with producers. After unsuccessful negotiations with Gazprom, E.ON Ruhrgas exercised its contractual option of opening an arbitration process against Gazprom.

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. Our units in Scandinavia could be negatively affected by a lack of precipitation, which could lead to a decline in hydroelectric generation. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

We use a comprehensive sales management system and intensive customer management to minimize these risks.

Commodity Price Risks

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to binding Group-wide guidelines and a Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. To limit commodity price risks, 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. The Trading unit aggregates and consistently manages the price risks we face on Europe's liquid commodity markets.

We mainly use electricity, gas, coal, carbon allowance, and oil price hedging transactions to limit our exposure to risks resulting from price fluctuations, to optimize systems and load balancing, and to lock in margins. We also engage in proprietary commodity trading in accordance with detailed guidelines and within narrowly defined limits.

Financial Risks

The international nature of E.ON's business operations exposes E.ON to risks from currency fluctuation. One form of this risk is transaction risk, which occurs when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which occurs when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the euro zone are translated into euros and entered into our Consolidated Financial Statements. We limit currency risk by conducting systematic currency management involving derivative and underlying financial instruments. Currency-translation risk results mainly from transactions denominated in U.S. dollars, pounds sterling, Swedish kroner, Norwegian kroner, and Hungarian forints.

E.ON faces earnings risks from financial liabilities, accounts payable, short-term financing with variable interest rates, and interest derivatives that are based on variable interest rates.

We also use systematic risk management to manage our interest-rate and currency risks. Here, E.ON AG plays a central role by aggregating risk positions through intragroup transactions and hedging these risks on the market. Due to its intermediary role, E.ON AG's risk position is largely closed.

E.ON's operating activities and use of derivative financial instruments expose E.ON to credit-default risks. We use a Group-wide credit risk management system to systematically monitor the creditworthiness of our business partners on the basis of Group-wide minimum standards. We manage our credit-default risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about all material credit-default risks.

E.ON could face liquidity risks due to margin calls resulting from adverse price developments of derivative financial instruments.

In addition, E.ON also faces risks from price changes and losses on the current and non-current investments it makes to cover its non-current obligations, particularly pension and asset-retirement obligations. The foundation of our risk management in this area is a conservative investment strategy and a broadly diversified portfolio.

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 materially 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. For example, we may fail to retain key employees; may be unable to successfully integrate new businesses with our existing businesses; may incorrectly judge expected cost savings, operating profits, or future market trends and regulatory changes; or may spend more on the acquisition, integration, and operation of new businesses than anticipated. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and expose us to commercial and other risks.

We have comprehensive processes in place to manage potential risks relating to acquisitions and investments. These processes 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 integration projects also contribute to successful integration.

In the case of planned disposals, E.ON faces the risk, which is not assessable, of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible to determine the likelihood of these risks. If planned disposals do not take place or are significantly delayed, this would have a negative impact on the planned development of our debt factor.

Operational and Environmental Risks

Technologically complex production facilities are used in the production and distribution of energy. Germany's Renewable Energy Law and the transformation of the country's energy system are resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network. On a regional level, the increase in decentralized feed-in (primarily from renewables) has led to a shift in load flows. In Germany, where power plants are located in closer proximity to population centers than in many other countries, the risk of blackouts is lower due to shorter transmission paths and a strongly meshed network. Nevertheless, our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities, including new-build projects, could negatively impact our earnings.

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 material increases in our costs.

Climate change has become a central risk factor. For example, E.ON's operations could be adversely affected by the absence of precipitation or above-average temperatures that reduce the cooling efficiency of our generation assets and may make it necessary to shut them down. Extreme weather or long-term climatic change could also affect wind power generation. Alongside risks to our energy production, there are also risks that could lead to the disruption of offsite activities, such as transportation, communications, water supply, waste removal, and so forth. Increasingly, our investors and customers expect us to play an active leadership role in environmental issues like climate change and water conservation. Our failure to meet these expectations could increase the risk to our business by reducing the capital market's willingness to invest in our company and the public's trust in our brand.

To limit these risks, we will continue to improve our network management and the optimal dispatch of our generation assets. At the same time, we are implementing operational and infrastructure improvements that will enhance the reliability of our generation assets and our transmission 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.

The following are among the comprehensive measures we take to address these risks:
- systematic employee training, advanced training, and qualification programs
- further refinement of our production procedures, processes, and technologies
- regular facility and network maintenance and inspection
- company guidelines as well as work and process instructions
- quality management, control, and assurance
- project, environmental, and deterioration management
- crisis-prevention measures and emergency planning.

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

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that certain contractual price-adjustment clauses of years past are invalid. In July 2010, the Federal Court of Justice issued a ruling against EWE AG pertaining to the validity of gas-price adjustments and the legal qualification of uncontested payments. At this time, we cannot conclusively evaluate this ruling's possible consequences for E.ON Group companies, in part because of inconsistencies in the rulings of different state superior courts and possible revisions to the Federal Court of Justice's ruling.

On July 8, 2009, the European Commission fined E.ON Ruhrgas and E.ON (as joint debtor) €553 million for an alleged market-sharing agreement with GdF Suez. In September 2009, E.ON Ruhrgas and E.ON filed an appeal with the European Court of First Instance to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. We cannot rule out the possibility of subsequent lawsuits.

In September 2011, the European Commission undertook inspections at the premises of several gas supply companies in Central and Eastern Europe, including at E.ON Group companies. The Commission is investigating potential anticompetitive practices by Gazprom, possibly in collusion with other companies. The Commission points out that the fact that it carries out such inspections does not mean that a company is guilty of anticompetitive practices.

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's legally binding land-use plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and in particular that the land-use plan did not sufficiently take into consideration binding state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, rendering the ruling legally binding. However, the SAC's ruling does not forbid the realization of a hard-coal-fired power plant at the planned site. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a project-related legally binding land-use plan. On December 13, 2010, the Regionalverband Ruhr ("RVR") passed a resolution to institute a regional plan-alteration process, which in May 2011 was confirmed by an expert legal opinion solicited by the RVR. On June 20, 2011, the RVR passed a resolution to continue the regional plan-alteration process. The RVR conducted the public consultation process through October 31, 2011, and is currently evaluating the statements submitted to it. The new planning process has to address and resolve the SAC's objections in order to reestablish a reliable planning basis for the Datteln power plant. It also has to consider new court rulings (particularly the Trianel ruling issued by the SAC on December 1, 2011) that establish stricter environmental requirements for the permitting of coal-fired power plants. In view of the planning processes under way, we currently anticipate that the Datteln plant will become operational later than originally planned. The suits filed by a farmer and the BUND NRW against the preliminary decision and certain partial permissions for construction are still pending before the SAC. Among the questions at issue is the extent of environmental groups' title to sue in light of the most recent rulings in this regard by the Court of Justice of the European Union. To ensure the supply of district heating and of traction power, E.ON therefore took the precautionary measure of withdrawing its notification of the shutdown of Datteln 1 to 3 and Shamrock power plants effective December 31, 2012. The district governments in Münster and Arnsberg, which have jurisdiction over the matter, rejected the withdrawal. As a matter of sound business practice and to secure the supply of district heating and of traction power, E.ON filed lawsuits against the Münster and Arnsberg rulings; the SAC announced that it will issue its rulings in March 2012. We remain convinced that the new plant will be successfully completed. In principle, these types of risks as well as technology-related risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by conducting appropriate project management.

There are also lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000. In addition, court actions, governmental investigations, and proceedings, and other claims could be instituted or asserted in the future against companies of the E.ON Group. We attempt to minimize the risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

E.ON Ruhrgas currently obtains about one fourth of its total natural gas supply from Russia pursuant to long-term supply contracts with Gazprom. In addition, E.ON Ruhrgas currently obtains natural gas from five other supply countries, giving it one of the most diversified gas procurement portfolios in Europe. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control. The Nord Stream pipeline entered service in November 2011, establishing the first direct link between Russia's large gas reserves and Western European gas markets. Nord Stream will play an important role in diversifying gas procurement and enhancing Europe's supply security.

External Risks

The political, legal, and regulatory environment in which the E.ON Group does business is also a source of external risks. Changes to this environment can lead to considerable uncertainty with regard to planning.

The reactor accident in Fukushima led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") in the fall of 2010 in line with the stipulations of the coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Nuclear Energy Act ("the Act") and established a number of stricter rules. In addition to rescinding the eleventh amendment, the newly amended Act calls for a gradual phaseout of nuclear power by 2022 and for the seven NPPs that entered service before year-end 1980 (which had been shut down temporarily by the moratorium) and for Krümmel NPP to be permanently shut down as of the date the Act took effect. This affected two NPPs for which E.ON has operational responsibility: Unterweser and Isar 1. There is a risk that the remaining NPPs may not be able to make full use of their assigned production volumes before their respective operating lives expire. E.ON is implementing the political majority's decision on an earlier phaseout of nuclear energy. At the same time, however, E.ON believes that the nuclear phaseout, under the current legislation, is irreconcilable with our constitutional right to property and our constitutional freedom to operate a business. In any case, such an intervention is unconstitutional unless compensation is granted for the rights so deprived. Consequently, we expect appropriate compensation for the billions of euros in stranded assets created by this decision. In mid-November 2011, E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Constitutional Court in Karlsruhe. The nuclear-fuel tax remains at its original level after the rescission of operating-life extensions. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal questions. E.ON is therefore instituting administrative proceedings and taking legal action against the tax. The proceedings regarding Gundremmingen B and C, Grohnde, Grafenrheinfeld, Emsland, Brokdorf, and Isar 2 NPPs have already begun. All court rulings in proceedings instituted by E.ON have suspended the levying of the tax. However, conclusive court rulings will not be handed down until some time in the future.

As established in its coalition agreement, the German federal government lifted the Gorleben moratorium. The study of the Gorleben site will now continue, albeit with a number of subsequently stipulated restrictions. In order to be able to make an initial determination, during the current legislative period, of whether the Gorleben salt dome is a suitable site, the Federal Ministry of the Environment intends to conduct a preliminary safety analysis of Gorleben. At the same time, the ministry has formed a working group, which includes representatives of the federal states, that will draft legislation by mid-2012 that stipulates the search process for a final storage site. The initial draft legislation is intended to "stipulate the individual procedural steps for searching for and selecting a site for the safe storage of heat-generating, radioactive waste." The draft legislation mentions Gorleben as a possible site but does not seem to conclusively clarify what Gorleben's status will be in the planned search process for a final storage site. It is also unclear whether the federal-state working group will be able to reach a consensus. An updated version of the initial draft legislation dated February 2, 2012, contains a passage for amending Section 21b of Germany's Atomic Energy Act such that the costs for "conducting a site-selection process pursuant to the Site Selection Act" are considered a necessary expense subject to passthrough and thus are to be born by entities with a disposal obligation. According to a correct (albeit not undisputed) interpretation of the law, such a passthrough of costs is unconstitutional as long Gorleben has not been deemed unsuitable.

On June 22, 2011, the European Commission issued recommendations for a directive on energy efficiency. The recommendations include requiring all energy distributors and all energy retailers to achieve annual savings of 1.5 percent on the amount of energy they sell to their customers. The European legislative process for this directive has just begun. Consequently, it cannot yet be determined whether such an energy-saving obligation would create risks for E.ON or, if so, what those risks would be.

In the context of discussions about Europe's ability to meet its long-term climate-protection targets in 2050, adjustments to the emissions-trading directive are under consideration. They include reducing the number of carbon allowances available during the next phase (2013–2020) of the EU Emissions Trading Scheme. Policymakers hope that reducing the number of allowances will lead to higher carbon prices, which would create additional incentives for investments in low-carbon generating capacity. The risks of potentially higher carbon prices for E.ON's current fossil-fueled generation portfolio in the EU can only be assessed when greater clarity exists about the measures under consideration.

The EU Agency for the Cooperation of Energy Regulators ("ACER") issued recommendations for framework guidelines on a capacity-allocation mechanism and congestion-management procedures for gas transmission system operators ("TSOs"). The European Network of Transmission System Operators for Gas ("ENTSOG") is tasked with designing network codes that, through the comitology process, will become legally binding for Europe's TSOs. The codes currently being considered refer to interconnection points between member states and to interconnection points between different gas TSOs in a single member state. Market participants had an opportunity to take part in an official consultation concerning the recommendations, which may create risks for existing supply contracts and for intraday flexibility.

E.ON restructured its six regional distribution companies ("RDCs") in Germany in 2008. As part of this process, system operations were reintegrated into the RDCs so that they function as the distribution system operator. At the same time, generation and retail operations were transferred to subsidiaries and the retail subsidiaries placed under central management. The regulatory agency views RDCs having ownership interests in the retail subsidiaries as a violation of unbundling requirements. In early February 2012, the regulatory agency issued a ruling in the test case against one RDC and E.ON Energie. The ruling requires the RDC to relinquish its ownership interest in the management company and the regional sales subsidiary within six months of the date the ruling takes effect. E.ON Energie and the RDC will file an appeal against the ruling. If, at the end of the multi-year legal process, the agency's ruling is deemed legal, the RDCs affected by the ruling would have to be restructured.

Capacity markets will play an important role for E.ON in a number of the electricity markets where it operates. Russia and Spain already have capacity markets, and Sweden has a peak-load reserve capacity market. France and Italy have decided to create capacity markets, and the U.K. government has recommended taking the same step. Germany is also weighing the issue. This could result in market-design risks for E.ON, which could face a competitive disadvantage, particularly if there is a focus on specific generating technologies or if some existing assets are not included.

The U.K. government is implementing a number of reforms to the country's wholesale power market with the aim of providing incentives for investments in low-carbon generation and to maintain a reliable supply of electricity. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and power plants equipped with carbon capture and storage. The introduction of a capacity market is intended to support investment in more flexible generating capacity that operates at lower load factors to help maintain security of supply. It is anticipated that the drafting of legislation to implement these reforms will continue in the first half of 2012 and that the measures will be fully implemented by the end of 2014. These reforms could affect E.ON's generation activities in the United Kingdom.

In view of the current economic and financial crisis in many EU member states, political and regulatory intervention (such as additional taxes, price moratoriums, and changes to support schemes for renewables) is becoming increasingly apparent. Such intervention could pose a risk to E.ON's operations in these countries. In particular, the refinancing situation of many European countries could have a direct impact on the E.ON Group's cost of capital, which could create the risk of impairment charges.

Further risks could result from the European Commission's plans to change the regulation of derivatives traded over the counter ("OTC") and possibly to rescind energy-trading companies' exemption from the Markets in Financial Instruments Directive ("MiFID"). The Commission is considering introducing mandatory clearing of energy OTC trades that exceed an amount that has yet to be determined. This would increase the margin requirements for such transactions, which could lead to an increased liquidity risk. It could also have a negative impact on E.ON's economic net debt. Rescinding the MiFID exemption for energy-trading companies would have effects similar to the regulation of OTC transactions. These changes could also result in increased capital requirements and disclosure obligations for E.ON's energy-trading companies.

Open Grid Europe ("OGE," formerly E.ON Gastransport) is supposed to have been subject to incentive-based regulation since the start of 2010. In mid-2011, OGE made available to the German Federal Network Agency (known by its German acronym, "BNetzA") documents the agency will use to set OGE's initial revenue cap for the second regulatory period (2013–2017). We anticipate that the BNetzA's cost analysis, including the process of seeking clarifications from OGE, will last until the summer of 2012. It will be followed by a new efficiency benchmarking, and a new assigning to groups, of Germany's highly heterogeneous gas TSOs. The BNetzA will derive the revenue caps for 2013–2017 from the individual efficiency factor it calculates for each TSO. On November 2, 2011, the BNetzA announced its decision regarding return on equity, which will be reduced from the current 9.29 percent to 9.05 percent for new assets and from 7.56 percent to 7.14 percent for old assets.

In 2012, Sweden will introduce a new regulatory scheme for its distribution networks that is intended to provide adequate returns on network investments. However, there will be an 18-year transition phase during which revenues will initially be lowered and then gradually raised to the higher target level. E.ON's distribution network in Sweden is among those that will be affected by the transitional phase. E.ON has filed a lawsuit against the decision to institute a transitional phase. At the same time, E.ON's distribution network company is studying ways to adjust its cost and revenue basis to respond to the changes to its regulatory environment.

We try to manage these risks by engaging in an intensive and constructive dialog with government agencies and policymakers.

IT Risks

The operational and strategic management of the E.ON Group relies heavily on complex information technology. We outsourced our IT infrastructure to an external service provider in 2011. 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.

Reputation Risks

Events and discussions regarding nuclear power and energy prices affect the reputation of all large energy suppliers. This is particularly the case in Germany, where our brand image is less positive than in other countries. As a large corporation whose stock is part of the DAX 30 blue-chip index, E.ON is especially prominent in Germany and is almost always mentioned during public discussions of controversial energy-policy issues.

The foundation for earning credibility and an open ear for our viewpoints is built by communicating clearly, seeking out opportunities for dialog, and engaging with our key stakeholders. New stakeholder-management processes we initiated in 2011 will help us achieve these aims. Consistent communications, enhanced dialog, and good relationships with our stakeholders are important to us. Today, we pay even more attention than in the past to environmental, social, and corporate-governance issues. These efforts support our interactions with our stakeholders (including investors), our business decisions, and our public relations. Our objective is to minimize our reputation risks and garner public support so that we can continue to operate our business successfully.

Management's Evaluation of the Risk Situation

In 2011, the risk situation of the E.ON Group's operating business deteriorated slightly compared with year-end 2010. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

Disclosures on the Internal Control System for the Accounting Process

Disclosures pursuant to Section 289, Paragraph 5, of the German Commercial Code, which are part of the Combined Group Management Report, are on pages 199 to 201.

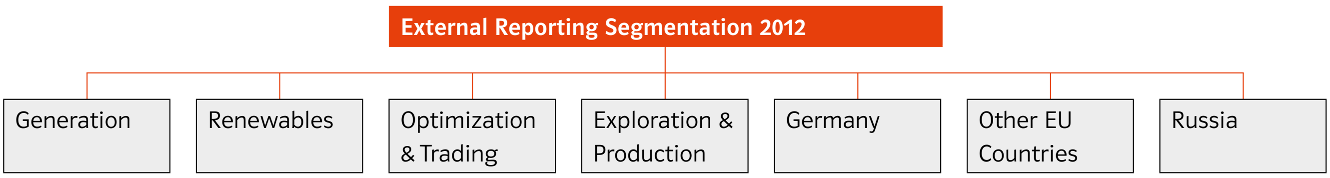
E.ON Group's Strategic Course in Upcoming Financial Years

Implementing Our Strategy

In the years ahead, we will adjust E.ON's business portfolio in line with our strategy of cleaner & better energy. Our main focus will be on expanding our operations in renewables, generation outside Europe, and decentralized energy solutions. These are the areas in which we see significant market opportunities and can capitalize on our capabilities. We will therefore direct our new growth investments at these businesses. In Europe, we will sharpen the focus of our current position. To achieve this, we will concentrate on activities in which we can leverage our expertise as well as cross-border and cross-business synergies of scale and scope into attractive returns.

Change in Organizational Structure

As part of our Group-wide E.ON 2.0 program, in the second half of 2011 we began the process of making far-reaching changes. This process will continue, and in some cases be completed, in 2012. It includes combining, effective January 1, 2012, the businesses of E.ON Energy Trading and E.ON Ruhrgas to form a new segment called Optimization & Trading. In addition, the Exploration & Production unit, part of E.ON Ruhrgas until the end of 2011, is now its own segment (see the graphic of our external reporting segmentation for 2012).



Planned Transformation of E.ON AG into a European Company

The Board of Management intends to propose to the 2012 Annual Shareholders Meeting that E.ON AG be transformed into a European Company (Societas Europaea, or "SE"). The purpose of the transformation is for E.ON's internationalization (more than half of E.ON's employees work outside Germany) to be reflected in its governance and in the form of its incorporation. If the Annual Shareholders Meeting approves the change, E.ON would then work out, between it and its employee representatives in Europe, an agreement regarding the involvement of employees. When this step is completed, the transformation would take effect, probably at the end of 2012.

Business Environment

Macroeconomic Situation

The OECD expects the global economy to contract somewhat in 2012, resulting in a slight recession, but to expand again in 2013. Monetary policy will tend to spur economic activity, fiscal policy (namely, tighter budgets) to dampen it. Uncertainty on labor and credit markets will also serve as a brake on the economy, according to the OECD.

Economic growth in the United States is expected to accelerate, due primarily to rising demand for investment goods and the anticipated end of restrictive fiscal policy.

The euro zone is expected to experience a slight recession in 2012 followed by a moderate recovery. The main brakes on Europe's economy are stagnant private consumption (although this is expected to recover in 2013) and a decline in state consumption expenditures due to budget tightening. Investment activity is likely to be weak in the near term.

The economic outlook in the BRICs (Brazil, Russia, India, China) varies by country. China is expected to benefit from robust domestic demand but to have weaker net exports. Brazil's economy will receive impetus from infrastructure projects, whereas Russia's is still highly dependent on oil prices.

Due to lower commodity prices and underutilized capacity, the OECD expects the inflation rate to decline during the forecast period.

The OECD emphasizes the upside and the downside risks of its projections. The euro-zone debt crisis and U.S. fiscal policy are the main sources of uncertainty.

Energy Markets

We expect power and fuel markets to be generally more volatile in 2012 and 2013 due to their increasing sensitivity to macroeconomic developments and policy decisions.

The oil market is currently displaying a classic backwardation pattern, with prices for nearby months higher than prices for forward months. This trend could continue, since at the moment the market is increasingly driven by geopolitical events (Iran's nuclear program, EU sanctions, the Strait of Hormuz, unrest in the Middle East and North Africa). The Brent contract for next-month delivery started 2012 at about $112 per barrel, which is significantly above the price at the start of 2011 ($95).

In 2011, abundant coal stocks and lower demand due to mild winter weather were the fundamental factors on Europe's coal market as measured by the API#2 index. The price for hard coal for next-year delivery began 2012 at $116 per metric ton, the same level as at the start of 2011. Good availability and favorable freight rates could send prices lower. The main source of demand is the Asia-Pacific region, particularly China. Unlike oil, however, coal displays a contango pattern, with outlying periods priced higher than nearby periods. Consequently, the price for delivery in 2014 is currently $121 per metric ton.

In 2011, wholesale gas prices at Europe's hubs, both for spot products and for forward products for delivery in 2012 and 2013, were significantly higher than in the prior year. This is especially attributable to higher LNG demand in Asian markets, which was driven by economic growth in non-OECD countries and the replacement of nuclear capacity by gas-fired capacity in Japan following Fukushima. Higher oil prices, resulting in part from political developments in the Middle East and North Africa, are pushing up the prices of oil-indexed gas imports to Europe. The forward market shows rising gas prices in Europe for the next two years. To a significant degree, these expectations continue to be driven by LNG demand in Asia and have so far not been shaken by concerns about a collapse of demand in Europe due to a renewed danger of recession. U.S. gas prices are expected to remain at low levels due to the cost-effective extraction of shale gas, despite the apparent environmental risks of this practice.

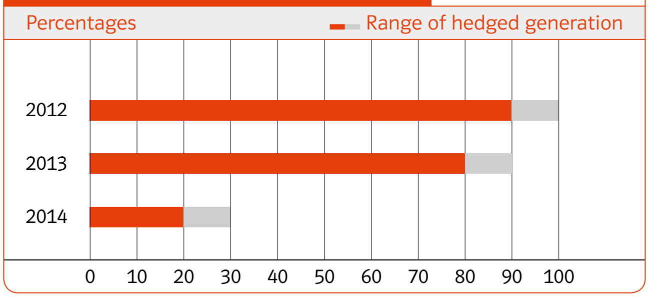
Prices for carbon allowances under the EU Emissions Trading Scheme (known as "EUAs") fell to record lows in 2011, primarily because the weak economy led to lower industrial production and consequently to lower demand for power, resulting in an ongoing oversupply of EUAs. In the years ahead, this trend could be augmented by emission-reduction measures (such as measures to increase energy efficiency), which would put further downward pressure on EUA prices. Low EUA prices have led EU policymakers to consider taking steps (such as a set-aside strategy) to reduce the number of EUAs on the market. In view of Europe's lackluster economic situation, however, such a proposal would probably meet stiff resistance from a number of member states. More negative news about the euro zone and the absence of progress in policies to reduce the number of EUAs could mean that carbon prices reach new lows in the years ahead.

Near-term and medium-term power prices in Germany will be determined largely by the price of hard coal, natural gas, and EUAs and by forecasts on the ratio of supply to demand in Germany and neighboring countries. However, new capacity, particularly new renewables capacity, could put further downward pressure on prices (at the start of 2012, Germany had 24.7 GW of installed solar capacity and 30 GW of installed wind capacity). This pressure could be increased in the years ahead by concerns about Europe's economic outlook and the concomitant lowering of growth expectations for power consumption. Still, the market's general expectation is for forward power prices to remain at roughly the same level over the next two years due to continued low carbon prices and moderate coal and gas prices. At the start of 2012, the EEX baseload contract was trading at about €52 per MWh for 2013 delivery and at €53 for 2014 delivery, similar to the level at the start of last year.

Our power production for 2012 is already almost completely hedged. Our hedging practices will, over time, serve to increase the hedge rate of subsequent years. As an example, the graph below shows the hedge rate for our European outright portfolio, which essentially consists of our non-fossil power production from nuclear and hydro assets.

European Outright Portfolio

Percentages



Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) is expected to decline by year-end 2012 due to the implementation of E.ON 2.0.

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecast for full-year 2012 earnings is influenced significantly by the difficult business environment in the energy industry. It is also based on the following assumptions:

- the absence of an adverse, one-off effect recorded in 2011 due to the German federal government's decision regarding the early shutdown of nuclear power stations
- positive volume and price developments in the Exploration & Production segment and in Russia
- disposals (among others, Central Networks)
- lower earnings at our generation business.

From today's perspective, we anticipate that our 2012 EBITDA will be between €9.6 billion and €10.2 billion.

We expect our 2012 underlying net income to be in a range from €2.3 billion to €2.7 billion.

For 2013, we continue to expect EBITDA of €11.6 to €12.3 billion and underlying net income of €3.2 to €3.7 billion.

Our forecast by segment:

EBITDA[1]

€ in billions	2012 (forecast)	2011
Generation	above prior year	2.114
Renewables	below prior year	1.459
Optimization & Trading	below prior year	0.160
Exploration & Production	above prior year	0.727
Germany	at prior year	2.457
Other EU Countries	below prior year	2.259
Russia	above prior year	0.553
Group Management/Consolidation	above prior year	-0.436
Total	**9.6 to 10.2**	**9.293**

[1]Adjusted for extraordinary effects.

We expect Generation's 2012 EBITDA to surpass the prior-year figure. Earnings will be positively impacted by the absence of the adverse, one-off effect recorded in 2011 due to the German federal government's decision regarding the early shutdown of nuclear power stations. The negative factors compared with 2011 include narrower wholesale margins, higher nuclear-fuel taxes due to overhaul scheduling, and the absence of earnings from shut-down nuclear power stations which were operational in the first quarter of 2011.

We anticipate Renewables' earnings will be lower in 2012, in particular because declining prices for hydroelectricity will not be offset by increases in installed wind and solar capacity.

Our new Optimization & Trading segment, which combines the optimization activities of our former Trading and Gas global units, faces significant margin pressure in both the power and gas wholesale businesses. On the power side, this is principally because the internal transfer prices that Optimization & Trading pays our generation units are declining relative to 2011 but still high. This factor, along with the low market prices achievable for external sales, means that we can anticipate only a limited recovery of power margins, which remain negative. On the gas side, margins are suffering from the disconnect between oil-indexed procurement prices and achievable sale prices on the wholesale market. Consequently, the main focus is on succeeding in negotiations with producers to achieve lasting reductions in procurement costs and risks. We expect earnings at the storage business to be higher due to the commissioning of new capacity. The transport business, however, will remain under regulatory pressure in 2012. We expect that earnings at the gas wholesale business will be at the prior-year level. With these factors in mind, we expect 2012 EBITDA for Optimization & Trading as a whole to be below the prior-year figure. It is important to note that the progress of negotiations with producers could yield additional material opportunities and risks.

We expect the Exploration & Production segment's 2012 EBITDA to surpass the prior-year figure. Its main earnings driver is its North Sea production, including Skarv field, which is expected to become operational around mid-year. Earnings from our stake in Yuzhno Russkoye gas field in Russia and higher energy prices will also be positive factors.

We expect the Germany regional unit's earnings to be at the prior-year level.

Adjusted for portfolio effects, EBITDA at Other EU Countries is expected to be below the prior-year figure. The decline is mainly attributable to higher costs for legally mandated energy-efficiency measures in the United Kingdom.

We expect Russia's 2012 EBITDA to be above the prior-year level. The full-year operation of new generating capacity at Surgut and Yaiva and higher margins at existing capacity will be positive factors.

We expect 2012 EBITDA in the Group Management/Consolidation segment to be above the prior-year figure.

Anticipated Dividend Development

Our dividend policy, which calls for a payout ratio of 50 to 60 percent of underlying net income, will, as a general rule, remain unchanged. In deviation from this policy, management is proposing a dividend of €1 per share for the 2011 financial year. We plan to pay a dividend of €1.10 per share for the 2012 financial year and of at least €1.10 per share for the 2013 financial year. The payout ratio for these two years would likely also exceed the above-mentioned range of 50 to 60 percent.

Anticipated Financial Condition

Planned Funding Measures

We expect to have no funding needs in 2012 at the Group level. We expect to be able to fund our investment expenditures planned for 2012 and the dividend payout by means of cash provided by operating activities and proceeds from disposals. Any peaks in the Group's funding needs during the course of the year can be dealt with by issuing commercial paper.

Planned Investments

Our medium-term plan calls for investments of €7 billion in 2012. This figure also does not factor in the announced portfolio measures. About one fifth of our planned investments will go towards maintaining our existing assets, the rest towards expansion or organic growth. The main geographic focus of our investments will continue to be Germany, where we will make substantial investments to maintain and expand our conventional generation portfolio and our power and gas infrastructure.

Investments: 2012 Plan

	€ in billions	Percentages
Generation	1.6	23
Renewables	1.6	23
Optimization & Trading	0.6	9
Exploration & Production	0.6	9
Germany	1.1	15
Other EU Countries	1.1	15
Russia	0.4	6
Total	**7.0**	**100**

We plan to invest €1.6 billion in 2012 to expand and to replace and maintain Generation's portfolio of hard-coal, gas, and nuclear assets. These plans include fossil new-build projects (such as Maasvlakte 3 und Datteln 4) and measures to extend asset operating lives (such as Ratcliffe, a 2 GW hard-coal-fired power station in the United Kingdom).

We plan to invest about €1.6 billion in our Renewables segment (E.ON Climate & Renewables and our hydroelectric stations) in 2012. The main focus will be on offshore wind farms (such as London Array) and onshore farms in Europe and onshore farms in the United States.

Optimization & Trading will invest approximately €0.6 billion, mainly in gas transport and storage infrastructure.

Most of Exploration & Production's investments of €0.6 billion will go towards developing gas and oil fields.

Our investments of €1.1 billion at the Germany segment consist in particular of numerous individual investments to expand our intermediate- and low-voltage networks, switching equipment, and metering and control technology as well as other investments to ensure the reliable and uninterrupted transmission and distribution of electricity.

About one sixth of our investments are earmarked for the Other EU Countries segment and will consist primarily of maintenance investments in our regional energy networks in Sweden and investments to expand infrastructure in Hungary and Czechia.

We plan to invest about €0.4 billion in our Russia segment in 2012, mainly to continue ongoing projects to build new generating units, particularly at Berezovskaya power station.

The E.ON Group's planned investments for 2013 total about €5.7 billion. Our Generation and Other EU Countries segments will each account for about one fifth of investments. Slightly more than one quarter will go towards expanding our renewables operations. The remainder is earmarked, in particular, for the Germany segment and our power generation business in Russia.

Opportunities

We conduct a bottom-up process at half-yearly intervals (at the end of the second and fourth quarters) in which the lead companies of our units as well as certain E.ON AG departments follow Group-wide guidelines to identify and report opportunities that they deem sufficiently concrete and substantial. An opportunity is substantial within the meaning of our guidelines if it could have a significantly positive effect on the asset, financial, or earnings situation of a unit or one of its segments.

Changes in our regulatory environment could create opportunities. Market developments could also have a positive impact on our business. Such factors include wholesale and retail price developments and higher customer churn rates.

The internal EU energy market is supposed to be completed by 2014 and serve as the first step towards a long-term European energy strategy. Nevertheless, many member states pursue their own agenda, aspects of which are not compatible with EU policy objectives. An example of this is the different approaches member states are taking with regard to capacity markets. We believe that an interconnected European market and nationally oriented markets will develop in parallel. This could lead to a situation in which E.ON, which operates across Europe, will have to look for opportunities in a fragmented regulatory environment

Positive developments in foreign-currency rates and market prices for commodities (electricity, natural gas, coal, oil, and carbon) can create opportunities for our business. These include the opportunity to procure natural gas under favorable terms by participating in the gas-release program that ENI of Italy is required to conduct in the wake of a regulatory decision.

Combining our European trading operations at the start of 2008 enables us to seize opportunities created by the increasing integration of European power and gas markets and of commodity markets, which are already global in scope. In view of market developments in the United Kingdom and Continental Europe, trading at European gas hubs can create additional sales and procurement opportunities.

In addition, the ongoing optimization of gas transport and storage rights and of the availability and utilization of our power and gas facilities (shorter project timelines or shorter facility outages) could yield additional opportunities.

General Statement on E.ON’s Future Development

To ensure that going forward we continue to have the necessary earnings strength, we are systematically realigning our business for the future. We are guided by the four key components of our strategy for cleaner & better energy: focusing our business in Europe, enhancing our performance by increasing our efficiency and improving our organizational setup, optimizing our investment strategy, and achieving selective growth outside Europe. Policy decisions and massive changes in our markets are presenting us with unprecedented challenges. Our clear strategy gives us the answers. We are systematically reorganizing our business in Europe and in fast-growing markets elsewhere, achieving substantial cost reductions, and boosting our performance. Renewables, new markets like Russia, and gas production will already be mainstays of our business and earnings by 2013.

Independent Auditor's Report

To E.ON AG, Düsseldorf

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of E.ON AG, Düsseldorf, and its subsidiaries, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statements of recognized income and expenses, the consolidated statements of cash flows, the statement of changes in equity, and the notes for the business year from January 1 to December 31, 2011.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of E.ON AG, Düsseldorf, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2011 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of E.ON AG, Düsseldorf, for the business year from January 1 to December 31, 2011. The Board of Managing Directors of E.ON AG, Düsseldorf, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 29, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Schwieters	Michael Reuther
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

E.ON AG and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2011	2010
Sales including electricity and energy taxes		115,046	94,812
Electricity and energy taxes		-2,092	-1,949
Sales	(5)	**112,954**	**92,863**
Changes in inventories (finished goods and work in progress)		-16	82
Own work capitalized	(6)	519	588
Other operating income	(7)	13,785	15,961
Cost of materials	(8)	-97,827	-73,575
Personnel costs	(11)	-5,947	-5,281
Depreciation, amortization and impairment charges	(14)	-7,081	-6,457
Other operating expenses	(7)	-17,656	-13,597
Income/Loss (-) from companies accounted for under the equity method		512	663
Income/Loss (-) from continuing operations before financial results and income taxes		**-757**	**11,247**
Financial results	(9)	-2,154	-2,184
Income/Loss (-) from equity investments		*-60*	*119*
Income from other securities, interest and similar income		*716*	*653*
Interest and similar expenses		*-2,810*	*-2,956*
Income taxes	(10)	1,036	-1,946
Income/Loss (-) from continuing operations		**-1,875**	**7,117**
Income/Loss (-) from discontinued operations, net	(4)	14	-836
Net income/loss (-)		**-1,861**	**6,281**
Attributable to shareholders of E.ON AG		*-2,219*	*5,853*
Attributable to non-controlling interests		*358*	*428*
in €			
Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted	(13)		
from continuing operations		-1.17	3.51
from discontinued operations		0.01	-0.44
from net income/loss (-)		**-1.16**	**3.07**

E.ON AG and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	2011	2010
Net income/loss (-)	**-1,861**	**6,281**
Cash flow hedges	-143	-1
Unrealized changes	*-251*	*-204*
Reclassification adjustments recognized in income	*108*	*203*
Available-for-sale securities	-1,028	-1,658
Unrealized changes	*-261*	*419*
Reclassification adjustments recognized in income	*-767*	*-2,077*
Currency translation adjustments	344	469
Unrealized changes	*-232*	*662*
Reclassification adjustments recognized in income	*576*	*-193*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-370	-722
Companies accounted for under the equity method	-81	-15
Unrealized changes	*-81*	*-15*
Reclassification adjustments recognized in income	–	–
Income taxes	376	324
Total income and expenses recognized directly in equity	**-902**	**-1,603**
Total recognized income and expenses (total comprehensive income)	**-2,763**	**4,678**
Attributable to shareholders of E.ON AG	*-3,076*	*4,248*
Attributable to non-controlling interests	*313*	*430*

E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets

€ in millions	Note	December 31 2011	December 31 2010
Goodwill	(14)	14,083	14,588
Intangible assets	(14)	7,372	8,070
Property, plant and equipment	(14)	55,869	60,870
Companies accounted for under the equity method	(15)	6,325	6,343
Other financial assets	(15)	6,812	6,104
Equity investments		*1,908*	*2,201*
Non-current securities		*4,904*	*3,903*
Financial receivables and other financial assets	(17)	3,619	3,357
Operating receivables and other operating assets	(17)	2,842	4,022
Income tax assets	(10)	147	822
Deferred tax assets	(10)	5,152	2,481
Non-current assets		**102,221**	**106,657**
Inventories	(16)	4,828	4,064
Financial receivables and other financial assets	(17)	1,789	1,674
Trade receivables and other operating assets	(17)	31,714	27,492
Income tax assets	(10)	4,680	2,678
Liquid funds	(18)	7,020	8,273
Securities and fixed-term deposits		*3,079*	*1,697*
Restricted cash and cash equivalents		*89*	*433*
Cash and cash equivalents		*3,852*	*6,143*
Assets held for sale	(4)	620	2,043
Current assets		**50,651**	**46,224**
Total assets		**152,872**	**152,881**

E.ON AG and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities

		December 31	
€ in millions	Note	2011	2010
Capital stock	(19)	2,001	2,001
Additional paid-in capital	(20)	13,747	13,747
Retained earnings	(21)	23,796	29,026
Accumulated other comprehensive income	(22)	-277	410
Treasury shares	(19)	-3,530	-3,531
Equity attributable to shareholders of E.ON AG		**35,737**	**41,653**
Non-controlling interests (before reclassification)		4,484	4,532
Reclassification related to put options		-608	-600
Non-controlling interests	(23)	**3,876**	**3,932**
Equity		**39,613**	**45,585**
Financial liabilities	(26)	24,029	28,880
Operating liabilities	(26)	7,057	6,506
Income taxes	(10)	3,585	3,406
Provisions for pensions and similar obligations	(24)	3,245	3,250
Miscellaneous provisions	(25)	22,427	20,381
Deferred tax liabilities	(10)	6,786	7,157
Non-current liabilities		**67,129**	**69,580**
Financial liabilities	(26)	5,885	3,611
Trade payables and other operating liabilities	(26)	30,729	26,357
Income taxes	(10)	4,425	2,578
Miscellaneous provisions	(25)	4,985	4,950
Liabilities associated with assets held for sale	(4)	106	220
Current liabilities		**46,130**	**37,716**
Total equity and liabilities		**152,872**	**152,881**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2011	2010
Net income/loss (-)	-1,861	6,281
Income from discontinued operations, net	-14	836
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	7,081	6,457
Changes in provisions	1,465	968
Changes in deferred taxes	-2,040	265
Other non-cash income and expenses	1,097	347
Gain/Loss on disposal of	-717	-3,246
Intangible assets and property, plant and equipment	*-44*	*104*
Equity investments	*-599*	*-3,133*
Securities (> 3 months)	*-74*	*-217*
Changes in operating assets and liabilities and in income taxes	1,599	-1,294
Inventories	*-645*	*342*
Trade receivables	*-2,537*	*-3,836*
Other operating receivables and income tax assets	*-2,393*	*-686*
Trade payables	*-72*	*-195*
Other operating liabilities and income taxes	*7,246*	*3,081*
Cash provided by operating activities of continuing operations (operating cash flow)	**6,610**	**10,614**
Cash provided by operating activities of discontinued operations	**–**	**471**
Cash provided by operating activities	**6,610**	**11,085**
Proceeds from disposal of	5,987	9,601
Intangible assets and property, plant and equipment	*260*	*242*
Equity investments	*5,727*	*9,359*
Purchases of investments in	-6,524	-8,286
Intangible assets and property, plant and equipment	*-6,216*	*-7,904*
Equity investments	*-308*	*-382*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	5,845	6,316
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-8,703	-6,247
Changes in restricted cash and cash equivalents	344	-256
Cash provided by (used for) investing activities of continuing operations	**-3,051**	**1,128**
Cash provided by (used for) investing activities of discontinued operations	**–**	**-372**
Cash provided by (used for) investing activities	**-3,051**	**756**
Payments received/made from changes in capital[1]	-11	-332
Payments for treasury shares, net	–	-1
Cash dividends paid to shareholders of E.ON AG	-2,858	-2,858
Cash dividends paid to non-controlling interests	-208	-243
Proceeds from financial liabilities	3,978	2,429
Repayments of financial liabilities	-6,736	-8,929
Cash used for financing activities of continuing operations	**-5,835**	**-9,934**
Cash provided by financing activities of discontinued operations	**–**	**10**
Cash used for financing activities	**-5,835**	**-9,924**
Net increase/decrease in cash and cash equivalents	**-2,276**	**1,917**
Effect of foreign exchange rates on cash and cash equivalents	-12	16
Cash and cash equivalents at the beginning of the year	6,143	4,210
Cash and cash equivalents of continuing operations at the end of the year[2]	**3,855**	**6,143**

[1]No material netting has taken place in either of the years presented here.
[2]Cash and cash equivalents of continuing operations at the end of the year include an amount of €3 million at E.ON Bulgaria, which is reported as a disposal group.

Supplementary Information on Cash Flows from Operating Activities

€ in millions	2011	2010
Income taxes paid (less refunds)	-49	-726
Interest paid	-1,644	-1,619
Interest received	444	534
Dividends received	710	866

Additional information on the Statements of Cash Flows is provided in Note 29.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2010	**2,001**	**13,747**	**26,609**	**-2,005**	**3,511**	**46**
Change in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			-115			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			5,390	435	-1,588	11
Net income/loss (-)			*5,853*			
Other comprehensive income			*-463*	*435*	*-1,588*	*11*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-463*			
Changes in accumulated other comprehensive income				*435*	*-1,588*	*11*
Balance as of December 31, 2010	**2,001**	**13,747**	**29,026**	**-1,570**	**1,923**	**57**
Balance as of January 1, 2011	**2,001**	**13,747**	**29,026**	**-1,570**	**1,923**	**57**
Change in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			17			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-2,389	453	-1,028	-112
Net income/loss (-)			*-2,219*			
Other comprehensive income			*-170*	*453*	*-1,028*	*-112*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations			*-170*			
Changes in accumulated other comprehensive income				*453*	*-1,028*	*-112*
Balance as of December 31, 2011	**2,001**	**13,747**	**23,796**	**-1,117**	**895**	**-55**

	Treasury shares	Equity attributable to shareholders of E.ON AG	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
	-3,530	**40,379**	**4,157**	**-550**	**3,607**	**43,986**
			147		147	147
	-1	-1				-1
			68		68	68
			-35		-35	-35
		-2,858	-223		-223	-3,081
		-115	-12		-12	-127
				-50	-50	-50
		4,248	430		430	4,678
		5,853	*428*		*428*	*6,281*
		-1,605	*2*		*2*	*-1,603*
		-463	*-29*		*-29*	*-492*
		-1,142	*31*		*31*	*-1,111*
	-3,531	**41,653**	**4,532**	**-600**	**3,932**	**45,585**
	-3,531	**41,653**	**4,532**	**-600**	**3,932**	**45,585**
			-110		-110	-110
	1	1				1
			43		43	43
			-41		-41	-41
		-2,858	-198		-198	-3,056
		17	-55		-55	-38
				-8	-8	-8
		-3,076	313		313	-2,763
		-2,219	*358*		*358*	*-1,861*
		-857	*-45*		*-45*	*-902*
		-170	*-25*		*-25*	*-195*
		-687	*-20*		*-20*	*-707*
	-3,530	**35,737**	**4,484**	**-608**	**3,876**	**39,613**

(1) Summary of Significant Accounting Policies

Basis of Presentation

These Consolidated Financial Statements have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations 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 December 31, 2011.

Principles

The Consolidated Financial Statements are generally prepared based on historical cost, with the exception of available-for-sale financial assets that are recognized at fair value and of financial assets and liabilities (including derivative financial instruments) that must be recognized in income at fair value.

Scope of Consolidation

The Consolidated Financial Statements incorporate the financial statements of E.ON AG and entities controlled by E.ON ("subsidiaries"). Control is achieved when the parent company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In addition, special-purpose entities are consolidated when the substance of the relationship indicates that the entity is controlled by E.ON.

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of acquisition or until the date of their disposal, respectively.

Where necessary, adjustments are made to the subsidiaries' financial statements to bring their accounting policies into line with those of the Group. Intercompany receivables, liabilities and results between Group companies are eliminated in the consolidation process.

Associated Companies

An associate is an entity over which E.ON has significant influence but which is neither a subsidiary nor an interest in a joint venture. Significant influence is achieved when E.ON has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control these decisions. Significant influence is generally presumed if E.ON directly or indirectly holds at least 20 percent, but less than 50 percent, of an entity's voting rights.

Interests in associated companies are accounted for under the equity method. In addition, majority-owned companies in which E.ON does not exercise control due to restrictions concerning the control of assets or management are also generally accounted for under the equity method.

Interests in associated companies accounted for under the equity method are reported on the balance sheet at cost, adjusted for changes in the Group's share of the net assets after the date of acquisition, as well as any impairment charges. Losses that might potentially exceed the Group's interest in an associated company when attributable long-term loans are taken into consideration are not recognized. Any goodwill resulting from the acquisition of an associated company is included in the carrying amount of the investment.

Unrealized gains and losses arising from transactions with associated companies accounted for under the equity method are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Companies accounted for under the equity method are tested for impairment by comparing the carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted for this difference. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed accordingly.

The financial statements of equity interests accounted for under the equity method are generally prepared using accounting that is uniform within the Group.

Joint Ventures

Joint ventures are also accounted for under the equity method. Unrealized gains and losses arising from transactions with joint-venture companies are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Business Combinations

Business combinations are accounted for by applying the purchase method, whereby the purchase price is offset against the proportional share in the acquired company's net assets. In doing so, the values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. The fair values of individual assets are determined using published exchange or market prices at the time of acquisition in the case of marketable securities, for example, and in the case of land, buildings and major technical equipment, generally using independent expert reports that have been prepared by third parties. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, E.ON determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated until the end of an asset's useful life using a growth rate based on industry and internal projections. The discount rate reflects the specific risks inherent in the acquired activities.

Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. The partial goodwill method is generally used within the E.ON Group.

Transactions with holders of non-controlling interests are treated in the same way as transactions with investors. Should the acquisition of additional shares in a subsidiary result in a difference between the cost of purchasing the shares and the carrying amounts of the non-controlling interests acquired, that difference must be fully recognized in equity.

Gains and losses from disposals of shares to holders of non-controlling interests are also recognized in equity, provided that such disposals do not result in a loss of control.

Intangible assets must be recognized separately from goodwill if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures may not be recorded in a purchase price allocation. If the purchase price paid exceeds the proportional share in the net assets at the time of acquisition, the positive difference is recognized as goodwill. No goodwill is recognized for positive differences attributable to equity interests that are not controlled. A negative difference is immediately recognized in income.

Foreign Currency Translation

The Company's transactions denominated in foreign currency are translated at the current exchange rate at the date of the transaction. Monetary foreign currency items are adjusted to the current exchange rate at each balance sheet date; any gains and losses resulting from fluctuations in the relevant currencies, and the effects upon realization, are recognized in income and reported as other operating income and other operating expenses, respectively. Gains and losses from the translation of non-derivative financial instruments used in hedges of net investments in foreign operations are recognized in equity as a component of other comprehensive income. The ineffective portion of the hedging instrument is immediately recognized in income.

The functional currency as well as the reporting currency of E.ON AG is the euro. The assets and liabilities of the Company's foreign subsidiaries with a functional currency other than the euro are translated using the exchange rates applicable on the balance sheet date, while items of the statements of income are translated using annual average exchange rates. Material transactions of foreign subsidiaries occurring during the fiscal year are translated in the financial statements using the exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities compared with the corresponding translation of the prior year, as well as exchange rate differences between the income statement and the balance sheet, are reported separately in equity as a component of other comprehensive income.

Foreign currency translation effects that are attributable to the cost of monetary financial instruments classified as available for sale are recognized in income. In the case of fair-value adjustments of monetary financial instruments and for non-monetary financial instruments classified as available for sale, the foreign currency translation effects are recognized in equity as a component of other comprehensive income.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases.

The following table depicts the movements in exchange rates for the periods indicated for major currencies of countries outside the European Monetary Union:

Currencies

	ISO Code	€1, rate at year-end 2011	€1, rate at year-end 2010	€1, annual average rate 2011	€1, annual average rate 2010
British pound	GBP	0.84	0.86	0.87	0.86
Norwegian krone	NOK	7.75	7.80	7.79	8.00
Russian ruble	RUB	41.77	40.82	40.88	40.20
Swedish krona	SEK	8.91	8.97	9.03	9.54
Hungarian forint	HUF	314.58	277.95	279.37	275.48
U.S. dollar	USD	1.29	1.34	1.39	1.33

Recognition of Income

a) Revenues

The Company generally recognizes revenue upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable. They reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of the last invoice and the end of the period.

Revenues are presented net of sales taxes, returns, rebates and discounts, and after elimination of intragroup sales.

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets. Also shown in this line item are revenues earned from the distribution of electricity and gas, from deliveries of steam, heat and water, as well as from proprietary trading.

b) Interest Income

Interest income is recognized pro rata using the effective interest method.

c) Dividend Income

Dividend income is recognized when the right to receive the distribution payment arises.

Electricity and Energy Taxes

The electricity tax is levied on electricity delivered to retail customers and is calculated on the basis of a fixed tax rate per kilowatt-hour ("kWh"). This rate varies between different classes of customers. Electricity and energy taxes paid are deducted from sales revenues on the face of the income statement if those taxes are levied upon delivery of energy to the retail customer.

Accounting for Sales of Shares of Subsidiaries or Associated Companies

If a subsidiary or associated company sells shares to a third party, leading to a reduction in E.ON's ownership interest in the relevant company ("dilution"), and consequently to a loss of control, joint control or significant influence, gains and losses from these dilutive transactions are included in the income statement under other operating income or expenses.

Earnings per Share

Basic (undiluted) earnings per share is computed by dividing the consolidated net income attributable to the shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the relevant period. At E.ON, the computation of diluted earnings per share is identical to that of basic earnings per share because E.ON AG has issued no potentially dilutive ordinary shares.

Goodwill and Intangible Assets

Goodwill

According to IFRS 3, "Business Combinations" ("IFRS 3"), goodwill is not amortized, but rather tested for impairment at the cash-generating unit level on at least an annual basis. Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable.

Newly created goodwill is allocated to those cash-generating units expected to benefit from the respective business combination. The cash-generating units to which goodwill is allocated are generally equivalent to the operating segments, since goodwill is controlled only at that level. With some exceptions, goodwill impairment testing is performed in euro, while the underlying goodwill is always carried in the functional currency.

In a goodwill impairment test, the recoverable amount of a cash-generating unit is compared with its carrying amount, including goodwill. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In a first step, E.ON determines the recoverable amount of a cash-generating unit on the basis of the fair value (less costs to sell) using generally accepted valuation procedures. This is based on the medium-term planning data of the respective cash-generating unit. Valuation is performed using the discounted cash flow method, and accuracy is verified through the use of appropriate multiples, to the extent available. In addition, market transactions or valuations prepared by third parties for comparable assets are used to the extent available. If needed, a calculation of value in use is also performed. Unlike fair value, the value in use is calculated from the viewpoint of management. In accordance with IAS 36, "Impairment of Assets" ("IAS 36"), it is further ensured that restructuring expenses, as well as initial and subsequent capital investments (where those have not yet commenced), in particular, are not included in the valuation.

If the carrying amount exceeds the recoverable amount, the goodwill allocated to that cash-generating unit is adjusted in the amount of this difference.

If the impairment thus identified exceeds the goodwill allocated to the affected cash-generating unit, the remaining assets of the unit must be written down in proportion to their carrying amounts. Individual assets may be written down only if their respective carrying amounts do not fall below the highest of the following values as a result:

- Fair value less costs to sell
- Value in use, or
- Zero.

Any additional impairment loss that would otherwise have been allocated to the asset concerned must instead be allocated pro rata to the remaining assets of the unit.

E.ON has elected to perform the annual testing of goodwill for impairment at the cash-generating unit level in the fourth quarter of each fiscal year in local currency.

Impairment charges on the goodwill of a cash-generating unit and reported in the income statement under "Depreciation, amortization and impairment charges" may not be reversed in subsequent reporting periods.

Intangible Assets

IAS 38, "Intangible Assets" ("IAS 38"), requires that intangible assets be amortized over their expected useful lives unless their lives are considered to be indefinite.

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and useful lives. The useful lives of marketing-related, customer-related and contract-based intangible assets generally range between 5 and 25 years. Technology-based intangible assets are generally amortized over a useful life of between 3 and 5 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

Intangible assets not subject to amortization are measured at cost and tested for impairment annually or more frequently if events or changes in circumstances indicate that such assets may be impaired. Moreover, such assets are reviewed annually to determine whether an assessment of indefinite useful life remains applicable.

In accordance with IAS 36, the carrying amount of an intangible asset, whether subject to amortization or not, is tested for impairment by comparing the carrying value with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment charge equal to the difference between the carrying amount and the recoverable amount is recognized and reported in income under "Depreciation, amortization and impairment charges."

If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortization to exceed the amount that would have been determined, net of amortization, had no impairment loss been recognized during the period.

If a recoverable amount cannot be determined for an individual intangible asset, the recoverable amount for the smallest identifiable group of assets (cash-generating unit) that the intangible asset may be assigned to is determined. See Note 14 for additional information about goodwill and intangible assets.

Research and Development Costs

Under IFRS, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, recognized development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2011 and 2010 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

Emission Rights

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets. Because emission rights are not depleted as part of the production process, they are reported as intangible assets not subject to amortization. Emission rights are capitalized at cost when issued for the respective reporting period as (partial) fulfillment of the notice of allocation from the responsible national authorities, or upon acquisition.

A provision is recognized for emissions produced. The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed. The expenses incurred for the recognition of the provision are reported under cost of materials.

As part of operating activities, emission rights are also held for proprietary trading purposes. Emission rights held for proprietary trading are reported under other operating assets and measured at the lower of cost or fair value.

Property, Plant and Equipment

Property, plant and equipment are initially measured at acquisition or production cost, including decommissioning or restoration cost that must be capitalized, and are depreciated over the expected useful lives of the components, generally using the straight-line method, unless a different method of depreciation is deemed more suitable in certain exceptional cases. The useful lives of the major components of property, plant and equipment are presented below:

Useful Lives of Property, Plant and Equipment	
Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment according to the principles prescribed for intangible assets in IAS 36. If an impairment loss is determined, the remaining useful life of the asset might also be subject to adjustment, where applicable. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed and recognized in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place during the preceding periods.

Investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

Subsequent costs arising, for example, from additional or replacement capital expenditure are only recognized as part of the acquisition or production cost of the asset, or else—if relevant—recognized as a separate asset if it is probable that the Group will receive a future economic benefit and the cost can be determined reliably.

Repair and maintenance costs that do not constitute significant replacement capital expenditure are expensed as incurred.

Exploration for and Evaluation of Mineral Resources

The exploration and field development expenditures of the Gas global unit are accounted for using the so-called "successful efforts method." In accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources" ("IFRS 6"), expenditures for exploratory drilling for which the outcome is not yet certain are initially capitalized as an intangible asset.

Upon discovery of oil and/or gas reserves and field development approval, the relevant expenditures are reclassified as property, plant and equipment. Such property, plant and equipment is then depreciated in accordance with production volumes. For uneconomical drilling, the previously capitalized expenditures are immediately expensed. Other capitalized expenditures are also written off once it is determined that no viable reserves could be found. Other expenses for geological and geophysical work (seismology) and licensing fees are immediately expensed.

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective specific borrowing costs for that arrangement are used. For non-specific financing arrangements, a financing rate uniform within the Group of 5.0 percent was applied for 2011 (2010: 4.5 percent). Other borrowing costs are expensed.

Government Grants

Government investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income. They are recognized in income on a straight-line basis over the associated asset's expected useful life.

Government grants are recognized at fair value if it is highly probable that the grant will be issued and if the Group satisfies the necessary conditions for receipt of the grant.

Government grants for costs are posted as income over the period in which the costs to be compensated through the respective grants are incurred.

Leasing

Leasing transactions are classified according to the lease agreements and to the underlying risks and rewards specified therein in line with IAS 17, "Leases" ("IAS 17"). In addition, IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), further defines the criteria as to whether an agreement that conveys a right to use an asset meets the definition of a lease. Certain purchase and supply contracts in the electricity and gas business as well as certain rights of use may be classified as leases if the criteria are met. E.ON is party to some agreements in which it is the lessor and to others in which it is the lessee.

Leasing transactions in which E.ON is the lessee are classified either as finance leases or operating leases. If the Company bears substantially all of the risks and rewards incident to ownership of the leased property, the lease is classified as a finance lease. Accordingly, the Company recognizes on its balance sheet the asset and the associated liability in equal amounts.

Recognition takes place at the beginning of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased property is depreciated over its useful economic life or, if it is shorter, the term of the lease. The liability is subsequently measured using the effective interest method.

All other transactions in which E.ON is the lessee are classified as operating leases. Payments made under operating leases are generally expensed over the term of the lease.

Leasing transactions in which E.ON is the lessor and substantially all the risks and rewards incident to ownership of the leased property are transferred to the lessee are classified as finance leases. In this type of lease, E.ON records the present value of the minimum lease payments as a receivable. Payments by the lessee are apportioned between a reduction of the lease receivable and interest income. The income from such arrangements is recognized over the term of the lease using the effective interest method.

All other transactions in which E.ON is the lessor are treated as operating leases. E.ON retains the leased property on its balance sheet as an asset, and the lease payments are generally recorded on a straight-line basis as income over the term of the lease.

Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are recognized at fair value on the settlement date when acquired. Unconsolidated equity investments and securities are measured in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). E.ON categorizes financial assets as held for trading, available for sale, or as loans and receivables. Management determines the categorization of the financial assets at initial recognition.

Securities categorized as available for sale are carried at fair value on a continuing basis, with any resulting unrealized gains and losses, net of related deferred taxes, reported as a component of equity (other comprehensive income) until realized. Realized gains and losses are determined by analyzing each transaction individually. If there is objective evidence of impairment, any unrealized gains and losses previously recognized in other comprehensive income are instead recognized in financial results. When estimating a possible impairment loss, E.ON takes into consideration all available information, such as market conditions and the length and extent of the impairment. If the value on the balance sheet date of the equity instruments classified as available for sale and of similar long-term investments is more than 20 percent below their cost, or if the value has, on average, been more than ten percent below its cost for a period of more than twelve months, this constitutes objective evidence of impairment. For debt instruments, objective evidence of impairment is deemed present if ratings have deteriorated from investment-grade to non-investment-grade. Reversals of impairment losses relating to equity instruments are recognized exclusively in equity, while reversals relating to debt instruments are recognized entirely in income.

Loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Receivables and other assets." They are subsequently measured at amortized cost. Valuation allowances are provided for identifiable individual risks.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortized cost, using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the amortization and accretion of any premium or discount is included in financial results.

Derivative Financial Instruments and Hedging Transactions

Derivative financial instruments and separated embedded derivatives are measured at fair value as of the trade date at initial recognition and in subsequent periods. IAS 39 requires that they be categorized as held for trading as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognized in net income.

Instruments commonly used are foreign currency forwards and swaps, as well as interest rate swaps, cross-currency swaps and interest rate options. In commodities, the instruments used include physically and financially settled forwards and options related to electricity, gas, coal, oil and emission rights. As part of conducting operations in commodities, derivatives are also acquired for proprietary trading purposes.

IAS 39 sets requirements for the designation and documentation of hedging relationships, the hedging strategy, as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the measurement of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument is 80 to 125 percent effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction.

For qualifying fair value hedges, the change in the fair value of the derivative and the change in the fair value of the hedged item that is due to the hedged risk(s) are recognized in income. If a derivative instrument qualifies as a cash flow hedge under IAS 39, the effective portion of the hedging instrument's change in fair value is recognized in equity (as a component of other comprehensive income) and reclassified into income in the period or periods during which the cash flows of the transaction being hedged affect income. The hedging result is reclassified into income immediately if it becomes probable that the hedged underlying transaction will no longer occur. For hedging instruments used to establish cash flow hedges, the change in fair value of the ineffective portion is recognized immediately in the income statement to the extent required. To hedge the foreign currency risk arising from the Company's net investment in foreign operations, derivative as well as non-derivative financial instruments are used. Gains or losses due to changes in fair value and from foreign currency translation are recognized separately within equity, as a component of other comprehensive income, under currency translation adjustments.

Changes in fair value of derivative instruments that must be recognized in income are presented as other operating income or expenses. Gains and losses from interest-rate derivatives are netted for each contract and included in interest income.

Gains and losses from derivative proprietary trading instruments are shown net as either revenues or cost of materials. Certain realized amounts are, if related to the sale of products or services, also included in sales or cost of materials.

Unrealized gains and losses resulting from the initial measurement of derivative financial instruments at the inception of the contract are not recognized in income. They are instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applies if unrealized gains and losses from the initial measurement are verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In this case the gains and losses are recognized in income.

Contracts that are entered into for purposes of receiving or delivering non-financial items in accordance with E.ON's anticipated procurement, sale or use requirements, and held as such, qualify as own-use contracts. They are not accounted for as derivative financial instruments at fair value in accordance with IAS 39, but as open transactions subject to the rules of IAS 37.

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), requires comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments. Additional information on financial instruments is provided in Notes 30 and 31.

Inventories

The Company measures inventories at the lower of acquisition or production cost and net realizable value. The cost of raw materials, finished products and goods purchased for resale is determined based on the average cost method. In addition to production materials and wages, production costs include material and production overheads based on normal capacity. The costs of general administration are not capitalized. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation allowances, whereby inventories are written down to net realizable value.

Receivables and Other Assets
Receivables and other assets are initially measured at fair value, which generally approximates nominal value. They are subsequently measured at amortized cost, using the effective interest method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Liquid Funds
Liquid funds include current available-for-sale securities, checks, cash on hand and bank balances. Bank balances and available-for-sale securities with an original maturity of more than three months are recognized under securities and fixed-term deposits. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

Restricted cash with a remaining maturity in excess of twelve months is classified as financial receivables and other financial assets.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale
Individual non-current assets or groups of assets held for sale and any directly attributable liabilities (disposal groups) are reported in these line items if they can be disposed of in their current condition and if there is sufficient probability of their disposal actually taking place. For a group of assets and associated liabilities to be classified as a disposal group, the assets and liabilities in it must be held for sale in a single transaction or as part of a comprehensive plan.

Discontinued operations are components of an entity that are either held for sale or have already been sold and can be clearly distinguished from other corporate operations, both operationally and for financial reporting purposes. Additionally, the component classified as a discontinued operation must represent a major business line or a specific geographic business segment of the Group.

Non-current assets that are held for sale either individually or collectively as part of a disposal group, or that belong to a discontinued operation, are no longer depreciated. They are instead accounted for at the lower of the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognized.

The income and losses resulting from the measurement of components held for sale at fair value less any remaining costs to sell, as well as the gains and losses arising from the disposal of discontinued operations, are reported separately on the face of the income statement under income/loss from discontinued operations, net, as is the income from the ordinary operating activities of these divisions. Prior-year income statement figures are adjusted accordingly. The relevant assets and liabilities are reported in a separate line on the balance sheet. The cash flows of discontinued operations are reported separately in the cash flow statement, with prior-year figures adjusted accordingly. However, there is no reclassification of prior-year balance sheet line items attributable to discontinued operations.

Equity Instruments
IFRS defines equity as the residual interest in the Group's assets after deducting all liabilities. Therefore, equity is the net amount of all recognized assets and liabilities.

E.ON has entered into purchase commitments to holders of non-controlling interests in subsidiaries. By means of these agreements, the non-controlling shareholders have the right to require E.ON to purchase their shares on specified conditions. None of the contractual obligations has led to the transfer of substantially all of the risk and rewards to E.ON at the time of entering into the contract. In such a case, IAS 32, "Financial Instruments: Presentation" ("IAS 32"), requires that a liability be recognized at the present value of the probable future exercise price. This amount is reclassified from a separate component within non-controlling interests and reported separately as a liability. The reclassification occurs irrespective of the probability of exercise. The accretion of the liability is recognized as interest expense. If a purchase commitment expires unexercised, the liability reverts to non-controlling interests. Any difference between liabilities and non-controlling interests is recognized directly in retained earnings.

Where shareholders of entities own statutory, non-excludable rights of termination (as in the case of German partnerships, for example), such termination rights require the reclassification of non-controlling interests from equity into liabilities under IAS 32. The liability is recognized at the present value of the expected settlement amount irrespective of the probability of termination. Changes in the value of the liability are reported within other operating income. Accretion of the liability and the non-controlling shareholders' share in net income are shown as interest expense.

If an E.ON Group company buys treasury shares of E.ON AG, the value of the consideration paid, including directly attributable additional costs (net after income taxes), is deducted from E.ON AG's equity until the shares are retired, distributed or resold. If such treasury shares are subsequently distributed or sold, the consideration received, net of any directly attributable additional transaction costs and associated income taxes, is added to E.ON AG's equity.

Share-Based Payment

Share-based payment plans issued in the E.ON Group are accounted for in accordance with IFRS 2, "Share-Based Payment" ("IFRS 2"). The E.ON Share Performance Plan introduced in fiscal 2006 involves share-based payment transactions that are settled in cash and measured at fair value as of each balance sheet date. E.ON determines the fair value of the fifth tranche using the Monte Carlo simulation technique. From the sixth tranche forward, the 60-day average of the E.ON share price as of the balance sheet date is used as the fair value. In addition, the calculation of the provision for the sixth tranche takes into account the financial measures ROACE and WACC. The compensation expense is recognized in the income statement pro rata over the vesting period.

Provisions for Pensions and Similar Obligations

The valuation of defined benefit obligations in accordance with IAS 19, "Employee Benefits" ("IAS 19"), is based on actuarial computations using the projected unit credit method, with actuarial valuations performed at year-end. The valuation encompasses both pension obligations and pension entitlements that are known on the balance sheet date, as well as economic trend assumptions made in order to reflect realistic expectations.

Actuarial gains and losses that may arise from differences between the estimated and actual number of beneficiaries and from differences between the estimated and actual underlying assumptions are recognized in full in the period in which they occur. Such gains and losses are not reported within the Consolidated Statements of Income but rather are recognized within the Statements of Recognized Income and Expenses as part of equity.

The employer service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel costs; interest cost and expected return on plan assets are reported under financial results.

Unrecognized past service cost is recognized immediately to the extent that the benefits are already vested or else amortized on a straight-line basis over the average period until the benefits become vested.

The amount reported on the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognized past service cost and reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the as yet unrecognized past service cost plus the present value of available refunds and of the reduction in future contributions and to the benefit from prepayments of minimum funding requirements.

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to government pension plans are treated like payments for defined contribution pension plans to the extent that the obligations under these pension plans generally correspond to those under defined contribution pension plans.

Provisions for Asset Retirement Obligations and Other Miscellaneous Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), provisions are recognized when E.ON has a legal or constructive present obligation towards third parties as a result of a past event, it is probable that E.ON will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. Long-term obligations are discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted. Advance payments remitted are deducted from the provisions.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognized during the period of their occurrence at their discounted settlement amounts, provided that the obligation can be reliably estimated. The carrying amounts of the respective property, plant and equipment are increased by the same amounts. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the assets, and the provision is accreted to its present value on an annual basis.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates. The adjustment of provisions for the decommissioning and restoration of property, plant and equipment for changes to estimates is generally recognized by way of a corresponding adjustment to these assets, with no effect on income. If the property, plant and equipment to be decommissioned have already been fully depreciated, changes to estimates are recognized within the income statement.

The estimates for non-contractual nuclear decommissioning provisions are based on external studies and are continuously updated.

Under Swedish law, E.ON Sverige AB ("E.ON Sverige") is required to pay fees to the Swedish Nuclear Waste Fund. The Swedish Radiation Safety Authority proposes the fees for the disposal of high-level radioactive waste and nuclear power plant decommissioning based on the amount of electricity produced at that particular nuclear power plant. The proposed fees are then submitted to government offices for approval. Upon approval, E.ON Sverige makes the corresponding payments. In accordance with IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" ("IFRIC 5"), payments into the Swedish national fund for nuclear waste management are offset by a right of reimbursement of asset retirement obligations, which is recognized as an asset under "Other assets." In accordance with customary procedure in Sweden, the provisions are discounted at the real interest rate.

No provisions are established for contingent asset retirement obligations where the type, scope, timing and associated probabilities can not be determined reliably.

If onerous contracts exist in which the unavoidable costs of meeting a contractual obligation exceed the economic benefits expected to be received under the contract, provisions are established for losses from open transactions. Such provisions are recognized at the lower of the excess obligation upon performance under the contract and any potential penalties or compensation arising in the event of non-performance. Obligations under an open contractual relationship are determined from a customer perspective.

Contingent liabilities are possible obligations toward third parties arising from past events that are not wholly within the control of the entity, or else present obligations toward third parties arising from past events in which an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are generally not recognized on the balance sheet.

Where necessary, provisions for restructuring costs are recognized at the present value of the future outflows of resources. Provisions are recognized once a detailed restructuring plan has been decided on by management and communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with the future operation are not taken into consideration.

Income Taxes

Under IAS 12, "Income Taxes" ("IAS 12"), deferred taxes are recognized on temporary differences arising between the carrying amounts of assets and liabilities on the balance sheet and their tax bases (balance sheet liability method). Deferred tax assets and liabilities are recognized for temporary differences that will result in taxable or deductible amounts when taxable income is calculated for future periods, unless those differences are the result of the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. For those tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced.

Deferred tax liabilities caused by temporary differences associated with investments in affiliated and associated companies are recognized unless the timing of the reversal of such temporary differences can be controlled within the Group and it is probable that, owing to this control, the differences will in fact not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be applicable for taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates and tax law is generally recognized in income. Equity is adjusted for deferred taxes that had previously been recognized directly in equity.

Deferred taxes for domestic companies are calculated using a total tax rate of 30 percent (2010: 30 percent). This tax rate includes, in addition to the 15 percent (2010: 15 percent) corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax (2010: 5.5 percent on the corporate tax), and the average trade tax rate of 14 percent (2010: 14 percent) applicable to the E.ON Group. Foreign subsidiaries use applicable national tax rates.

Note 10 shows the major temporary differences so recorded.

Consolidated Statements of Cash Flows

In accordance with IAS 7, "Cash Flow Statements" ("IAS 7"), the Consolidated Statements of Cash Flows are classified by operating, investing and financing activities. Cash flows from discontinued operations are reported separately in the Consolidated Statement of Cash Flows. Interest received and paid, income taxes paid and refunded, as well as dividends received are classified as operating cash flows, whereas dividends paid are classified as financing cash flows. The purchase and sale prices respectively paid (received) in acquisitions and disposals of companies are reported net of any cash and cash equivalents acquired (disposed of) under investing activities if the respective acquisition or disposal results in a gain or loss of control. In the case of acquisitions and disposals that do not, respectively, result in a gain or loss of control, the corresponding cash flows are reported under financing activities. The impact on cash and cash equivalents of valuation changes due to exchange rate fluctuations is disclosed separately.

Segment Information

In accordance with the so-called management approach required by IFRS 8, the internal reporting organization used by management for making decisions on operating matters is used to identify the Company's reportable segments. The internal performance measure used as the segment result is earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted to exclude certain extraordinary effects (see Note 33).

Structure of the Consolidated Balance Sheets and Statements of Income

In accordance with IAS 1, "Presentation of Financial Statements" ("IAS 1"), the Consolidated Balance Sheets have been prepared using a classified balance sheet structure. Assets that will be realized within twelve months of the reporting date, as well as liabilities that are due to be settled within one year of the reporting date are generally classified as current.

The Consolidated Statements of Income are classified using the nature of expense method, which is also applied for internal purposes.

Capital Structure Management

E.ON uses the debt factor as the measure for the management of its capital structure. The debt factor is defined as the ratio of economic net debt to our EBITDA. Economic net debt supplements net financial position with provisions for pensions and asset retirement obligations, as well as the net market values of currency derivatives from financial transactions (not including transactions relating to E.ON's operating business and asset management). The medium-term target set by E.ON for its debt factor is a value of less than 3, based on E.ON's target rating of solid single A.

Based on our EBITDA in 2011 of €9,293 million (2010: €13,346 million) and economic net debt of €36,385 million as of the balance sheet date (2010: €37,701 million), the debt factor is 3.9 (2010: 2.8). Adjusted for the mostly non-cash non-recurring effects from the early nuclear power exit, the debt factor as of year-end 2011 is 3.4.

Critical Accounting Estimates and Assumptions; Critical Judgments in the Application of Accounting Policies

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may influence the application of accounting principles within the Group and affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and subsequent periods if both current and future periods are affected.

Estimates are particularly necessary for the measurement of the value of property, plant and equipment and of intangible assets, especially in connection with purchase price allocations, the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and miscellaneous provisions, for impairment testing in accordance with IAS 36, as well as for the determination of the fair value of certain financial instruments.

The underlying principles used for estimates in each of the relevant topics are outlined in the respective sections.

(2) New Standards and Interpretations

Standards and Interpretations Applicable in 2011

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations that have been transferred by the EU into European law and whose application is mandatory in the reporting period from January 1, 2011, through December 31, 2011:

IAS 24, "Related Party Disclosures"

In November 2009, the IASB issued a revised version of IAS 24 "Related Party Disclosures" ("IAS 24"). In particular, the revisions clarify the definition of a "related party" and simplify the disclosure requirements for entities deemed related by virtue of being controlled or significantly influenced by a particular government. Revised IAS 24 has been transferred by the EU into European law and its application is thus mandatory for fiscal years beginning on or after January 1, 2011. Revised IAS 24 will have no material impact on E.ON's Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards

In the context of its Annual Improvements Process, the IASB revises existing standards. In May 2010, the IASB published a corresponding omnibus standard, the third issued under this process. It contains changes to IFRS and their associated Bases for Conclusions. The omnibus standard has been transferred by the EU into European law. The endorsement has resulted in two different first-time application dates. The amendments are to be applied either for fiscal years beginning on or after July 1, 2010, or for those beginning on or after January 1, 2011. There are no material changes for E.ON arising from the omnibus standard.

Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," and to IFRS 7, "Financial Instruments: Disclosures"

In January 2010, the IASB issued amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), and to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). The effect of amending the standards is that entities applying IFRS for the first time are now relieved from having to provide the comparative disclosures for fair-value measurement and for liquidity risk. The exemption applies in cases where the comparison periods end before December 31, 2009. The amendment has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning on or after July 1, 2010. The standards thus amended have no impact on E.ON's Consolidated Financial Statements as they are already prepared in accordance with IFRS.

Amendment to IAS 32, "Financial Instruments: Presentation"—Classification of Rights Issues

In October 2009, the IASB issued an amendment to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), regulating in particular the classification of rights issues. This new amendment requires that certain subscription rights, options and warrants that are denominated in a foreign currency be recognized as equity by the issuer of the equity instruments to which the rights refer, rather than as a derivative liability, as was past practice. The amendment is to be applied for fiscal years beginning on or after February 1, 2010. Earlier application is permitted. The amendment has been transferred by the EU into European law. It will have no impact on E.ON's Consolidated Financial Statements.

Amendments to IFRIC 14—Prepayments of a Minimum Funding Requirement

In November 2009, "Prepayments of a Minimum Funding Requirement," an amendment to IFRIC 14, was published. The amendment relates to entities that are subject to minimum funding requirements and make prepayments of contributions.

According to the amendment, such an entity is now permitted to present the benefit of such a prepayment as an asset where applicable. The amendment has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning on or after January 1, 2011. This will have no impact on E.ON's Consolidated Financial Statements.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" ("IFRIC 19"), was published in November 2009. IFRIC 19 clarifies the accounting treatment of financial liabilities that are settled through the transfer of equity instruments. The financial instruments issued are deemed part of the "consideration paid" as defined by IAS 39.41. The borrower must therefore fully or partially derecognize the liability. Any difference between the carrying amount of the financial liability thus (partially) extinguished and the initial measurement amount of the equity instruments issued is recognized in income. IFRIC 19 is effective for fiscal years beginning on or after July 1, 2010. The new interpretation has been transferred by the EU into European law. IFRIC 19 has no impact on E.ON's Consolidated Financial Statements.

Standards and Interpretations Not Yet Applicable in 2011

The IASB and the IFRIC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by E.ON in the 2011 fiscal year because adoption by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory:

IFRS 9, "Financial Instruments"

In November 2009, the IASB issued the new standard IFRS 9, "Financial Instruments" ("IFRS 9"). Under IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth be subdivided into only two classifications: financial instruments measured at amortized cost and financial instruments measured at fair value. In October 2010, the IASB issued an extended version of IFRS 9. This version contains additional requirements for the accounting of financial liabilities. The application of IFRS 9 was to be mandatory for fiscal years beginning on or after January 1, 2013. In December 2011, however, the IASB published an amendment deferring mandatory first-time application to fiscal years beginning on or after January 1, 2015. Earlier application is permitted. The IASB also amended IFRS 7 in the context of such early application: depending on the actual date on which an entity initially applied IFRS 9, there are different requirements regarding the presentation of a comparative period and the associated disclosures in the notes. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 10, "Consolidated Financial Statements"

In May 2011, the IASB issued the new standard IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces the existing guidance on control and consolidation contained in IAS 27, "Consolidated and Separate Financial Statements," and in SIC-12, "Consolidation—Special Purpose Entities" ("SIC-12"). IFRS 10 establishes a uniform definition of the term "control," with greater emphasis on the principle of substance over form than in the past. The new standard can thus give rise to an altered scope of consolidation. IFRS 10 is generally to be applied retrospectively for fiscal years beginning on or after January 1, 2013. Earlier application is permitted as long as the standards IFRS 11, "Joint Arrangements" ("IFRS 11"), IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), IAS 27, "Separate Financial Statements" ("IAS 27"), and IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), are also being applied at the same time. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 11, "Joint Arrangements"

In May 2011, the IASB issued the new standard IFRS 11. It replaces IAS 31, "Interests in Joint Ventures" ("IAS 31"), and SIC-13, "Jointly Controlled Entities—Non-Monetary Contributions by Venturers" ("SIC-13"). The standard will in future distinguish between two types of joint arrangements: joint ventures and joint operations. The provisions of IFRS 10 form the basis for determining joint control. If after assessing the particular facts a joint venture is determined to exist, it must be accounted for using the equity method. In the case of a joint operation, however, the attributable shares of assets and liabilities, and of expenses and income, must be assigned directly to the equity holder. The application of the new standard will be mandatory for fiscal years beginning on or after January 1, 2013. Earlier application is permitted as long as the standards IFRS 10, IFRS 12, IAS 27 and IAS 28 are also being applied at the same time. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 regulates the disclosure requirements for both IFRS 10 and IFRS 11, and was published by the IASB together with these standards on May 12, 2011. The standard requires entities to publish information on the nature of their holdings, the associated risks and the effects on their net assets, financial position and results of operations. This information is required for subsidiaries, joint arrangements, associates and unconsolidated structured units (special-purpose entities). Important discretionary decisions and assumptions, including any changes to them, that were made in determining control according to IFRS 10 and for joint arrangements must also be disclosed. The application of the new standard will be mandatory for fiscal years beginning on or after January 1, 2013, with earlier application permitted. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 13, "Fair Value Measurement"

In May 2011, the IASB issued the new standard IFRS 13, "Fair Value Measurement" ("IFRS 13"). The objective of the standard is to define the term "fair value" and to establish guidance and disclosure requirements for fair value measurement that should be applied across standards. In the standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. For non-financial assets, the fair value is determined based on the highest and best use of the asset as determined by a market participant. IFRS 13 takes effect on January 1, 2013, and is applied prospectively, with earlier application permitted. The standard has not yet been transferred by the EU into European law. E.ON is currently still evaluating the impact on its Consolidated Financial Statements.

IAS 27, "Separate Financial Statements"

In May 2011, the IASB issued a new version of IAS 27. The new version now contains regulations for IFRS separate financial statements only (previously consolidated and separate financial statements). The application of the new standard is to be mandatory for fiscal years beginning on or after January 1, 2013. Earlier application is permitted as long as the standards IFRS 10, IFRS 11, IFRS 12 and IAS 28 are also being applied at the same time. The standard has not yet been transferred by the EU into European law. E.ON anticipates no effects from the new standard.

IAS 28, "Investments in Associates and Joint Ventures"

In May 2011, the IASB issued a new version of IAS 28. The new version now stipulates that in planned partial disposals of interests in associates and joint ventures, the portion to be sold must, if it meets the criteria of IFRS 5, "Non-Current Assets Held For Sale and Discontinued Operations" ("IFRS 5"), be classified as a non-current asset held for sale. The remaining investment shall continue to be accounted for using the equity method. If the sale results in the creation of an associate, that associate will be accounted for using the equity method. Otherwise, the rules of IFRS 9 must be followed. The new IAS 28 incorporates the provisions of SIC-13 and removes currently existing exceptions from the scope of IAS 28. The new version is to be mandatory for fiscal years beginning on or after January 1, 2013. Earlier application is permitted as long as the standards IFRS 10, IFRS 11, IFRS 12 and IAS 27 are also being applied at the same time. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the effects of the new standard.

Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards"—Severe Hyperinflation and Removal of Fixed Dates

In December 2010, the IASB issued two amendments to IFRS 1. The first amendment provides application guidance in cases where an entity was unable to comply with IFRS rules because its functional currency was subject to hyperinflation. The second amendment replaces the references to the fixed transition date of "January 1, 2004" with the "date of transition to IFRS." The amendments are to be applied for fiscal years beginning on or after July 1, 2011. They have not yet been transferred by the EU into European law. The standard thus amended has no impact on the E.ON Consolidated Financial Statements as they are already prepared in accordance with IFRS.

Amendments to IFRS 7, "Financial Instruments: Disclosures"—Disclosures—Transfers of Financial Assets

In October 2010, the IASB issued amendments to IFRS 7. The new version of the standard seeks to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations of debt and deposits). The amendments relate in particular to the disclosure of potential risks that remain with the entity that transferred the assets as a consequence of continuing involvement. The amendments have been transferred by the EU into European law and thus they are to be applied for fiscal years beginning on or after July 1, 2011. At this time, E.ON anticipates no material impact on its Consolidated Financial Statements.

Amendments to IAS 1, "Presentation of Financial Statements"

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The changes stipulate that the individual components of other comprehensive income ("OCI") shall in future be separated in the statement of comprehensive income according to whether they will be recycled into the income statement at a later date or not. The amendments are to be applied for fiscal years beginning on or after July 1, 2012. They have not yet been transferred by the EU into European law. E.ON anticipates that the amendments will not have a material impact on its Consolidated Financial Statements.

Amendments to IAS 12, "Income Taxes"—Deferred Tax: Recovery of Underlying Assets

In December 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"). When measuring temporary tax differences in connection with real estate held as investment property, there is now a presumption that such temporary differences are normally reversed through sale, rather than through continued use. The amendments are to be applied for fiscal years beginning on or after January 1, 2012. They have not yet been transferred by the EU into European law. E.ON does not anticipate that the amendments will have any impact on its Consolidated Financial Statements.

Amendments to IAS 19, "Employee Benefits"

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19"). The application of the so-called "corridor method" will in future no longer be allowed for the delayed recognition of actuarial gains and losses. Actuarial gains and losses must now be fully and immediately recognized in OCI. The expected return on plan assets and the interest cost of the defined benefit obligations are replaced by one uniform net interest result that is based on the discount rate. The net interest result will in future be calculated on the basis of the net pension liabilities or assets resulting from the existing defined benefit pension plans. Any past service cost will henceforth be recognized in full, and generally in the period in which the underlying plan amendment occurs. Furthermore, additional disclosures will be required on matters including the characteristics of the existing pension plans, the identifiable risks to which the entity is exposed and the effects of the defined benefit plans on the entity's future cash flows.

The amended standard also contains a revision of the rules governing termination benefits. The amendments to IAS 19 are to be applied for fiscal years beginning on or after January 1, 2013. They have not yet been transferred by the EU into European law. E.ON is currently still evaluating the impact on its Consolidated Financial Statements.

Amendments to IAS 32, "Financial Instruments: Presentation," and to IFRS 7, "Financial Instruments: Disclosures"

In December 2011, the IASB issued amendments to IAS 32 and IFRS 7. Entities shall in future be required to disclose gross and net amounts from offsetting, as well as amounts for existing rights of set-off that do not meet the accounting criteria for offsetting. In addition, inconsistencies in applying the existing rules for offsetting financial assets and financial liabilities have been eliminated. The amendments mentioned have different first-time application dates. The amendments to IAS 32 are to be applied for fiscal years beginning on or after January 1, 2014. The amendments to IFRS 7 are to be applied for fiscal years beginning on or after January 1, 2013. They have not yet been transferred by the EU into European law. E.ON anticipates that the amendments will not have a material impact on its Consolidated Financial Statements.

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20"), was published in October 2011. IFRIC 20 specifies the preconditions under which the cost of removing waste from a surface mine during its production phase should lead to the recognition of an asset. It also provides guidance on how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for fiscal years beginning on or after January 1, 2013. Earlier application is permitted. The interpretation has not yet been transferred by the EU into European law. IFRIC 20 has no impact on E.ON's Consolidated Financial Statements.

(3) Scope of Consolidation

The number of consolidated companies changed as follows:

Scope of Consolidation	Domestic	Foreign	Total
Consolidated companies as of January 1, 2010	160	441	601
Additions	9	14	23
Disposals/Mergers	8	121	129
Consolidated companies as of December 31, 2010	**161**	**334**	**495**
Additions	3	17	20
Disposals/Mergers	3	37	40
Consolidated companies as of December 31, 2011	**161**	**314**	**475**

In 2011, a total of 51 domestic and 54 foreign associated companies were accounted for under the equity method (2010: 53 domestic and 53 foreign). Significant acquisitions, disposals and discontinued operations are discussed in Note 4.

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2011

E.ON Bulgaria

In line with the strategy to divest €15 billion in assets by the end of 2013, E.ON signed an agreement with the Czech company ENERGO-PRO on the disposal of its wholly-owned subsidiary E.ON Bulgaria in December 2011. The purchase price of approximately €0.1 billion is subject to final purchase price adjustments. The major asset items on the balance sheet were property, plant and equipment (€0.2 billion) and current assets (€0.1 billion). Provisions and liabilities amounted to €0.1 billion in total. The agreement on the purchase price necessitated the recognition in December of impairment charges on goodwill and non-current assets totaling €0.1 billion. The transaction is expected to close in the first half of 2012. The Bulgarian activities are part of the "Other regional units" segment. These activities are presented as a disposal group on grounds of materiality.

Central Networks

In line with the aforementioned divestment strategy, E.ON sold its U.K. power distribution network operator to PPL Corporation ("PPL"), Allentown, Pennsylvania, U.S., effective April 1, 2011. The purchase price for the equity and for the assumption of certain liabilities is approximately £4.1 billion (equivalent to €4.6 billion as of April 1, 2011). In addition, provisions for pensions of about £0.1 billion were also transferred. As negotiations had already reached an advanced stage by March 1, 2011, the activities had been presented as a disposal group as of that date. Held in the United Kingdom regional unit, Central Networks had net assets before consolidation effects of approximately £2.0 billion (equivalent to €2.3 billion) as of April 1, 2011. Its major balance sheet line items were non-current assets (€5.0 billion), operating receivables (€0.4 billion), intragroup liabilities (€1.2 billion) and financial liabilities to non-Group third parties (€0.6 billion), as well as pension and other provisions (€0.7 billion) and liabilities (€0.6 billion). The disposal gain before foreign exchange translation differences amounts to about £0.5 billion. OCI as of April 1, 2011, consisted primarily of foreign exchange translation differences totaling -€0.2 billion; the resulting gain on disposal thus amounted to €0.4 billion.

E.ON Rete

In mid-December 2010, the contractual agreements to sell all of the shares of E.ON Rete S.r.l., Milan, Italy, the company operating the Italian gas distribution network for the former Italy market unit, to a consortium consisting of Italian investment fund F2i SGR S.p.A. and AXA Private Equity at a sales price of approximately €0.3 billion, were finalized. These activities have been presented as a disposal group since December 31, 2010. The major balance sheet line items were €0.1 billion and €0.2 billion, respectively, in intangible assets and property, plant and equipment, as well as €0.2 billion in liabilities. The transaction closed at the beginning of April 2011 with a minor book gain on the disposal.

Stadtwerke Duisburg/Stadtwerke Karlsruhe

Following the disposal of the Thüga group, the shareholdings in Stadtwerke Karlsruhe GmbH (10 percent), Karlsruhe, Germany, and in Stadtwerke Duisburg Aktiengesellschaft (20 percent), Duisburg, Germany, both accounted for in the Gas global unit, were classified as assets held for sale as of December 31, 2010. The sales closed at the beginning of 2011 and in July 2011, respectively.

HSE

Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südhessische Energie AG, Darmstadt, Germany, accounted for in the Gas global unit, was reached in the third quarter of 2010. Accordingly, the ownership interest was reclassified as an asset held for sale at the end of August 2010. The carrying amount of the ownership interest is approximately €0.3 billion. The contract for the sale was signed in February 2012. The transaction still requires the approval of various municipal committees of the city of Darmstadt and is expected to close in the first half of 2012.

BKW

Also in the context of portfolio streamlining, E.ON decided to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction was completed in July 2010, when BKW itself and Groupe E SA, Fribourg, Switzerland, acquired a stake of approximately 14 percent. The remaining approximately 7 percent of the shares have been reported as a financial asset since the fourth quarter of 2011. The carrying amount is €0.1 billion.

Interest in OAO Gazprom

The portfolio streamlining efforts also included the disposal in the fourth quarter of 2010 of most of E.ON's interest in OAO Gazprom ("Gazprom"), Moscow, Russian Federation, sold to Russia's state-owned Vnesheconombank ("VEB"), Moscow, Russian Federation. The proceeds from this transaction totaled approximately €2.6 billion, resulting in a book gain of approximately €2.0 billion. The remaining stake, held in the Gas global unit, was classified as held for sale with a carrying amount of approximately €0.9 billion as of December 31, 2010. This remainder was sold in the first quarter of 2011. The gain on disposal amounted to approximately €0.6 billion.

Discontinued Operations in 2010

U.S. Midwest

At the end of April 2010, E.ON and PPL signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities was approximately $7.6 billion (equivalent to approximately €5.5 billion as of November 1, 2010). We also transferred pension obligations in the amount of approximately $0.8 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The transaction closed on November 1, 2010. Amounts totaling -€0.2 billion that were carried in OCI had to be transferred to the income statement in connection with this disposal.

The table below provides selected financial information, including the 2010 goodwill impairment and subsequent effects at U.S. Midwest.

Selected Financial Information—U.S. Midwest (Summary)		
€ in millions	2011	2010
Sales	–	1,563
Other income/expenses, net	20	-2,233
Income/Loss (-) from continuing operations before income taxes and non-controlling interests	**20**	**-670**
Income tax benefit	–	-149
Income/Loss (-) from discontinued operations	**20**	**-819**

Disposal Groups and Assets Held for Sale in 2010

Europgas

As part of a series of portfolio optimizations, E.ON sought to sell its 50-percent stake in Europgas a.s., Prague, Czech Republic; accordingly, the holding was reported as an asset held for sale as of June 30, 2010. Accounted for in the Pan-European Gas market unit using the equity method, the holding had a carrying amount of approximately €0.2 billion. The transaction closed at the end of July 2010.

Commitment to the European Commission

In December 2008, E.ON's commitment to the European Commission to sell a variety of generating capacity and the ultrahigh-voltage network in Germany took effect. The total of approximately 5 GW in capacity to be sold, including associated assets and liabilities, has been presented as a disposal group since the end of 2008. The net carrying amounts of the disposal group related exclusively to the Central Europe market unit and initially amounted to approximately €0.4 billion. The disposal of significant portions of the capacity to be sold took place in several transactions during 2009. The first quarter of 2010 saw the closing of the contract with Stadtwerke Hannover AG, Hanover, Germany, on the sale of a further 0.3 GW in capacity with a gain on disposal of approximately €0.2 billion. The disposal of the remaining 0.3 GW of generating capacity closed in April 2010.

In November 2009, an agreement was reached with TenneT B.V., Arnhem, The Netherlands, on the disposal of the German ultrahigh-voltage network. The ultrahigh-voltage network was therefore reclassified as a disposal group in the fourth quarter of 2009 with a net carrying amount of approximately €0.8 billion. The major asset and liability items as of the disposal date were property, plant and equipment and current assets in the amount of €1.0 billion and €0.7 billion, respectively, as well as liabilities and deferred taxes in the amount of €0.9 billion and €0.2 billion, respectively. The relevant entity also had financial obligations from investing activities in the amount of approximately €2 billion. The agreed transaction closed at the end of February 2010. With purchase price allocations taken into account, the gain on disposal was €0.1 billion.

The commitment to the European Commission was thus fulfilled in its entirety in April 2010.

(5) Revenues

Revenues are generally recognized upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is considered to have occurred when the risks and rewards associated with ownership have been transferred to the buyer, compensation has been contractually established and collection of the resulting receivable is probable.

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets. Additional revenue is earned from the distribution of gas and electricity, from deliveries of steam, heat and water, as well as from proprietary trading.

Revenues from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets are recognized when earned on the basis of a contractual arrangement with the customer or purchaser; they reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and period-end. Unrealized and realized proceeds from proprietary trading activities are recognized net in revenues.

At €113 billion, revenues in 2011 were 22 percent higher than in the previous year. The increase is primarily the result of higher trading volumes at our Trading unit.

The classification of revenues by segment is presented in Note 33.

(6) Own Work Capitalized

Own work capitalized amounted to €519 million in 2011 (2010: €588 million) and resulted primarily from engineering services in networks and in connection with new construction projects.

(7) Other Operating Income and Expenses

The table below provides details of other operating income for the periods indicated:

Other Operating Income

€ in millions	2011	2010
Income from exchange rate differences	6,027	5,177
Gain on derivative financial instruments	4,559	6,046
Gain on disposal of investments	1,416	3,424
Gain on disposal of property, plant and equipment	132	54
Miscellaneous	1,651	1,260
Total	**13,785**	**15,961**

In general, E.ON employs derivatives to hedge commodity risks as well as currency and interest risks.

Gains and losses on derivative financial instruments relate to gains from fair value measurement and to realized gains from derivatives under IAS 39, with the exception of income effects from interest rate derivatives. In this respect there was a significant impact from commodity derivatives in particular, which in 2011 resulted predominantly from the marking to market of gas, oil and emissions-related derivatives. In 2010 there were effects resulting especially from coal, oil and gas-related derivatives.

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €3,042 million (2010: €3,420 million) and of effects from foreign currency translation on the balance sheet date in the amount of €2,353 million (2010: €1,480 million).

The gains on the disposal of investments and securities consisted primarily of gains of €602 million (2010: €1,953 million) on the disposal of the Gazprom shares and €387 million on the disposal of the U.K. power distribution network (see also Note 4). Additional gains were realized on the sale of securities in the amount of €147 million (2010: €257 million).

Miscellaneous other operating income in 2010 consisted primarily of reductions of valuation allowances on accounts receivable and reversals of provisions, as well as compensation payments received for damages.

The following table provides details of other operating expenses for the periods indicated:

Other Operating Expenses

€ in millions	2011	2010
Loss from exchange rate differences	6,761	4,936
Loss on derivative financial instruments	5,685	3,559
Taxes other than income taxes	386	326
Loss on disposal of investments	742	75
Miscellaneous	4,082	4,701
Total	**17,656**	**13,597**

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €3,069 million (2010: €3,198 million) and of effects from foreign currency translation on the balance sheet date in the amount of €3,172 million (2010: €1,413 million).

Miscellaneous other operating expenses include concession payments in the amount of €492 million (2010: €473 million), expenses for external audit, non-audit and consulting services in the amount of €259 million (2010: €292 million), advertising and marketing expenses in the amount of €216 million (2010: €284 million), as well as write-downs of trade receivables in the amount of €346 million (2010: €380 million). Additionally reported in this item are services rendered by third parties, IT expenditures and insurance premiums.

Other operating expenses from exploration activities totaled €36 million (2010: €37 million).

(8) Cost of Materials

The principal components of expenses for raw materials and supplies and for purchased goods are the purchase of gas and electricity and of fuels for electricity generation, as well as the nuclear segment. Network usage charges are also included in this line item. Expenses for purchased services consist primarily of maintenance costs. The cost of materials increased by €24,252 million to €97,827 million (2010: €73,575 million). The primary causes were the higher trading volumes in 2011 compared with the previous year, higher costs incurred in connection with the early, unplanned shutdowns of nuclear power plants in Germany as a result of the new amendment to the German Nuclear Energy Act, and higher procurement costs.

Cost of Materials

€ in millions	2011	2010
Expenses for raw materials and supplies and for purchased goods	93,765	70,165
Expenses for purchased services	4,062	3,410
Total	**97,827**	**73,575**

(9) Financial Results

The following table provides details of financial results for the periods indicated:

Financial Results € in millions	2011	2010
Income from companies in which equity investments are held	128	167
Impairment charges/reversals on other financial assets	-188	-48
Income/Loss (-) from equity investments	**-60**	**119**
Income from securities, interest and similar income	716	653
Available for sale	*332*	*208*
Loans and receivables	*165*	*171*
Held for trading	*7*	*78*
Other interest income	*212*	*196*
Interest and similar expenses	-2,810	-2,956
Amortized cost	*-1,292*	*-1,535*
Held for trading	*-158*	*-32*
Other interest expenses	*-1,360*	*-1,389*
Net interest income	**-2,094**	**-2,303**
Financial results	**-2,154**	**-2,184**

The measurement categories are described in detail in Note 2.

Financial results have improved slightly in 2011 compared with the previous year. Lower interest expenses were offset by higher impairments recognized on other financial assets. These impairments predominantly relate to the securities held in the context of the Company's asset management activities (see Note 31).

Other interest income consists mostly of income from lease receivables (finance leases) and income resulting from taxes for previous years. Other interest expense includes the accretion of provisions for asset retirement obligations in the amount of €748 million (2010: €722 million). Also contained in this item is the interest cost from provisions for pensions—net of the expected return on plan assets—in the amount of €143 million (2010: €167 million). A total of €34 million in prepayment penalties was paid in 2011 (2010: €65 million) in connection with the early repayment of loans and the necessary reversal of associated interest rate hedges. The early buyback of bonds resulted in a one-time expense of approximately €115 million (2010: €1 million). This amount represents the difference between the amount paid to repurchase the bonds at market prices and their carrying amounts.

In accordance with IAS 32, the accretion of liabilities in connection with put options resulted in an expense of €60 million (2010: €47 million).

Interest expense was reduced by capitalized interest on debt totaling €312 million (2010: €316 million).

Realized gains and losses from interest rate swaps are shown net on the face of the income statement.

(10) Income Taxes

The table at right provides details of income taxes, including deferred taxes, for the periods indicated:

Income Taxes € in millions	2011	2010
Domestic income taxes	432	987
Foreign income taxes	555	684
Other income taxes	17	10
Current taxes	**1,004**	**1,681**
Domestic	-1,139	581
Foreign	-901	-316
Deferred taxes	**-2,040**	**265**
Total income taxes	**-1,036**	**1,946**

The decrease in tax expense by €3 billion compared with 2010 primarily reflects the changes in the earnings environment. The effective tax rate has increased from 22 percent in 2010 to 36 percent in 2011.

German legislation providing for fiscal measures to accompany the introduction of the European Company and amending other fiscal provisions ("SE-Steuergesetz" or "SEStEG"), which came into effect on December 13, 2006, altered the regulations on corporate tax credits arising from the corporate imputation system ("Anrechnungsverfahren"), which had existed until 2001. The change de-links the corporate tax credit from distributions of dividends. Instead, after December 31, 2006, an unconditional claim for payment of the credit in ten equal annual installments from 2008 through 2017 has been established. The resulting receivable is included in income tax assets and amounted to €153 million in 2011 (2010: €958 million). The decline in income tax assets is mainly attributable to the significant reduction of corporate tax credits in 2011.

Income tax liabilities consist primarily of income taxes for the respective current year and for prior-year periods that have not yet been definitively examined by the tax authorities.

As of December 31, 2011, €47 million (2010: €12 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (the so-called "outside basis differences"). Deferred tax liabilities were not recognized for subsidiaries and associated companies to the extent that the Company can control the reversal effect and that it is therefore probable that temporary differences will not be reversed in the foreseeable future. Accordingly, deferred tax liabilities were not recognized for temporary differences of €1,434 million (2010: €1,833 million) at subsidiaries and associated companies, as E.ON is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

Changes in tax rates in the United Kingdom, Hungary and a number of other countries resulted in tax income of €34 million in total. In 2010, changes in foreign tax rates produced deferred tax income of €54 million in total.

The differences between the 2011 base income tax rate of 30 percent (2010: 30 percent) applicable in Germany and the effective tax rate are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2011		2010	
	€ in millions	%	€ in millions	%
Expected corporate income tax	-873	30.0	2,719	30.0
Credit for dividend distributions	-37	1.3	-96	-1.0
Foreign tax rate differentials	-163	5.6	-148	-1.6
Changes in tax rate/tax law	-34	1.2	-54	-0.6
Tax effects on tax-free income	-8	0.3	-743	-8.2
Tax effects on equity accounting	-144	4.9	-196	-2.2
Other[1]	223	-7.7	464	5.1
Effective income taxes/tax rate	**-1,036**	**35.6**	**1,946**	**21.5**

[1]In 2011, including €258 million primarily in tax effects on dividends and disposals; in 2010, including €358 million due to goodwill impairment.

Income taxes relating to discontinued operations are reported in the income statement under "Income/Loss from discontinued operations, net." They relate to the U.S. Midwest market unit and amounted to €149 million in 2010. See Note 4 for additional discussion.

Deferred tax assets and liabilities as of December 31, 2011, and December 31, 2010, break down as shown in the following table:

Deferred Tax Assets and Liabilities

€ in millions	December 31 2011	December 31 2010
Intangible assets	319	256
Property, plant and equipment	1,030	817
Financial assets	205	225
Inventories	28	23
Receivables	709	944
Provisions	5,693	5,410
Liabilities	4,307	3,932
Net operating loss carryforwards	1,713	807
Tax credits	27	23
Other	520	280
Subtotal	**14,551**	**12,717**
Changes in value	-88	-98
Deferred tax assets	**14,463**	**12,619**
Intangible assets	1,933	1,908
Property, plant and equipment	6,184	6,553
Financial assets	223	204
Inventories	157	123
Receivables	4,995	4,943
Provisions	781	1,382
Liabilities	449	733
Other	1,375	1,449
Deferred tax liabilities	**16,097**	**17,295**
Net deferred tax assets/liabilities (-)	**-1,634**	**-4,676**

Net deferred taxes break down as follows based on the timing of their reversal:

Net Deferred Tax Assets and Liabilities

	December 31, 2011		December 31, 2010	
€ in millions	Current	Non-current	Current	Non-current
Deferred tax assets	1,220	4,020	83	2,496
Changes in value	-13	-75	-1	-97
Net deferred tax assets	**1,207**	**3,945**	**82**	**2,399**
Deferred tax liabilities	-812	-5,974	-671	-6,486
Net deferred tax assets/liabilities (-)	**395**	**-2,029**	**-589**	**-4,087**

Of the deferred taxes reported, a total of -€304 million was charged directly to equity in 2011 (2010: €54 million). A further €44 million in current taxes (2010: €64 million) was also recognized directly in equity.

Income taxes recognized in other comprehensive income for the years 2011 and 2010 break down as follows:

Income Taxes on Components of Other Comprehensive Income

€ in millions	2011 Before income taxes	2011 Income taxes	2011 After income taxes	2010 Before income taxes	2010 Income taxes	2010 After income taxes
Cash flow hedges	-143	40	-103	-1	10	9
Available-for-sale securities	-1,028	-5	-1,033	-1,658	70	-1,588
Currency translation adjustments	344	166	510	469	12	481
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-370	175	-195	-722	230	-492
Companies accounted for under the equity method	-81	–	-81	-15	2	-13
Total	**-1,278**	**376**	**-902**	**-1,927**	**324**	**-1,603**

The adjustment of the purchase price for the Belgian power plant unit finalized in 2010 resulted in deferred tax assets of €14 million as of December 31, 2010.

The tax loss carryforwards as of the dates indicated are as follows:

Tax Loss Carryforwards

€ in millions	December 31 2011	December 31 2010
Domestic tax loss carryforwards	3,811	706
Foreign tax loss carryforwards	5,931	4,121
Total	**9,742**	**4,827**

Since January 1, 2004, domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. This minimum corporate taxation also applies to trade tax loss carryforwards. Of the foreign tax loss carryforwards, a significant portion relates to previous years. No deferred taxes have been recognized on a total of €2,408 million (2010: €2,133 million) in tax loss carryforwards that do not expire.

(11) Personnel-Related Information

Personnel Costs

The following table provides details of personnel costs for the periods indicated:

Personnel Costs € in millions	2011	2010
Wages and salaries	4,882	4,153
Social security contributions	648	668
Pension costs and other employee benefits	417	460
Pension costs	*410*	*453*
Total	**5,947**	**5,281**

Personnel costs rose by €666 million to €5,947 million (2010: €5.281 million); this was due especially to restructuring expenses associated with the E.ON 2.0 project.

Share-Based Payment

The expenses for share-based payment in 2011 (the employee stock purchase program, the E.ON Stock Appreciation Rights plan and the E.ON Share Performance Plan) amounted to €13.7 million (2010: €12.8 million).

Employee Stock Purchase Program

In 2011, as in 2010, employees at German E.ON Group companies had the opportunity to purchase shares of E.ON AG at preferential terms under a voluntary employee stock purchase program. Employees receive a matching contribution from the Company of at least 25 percent, but no more than €511, on the shares they purchased by the November 17, 2011, cut-off date. On that date, the relevant market price of E.ON stock was €16.75. Depending on the number of shares purchased, the preferential prices paid ranged between €7.11 and €13.18 (2010: between €9.94 and €17.95). The expense of €9.7 million (2010: €10.2 million) arising from the granting of the preferential prices is recognized as personnel costs and included in the "Wages and salaries" line item.

Since the 2003 fiscal year, employees in the United Kingdom have the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire additional bonus shares. The cost of issuing these bonus shares amounted to €3.3 million in 2011 (2010: €2.3 million) and is also recorded under personnel costs as part of "Wages and salaries."

In 2011, E.ON acquired a total of 1,210,014 shares (0.06 percent of the capital stock of E.ON AG), mostly in the market, under the voluntary employee stock purchase program (2010: 980,897 shares or 0.05 percent of the capital stock of E.ON AG) at an average purchase price of €17.20 per share (2010: €22.70 per share, purchased in the market).

Information on the changes in the number of treasury shares held by E.ON AG can be found in Note 19.

Long-Term Variable Compensation

Members of the Board of Management of E.ON AG and certain executives of the E.ON Group receive share-based payment as part of their voluntary long-term variable compensation. Share-based payment can only be granted if the qualified executive owns a certain minimum number of shares of E.ON stock, which must be held until maturity or full exercise. The purpose of such compensation is to reward their contribution to E.ON's growth and to further the long-term success of the Company. This variable compensation component, comprising a long-term incentive effect along with a certain element of risk, provides for a sensible linking of the interests of shareholders and management.

The following discussion includes a report on the E.ON AG Stock Appreciation Rights plan, which ended in 2005, and on the E.ON Share Performance Plan, which was introduced in 2006 and modified in 2010 and 2011 for subsequent tranches.

Stock Appreciation Rights of E.ON AG

From 1999 up to and including 2005, E.ON annually granted stock appreciation rights ("SAR") through the E.ON AG Stock Appreciation Rights program.

Only SAR from the seventh tranche existed in the 2011 fiscal year. The terms of the plan are as follows:

Stock Appreciation Rights of E.ON AG	7th tranche
Date of issuance	Jan. 3, 2005
Term	approx. 7 years
Blackout period	2 years
Exercise hurdle (minimum percentage by which exercise price exceeds the price at issuance)	10%
Maximum gain on exercise of three subscription rights	€65.35

The amount paid to executives when they exercise their SAR is paid out in cash, and is equal to the difference between the E.ON AG share price at the time of exercise and the adjusted underlying share price at issuance of €20.37, multiplied by the number of SAR exercised and by a subscription factor of 3. The adjustment of the underlying share price and the introduction of the subscription ratio of 3 were made necessary by the E.ON AG stock split on August 4, 2008, in order to ensure neutrality in value with an unchanged number of SAR. A cap on gains was put in place for seventh-tranche SAR equal to 100 percent of the underlying price at the time of issuance in order to limit the effect of unforeseen extraordinary increases in the underlying share price.

The income recognized in the reporting period amounted to €0.2 million (2010: €0.6 million).

The seventh-tranche stock appreciation rights that were still outstanding during the fiscal year all expired valueless at maturity.

E.ON Share Performance Plan Issues through 2010

Since 2006, E.ON has been granting virtual shares ("Performance Rights") under the E.ON Share Performance Plan. At the end of its term, each Performance Right is entitled to a cash payout linked to the final E.ON share price established at that time, as well as to the performance during the term of the E.ON share price relative to its benchmark, the STOXX Europe 600 Utilities (Net Return) index. The amount paid out is equal to the target value at issuance if the E.ON share price is maintained at the end of the term and the performance of the E.ON share price matches that of the benchmark index. If the E.ON share outperforms the index, the amount paid out is increased proportionally. If, on the other hand, the E.ON share underperforms the index, disproportionate deductions are made. In the case of underperformance by 20 percent or more, there is no payment. The maximum amount to be paid out to each participant per Performance Right is limited to three times the target value originally set.

60-day average prices are used to determine the target value at issuance, the final price and the relative performance, in order to mitigate the effects of incidental, short-lived price movements.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions. Starting with tranche five, the term was extended to four years from the previous three. The following are the base parameters of the two tranches still active in 2011 under these plan terms:

E.ON Share Performance Rights	5th tranche	4th tranche
Date of issuance	Jan. 1, 2010	Jan. 1, 2009
Term	4 years	3 years
Target value at issuance	€27.25	€27.93
Maximum amount paid	€81.75	€83.79

The provision for the plan at year-end amounted to €2.4 million (2010: €10.7 million). A liability of €1.3 million, the total amount of the payouts, was recognized for the fourth tranche as of the balance sheet date. The income for the E.ON Share Performance Plan up to and including tranche five amounted to €6.8 million in the 2011 fiscal year (2010: €0.9 million expense).

E.ON Share Performance Plan Issues from 2011

In 2011, virtual shares ("Performance Rights") were granted under the sixth tranche of the E.ON Share Performance Plan with a target value at issuance of €22.43. At the end of its term, each Performance Right is entitled to a cash payout linked to the final E.ON share price established at that time. Under the modified terms of the plan applicable to future tranches, the number of rights to be settled at the end of the term is now governed by the degree to which specific corporate financial measures are achieved over the term. The benchmark is the return on capital, expressed as the return on average capital employed ("ROACE") compared with the weighted-average cost of capital ("WACC"), averaged over the unchanged four-year term of the new tranche. At the same time, starting with the sixth tranche, the maximum payout was further limited to 2.5 times the target value originally set.

60-day average prices are used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements. The plan contains adjustment mechanisms to eliminate the effects of interim corporate actions. The 60-day average of the E.ON share price as of the balance sheet date is used to measure the fair value of the rights. A provision of €7.9 million was recognized. The expense for the fiscal year was €7.9 million.

Employees

During 2011, E.ON employed an average of 80,859 persons (2010: 85,509), not including an average of 2,238 apprentices (2010: 2,261). The employees of the U.S. Midwest market unit are no longer reported in the table (see Note 4).

The breakdown by segment is shown below:

Employees[1]	2011	2010
Generation	10,762	11,075
Renewables	1,777	1,753
Gas	3,192	3,168
Trading	1,020	1,079
Germany	21,566	21,278
Other EU Countries	33,489	38,004
Russia	4,894	4,713
Group Management/Other[2]	4,159	4,439
Total	**80,859**	**85,509**

[1]Figures do not include board members, managing directors, or apprentices.
[2]Includes E.ON IT Group.

(12) Other Information

German Corporate Governance Code

On December 12, 2011, the Board of Management and the Supervisory Board of E.ON AG made a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG"). The declaration has been made permanently and publicly accessible to stockholders on the Company's Web site (www.eon.com).

Fees and Services of the Independent Auditor

During 2011 and 2010, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC"), Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

Independent Auditor Fees € in millions	2011	2010
Financial statement audits	27	30
Domestic	*18*	*20*
Other attestation services	23	25
Domestic	*19*	*18*
Tax advisory services	1	1
Domestic	*1*	–
Other services	1	3
Domestic	*1*	*3*
Total	**52**	**59**
Domestic	*39*	*41*

The fees for financial statement audits concern the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON AG and its affiliates.

Fees for other attestation services concern in particular the review of the interim IFRS financial statements. Further included in this item are project-related reviews performed in the context of the introduction of IT and internal control systems, due-diligence services rendered in connection with acquisitions and disposals, and other mandatory and voluntary audits.

Fees for tax advisory services primarily include advisory on a case-by-case basis with regard to the tax treatment of M&A transactions, ongoing consulting related to the preparation of tax returns and the review of tax assessments, as well as advisory on other tax-related issues, both in Germany and abroad.

Fees for other services consist primarily of technical support in IT and other projects.

List of Shareholdings

The list of shareholdings pursuant to Section 313 (2) HGB is an integral part of these Notes to the Financial Statements and is presented on pages 159 through 173.

(13) Earnings per Share

The computation of basic and diluted earnings per share for the periods indicated is shown below:

Earnings per Share

€ in millions	2011	2010
Income/Loss (-) from continuing operations	-1,875	7,117
Less: Non-controlling interests	-358	-428
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)	**-2,233**	**6,689**
Income/Loss (-) from discontinued operations, net	14	-836
Net income/loss (-) attributable to shareholders of E.ON AG	**-2,219**	**5,853**
in €		
Earnings per share (attributable to shareholders of E.ON AG)		
from continuing operations	-1.17	3.51
from discontinued operations	0.01	-0.44
from net income/loss (-)	**-1.16**	**3.07**
Weighted-average number of shares outstanding (in millions)	1,905	1,905

The computation of diluted earnings per share is identical to that of basic earnings per share because E.ON AG has issued no potentially dilutive ordinary shares.

(14) Goodwill, Intangible Assets and Property, Plant and Equipment

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	Acquisition and production costs						
	January 1, 2011	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	December 31, 2011
Goodwill	**17,588**	**39**	**-392**	**0**	**0**	**-12**	**17,223**
Marketing-related intangible assets	52	–	–	–	-46	–	6
Customer-related intangible assets	2,310	20	-17	–	-79	-1	2,233
Contract-based intangible assets	7,119	-57	1	59	-33	-307	6,782
Technology-based intangible assets	842	-4	-15	56	-74	50	855
Internally generated intangible assets	260	2	-48	42	-10	-18	228
Intangible assets subject to amortization	**10,583**	**-39**	**-79**	**157**	**-242**	**-276**	**10,104**
Intangible assets not subject to amortization	1,741	7	54	2,945	-3,207	-41	1,499
Advance payments on intangible assets	72	–	–	137	–	-118	91
Intangible assets	**12,396**	**-32**	**-25**	**3,239**	**-3,449**	**-435**	**11,694**
Real estate and leasehold rights	3,274	8	-15	9	-68	36	3,244
Buildings	8,929	-83	-143	229	-392	467	9,007
Technical equipment, plant and machinery	99,048	-481	-7,089	2,923	-3,228	4,074	95,247
Other equipment, fixtures, furniture and office equipment	2,185	-12	-358	202	-283	-72	1,662
Advance payments and construction in progress	10,062	41	65	3,353	-168	-4,514	8,839
Property, plant and equipment	**123,498**	**-527**	**-7,540**	**6,716**	**-4,139**	**-9**	**117,999**

Accumulated depreciation									Net carrying amounts
January 1, 2011	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2011	December 31, 2011
-3,000	**1**	**12**	**0**	**0**	**7**	**-160**	**0**	**-3,140**	**14,083**
-48	–	–	–	46	–	–	–	-2	4
-1,589	-20	16	-112	78	–	-68	–	-1,695	538
-1,744	2	–	-244	22	410	-145	–	-1,699	5,083
-649	2	9	-80	69	-2	–	–	-651	204
-214	–	47	-15	6	16	–	–	-160	68
-4,244	**-16**	**72**	**-451**	**221**	**424**	**-213**	**0**	**-4,207**	**5,897**
-80	-2	–	–	112	–	-138	–	-108	1,391
-2	–	–	–	–	–	-5	–	-7	84
-4,326	**-18**	**72**	**-451**	**333**	**424**	**-356**	**0**	**-4,322**	**7,372**
-340	–	–	-10	24	–	-37	2	-361	2,883
-4,666	26	61	-256	326	-1	-293	2	-4,801	4,206
-56,042	175	2,273	-2,823	2,971	2	-2,380	21	-55,803	39,444
-1,556	10	247	-171	271	107	-4	–	-1,096	566
-24	-1	–	-1	101	–	-144	–	-69	8,770
-62,628	**210**	**2,581**	**-3,261**	**3,693**	**108**	**-2,858**	**25**	**-62,130**	**55,869**

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	January 1, 2010	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	December 31, 2010
	Acquisition and production costs						
Goodwill	**20,309**	**253**	**-2,910**	**0**	**0**	**-64**	**17,588**
Marketing-related intangible assets	48	–	4	–	–	–	52
Customer-related intangible assets	2,392	43	-50	1	-56	-20	2,310
Contract-based intangible assets	7,226	174	33	42	-398	42	7,119
Technology-based intangible assets	804	19	-74	53	-57	97	842
Internally generated intangible assets	229	6	2	27	–	-4	260
Intangible assets subject to amortization	**10,699**	**242**	**-85**	**123**	**-511**	**115**	**10,583**
Intangible assets not subject to amortization	1,633	48	4	2,607	-2,500	-51	1,741
Advance payments on intangible assets	52	1	3	39	-5	-18	72
Intangible assets	**12,384**	**291**	**-78**	**2,769**	**-3,016**	**46**	**12,396**
Real estate and leasehold rights	3,049	199	69	16	-86	27	3,274
Buildings	8,269	148	-453	282	-79	762	8,929
Technical equipment, plant and machinery	95,186	2,026	-5,393	2,883	-775	5,121	99,048
Other equipment, fixtures, furniture and office equipment	2,360	42	-105	166	-170	-108	2,185
Advance payments and construction in progress	11,699	311	-1,047	5,088	-127	-5,862	10,062
Property, plant and equipment	**120,563**	**2,726**	**-6,929**	**8,435**	**-1,237**	**-60**	**123,498**

Goodwill

Led by its Group Management in Düsseldorf, the E.ON Group has since the beginning of 2011 been organized in global and regional units that each represent operating segments as defined by IFRS 8 (see Note 33 for additional details). In the context of this corporate structural reorganization, it became necessary to reallocate goodwill to the individual units. The changes in goodwill during the 2011 fiscal year, as well as the allocation of impairments and reversals for each of the reportable segments, are shown in the table below:

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2011

€ in millions	Generation	Renewables	Gas	Trading	Germany	Other EU Countries	Russia	Group Management/ Consolidation	E.ON Group
Net carrying amount of goodwill as of January 1, 2011	**4,153**	**2,034**	**3,569**	**235**	**1,043**	**2,036**	**1,518**	**0**	**14,588**
Changes resulting from acquisitions and disposals	-10	12	–	–	–	-382	–	–	-380
Impairment charges	–	–	–	–	–	-160	–	–	-160
Other changes[1]	67	15	-11	–	–	-2	-34	–	35
Net carrying amount of goodwill as of December 31, 2011	**4,210**	**2,061**	**3,558**	**235**	**1,043**	**1,492**	**1,484**	**0**	**14,083**
Other non-current assets[2]									
Reversals	–	18	3	–	–	4	–	–	25
Impairment	2,293	146	151	10	126	467	21	–	3,214

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Other non-current assets consist of intangible assets and of property, plant and equipment.

Accumulated depreciation									Net carrying amounts
January 1, 2010	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2010	December 31, 2010
-3,408	**2**	**1,473**	**0**	**0**	**0**	**-1,067**	**0**	**-3,000**	**14,588**
-47	–	-1	–	–	–	–	–	-48	4
-1,431	-34	23	-122	24	16	-65	–	-1,589	721
-1,403	-8	24	-257	393	18	-511	–	-1,744	5,375
-582	-16	17	-85	56	-34	-5	–	-649	193
-174	-5	-2	-25	–	–	-8	–	-214	46
-3,637	**-63**	**61**	**-489**	**473**	**0**	**-589**	**0**	**-4,244**	**6,339**
-82	-3	3	–	7	–	-27	22	-80	1,661
0	–	–	–	–	–	-2	–	-2	70
-3,719	**-66**	**64**	**-489**	**480**	**0**	**-618**	**22**	**-4,326**	**8,070**
-281	-7	16	-10	30	–	-89	1	-340	2,934
-4,337	-73	220	-233	33	-224	-53	1	-4,666	4,263
-53,909	-833	1,945	-2,860	470	-37	-861	43	-56,042	43,006
-1,602	-26	73	-174	152	24	-3	–	-1,556	629
-107	-2	–	-1	–	91	-6	1	-24	10,038
-60,236	**-941**	**2,254**	**-3,278**	**685**	**-146**	**-1,012**	**46**	**-62,628**	**60,870**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2011—Presentation of Other EU Countries

€ in millions	U.K.	Sweden	Czechia	Hungary	Other regional units	Other EU Countries
Net carrying amount of goodwill as of January 1, 2011	**1,250**	**145**	**65**	**76**	**500**	**2,036**
Changes resulting from acquisitions and disposals	-362	-11	-9	–	–	-382
Impairment charges	–	–	–	–	-160	-160
Other changes[1]	9	–	-2	-9	–	-2
Net carrying amount of goodwill as of December 31, 2011	**897**	**134**	**54**	**67**	**340**	**1,492**
Other non-current assets[2]						
Reversals	–	1	–	3	–	4
Impairment	13	45	–	173	236	467

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Other non-current assets include intangible assets and property, plant and equipment.

Impairments

IFRS 3 prohibits the amortization of goodwill. Instead, goodwill is tested for impairment at least annually at the level of the cash-generating units. Goodwill must also be tested for impairment at the level of individual cash-generating units between these annual tests if events or changes in circumstances indicate that the recoverable amount of a particular cash-generating unit might be impaired. Intangible assets subject to amortization and property, plant and equipment must generally be tested for impairment whenever there are particular events or external circumstances indicating the possibility of impairment.

To perform the impairment tests, the Company first determines the fair values less costs to sell of its cash-generating units, which are calculated based on discounted cash flow methods and verified through the use of suitable multiples, to the extent available. Market transactions or valuations by third parties for similar assets or cash-generating units are additionally taken into account.

Valuations are based on the medium-term corporate planning authorized by the Board of Management. The calculations for impairment-testing purposes are generally based on the three planning years of the medium-term plan plus two additional detailed planning years. In certain justified exceptional cases a longer detailed planning period of ten years is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using unit-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used in 2011 ranged between 1.5 and 3.5 percent (2010: 1.5 and 3.5 percent). The nominal growth rates are derived from long-term inflation rates, adjusted for unit-specific forecasts of changes by the respective business units (for example, regulatory framework, reinvestment cycles or growth prospects). The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2011, ranged between 5.4 and 11.1 percent after taxes (2010: 5.4 and 11.9 percent).

The principal assumptions underlying the determination by management of recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, E.ON's investment activity, changes in the regulatory framework, as well as for rates of growth and capital cost.

The above discussion applies accordingly to the testing for impairment of intangible assets and of property plant and equipment, and of groups of these assets. If the goodwill of a cash-generating unit is combined with assets or groups of assets for impairment testing, the assets must be tested first.

The recoverable amount primarily used to test a business for impairment is the fair value less costs to sell; at the Russia focus region, however, the recoverable amount is based on the value in use.

As part of the annual testing of goodwill for impairment performed in the fourth quarter of 2011, various assets and groups of assets were included in the testing in response to a series of triggering events.

In particular, the more pessimistic assessment in contrast to 2010 of long-term power prices, continuing regulatory interventions and reduced load hours for power plants in Spain and Italy were material factors influencing the valuation of activities in Spain and Italy. In Hungary and in the Slovak Republic, generation volumes and margins have also failed to meet expectations. In Central Europe, particularly in the Benelux countries, shutdowns ahead of schedule of generation assets because of reduced profitability brought about by lower generation volumes and margins, as well as reduced revenues from heat-run power plants and the consumer heating business, had their impact on current valuations.

The tests resulted in the recognition of impairment charges totaling €3,127 million.

Of this total, an amount of €160 million related to goodwill written down because fair values less costs to sell within the "Other regional units" segment were no longer sufficient to cover their corresponding carrying amounts.

The goodwill of virtually all cash-generating units whose goodwill is material in relation to the total carrying amount of all goodwill shows a surplus of recoverable amounts over the respective carrying amounts and, therefore, based on current assessment of the economic situation, only a significant change in the valuation parameters discount rate and growth rate would necessitate the recognition of goodwill impairment.

Impairments were additionally recognized on property, plant and equipment in the amount of approximately €2,720 million. This amount relates primarily to generation assets in the Generation global unit and breaks down into generating capacity in Spain (€822 million) and Italy (€768 million), along with a total of €579 million in four other countries. In the regional units, impairments had to be recognized at the Hungary (€173 million) and Netherlands (€163 million) regional units. These charges related mostly to locally controlled heat-run power plants.

Moreover, intangible assets had to be written down in the amount of €247 million, relating primarily to the activities of the Renewables global unit (€144 million), the Germany regional unit (€45 million) and the Gas global unit (€29 million).

During the year, in the context of tests performed in response to triggering events, intangible assets and property, plant and equipment were written down by €109 million and €138 million, respectively.

In the context of the 2010 goodwill impairment tests, a total of €1,067 million in impairment charges had to be recognized at the former Italy Non-regulated (€957 million) and Spain (€110 million) cash-generating units. Impairments were additionally recognized on other non-current assets in the amount of €1,496 million. This amount included €984 million charged to property, plant and equipment, primarily at the former Central Europe (€391 million), Spain (€338 million) and Italy (€255 million) market units. Impairments had to be recognized on intangible assets at the former Italy (€430 million) and Climate & Renewables (€82 million) market units.

Intangible Assets

In 2011, the Company recorded an amortization expense of €451 million (2010: €489 million). Impairment charges on intangible assets, including those already mentioned at the affected units, amounted to €356 million in 2011 (2010: €618 million).

Reversals of impairments on intangible assets totaled €0 million in 2011 (2010: €22 million).

Intangible assets include emission rights from different trading systems with a carrying amount of €309 million (2010: €512 million).

€59 million in research and development costs as defined by IAS 38 were expensed in 2011 (2010: €61 million).

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the five succeeding fiscal years is as follows:

Estimated Aggregated Amortization Expense

€ in millions	
2012	389
2013	332
2014	298
2015	277
2016	265
Total	**1,561**

As acquisitions and disposals occur in the future, actual amounts may vary.

As of December 31, 2011, intangible assets from exploration activity had carrying amounts of €428 million (2010: €535 million). Impairment charges of €129 million (2010: €21 million) were recognized on these intangible assets.

Property, Plant and Equipment

Borrowing costs in the amount of €312 million were capitalized in 2011 (2010: €316 million) as part of the historical cost of property, plant and equipment.

In 2011, the Company recorded depreciation of property, plant and equipment in the amount of €3,261 million (2010: €3,278 million). Impairment charges, including those relating to the issues already mentioned, were recognized on property, plant and equipment in the amount of €2.858 million (2010: €1,012 million). A total of €25 million in reversals of impairments on property, plant and equipment was recognized in 2011 (2010: €46 million).

In 2011 there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €876 million (2010: €719 million).

Certain power plants, gas storage facilities and supply networks are utilized under finance leases and capitalized in the E.ON Consolidated Financial Statements because the economic ownership of the assets leased is attributable to E.ON.

The property, plant and equipment thus capitalized had the following carrying amounts as of December 31, 2011:

E.ON as Lessee—Carrying Amounts of Capitalized Lease Assets

	December 31	
€ in millions	2011	2010
Land	4	5
Buildings	35	45
Technical equipment, plant and machinery	695	530
Other equipment, fixtures, furniture and office equipment	92	6
Net carrying amount of capitalized lease assets	**826**	**586**

The corresponding payment obligations under finance leases are due as shown below:

E.ON as Lessee—Payment Obligations under Finance Leases

	Minimum lease payments		Covered interest share		Present values	
€ in millions	2011	2010	2011	2010	2011	2010
Due within 1 year	110	48	48	27	62	21
Due in 1 to 5 years	327	183	191	102	136	81
Due in more than 5 years	1,336	655	756	309	580	346
Total	**1,773**	**886**	**995**	**438**	**778**	**448**

The present value of the minimum lease obligations is reported primarily under liabilities from leases.

Regarding future obligations under operating leases where economic ownership is not transferred to E.ON as the lessee, see Note 27.

E.ON also functions in the capacity of lessor. The lease installments from operating leases are due as shown in the table at right:

E.ON as Lessor—Operating Leases

€ in millions	2011	2010
Nominal value of outstanding lease installments		
Due within 1 year	93	93
Due in 1 to 5 years	238	231
Due in more than 5 years	362	412
Total	**693**	**736**

See Note 17 for information on receivables from finance leases.

(15) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

Companies Accounted for under the Equity Method and Other Financial Assets

€ in millions	December 31 2011	December 31 2010
Companies accounted for under the equity method	6,325	6,343
Equity investments	1,908	2,201
Non-current securities	4,904	3,903
Total	**13,137**	**12,447**

Companies accounted for under the equity method consist solely of associates and joint ventures. The balance sheet and earnings data of the ten joint ventures are not material on aggregate.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2011, impairment charges on companies accounted for under the equity method amounted to €142 million (2010: €145 million) and impairments on other financial assets amounted to €108 million (2010: €55 million). The carrying amount of other financial assets with impairment losses was €191 million as of the end of the fiscal year (2010: €250 million).

€473 million (2010: €393 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of VKE (see Note 31).

Shares in Companies Accounted for under the Equity Method

The financial information below summarizes the most important income statement and balance sheet data for the companies that are accounted for under the equity method.

Earnings Data for Companies Accounted for under the Equity Method

€ in millions	2011	2010
Sales	19,622	21,737
Net income/loss	2,335	2,674

Balance Sheet Data for Companies Accounted for under the Equity Method

€ in millions	December 31 2011	December 31 2010
Non-current assets	28,740	23,764
Current assets	7,606	9,408
Provisions	4,981	5,990
Liabilities	16,613	14,275
Equity	**14,752**	**12,907**

Investment income generated from companies accounted for under the equity method amounted to €682 million in 2011 (2010: €783 million).

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €329 million in 2011 (2010: €313 million). The fair value of E.ON's share in these companies was €274 million (2010: €277 million).

Additions of investments in companies accounted for under the equity method resulted in a total goodwill of €9 million in 2011 (2010: €17 million).

Investments in associated companies totaling €757 million (2010: €509 million) were restricted because they were pledged as collateral for financing as of the balance sheet date.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories		
	December 31	
€ in millions	2011	2010
Raw materials and supplies	2,160	2,163
Goods purchased for resale	2,488	1,614
Work in progress and finished products	180	287
Total	**4,828**	**4,064**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Write-downs totaled €120 million in 2011 (2010: €18 million). Reversals of write-downs amounted to €11 million in 2011 (2010: €7 million). The carrying amount of inventories recognized at net realizable value was €65 million (2010: €15 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

The following table lists receivables and other assets by remaining time to maturity as of the dates indicated:

Receivables and Other Assets				
	December 31, 2011		December 31, 2010	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	78	973	62	896
Other financial receivables and financial assets	1,711	2,646	1,612	2,461
Financial receivables and other financial assets	**1,789**	**3,619**	**1,674**	**3,357**
Trade receivables	18,065	–	15,819	–
Receivables from derivative financial instruments	9,863	1,901	7,567	3,068
Other operating assets	3,786	941	4,106	954
Trade receivables and other operating assets	**31,714**	**2,842**	**27,492**	**4,022**
Total	**33,503**	**6,461**	**29,166**	**7,379**

As of December 31, 2011, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €62 million (2010: €104 million) and margin account deposits for futures trading of €988 million (2010: €572 million). In addition, based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €1,595 million (2010: €1,498 million) in connection with the decommissioning of nuclear power plants and nuclear waste disposal. Since this asset is designated for a particular purpose, E.ON's access to it is restricted.

The aging schedule of trade receivables is presented in the table at right:

Aging Schedule of Trade Receivables		
€ in millions	2011	2010
Total trade receivables	18,065	15,819
Not impaired and not yet due	16,393	13,838
Not impaired and up to 60 days past-due	1,050	1,217
Not impaired and 61 to 90 days past-due	114	108
Not impaired and 91 to 180 days past-due	173	199
Not impaired and 181 to 360 days past-due	78	118
Not impaired and over 360 days past-due	52	63
Net value of impaired receivables	205	276

The individual impaired receivables are due from a large number of retail customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored within the various units.

Valuation allowances for trade receivables have changed as shown in the following table:

Valuation Allowances for Trade Receivables

€ in millions	2011	2010
Balance as of January 1	-840	-747
Change in scope of consolidation	17	6
Write-downs	-346	-380
Reversals of write-downs	75	58
Disposals	216	219
Other[1]	18	4
Balance as of December 31	**-860**	**-840**

[1]"Other" includes currency translation adjustments.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

E.ON as Lessor—Finance Leases

	Gross investment in finance lease arrangements		Unrealized interest income		Present value of minimum lease payments	
€ in millions	2011	2010	2011	2010	2011	2010
Due within 1 year	147	138	69	76	78	62
Due in 1 to 5 years	612	565	278	251	334	314
Due in more than 5 years	1,060	947	421	365	639	582
Total	**1,819**	**1,650**	**768**	**692**	**1,051**	**958**

The present value of the outstanding lease payments is reported under receivables from finance leases.

(18) Liquid Funds

The following table provides a breakdown of liquid funds by original maturity as of the dates indicated:

Liquid Funds

	December 31	
€ in millions	2011	2010
Securities and fixed-term deposits	3,079	1,697
Current securities with an original maturity greater than 3 months	*2,734*	*1,397*
Fixed-term deposits with an original maturity greater than 3 months	*345*	*300*
Restricted cash and cash equivalents	89	433
Cash and cash equivalents	3,852	6,143
Total	**7,020**	**8,273**

In 2011, there was €1 million in restricted cash (2010: €0 million) with a maturity greater than three months.

Current securities with an original maturity greater than three months include €98 million (2010: €89 million) in securities held by VKE that are restricted for the fulfillment of legal insurance obligations (see Note 31).

Cash and cash equivalents include €2,962 million (2010: €3,295 million) in checks, cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Capital Stock

The capital stock is subdivided into 2,001,000,000 registered ordinary shares with no par value ("no-par-value shares") and amounts to €2,001,000,000 (2010: €2,001,000,000).

Pursuant to a resolution by the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Board of Management 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 total number of outstanding shares as of December 31, 2011, was 1,905,470,135 (December 31, 2010: 1,905,408,843). As of December 31, 2011, E.ON AG and one of its subsidiaries held a total of 95,529,865 treasury shares (December 31, 2010: 95,591,157) having a book value of €3,530 million (equivalent to 4.78 percent or €95,529,865 of the capital stock). 1,150,000 shares were purchased on the market and 60,014 treasury shares were used for the employee stock purchase program and distributed to employees in 2011 (2010: 980,897 shares purchased on the market). See also Note 11 for information on the distribution of shares under the employee stock purchase program. An additional 1,278 treasury shares (2010: 1,129 shares) were also distributed to employees.

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 2011 using this purchase model.

Authorized Capital

By shareholder resolution adopted at the Annual Shareholders Meeting of May 6, 2009, the Board of Management was authorized, subject to the Supervisory Board's approval, to increase the Company's capital stock by up to €460 million ("Authorized Capital pursuant to Sections 202 et seq. AktG") through one or more issuances of new registered ordinary shares in return for contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights). This capital increase is authorized until May 5, 2014. Subject to the Supervisory Board's approval, the Board of Management is authorized to exclude shareholders' subscription rights.

Conditional Capital

At the Annual Shareholders Meeting of May 6, 2010, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 5, 2015. The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of conversion and option rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, participation rights and income bonds that have been issued or guaranteed by E.ON AG or by an E.ON AG Group company 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 AG treasury shares or shares of another listed company have been used to service the rights. The conditional capital has not been used.

Voting Rights

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

Information on Stockholders of E.ON AG

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights: Percentages	Voting rights: Absolute
Government of Norway[1]	Jan. 9, 2009	5%	Dec. 31, 2008	direct/indirect	5.91	118,276,492
BlackRock Inc. New York, U.S.[2]	March 25, 2011	5%	March 18, 2011	indirect	5.01	100,145,589

[1]4.17 percent (83,455,839 votes) are attributable to the government of Norway pursuant to Section 22 (1), sentence 1, no. 1, WpHG; 1.74 percent (34,720,645 votes) pursuant to Section 22 (1), sentence 1, nos. 1 and 2, WpHG; and 0.005 percent (100,008 votes) pursuant to Section 22 (1), sentence 1, nos. 1, 2 (in conjunction with sentence 2) and 6 (in conjunction with sentence 2), WpHG.
[2]5.01 percent (100,145,589 votes) are attributable to this company pursuant to Section 22 (1), sentence 1, no. 6, WpHG.

(20) Additional Paid-in Capital

As of December 31, 2011, additional paid-in capital stands unchanged at €13,747 million (2010: €13,747 million).

(21) Retained Earnings

The following table breaks down the E.ON Group's retained earnings as of the dates indicated:

Retained Earnings

	December 31	
€ in millions	2011	2010
Legal reserves	45	45
Other retained earnings	23,751	28,981
Total	**23,796**	**29,026**

Under German securities law, E.ON AG shareholders may receive distributions from the balance sheet profit of E.ON AG reported as available for distribution in accordance with the German Commercial Code.

As of December 31, 2011, German-GAAP retained earnings totaled €3,109 million (2010: €3,017 million). Of this amount, legal reserves of €45 million (2010: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG.

Accordingly, the amount of retained earnings available for distribution in principle is €3,064 million (2010: €2,972 million).

A proposal to distribute a cash dividend for 2011 of €1.00 per share will be submitted to the Annual Shareholders Meeting. A cash dividend of €1.50 per share was paid for 2010. Based on E.ON AG's 2011 year-end closing share price, the dividend yield is 6.0 percent. Based on a €1.00 dividend, the total profit distribution is €1,905 million.

(22) Changes in Other Comprehensive Income

The remaining stake in Gazprom was sold in the first quarter of 2011. Approximately €0.6 billion (2010: approx. €2 billion) was reclassified in connection with this disposal and recognized in income. Ownership interests classified as held for sale did not constitute significant components of other comprehensive income in 2011 (2010: €653 million).

The table below illustrates the share of OCI attributable to companies accounted for under the equity method.

Share of OCI Attributable to Companies Accounted for under the Equity Method

€ in millions	2011	2010
Balance as of December 31 (before taxes)	327	408
Taxes	–	–
Balance as of December 31 (after taxes)	**327**	**408**

(23) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the table below.

Non-Controlling Interests

	December 31	
€ in millions	2011	2010
Generation	303	384
Renewables	7	23
Gas	47	48
Trading	–	–
Germany	2,221	2,223
Other EU Countries	535	517
Russia	764	738
Group Management/Consolidation	-1	-1
Total	**3,876**	**3,932**

The decrease in non-controlling interests in 2011 resulted primarily from sales at the Generation unit in the United Kingdom, which were partially offset by improved results in Russia.

The table below illustrates the share of OCI that is attributable to non-controlling interests.

Share of OCI Attributable to Non-Controlling Interests

	December 31	
€ in millions	2011	2010
Cash flow hedges	2	3
Available-for-sale securities	9	11
Currency translation adjustments	-247	-229
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-11	13
Total	**-247**	**-202**

(24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the employees of the E.ON Group, which amounted to €14.6 billion, were covered by plan assets having a fair value of €11.4 billion as of December 31, 2011. This corresponds to a funded status of 78 percent.

In addition to the reported plan assets, Versorgungskasse Energie ("VKE") administers another pension fund holding assets of €0.6 billion (2010: €0.6 billion) that do not constitute plan assets under IAS 19 but which nevertheless are for the most part intended for the coverage of employee retirement benefits at E.ON Group companies in Germany (see Note 31).

In recent years, the funded status, measured as the difference between the defined benefit obligation and the fair value of plan assets, has changed as follows:

Five-Year History of the Funded Status

	December 31				
€ in millions	2011	2010	2009	2008	2007
Defined benefit obligation	14,607	16,514	16,087	14,096	15,936
Fair value of plan assets	-11,359	-13,263	-13,205	-11,034	-13,056
Funded status	**3,248**	**3,251**	**2,882**	**3,062**	**2,880**

Description of the Benefit Obligations

In addition to their entitlements under government retirement systems and the income from private retirement planning, most E.ON Group employees are also covered by occupational retirement plans.

Both defined benefit plans and defined contribution plans are in place at E.ON. The majority of the benefit obligations reported consists of obligations of E.ON Group companies in which the retirement pension is calculated either on the salaries earned during the most recent years of service (final-pay arrangements) or on a scale of fixed amounts.

In order to avoid exposure to future risks from occupational retirement plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies beginning in 1998. Virtually all new hires at E.ON Group companies, particularly in Germany, the United Kingdom and Spain, are now covered by benefit plans whose future risks can be calculated and controlled. In addition, the final-pay arrangements for existing employees at the Group's German companies were largely converted into a newly designed benefit plan beginning in 2004.

The provisions for pensions and similar obligations also include minor provisions for obligations from the assumption of costs for post-employment health care benefits, which are granted primarily at E.ON Group companies in Spain.

In pure defined contribution plans, the Company discharges its obligations toward employees when it pays agreed contribution amounts into funds managed by external insurers or similar institutions.

Changes in the Benefit Obligations

The following table shows the changes in the present value of the defined benefit obligation for the periods indicated:

Changes in the Defined Benefit Obligation

	2011			2010		
€ in millions	Total	Domestic	Foreign	Total	Domestic	Foreign
Defined benefit obligation as of January 1	16,514	9,058	7,456	16,087	8,285	7,802
Employer service cost	239	157	82	241	147	94
Interest cost	724	440	284	840	446	394
Changes in scope of consolidation	-2,647	-18	-2,629	-913	1	-914
Past service cost	19	16	3	32	16	16
Actuarial gains (-)/losses	442	291	151	800	567	233
Exchange rate differences	66	–	66	205	–	205
Employee contributions	2	–	2	4	–	4
Pensions paid	-749	-489	-260	-838	-474	-364
Settlements	-1	–	-1	–	–	–
Other	-2	–	-2	56	70	-14
Defined benefit obligation as of December 31	**14,607**	**9,455**	**5,152**	**16,514**	**9,058**	**7,456**

Foreign benefit obligations relate almost entirely to the benefit plans at E.ON Group companies in the United Kingdom (2011: €4,547 million; 2010: €6,867 million) and in Spain (2011: €415 million; 2010: €407 million). The portion of the entire benefit obligation allocated to post-employment health care benefits amounted to €15 million (2010: €15 million).

The reduction in foreign benefit obligations is due primarily to the disposal in 2011 of Central Networks; the disposal is shown in the table under "Changes in scope of consolidation."

Actuarial losses in 2011 are attributable in large part to the decrease in the discount rates used for the E.ON Group companies in Germany and in the United Kingdom. They were partly offset by a reduction in the salary increase rate affecting the German E.ON Group companies and by lower salary and pension increase rates determined for the E.ON Group companies in the United Kingdom.

The actuarial assumptions used to measure the defined benefit obligations at E.ON's German and U.K. subsidiaries as of the respective balance sheet date are as follows:

Actuarial Assumptions

	December 31, 2011		December 31, 2010	
Percentages	Germany	U.K.	Germany	U.K.
Discount rate	4.75	4.60	5.00	5.40
Salary increase rate	2.50	3.40	2.75	4.00
Pension increase rate[1]	2.00	2.80	2.00	3.30
Expected rate of return on plan assets	4.70	4.90	4.70	5.80

[1]The pension increase rate for Germany applies to eligible individuals not subject to a one-percent pension increase rate.

The net periodic pension cost is calculated for the E.ON Group companies in Germany and in the United Kingdom on the basis of the actuarial assumptions that were determined for the preceding balance sheet date:

Actuarial Assumptions

	2011		2010	
Percentages	Germany	U.K.	Germany	U.K.
Discount rate	5.00	5.40	5.50	5.70
Salary increase rate	2.75	4.00	2.75	4.00
Pension increase rate[1]	2.00	3.30	2.00	3.30
Expected rate of return on plan assets	4.70	5.80	4.70	6.10

[1]The pension increase rate for Germany applies to eligible individuals not subject to a one-percent pension increase rate.

In addition, there are pension funds in Germany for which an expected rate of return on plan assets of 4.50 percent (2010: 4.50 percent; 2009: 4.50 percent) is used as a basis for the respective subsequent fiscal year.

To measure the E.ON Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations.

Other company-specific actuarial assumptions, including employee fluctuation, have also been included in the computations.

The discount rate assumptions used by E.ON basically reflect the currency-specific rates available at the end of the respective fiscal year for high-quality fixed-rate corporate bonds with a duration corresponding to the average period to maturity of the respective pension benefit obligations.

At the E.ON Group, a uniform increase or decrease of 0.5 percentage points in the discount rates would change the present value of the defined benefit obligation by -€961 million and +€1,075 million, respectively, as of December 31, 2011.

Description of Plan Assets

Defined benefit pension plans in the Group's companies, be they within or outside of Germany, are mostly funded through the accumulation of plan assets in specially created pension vehicles that legally are distinct from the Company.

Under the Contractual Trust Arrangement (CTA) established for the German subsidiaries, plan assets totaling €6,257 million on December 31, 2011, (2010: €6,415 million) are administered by E.ON Pension Trust e.V. on a fiduciary basis. The remainder of the domestic plan assets in the amount of €269 million (2010: €283 million) is held primarily by pension funds in Germany.

The foreign plan assets, which totaled €4,833 million as of December 31, 2011 (2010: €6,565 million), are dedicated primarily to the funding of the pension plans at E.ON Group companies in the United Kingdom and in Spain. The plan assets of the E.ON Group companies in the U.K. are managed mostly by independent pension trusts and, as of December 31, 2011, amounted to €4,467 million (2010: €6,212 million). The assets covering E.ON's Spanish pension plans and totaling €325 million (2010: €312 million) consist almost entirely of qualifying insurance policies, which constitute plan assets under IAS 19. Because of the disposal of Central Networks in 2011, the foreign plan assets as of December 31, 2011, are reduced accordingly.

The changes in the fair value of the plan assets covering the benefit obligation for the defined benefit pension plans are shown in the following table:

Changes in Plan Assets

	2011			2010		
€ in millions	Total	Domestic	Foreign	Total	Domestic	Foreign
Fair value of plan assets as of January 1	13,263	6,698	6,565	13,205	6,779	6,426
Expected return on plan assets	581	314	267	673	313	360
Employer contributions	631	201	430	294	100	194
Employee contributions	2	–	2	4	–	4
Changes in scope of consolidation	-2,540	-6	-2,534	-507	–	-507
Actuarial gains/losses (-)	72	-212	284	221	-40	261
Exchange rate differences	70	–	70	179	–	179
Pensions paid	-719	-469	-250	-807	-454	-353
Settlements	-1	–	-1	–	–	–
Other	–	–	–	1	–	1
Fair value of plan assets as of December 31	**11,359**	**6,526**	**4,833**	**13,263**	**6,698**	**6,565**

The €0.6 billion (2010: €0.6 billion) in non-current securities and liquid funds administered by VKE are not included in the determination of the funded status as of December 31, 2011, since they do not constitute plan assets under IAS 19. These assets, the majority of which is dedicated to the coverage of benefit obligations toward employees of German E.ON Group companies, must additionally be taken into consideration for a complete evaluation of the funded status of the E.ON Group's benefit obligations.

A small portion of the plan assets consists of financial instruments of E.ON (2011: €0.7 billion; 2010: €0 billion). Because of the contractual structure, however, the share of plan assets attributable to E.ON's own financial instruments does not constitute an E.ON-specific risk to the CTA. The plan assets further include virtually no owner-occupied real estate or equity or additional debt instruments issued by E.ON Group companies.

The principal investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding pension plans.

To implement the investment objective, the E.ON Group generally pursues a liability-driven investment (LDI) approach that takes into account the structure of the benefit obligations. This long-term LDI strategy seeks to manage the funded status, with the result that any changes in the defined benefit obligation, especially those caused by fluctuating inflation and interest rates are, to a certain degree, covered by simultaneous corresponding changes in the fair value of plan assets. The LDI strategy may also involve the use of derivatives (for example, interest rate swaps and inflation swaps). In order to improve the funded status of the E.ON Group as a whole, a portion of the plan assets will also be invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments.

The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed under consideration of existing investment principles, the current level of financing of existing benefit obligations, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The expected long-term returns for the individual plan assets are derived from the portfolio structure targeted and from the expected long-term returns for the individual asset classes in the asset-liability studies.

Plan assets were invested in the asset classes shown in the following table as of the dates indicated:

Classification of Plan Assets

	December 31, 2011			December 31, 2010		
Percentages	Total	Domestic	Foreign	Total	Domestic	Foreign
Equity securities	11	13	8	16	13	18
Debt securities	64	65	63	66	70	62
Real estate	9	12	6	9	11	7
Other	16	10	23	9	6	13

Provisions for Pensions and Similar Obligations

The E.ON Group's recognized net obligation is derived from the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for unrecognized past service cost, and is determined as shown in the following table:

Derivation of the Provisions for Pensions and Similar Obligations

	December 31	
€ in millions	2011	2010
Defined benefit obligation—fully or partially funded by plan assets	14,128	16,080
Fair value of plan assets	-11,359	-13,263
Defined benefit obligation—unfunded plans	479	434
Funded status	**3,248**	**3,251**
Unrecognized past service cost	-9	-11
Net amount recognized	**3,239**	**3,240**
Operating receivables	*-6*	*-10*
Provisions for pensions and similar obligations	*3,245*	*3,250*

Taking into account periodic additions and pension payments, as well as the net actuarial losses in the present value of all defined benefit obligations and in the fair value of plan assets, including the provisions for pensions eliminated mainly through the disposal of Central Networks, the recognized net obligation remains virtually unchanged from its level on December 31, 2010.

Contributions and Pension Payments

In 2011, E.ON made employer contributions to plan assets totaling €631 million (2010: €294 million) to fund existing defined benefit obligations.

For 2012, it is expected that overall employer contributions to plan assets will amount to a total of €593 million and primarily involve the funding of new and existing benefit obligations, with an amount of €216 million attributable to foreign companies.

Pension payments to cover defined benefit obligations totaled €749 million in 2011 (2010: €838 million). Prospective pension payments under the defined benefit plans existing as of December 31, 2011, for the next ten years are shown in the following table:

Prospective Pension Payments

€ in millions	Total	Domestic	Foreign
2012	727	494	233
2013	741	505	236
2014	755	513	242
2015	770	519	251
2016	785	533	252
2017–2021	4,179	2,885	1,294
Total	**7,957**	**5,449**	**2,508**

Pension Cost

The net periodic pension cost for defined benefit pension plans included in the provisions for pensions and similar obligations as well as in operating receivables is shown in the table below:

Net Periodic Pension Cost

	2011			2010		
€ in millions	Total	Domestic	Foreign	Total	Domestic	Foreign
Employer service cost	239	157	82	241	147	94
Interest cost	724	440	284	840	446	394
Expected return on plan assets	-581	-314	-267	-673	-313	-360
Recognized past service cost	21	16	5	29	16	13
Total	**403**	**299**	**104**	**437**	**296**	**141**

Actuarial gains and losses are accrued and recognized in full. They are reported outside of the income statement as part of equity in the Statements of Recognized Income and Expenses.

The actual return on plan assets was a gain of €653 million in 2011 (2010: €894 million gain).

In addition to the total net periodic pension cost, an amount of €71 million in fixed contributions to external insurers or similar institutions was paid in 2011 (2010: €74 million) for pure defined contribution pension plans.

The total net periodic pension cost shown includes an amount of €0.8 million in 2011 (2010: €0.9 million) for health care benefits. A one-percentage-point increase or decrease in the assumed health care cost trend rate would affect the interest and service components and result in a change in net periodic pension cost of +€0.2 million or -€0.1 million (2010: +€0.2 million or -€0.1 million), respectively. The corresponding accumulated post-employment benefit obligation would change by +€2.4 million or -€1.9 million (2010: +€2.3 million or -€1.9 million), respectively.

The changes in actuarial gains and losses from defined benefit obligations and corresponding plan assets recognized in equity are shown in the following table:

Accumulated Actuarial Gains and Losses Recognized in Equity

€ in millions	2011	2010
Accumulated actuarial gains (+) and losses (-) recognized in equity as of January 1	-584	138
Recognition in equity of current-year actuarial gains (+) and losses (-)	-370	-722
Accumulated actuarial gains (+) and losses (-) recognized in equity as of December 31	**-954**	**-584**

In the years 2007 through 2011, the following experience adjustments were made to the present value of all defined benefit obligations and to the fair value of plan assets:

Experience Adjustments

	December 31				
Percentages	2011	2010	2009	2008	2007
Experience adjustments to the amount of the benefit obligation	0.17	-0.16	0.26	1.61	1.22
Experience adjustments to the value of plan assets	0.72	1.66	0.23	-9.01	-0.50

The experience adjustments reflect the effects on the benefit obligations and plan assets at the E.ON Group that result from differences between the actual changes in these amounts from the assumptions made with respect to these changes at the beginning of the fiscal year. In the measurement of the benefit obligations, these include in particular increases in salaries and pensions, employee fluctuation and biometric data such as death and disability.

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

€ in millions	December 31, 2011 Current	December 31, 2011 Non-current	December 31, 2010 Current	December 31, 2010 Non-current
Non-contractual nuclear waste management obligations	220	8,972	99	8,855
Contractual nuclear waste management obligations	404	5,669	365	4,959
Personnel obligations	779	1,479	633	780
Other asset retirement obligations	367	1,637	315	1,374
Supplier-related obligations	393	285	504	409
Customer-related obligations	699	280	656	327
Environmental remediation and similar obligations	42	924	76	797
Other	2,081	3,181	2,302	2,880
Total	**4,985**	**22,427**	**4,950**	**20,381**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2011	Exchange rate differences	Changes in scope of consolidation	Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2011
Non-contractual nuclear waste management obligations	8,954	6	–	442	29	-45	-302	–	108	9,192
Contractual nuclear waste management obligations	5,324	6	–	255	69	-276	302	–	393	6,073
Personnel obligations	1,413	–	-2	3	1,607	-681	–	-82	–	2,258
Other asset retirement obligations	1,689	11	-3	51	131	-18	2	-1	142	2,004
Supplier-related obligations	913	-17	–	13	315	-339	–	-207	–	678
Customer-related obligations	983	5	–	20	275	-213	9	-100	–	979
Environmental remediation and similar obligations	873	–	–	14	185	-51	–	-55	–	966
Other	5,182	6	45	31	1,907	-1,254	-15	-640	–	5,262
Total	**25,331**	**17**	**40**	**829**	**4,518**	**-2,877**	**-4**	**-1,085**	**643**	**27,412**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

As of December 31, 2011, the interest rates applied for the nuclear power segment, calculated on a country-specific basis, were 5.2 percent (2010: 5.2 percent) in Germany and 3.0 percent (2010: 3.0 percent) in Sweden. For the other provision items, the interest rates used ranged from 0.3 percent to 3.7 percent, depending on maturity (2010: 0.7 percent to 4.4 percent).

Provisions for Non-Contractual Nuclear Waste Management Obligations

Of the total of €9.2 billion in provisions based on German and Swedish nuclear power legislation, €8.1 billion is attributable to the operations in Germany and €1.1 billion is attributable to the Swedish operations. The provisions comprise all those nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies and cost estimates.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

The asset retirement obligations recognized for non-contractual nuclear obligations include the anticipated costs of run-out operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Additionally included in the disposal of spent nuclear fuel rods are costs for transports to the final storage facility and the cost of proper conditioning prior to final storage, including the necessary containers.

The decommissioning costs and the cost of disposal of spent nuclear fuel rods and low-level nuclear waste also respectively include the actual final storage costs. Final storage costs consist mainly of investment and operating costs for the planned final storage facilities Gorleben and Konrad based on Germany's ordinance on advance payments for the establishment of facilities for the safe custody and final storage of radioactive wastes in the country ("Endlagervorausleistungsverordnung") and on data from the German Federal Office for Radiation Protection ("Bundesamt für Strahlenschutz"). Advance payments remitted to the Bundesamt für Strahlenschutz in the amount of €884 million (2010: €839 million) have been deducted from the provisions. These payments are made each year based on the amount spent by the Bundesamt für Strahlenschutz on the construction of the final storage facilities Gorleben and Konrad.

The cost estimates used to determine the provision amounts are all based on studies performed by external specialists and are updated annually. The amendments to the German Nuclear Energy Act of August 6, 2011, were taken into account in the measurement of the provisions in Germany.

Changes in estimates increased provisions in 2011 by €108 million, and reclassifications to provisions for contractual waste management obligations reduced provisions by €302 million, at the German operations. There were no changes in estimates affecting provisions at the Swedish operations in 2011.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Non-Contractual Nuclear Waste Management Obligations

	December 31, 2011		December 31, 2010	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	6,483	374	6,055	347
Disposal of nuclear fuel rods and operational waste	2,491	728	2,674	717
Advance payments	884	–	839	–
Total	**8,090**	**1,102**	**7,890**	**1,064**

Provisions for Contractual Nuclear Waste Management Obligations

Of the total of €6.1 billion in provisions based on German and Swedish nuclear power legislation, €5.1 billion is attributable to the operations in Germany and €1.0 billion is attributable to the Swedish operations. The provisions comprise all those contractual nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are measured at amounts firmly specified in legally binding civil agreements.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

Advance payments made to other waste management companies in the amount of €44 million (2010: €21 million) have been deducted from the provisions attributed to Germany. The advance payments relate to the delivery of interim storage containers.

Concerning the disposal of spent nuclear fuel rods, the obligations recognized in the provisions comprise the contractual costs of finalizing reprocessing and the associated return of waste with subsequent interim storage at Gorleben and Ahaus, as well as costs incurred for interim on-site storage, including the necessary interim storage containers, arising from the "direct permanent storage" path. The provisions also include the contractual costs of decommissioning and the conditioning of low-level radioactive waste.

Changes in estimates increased provisions in 2011 by €353 million, and reclassifications to provisions for non-contractual waste management obligations increased provisions by €302 million, at the German operations. The Swedish operations recorded an increase in provisions of €40 million as a result of changes in estimates.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Contractual Nuclear Waste Management Obligations

	December 31, 2011		December 31, 2010	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	2,995	342	2,365	317
Disposal of nuclear fuel rods and operational waste	2,104	676	1,997	666
Advance payments	44	–	21	–
Total	**5,055**	**1,018**	**4,341**	**983**

Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations and other deferred personnel costs. Since 2011, this item also includes provisions for restructuring in the context of the E.ON 2.0 program. These relate primarily to obligations under early-retirement agreements and severance payments.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, that are based on legally binding civil agreements and public regulations. Also reported here are provisions for environmental improvements at opencast mining and gas storage facilities and the dismantling of installed infrastructure.

Supplier-Related Obligations

Provisions for supplier-related obligations consist of provisions for potential losses on open purchase contracts, among others.

Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on open sales contracts and of provisions for rebates.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures and to the rehabilitation of contaminated sites. Also included here are provisions for other environmental improvement measures and for land reclamation obligations at mining sites.

Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes, as well as for a variety of potential settlement obligations.

(26) Liabilities

The following table provides a breakdown of liabilities as of the dates indicated:

Liabilities						
	December 31, 2011			December 31, 2010		
€ in millions	Current	Non-current	Total	Current	Non-current	Total
Financial liabilities	**5,885**	**24,029**	**29,914**	**3,611**	**28,880**	**32,491**
Trade payables	4,871	–	4,871	5,016	–	5,016
Capital expenditure grants	469	241	710	486	253	739
Construction grants from energy consumers	419	2,438	2,857	337	2,603	2,940
Liabilities from derivatives	9,140	2,417	11,557	7,214	1,647	8,861
Advance payments	363	371	734	469	417	886
Other operating liabilities	15,467	1,590	17,057	12,835	1,586	14,421
Trade payables and other operating liabilities	**30,729**	**7,057**	**37,786**	**26,357**	**6,506**	**32,863**
Total	**36,614**	**31,086**	**67,700**	**29,968**	**35,386**	**65,354**

Financial Liabilities

The following is a description of the E.ON Group's significant credit arrangements and debt issuance programs. Included under "Bonds" are the bonds currently outstanding, including those issued under the Debt Issuance Program.

Group Management

Covenants

The financing activities of E.ON AG and E.ON International Finance B.V. ("EIF"), Rotterdam, The Netherlands, involve the use of covenants consisting primarily of change-of-control clauses, negative pledges, pari-passu clauses and cross-default clauses, each referring to a restricted set of significant circumstances. Financial covenants (that is, covenants linked to financial ratios) are not employed.

€35 Billion Debt Issuance Program

E.ON AG and EIF have in place a Debt Issuance Program enabling the issuance from time to time of debt instruments through public and private placements to investors. The total amount available under the program is €35 billion. The program was extended in April 2011 for another year as planned.

At year-end 2011, the following EIF bonds were outstanding:

Major Bond Issues of E.ON International Finance B.V.[1]

Volume in the respective currency	Initial term	Repayment	Coupon
GBP 500 million	10 years	May 2012	6.375%
USD 300 million	3 years	June 2012	3.125%
CHF 250 million[2]	4 years	Sep 2012	3.250%
EUR 1,200 million[3]	5 years	Oct 2012	5.125%
CHF 250 million	4 years	Dec 2012	3.875%
EUR 565 million[4]	4 years	Mar 2013	4.125%
EUR 1,080 million[5]	5 years	May 2013	5.125%
CHF 300 million	5 years	May 2013	3.625%
GBP 250 million[6]	5 years	Jan 2014	5.125%
EUR 1,426 million[7]	5 years	Jan 2014	4.875%
CHF 525 million[8]	5 years	Feb 2014	3.375%
EUR 786 million[9]	6 years	June 2014	5.250%
CHF 225 million	7 years	Dec 2014	3.250%
EUR 1,250 million	7 years	Sep 2015	5.250%
EUR 1,500 million	7 years	Jan 2016	5.500%
EUR 900 million	15 years	May 2017	6.375%
EUR 2,375 million[10]	10 years	Oct 2017	5.500%
USD 2,000 million[11]	10 years	Apr 2018	5.800%
GBP 850 million[12]	12 years	Oct 2019	6.000%
EUR 1,400 million[13]	12 years	May 2020	5.750%
GBP 975 million[14]	30 years	June 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[11]	30 years	Apr 2038	6.650%
GBP 700 million	30 years	Jan 2039	6.750%

[1]Listing: All bonds are listed in Luxembourg with the exception of the CHF-denominated bonds, which are listed on the SWX Swiss Exchange, and the two Rule 144A/Regulation S USD bonds, which are unlisted.
[2]The volume of this issue was raised from originally CHF 200 million to CHF 250 million.
[3]After early redemption, the volume of this issue was lowered from originally EUR 1,750 million to approx. EUR 1,200 million.
[4]After early redemption, the volume of this issue was lowered from originally EUR 750 million to approx. EUR 565 million.
[5]After early redemption, the volume of this issue was lowered from originally EUR 1,500 million to approx. EUR 1,080 million.
[6]After early redemption, the volume of this issue was lowered from originally GBP 350 million to approx. GBP 250 million.
[7]After early redemption, the volume of this issue was lowered from originally EUR 1,750 million to approx. EUR 1,426 million.
[8]The volume of this issue was raised from originally CHF 400 million to CHF 525 million.
[9]After early redemption, the volume of this issue was lowered from originally EUR 1,000 million to approx. EUR 786 million.
[10]The volume of this issue was raised in two steps from originally EUR 1,750 million to EUR 2,375 million.
[11]Rule 144A/Regulation S bond.
[12]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[13]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[14]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2011, were private placements with a total volume of approximately €1.6 billion, as well as promissory notes with a total volume of approximately €0.8 billion.

€10 Billion and $10 Billion Commercial Paper Programs

The euro commercial paper program in the amount of €10 billion allows E.ON AG and EIF (under the unconditional guarantee of E.ON AG) to issue from time to time commercial paper with maturities of up to two years less one day to investors.

The U.S. commercial paper program in the amount of $10 billion allows E.ON AG and E.ON N.A. Funding LLC, a wholly owned U.S. subsidiary, (under the unconditional guarantee of E.ON AG) to issue from time to time commercial paper with maturities of up to 366 days and extendible notes with original maturities of up to 397 days (and a subsequent extension option for the investor) to investors. As of December 31, 2011, €869 million (2010: €0 million) was outstanding under the euro commercial paper program. No commercial paper was outstanding under the U.S. commercial paper program, as in the previous year.

€6 Billion Syndicated Revolving Credit Facility

Effective November 25, 2010, E.ON has arranged a syndicated revolving credit facility of €6 billion over a term of five years. The facility has not been drawn on; rather, it serves as the Group's long-term liquidity reserve, one purpose of which is to function as a backup facility for the commercial paper programs.

As of December 31, 2011, the bonds issued by E.ON AG and EIF had the maturities shown in the table below. The figures presented are based on internal liquidity-management data.

Bonds Issued by E.ON AG and E.ON International Finance B.V.

€ in millions	Total	Due in 2011	Due in 2012	Due in 2013	Due in 2014	Due in 2015	Due between 2016 and 2022	Due after 2022
December 31, 2011	23,154	–	2,554	2,255	3,343	1,250	9,146	4,606
December 31, 2010	26,750	2,113	3,067	2,833	3,954	1,250	9,060	4,473

Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	Generation		Renewables		Gas	
€ in millions	2011	2010	2011	2010	2011	2010
Bonds	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Bank loans/Liabilities to banks	109	123	6	23	–	–
Liabilities from finance leases	43	44	–	–	573	339
Other financial liabilities	1,125	1,082	354	273	119	117
Financial liabilities	**1,277**	**1,249**	**360**	**296**	**692**	**456**

Among other things, financial liabilities to financial institutions include collateral received, measured at a fair value of €435 million (2010: €313 million). This collateral relates to amounts pledged by banks to limit the utilization of credit lines in connection with the fair value measurement of derivative transactions. The other financial liabilities include promissory notes in the amount of €839 million (2010: €1,406 million). Additionally included in this line item are margin deposits received in connection with forward transactions on futures exchanges in the amount of €51 million (2010: €21 million), as well as collateral received in connection with goods and services in the amount of €20 million (2010: €7 million). E.ON can use this collateral without restriction.

Trade Payables and Other Operating Liabilities

Trade payables totaled €4,871 million as of December 31, 2011 (2010: €5,016 million).

Capital expenditure grants of €710 million (2010: €739 million) were paid primarily by customers for capital expenditures made on their behalf, while E.ON retains ownership of the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

Trading		Germany		Other EU Countries		Group Management/ Consolidation		E.ON Group	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
–	–	–	–	281	850	23,075	26,650	23,356	27,500
–	–	–	–	–	–	869	–	869	–
6	–	263	310	359	222	446	363	1,189	1,041
–	–	69	63	–	2	93	–	778	448
51	4	171	195	67	65	1,835	1,766	3,722	3,502
57	**4**	**503**	**568**	**707**	**1,139**	**26,318**	**28,779**	**29,914**	**32,491**

Construction grants of €2,857 million (2010: €2,940 million) were paid by customers for the cost of new gas and electricity connections in accordance with the generally binding terms governing such new connections. These grants are customary in the industry, generally non-refundable and recognized as revenue according to the useful lives of the related assets.

Other operating liabilities consist primarily of accruals in the amount of €12,166 million (2010: €9,080 million) and interest payable in the amount of €991 million (2010: €1,045 million). Also included in other operating liabilities are the counterparty obligations to acquire additional shares in already consolidated subsidiaries and non-controlling interests in fully consolidated partnerships totaling €821 million (2010: €829 million), which are carried forward.

Exploration activities accounted for €11 million (2010: €17 million) of the trade payables and other operating liabilities reported.

(27) Contingencies and Other Financial Obligations

As part of its business activities, E.ON is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims (as discussed in more detail in Note 28), short- and long-term contractual, legal and other obligations and commitments.

Contingencies

The fair value of the E.ON Group's contingent liabilities arising from existing contingencies was €195 million as of December 31, 2011 (2010: €252 million). E.ON currently does not have reimbursement rights relating to the contingent liabilities disclosed.

E.ON has issued direct and indirect guarantees to third parties, which require E.ON to make contingent payments based on the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or an equity instrument of the guaranteed party, on behalf of both related parties and external entities. These consist primarily of financial guarantees and warranties.

In addition, E.ON has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Group companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases, obligations are covered in the first instance by provisions of the disposed companies before E.ON itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON AG (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, E.ON has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

The guarantees of E.ON also include items related to the operation of nuclear power plants. With the entry into force of the German Nuclear Energy Act ("Atomgesetz" or "AtG"), as amended, and of the ordinance regulating the provision for coverage under the Atomgesetz ("Atomrechtliche Deckungsvorsorge-Verordnung" or "AtDeckV") of April 27, 2002, as amended, German nuclear power plant operators are required to provide nuclear accident liability coverage of up to €2.5 billion per incident.

The coverage requirement is satisfied in part by a standardized insurance facility in the amount of €255.6 million. The institution Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR") now only covers costs between €0.5 million and €15 million for claims related to officially ordered evacuation measures. Group companies have agreed to place their subsidiaries operating nuclear power plants in a position to maintain a level of liquidity that will enable them at all times to meet their obligations as members of the Nuklear Haftpflicht GbR, in proportion to their shareholdings in nuclear power plants.

To provide liability coverage for the additional €2,244.4 million per incident required by the above-mentioned amendments, E.ON Energie AG ("E.ON Energie") and the other parent companies of German nuclear power plant operators reached a Solidarity Agreement ("Solidarvereinbarung") on July 11, July 27, August 21, and August 28, 2001, extended by agreement dated March 25, April 18, April 28, and June 1, 2011. If an accident occurs, the Solidarity Agreement calls for the nuclear power plant operator liable for the damages to receive—after the operator's own resources and those of its parent companies are exhausted—financing sufficient for the operator to meet its financial obligations. Under the Solidarity Agreement, E.ON Energie's share of the liability coverage on December 31, 2011, remained unchanged from 2010 at 42.0 percent plus an additional 5.0 percent charge for the administrative costs of processing damage claims. Sufficient liquidity has been provided for within the liquidity plan.

In accordance with Swedish law, the companies of the Swedish generation unit and their parent company have issued guarantees to governmental authorities. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the companies of the Swedish generation unit and their parent company are also responsible for any costs related to the disposal of low-level radioactive waste.

In Sweden, owners of nuclear facilities are liable for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. The liability per incident as of December 31, 2011, was limited to SEK 3,189 million, or €358 million (2010: SEK 3,143 million, or €351 million). This amount must be insured according to the Law Concerning Nuclear Liability. The necessary insurance for the affected nuclear power plants has been purchased. On July 1, 2010, the Swedish Parliament passed a law that requires the operator of a nuclear power plant in operation to have liability insurance or other financial security in an amount equivalent to €1.2 billion per facility. As of December 31, 2011, the conditions enabling this law to take effect were not yet in place.

The Generation global unit operates nuclear power plants only in Germany and Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to the reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties and related parties, or on the basis of legal requirements.

As of December 31, 2011, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €8.3 billion (2010: €7.4 billion). Of these commitments, €3.2 billion are due within one year. This total mainly includes financial obligations for as yet outstanding investments in connection with new power plant construction projects and modernizations of existing generation assets, as well as with exploration and gas infrastructure projects, particularly at the Generation, Renewables, Gas, Germany, Russia and Sweden units. On December 31, 2011, the obligations for new power plant construction reported under these purchase commitments totaled €4.0 billion. They also include the obligations relating to the construction of wind power plants.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

E.ON as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	2011	2010
Due within 1 year	264	243
Due in 1 to 5 years	818	579
Due in more than 5 years	1,093	940
Total	**2,175**	**1,762**

The expenses reported in the income statement for such contracts amounted to €273 million (2010: €263 million). Furthermore, a lease-leaseback arrangement for power plants has resulted in cash flows, which are financed by restricted, offsetting investments totaling approximately €0.5 billion (2010: €0.4 billion) that are congruent in terms of amounts, maturities and currencies. The arrangement expires in 2030.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2011, relate primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. Financial obligations under these purchase contracts amounted to approximately €325.6 billion on December 31, 2011 (€22.7 billion due within one year).

Gas is usually procured on the basis of long-term purchase contracts with large international producers of natural gas. Such contracts are generally of a "take-or-pay" nature. The prices paid for natural gas are normally tied to the prices of competing energy sources, as dictated by market conditions. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly. In the absence of an agreement on a pricing review, a neutral board of arbitration makes a final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Furthermore, the take-or-pay conditions in the individual contracts are also considered in the calculations.

As of December 31, 2011, €7.7 billion in contractual obligations (€3.4 billion due within one year) are in place for the purchase of electricity; these relate in part to purchases from jointly operated power plants in the Generation unit. The purchase price of electricity from jointly operated power plants is generally based on the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital. The decrease in contractual obligations for the purchase of electricity compared with December 31, 2010, is primarily the result of the shutdown of several jointly operated power plants.

Other purchase commitments as of December 31, 2011, amounted to approximately €3.2 billion (€0.3 billion due within one year). In addition to purchase commitments primarily for heat and alternative fuels, there are long-term contractual obligations in place at the Generation unit for the purchase of nuclear fuel elements and of services relating to the interim and final storage of nuclear fuel elements.

Payment obligations had also arisen from the eleventh amendment of the Atomgesetz, which took effect on December 14, 2010, and provided for the allocation of additional output for nuclear power plants. The law as amended was to have the effect of prolonging the lives of these nuclear installations. In that context, the operators of nuclear power plants had made an undertaking to contribute to a fund that would have been used to finance measures to implement the German federal government's energy concept. The underlying agreement with the Federal Republic of Germany was signed on January 10, 2011. Once the thirteenth amendment of the Atomgesetz takes effect, the support fund agreement will no longer constitute a basis for additional payments.

Further financial obligations in place as of December 31, 2011, totaled approximately €4.6 billion (€1.7 billion due within one year). Among others, they include financial obligations from services to be procured, obligations concerning the acquisition of shares and the acquisition of real estate funds held as financial assets, as well as corporate actions.

(28) Litigation and Claims

A number of different court actions (including product liability claims and allegations of price fixing), governmental investigations and proceedings, and other claims are currently pending or may be instituted or asserted in the future against companies of the E.ON Group. This in particular includes legal actions and proceedings concerning alleged price-fixing agreements and anticompetitive practices. In addition, there are lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000.

The entire sector is involved in a multitude of court proceedings throughout Germany in the matter of price-adjustment clauses in the retail electricity and gas supply business with high-volume customers. These proceedings include actions for the restitution of amounts collected through price increases imposed using price-adjustment clauses determined to be invalid. The legal issues involved have not yet been definitively addressed at the highest judicial level. Companies of the E.ON Group are also involved in legal proceedings in this area.

The courts have shown a noticeable sector-wide tendency to rule against the utilities. This is illustrated by a judgment of the Federal Court of Justice ("Bundesgerichtshof") against EWE AG in July 2010 concerning the validity of gas price adjustments and the legal status of unconditional remittances. The potential effect of this ruling on the companies of the E.ON Group cannot yet be evaluated definitively. It remains to be seen how case law will develop in other respects.

On July 8, 2009, the European Commission imposed a fine of €553 million on E.ON Ruhrgas for joint liability in alleged market-sharing activities with GdF Suez. E.ON Ruhrgas and E.ON filed an appeal against the Commission's decision with the General Court of the European Union in September 2009. The appeal does not have suspensory effect, and the fine was thus paid when due in October 2009. Further proceedings in this matter cannot be ruled out.

Competition in the gas market and increasing trading volumes at virtual trading points and on gas exchanges could result in considerable risks for gas quantities purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are predominantly linked to the price of oil, whereas sales prices are guided by wholesale prices. In general, contracts between producers and importers are subject to periodic adjustments in line with current market conditions. E.ON Ruhrgas conducts intensive negotiations with producers. The negotiations with Gazprom have been unsuccessful thus far, and E.ON Ruhrgas has availed of its right under the existing contracts to initiate arbitration proceedings against Gazprom.

In September 2011, the European Commission conducted additional inspections at several gas utilities in Central and Eastern Europe, some of which are E.ON Group companies. The Commission is investigating potential anticompetitive practices by Gazprom, possibly acting in concert with other companies. The Commission makes note that such inspections do not indicate the existence of definitive proof of anticompetitive behavior.

Because litigation and claims are subject to numerous uncertainties, their outcome cannot be ascertained; however, in the opinion of management, any potential obligations arising from these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

(29) Supplemental Disclosures of Cash Flow Information

Supplemental Disclosures of Cash Flow Information		
€ in millions	2011	2010
Non-cash investing and financing activities		
Exchanges in corporate transactions	35	172
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	164	-

The total consideration received by E.ON in 2011 for the disposal of consolidated equity interests and activities generated cash inflows of €4,597 million (2010: €6,225 million). Cash and cash equivalents divested in connection with the disposals amounted to €25 million (2010: €461 million). The sale of these activities led to reductions of €6,139 million (2010: €9,397 million) in assets and €2,279 million (2010: €3,401 million) in provisions and liabilities.

The purchase prices paid for subsidiaries totaled €16 million. The acquisitions included cash in the amount of €4 million. Aside from the cash there were no significant acquisitions of assets, provisions or liabilities. No significant cash acquisitions of consolidated equity investments and activities took place in 2010.

Cash provided by operating activities of the E.ON Group was 38 percent lower in 2011 than in 2010. The decrease is primarily due to cash effects associated with the reduction in EBITDA, a negative non-recurring effect due to the supplemental funding of pension plan assets, especially in the United Kingdom, higher interest payments and negative effects in working capital. Working capital was diminished in particular by reduced subsidies for new wind farms in the United States as a consequence of fewer commissions, by portfolio effects and by changes in working capital at the Trading and Gas global units and in the regional businesses. The effects were partly offset by lower tax payments.

Spending on intangible assets, on property, plant and equipment and on equity investments was approximately 21 percent lower than in the previous year. The amount of cash received from the disposal of equity investments was about 39 percent below the extremely high proceeds obtained in 2010. Cash provided by investing activities in 2011 came primarily from the disposal of Central Networks in the United Kingdom and from the sale of the Gazprom shares. The commitments of funds for securities, financial receivables and fixed-term deposits were also substantially higher than in 2010. Aside from the dividend payments, the cash flows from financing activities primarily reflect the net repayment of borrowings.

Exploration activity resulted in operating cash flow of -€5 million (2010: -€70 million) and in cash flow from investing activities of -€50 million (2010: -€114 million).

(30) Derivative Financial Instruments and Hedging Transactions

Strategy and Objectives

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, planned transactions, or legally binding rights or obligations. Proprietary trading activities are concentrated on E.ON Energy Trading and are conducted within the confines of the risk management guidelines described below.

Hedge accounting in accordance with IAS 39 is employed primarily for interest rate derivatives used to hedge long-term debts, as well as for currency derivatives used to hedge net investments in foreign operations, long-term receivables and debts denominated in foreign currency, as well as planned capital investments. In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

Fair Value Hedges

Fair value hedges are used to protect against the risk from changes in market values. Gains and losses on these hedges are generally reported in that line item of the income statement which also includes the respective hedged items. In 2010, an equity interest was hedged against fluctuating market prices using forward transactions. The unrealized loss on the forwards used to hedge the value of this equity interest amounted to €115 million in 2010. This corresponded to the fair value of the forwards. The gain on the hedged shares as regards market price fluctuations amounted to €107 million. The aforementioned fair value hedge expired in 2010.

Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Interest rate swaps, cross-currency interest rate swaps and interest rate options are the principal instruments used to limit interest rate and currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing receivables and liabilities and from capital investments denominated in foreign currency and euro by using cash flow hedge accounting in the functional currency of the respective E.ON company.

In order to reduce future cash flow fluctuations arising from electricity transactions effected at variable spot prices, futures contracts are concluded and also accounted for using cash flow hedge accounting.

As of December 31, 2011, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 27 years (2010: up to 28 years) and up to five years (2010: up to six years) for interest cash flow hedges. Commodity cash flow hedges have maturities of up to three years (2010: up to three years).

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2011, produced a gain of €4 million (2010: €6 million loss).

Pursuant to the information available as of the balance sheet date, the following effects will accompany the reclassifications from accumulated other comprehensive income to the income statement in subsequent periods:

Timing of Reclassifications from OCI[1] to the Income Statement—2011

€ in millions	Carrying amount	Expected gains/losses 2012	2013	2014–2016	>2016
OCI—Currency cash flow hedges	157	1	5	8	-171
OCI—Interest cash flow hedges	-71	1	–	9	61
OCI—Commodity cash flow hedges	-23	11	1	11	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Timing of Reclassifications from OCI[1] to the Income Statement—2010

€ in millions	Carrying amount	Expected gains/losses 2011	2012	2013–2015	>2015
OCI—Currency cash flow hedges	-133	8	8	20	97
OCI—Interest cash flow hedges	40	-2	1	17	-56
OCI—Commodity cash flow hedges	-12	5	7	–	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. Interest cash flow hedges are reported under "Interest and similar expenses." The fair values of the derivatives used in cash flow hedges totaled €134 million (2010: €242 million).

A loss of €63 million (2010: €204 million loss) was posted to other comprehensive income in 2011. In the same period, a gain of €108 million (2010: €203 million gain) was reclassified from OCI to the income statement.

Net Investment Hedges

The Company uses foreign currency loans, foreign currency forwards and foreign currency swaps to protect the value of its net investments in its foreign operations denominated in foreign currency. For the year ended December 31, 2011, the Company recorded an amount of -€63 million (2010: €558 million) in accumulated other comprehensive income due to changes in fair value of derivatives and to currency translation results of non-derivative hedging instruments. As in 2010, no ineffectiveness resulted from net investment hedges in 2011.

Valuation of Derivative Instruments

The fair value of derivative instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. Fair values for each derivative financial instrument are determined as being equal to the price at which one party would assume the rights and duties of another party, and calculated using common market valuation methods with reference to available market data as of the balance sheet date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas, oil and coal forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for interest rate, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair values of caps, floors and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income is recognized in income at the date of payment or accrual.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking into consideration any timing components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical ten-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €212 million or an increase of €44 million, respectively.

At the beginning of 2011, a gain of €112 million from the initial measurement of derivatives was deferred. After the realization of €7 million in deferred gains and new additions of €3 million, the remainder is a deferred gain of €122 million at year-end, which will be recognized in income during subsequent periods as the contracts are settled.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used.

Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

€ in millions	December 31, 2011 Nominal value	December 31, 2011 Fair value	December 31, 2010 Nominal value	December 31, 2010 Fair value
FX forward transactions	25,865.2	366.7	31,116.2	-87.4
Subtotal	**25,865.2**	**366.7**	**31,116.2**	**-87.4**
Cross-currency swaps	15,344.5	489.2	17,924.1	274.4
Cross-currency interest rate swaps	211.4	99.2	211.4	75.8
Subtotal	**15,555.9**	**588.4**	**18,135.5**	**350.2**
Interest rate swaps				
Fixed-rate payer	*2,318.1*	*-359.7*	*2,468.0*	*-128.9*
Fixed-rate receiver	*1,284.8*	*153.9*	*1,115.8*	*110.8*
Interest rate future	34.5	-0.6	133.8	1.4
Interest rate options	2,000.0	-61.5	2,000.0	71.3
Subtotal	**5,637.4**	**-267.9**	**5,717.6**	**54.6**
Other derivatives	9.1	2.2	1,083.0	-180.0
Subtotal	**9.1**	**2.2**	**1,083.0**	**-180.0**
Total	**47,067.6**	**689.4**	**56,052.3**	**137.4**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

€ in millions	December 31, 2011 Nominal value	December 31, 2011 Fair value	December 31, 2010 Nominal value	December 31, 2010 Fair value
Electricity forwards	77,818.5	-301.4	65,052.8	763.6
Exchange-traded electricity forwards	9,700.3	-5.6	11,411.0	-681.9
Electricity swaps	3,333.1	32.7	5,853.4	-52.9
Exchange-traded electricity options	270.4	27.8	44.7	18.9
Coal forwards and swaps	10,930.3	-18.5	8,316.2	300.7
Exchange-traded coal forwards	11,589.6	-63.8	8,830.7	36.0
Oil derivatives	11,203.0	13.3	13,700.9	175.2
Exchange-traded oil derivatives	–	–	40.8	35.7
Gas forwards	45,231.1	125.1	28,070.8	938.5
Gas swaps	601.5	25.4	5,074.0	11.4
Gas options	199.3	13.9	864.1	31.4
Exchange-traded gas forwards	21,948.2	57.4	1,585.2	51.0
Emissions-related derivatives	147.8	0.3	424.4	-0.4
Exchange-traded emissions-related derivatives	6,121.9	-451.7	4,811.9	2.4
Other derivatives	59.9	63.5	68.8	7.4
Other exchange-traded derivatives	–	–	46.6	-0.4
Total	**199,154.9**	**-481.6**	**154,196.3**	**1,636.6**

(31) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2011

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	1,908	1,908	AfS	1,908	159	188
Financial receivables and other financial assets	5,408	5,382		5,667	–	–
Receivables from finance leases	*1,051*	*1,051*	*n/a*	*1,051*	–	–
Other financial receivables and financial assets	*4,357*	*4,331*	*LaR*	*4,616*	–	–
Trade receivables and other operating assets	34,556	31,584		31,584	2,946	8,564
Trade receivables	*18,065*	*18,065*	*LaR*	*18,065*		
Derivatives with no hedging relationships	*10,874*	*10,874*	*HfT*	*10,874*	*2,946*	*7,674*
Derivatives with hedging relationships	*890*	*890*	*n/a*	*890*	–	*890*
Other operating assets	*4,727*	*1,755*	*LaR*	*1,755*	–	–
Securities and fixed-term deposits	7,983	7,983	AfS	7,983	6,438	1,545
Cash and cash equivalents	3,852	3,852	AfS	3,852	3,747	105
Restricted cash	89	89	AfS	89	82	7
Assets held for sale	620	308	AfS	308	30	278
Total assets	**54,416**	**51,106**		**51,391**	**13,402**	**10,687**
Financial liabilities	29,914	29,854		34,736	–	–
Bonds	*23,356*	*23,356*	*AmC*	*28,026*	–	–
Commercial paper	*869*	*869*	*AmC*	*869*	–	–
Bank loans/Liabilities to banks	*1,189*	*1,189*	*AmC*	*1,189*	–	–
Liabilities from finance leases	*778*	*778*	*n/a*	*979*	–	–
Other financial liabilities	*3,722*	*3,662*	*AmC*	*3,673*	–	–
Trade payables and other operating liabilities	37,786	31,477		31,477	3,592	7,361
Trade payables	*4,871*	*4,871*	*AmC*	*4,871*	–	–
Derivatives with no hedging relationships	*10,841*	*10,841*	*HfT*	*10,841*	*3,592*	*6,645*
Derivatives with hedging relationships	*716*	*716*	*n/a*	*716*	–	*716*
Put option liabilities under IAS 32	*821*	*821*	*AmC*	*821*	–	–
Other operating liabilities	*20,537*	*14,228*	*AmC*	*14,228*	–	–
Total liabilities	**67,700**	**61,331**		**66,213**	**3,592**	**7,361**

[1] AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 1. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.

The carrying amounts of cash and cash equivalents and of trade receivables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This applies in particular to equities held and to bonds held and issued.

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2010

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	2,201	2,201	AfS	2,201	182	239
Financial receivables and other financial assets	5,031	5,008		5,262	-	-
Receivables from finance leases	*958*	*958*	*n/a*	*962*	-	-
Other financial receivables and financial assets	*4,073*	*4,050*	*LaR*	*4,300*	-	-
Trade receivables and other operating assets	31,514	28,451		28,451	602	9,127
Trade receivables	*15,819*	*15,819*	*LaR*	*15,819*	-	-
Derivatives with no hedging relationships	*9,524*	*9,524*	*HfT*	*9,524*	*602*	*8,016*
Derivatives with hedging relationships	*1,111*	*1,111*	*n/a*	*1,111*	-	*1,111*
Other operating assets	*5,060*	*1,997*	*LaR*	*1,997*	-	-
Securities and fixed-term deposits	5,600	5,600	AfS	5,600	4,967	633
Cash and cash equivalents	6,143	6,143	AfS	6,143	6,108	35
Restricted cash	433	433	AfS	433	392	41
Assets held for sale	2,043	1,582	AfS	1,582	895	687
Total assets	**52,965**	**49,418**		**49,672**	**13,146**	**10,762**
Financial liabilities	32,491	32,456		35,827	-	-
Bonds	*27,500*	*27,500*	*AmC*	*30,768*	-	-
Commercial paper	-	-	*AmC*	-	-	-
Bank loans/Liabilities to banks	*1,041*	*1,041*	*AmC*	*1,041*	-	-
Liabilities from finance leases	*448*	*448*	*n/a*	*530*	-	-
Other financial liabilities	*3,502*	*3,467*	*AmC*	*3,488*	-	-
Trade payables and other operating liabilities	32,863	25,904		25,904	1,117	7,381
Trade payables	*5,016*	*5,016*	*AmC*	*5,016*	-	-
Derivatives with no hedging relationships	*8,075*	*8,075*	*HfT*	*8,075*	*1,117*	*6,595*
Derivatives with hedging relationships	*786*	*786*	*n/a*	*786*	-	*786*
Put option liabilities under IAS 32	*829*	*829*	*AmC*	*829*	-	-
Other operating liabilities	*18,157*	*11,198*	*AmC*	*11,198*	-	-
Total liabilities	**65,354**	**58,360**		**61,731**	**1,117**	**7,381**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 1. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.

The fair value of shareholdings in unlisted companies and of debt instruments that are not actively traded, such as loans received, loans granted and financial liabilities, is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied in the case of shareholdings with a carrying amount of €12 million (2010: €26 million) as cash flows could not be determined reliably for them. Fair values could not be derived on the basis of comparable transactions. The shareholdings are not material by comparison with the overall position of the Group.

The carrying amount of commercial paper, borrowings under revolving short-term credit facilities and trade payables is used as the fair value due to the short maturities of these items.

The determination of the fair value of derivative financial instruments is discussed in Note 30. Additional shareholdings in the amount of €29 million were reported within Level 3 of the fair value hierarchy in 2011 as a result of new valuation techniques. At the same time, derivative financial instruments in the amount of €13 million were reclassified out of this level on the basis of reliable market data. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

€ in millions	Jan. 1, 2011	Purchases (including additions)	Sales (including disposals)	Settle-ments	Gains/ Losses in income state-ment	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	Dec. 31, 2011
Equity investments	1,780	40	-19	-1	-44	29	–	-224	1,561
Derivative financial instruments	543	–	-254	-15	-611	–	-13	–	-350
Total	**2,323**	**40**	**-273**	**-16**	**-655**	**29**	**-13**	**-224**	**1,211**

The following two tables illustrate the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

Cash Flow Analysis as of December 31, 2011

€ in millions	Cash outflows 2012	Cash outflows 2013	Cash outflows 2014–2016	Cash outflows from 2017
Bonds	3,913	3,350	8,750	17,976
Commercial paper	870	–	–	–
Bank loans/Liabilities to banks	758	57	287	153
Liabilities from finance leases	110	91	236	1,336
Other financial liabilities	1,653	282	712	1,236
Financial guarantees	1,542	–	–	–
Cash outflows for financial liabilities	**8,846**	**3,780**	**9,985**	**20,701**
Trade payables	4,748	–	–	–
Derivatives (with/without hedging relationships)	44,822	13,104	3,214	240
Put option liabilities under IAS 32	265	31	163	362
Other operating liabilities	13,984	34	28	186
Cash outflows for trade payables and other operating liabilities	**63,819**	**13,169**	**3,405**	**788**
Cash outflows for liabilities within the scope of IFRS 7	**72,665**	**16,949**	**13,390**	**21,489**

Financial guarantees with a total nominal volume of €1,542 million (2010: €1,219 million) were issued to companies outside of the Group. This amount is the maximum amount that E.ON would have to pay in the event of claims on the guarantees; a book value of €64 million (2010: €59 million) has been recognized.

Cash Flow Analysis as of December 31, 2010

€ in millions	Cash outflows 2011	Cash outflows 2012	Cash outflows 2013–2015	Cash outflows from 2016
Bonds	3,722	4,540	10,983	21,662
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	537	59	242	287
Liabilities from finance leases	48	48	135	655
Other financial liabilities	1,040	132	1,386	1,409
Financial guarantees	1,219	–	–	–
Cash outflows for financial liabilities	**6,566**	**4,779**	**12,746**	**24,013**
Trade payables	5,071	–	–	–
Derivatives (with/without hedging relationships)	15,024	5,473	1,362	390
Put option liabilities under IAS 32	332	18	77	402
Other operating liabilities	11,029	198	4	26
Cash outflows for trade payables and other operating liabilities	**31,456**	**5,689**	**1,443**	**818**
Cash outflows for liabilities within the scope of IFRS 7	**38,022**	**10,468**	**14,189**	**24,831**

For financial liabilities that bear floating interest rates, the rates that were fixed on the balance sheet date are used to calculate future interest payments for subsequent periods as well. Financial liabilities that can be terminated at any time are assigned to the earliest maturity band in the same way as put options that are exercisable at any time. All covenants were complied with during 2011.

In gross-settled derivatives (usually currency derivatives and commodity derivatives), outflows are accompanied by related inflows of funds or commodities.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

Net Gains and Losses by Category[1]

€ in millions	2011	2010
Loans and receivables	-136	-141
Available for sale	449	2,724
Held for trading	-1,230	2,635
Amortized cost	-1,292	-1,536
Total	**-2,209**	**3,682**

[1]The categories are described in detail in Notes 2 and 9.

In addition to interest income and expenses from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables. Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest on financial liabilities, adjusted for capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives is the most important factor in the net result for this category.

Risk Management

Principles

The prescribed processes, responsibilities and actions concerning financial and risk management are described in detail in internal risk management guidelines applicable throughout the Group. The units have developed additional guidelines of their own within the confines of the Group's overall guidelines. To ensure efficient risk management at the E.ON Group, the Trading (Front Office), Financial Controlling (Middle Office) and Financial Settlement (Back Office) departments are organized as strictly separate units. Risk controlling and reporting in the areas of interest rates, currencies, credit and liquidity management is performed by the Financial Controlling department, while risk controlling and reporting in the area of commodities is performed at Group level by a separate department.

E.ON uses a Group-wide treasury, risk management and reporting system. This system is a standard information technology solution that is fully integrated and is continuously updated. The system is designed to provide for the analysis and monitoring of the E.ON Group's exposure to liquidity, foreign exchange and interest risks. The units employ established systems for commodities. Credit risks are monitored and controlled on a Group-wide basis by Financial Controlling, with the support of a standard software package. The commodity positions of most of the global and regional units are transferred to the Trading unit for risk management and optimization purposes, based on the transfer-pricing mechanism. Special risk management, coordinated with Group Management, applies in a small number of exceptional cases.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Board of Management of E.ON AG with regard to commodity, treasury and credit risk management policies.

1. Liquidity Management

The primary objectives of liquidity management at E.ON consist of ensuring ability to pay at all times, the timely satisfaction of contractual payment obligations and the optimization of costs within the E.ON Group.

Cash pooling and external financing are largely centralized at E.ON AG and certain financing companies. The funds are transferred internally to the other Group companies as needed.

E.ON AG determines the Group's financing requirements on the basis of short- and medium-term liquidity planning. The financing of the Group is controlled and implemented on a forward-looking basis in accordance with planned liquidity requirements. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, and the maturity of bonds and commercial paper.

2. Price Risks

In the normal course of business, the E.ON Group is exposed to foreign exchange, interest and commodity price risks, and also to price risks in asset management. These risks create volatility in earnings, equity, debt and cash flows from period to period. E.ON has developed a variety of strategies to limit or eliminate these risks, including the use of derivative financial instruments.

3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions. Uniform credit risk management procedures are in place throughout the Group to identify, measure and control credit risks.

The following discussion of E.ON's risk management activities and the estimated amounts generated from profit-at-risk ("PaR"), value-at-risk ("VaR") and sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual, unforeseeable developments in the global financial markets. The methods used by the Company to analyze risks should not be considered forecasts of future events or losses, as E.ON also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk and legal risk, which are not represented in the following analyses.

Foreign Exchange Risk Management

E.ON AG is responsible for controlling the currency risks to which the E.ON Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the E.ON Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of the balance sheet and income statement items of the foreign consolidated Group companies included in the Consolidated Financial Statements. One method used to hedge translation risks is through borrowing in the corresponding local currency, which in particular also includes shareholder loans in foreign currency. In addition, derivative financial instruments are employed as needed. The hedges qualify for hedge accounting under IFRS as hedges of net investments in foreign operations. The Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The E.ON Group is also exposed to operating and financial transaction risks arising from transactions in foreign currency. Operating transaction risks for the Group companies arise primarily from physical and financial trading in commodities, from intragroup relationships and from capital spending in foreign currency. The subsidiaries are responsible for controlling their operating currency risks. E.ON AG coordinates hedging throughout the Group and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and by shareholder loans from within the Group denominated in foreign currency. Financial transaction risks are generally fully hedged.

The one-day value-at-risk (99 percent confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €132 million as of December 31, 2011 (2010: €149 million) and resulted primarily from the positions in British pounds, Swedish kronor and U.S. dollars.

Interest Risk Management

E.ON is exposed to profit risks arising from financial liabilities with floating interest rates, maturities and short-term borrowings, as well as interest rate derivatives that are based on floating interest rates. Positions based on fixed interest rates, on the other hand, are subject to changes in fair value resulting from the volatility of market rates. E.ON seeks a specific mix of fixed- and floating-rate debt over time. The long-term orientation of the business model in principle means fulfilling a high proportion of financing requirements at fixed rates, especially within the planning period. This also involves the use of interest rate swaps. With interest rate derivatives included, the share of financial liabilities with fixed interest rates was 94 percent as of December 31, 2011 (2010: 93 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €21.7 billion at year-end 2011, would decline to €19.2 billion in 2012 and to €15.6 billion in 2013. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 6.6 years as of December 31, 2011 (2010: 7.1 years).

As of December 31, 2011, the E.ON Group held interest rate derivatives with a nominal value of €5,637 million (2010: €5,718 million).

A sensitivity analysis was performed on the Group's short-term floating-rate borrowings, including hedges of both foreign exchange risk and interest risk. This measure is used for internal risk controlling and reflects the economic position of the E.ON Group. A one-percentage-point upward or downward change in interest rates (across all currencies) would cause interest charges to respectively increase or decrease by €13 million in the subsequent fiscal year (2010: €30 million increase or decrease).

Commodity Price Risk Management

E.ON is exposed to substantial risks resulting from fluctuations in the prices of commodities, both on the supply and demand side. This risk is measured based on potential negative deviation from the target EBITDA.

The maximum permissible risk is determined centrally by the Board of Management in its medium-term planning and translated into a decentralized limit structure in coordination with the units. Before fixing any limits, the investment plans and all other known obligations and quantifiable risks have been taken into account. Risk controlling and reporting, including portfolio optimization, is steered centrally for the Group by Group Management.

E.ON conducts commodity transactions primarily within the system portfolio, which includes core operations, existing sales and procurement contracts and any commodity derivatives used for hedging purposes or for power plant optimization. The risk in the system portfolio thus arises from the open position between planned procurement and generation and planned sales volumes. The risk of these open positions is measured using the profit-at-risk number, which quantifies the risk by taking into account the size of the open position and the prices, the volatility and the liquidity of the underlying commodities. PaR is defined as the maximum potential negative change in the value of the open position at a probability of 95 percent in the event that the open position is closed as quickly as possible.

The principal derivative instruments used by E.ON to cover commodity price risk exposures are electricity, gas, coal and oil swaps and forwards, as well as emissions-related derivatives. Commodity derivatives are used by the units for the purposes of price risk management, system optimization, equalization of burdens, and even for the improvement of margins. Proprietary trading is permitted only within very tightly defined limits. The risk measure used for the proprietary trading portfolio is a five-day value-at-risk with a 95-percent confidence interval.

The trading limits for proprietary trading as well as for all other trading activities are established and monitored by bodies that are independent from trading operations. A three-year planning horizon, with defined limits, is applied for the system portfolio. Limits used on hedging and proprietary trading activities include five-day value-at-risk and profit-at-risk numbers, as well as stop-loss limits. Additional key elements of the risk management system are a set of Group-wide commodity risk guidelines, the clear division of duties between scheduling, trading, settlement and controlling, as well as a risk reporting system independent from trading operations. Commodity positions and associated risks throughout the Group are reported to the members of the Risk Committee on a monthly basis.

As of December 31, 2011, the E.ON Group has entered into electricity, gas, coal, oil and emissions-related derivatives with a nominal value of €199,155 million (2010: €154,196 million).

The VaR for the proprietary trading portfolio amounted to €19 million as of December 31, 2011 (2010: €20 million). The PaR for the financial and physical commodity positions held in the system portfolio over a three-year planning horizon was €2,860 million as of December 31, 2011 (2010: €2,454 million).

The calculation of the PaR reflects the economic position of the E.ON Group over a planning horizon of three years, and in addition to the financial instruments included in the scope of IFRS 7, also encompasses the remaining commodity positions. This economic position is also used for internal risk controlling.

Credit Risk Management

In order to minimize credit risk arising from operating activities and from the use of financial instruments, the Company enters into transactions only with counterparties that satisfy the Company's internally established minimum requirements. Maximum credit risk limits are set on the basis of internal and, where available, external credit ratings. The setting and monitoring of credit limits is subject to certain minimum requirements, which are based on Group-wide credit risk management guidelines. Long-term operating contracts and asset management transactions are not comprehensively included in this process. They are monitored separately at the level of the responsible units.

In principle, each Group company is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the credit limit, additional credit risk monitoring and controls are performed both by the units and by Group Management. Monthly reports on credit limits, including their utilization, are submitted to the Risk Committee. Intensive, standardized monitoring of quantitative and qualitative early-warning indicators, as well as close monitoring of the credit quality of counterparties, enable E.ON to act early in order to minimize risk.

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Risk-management collateral was accepted in the amount of €5,969 million.

The levels and backgrounds of financial assets received as collateral are described in more detail in Notes 18 and 26.

Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. For currency and interest rate derivatives in the banking sector, this netting option is reflected in the accounting treatment. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements.

Exchange-traded forward and option contracts as well as exchange-traded emissions-related derivatives having an aggregate nominal value of €49,360 million as of December 31, 2011, (2010: €26,726 million) bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

Virtually all of the investments in debt instruments have an external investment-grade rating.

At E.ON, liquid funds are normally invested at banks with good credit ratings, in top-rated money market funds or in short-term securities (for example, commercial paper) of issuers with strong credit ratings. Bonds of public and private issuers are also selected for investment. Group companies that for legal reasons are not included in the cash pool invest money at leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels at the banks and at other significant counterparties.

Asset Management

For the purpose of financing long-term payment obligations, including those relating to asset retirement obligations (see Note 25), financial investments totaling €4.9 billion (2010: €4.7 billion) were held by German E.ON Group companies as of December 31, 2011.

These financial assets are invested on the basis of an accumulation strategy (total-return approach), with investments broadly diversified across the money market, bond, real estate and equity asset classes. Asset allocation studies are performed at regular intervals to determine the target portfolio structure. The majority of the assets is held in investment funds managed by external fund managers. Corporate Asset Management at E.ON AG, which is part of the Company’s Finance Department, is responsible for continuous monitoring of overall risks and those concerning individual fund managers. Risk management is based on a risk budget whose usage is monitored regularly. The three-month VaR with a 98-percent confidence interval for these financial assets totaled €158 million (2010: €107 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG (”VKE”) manages financial assets that are for the most part dedicated to the coverage of employee retirement benefits at E.ON Group companies in Germany; these assets totaled €0.6 billion at year-end 2011 (2010: €0.6 billion). The assets at VKE do not constitute plan assets under IAS 19 (see Note 24) and are shown as non-current and current assets on the balance sheet. The majority of the diversified portfolio, consisting of money market instruments, bonds, real estate and equities, is held in investment funds managed by external fund managers. VKE is subject to the provisions of the Insurance Supervision Act (”Versicherungsaufsichtsgesetz” or ”VAG”) and its operations are supervised by the German Federal Financial Supervisory Authority (”Bundesanstalt für Finanzdienstleistungsaufsicht” or ”BaFin”). Financial investments and continuous risk management are conducted within the regulatory confines set by BaFin. The three-month VaR with a 98-percent confidence interval for these financial assets was €18.7 million (2010: €18.4 million).

(32) Transactions with Related Parties

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties, the most significant of which are associated companies accounted for under the equity method. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries, which are of lesser importance as regards the extent of the transactions described in the following discussion. Transactions with related parties are summarized as follows:

Related-Party Transactions

€ in millions	2011	2010
Income	**2,473**	**2,845**
Associated companies	*2,191*	*2,155*
Joint ventures	*154*	*579*
Other related parties	*128*	*111*
Expenses	**2,292**	**2,357**
Associated companies	*1,654*	*1,563*
Joint ventures	*228*	*476*
Other related parties	*410*	*318*
Receivables	**1,798**	**1,827**
Associated companies	*1,297*	*1,102*
Joint ventures	*302*	*522*
Other related parties	*199*	*203*
Liabilities	**2,909**	**737**
Associated companies	*2,123*	*424*
Joint ventures	*81*	*58*
Other related parties	*705*	*255*

Income from transactions with related companies is generated mainly through the delivery of gas and electricity to distributors and municipal entities, especially municipal utilities. The relationships with these entities do not generally differ from those that exist with municipal entities in which E.ON does not have an interest.

Expenses from transactions with related companies are generated mainly through the procurement of gas, coal and electricity.

Receivables from related companies consist mainly of trade receivables.

Liabilities of E.ON payable to related companies as of December 31, 2011, include €859 million (2010: €132 million) in trade payables to operators of jointly-owned nuclear power plants. These payables bear interest at 1.0 percent or at one-month EURIBOR less 0.05 percent per annum (2010: 1.0 percent) and have no fixed maturity. E.ON continues to have in place with these power plants a cost-transfer agreement and a cost-plus-fee agreement for the procurement of electricity. The settlement of such liabilities occurs mainly through clearing accounts. In addition, E.ON reported financial liabilities of €891 million on December 31, 2011, (2010: €0 million) resulting from fixed-term deposits undertaken by the jointly-owned nuclear power plants at E.ON.

Under IAS 24, compensation paid to key management personnel (members of the Board of Management and of the Supervisory Board of E.ON AG) must be disclosed. The total expense for 2011 amounted to €13.5 million (2010: €12.3 million) in short-term benefits and €0 million (2010: €12.3 million) in termination benefits, as well as €2.4 million (2010: €2.0 million) in post-employment benefits.

The service cost of post-employment benefits is equal to the service cost of the provisions for pensions.

The expense determined in accordance with IFRS 2 for the tranches of the E.ON Share Performance Plan in existence in 2011 was €0.6 million (2010: €1.7 million).

Members of the Supervisory Board received a total of €4.8 million for their activity in 2011 (2010: €4.9 million).

Furthermore, no transactions with key management personnel at non-market terms have taken place.

Detailed, individualized information on compensation can be found in the Compensation Report on pages 180 through 189.

(33) Segment Information

Led by its Group Management in Düsseldorf, Germany, the E.ON Group ("E.ON" or the "Group") is segmented into global and regional units, which are reported here in accordance with International Financial Reporting Standard ("IFRS") 8, "Operating Segments" ("IFRS 8"). The new structure took effect at the beginning of 2011. The prior-year comparative figures of the former market units have been reconciled to these new units:

Global Units

The global units are reported separately in accordance with IFRS 8.

Generation
This global unit consists of the Group's conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables
E.ON also takes a global approach to managing its carbon-sourcing and renewables businesses. The objective at this unit is to extend the Group's leading position in the growing renewables market.

Gas
This global unit is responsible for gas procurement (including E.ON's own gas production) and for project and product development in gas storage, gas transport, liquefied natural gas and technical asset support.

Trading
This unit is responsible for E.ON's trading activities in power, gas, coal, oil and carbon allowances, and is active on all major European energy exchanges.

Regional Units

E.ON's distribution and sales operations in Europe are managed by twelve regional units in total.

For segment reporting purposes, the Germany, U.K., Sweden, Czechia and Hungary regional units are reported separately. E.ON's power generation business in Russia is additionally reported as a special-focus region.

Those units not reported separately are instead reported collectively as "Other regional units." They include the Italy, Spain, France, Netherlands, Slovakia, Romania and Bulgaria regional units.

Group Management/Consolidation contains E.ON AG itself ("E.ON" or the "Company"), the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level.

Since January 1, 2011, EBITDA has been the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude extraordinary effects. The adjustments include economic net interest income, net book gains, cost-management and restructuring expenses, as well as other non-operating income and expenses.

Economic net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding extraordinary effects, namely, the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Cost-management and restructuring expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments.

Due to the adjustments, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

The following table shows the reconciliation of our EBITDA to net income/loss as reported in the IFRS Consolidated Financial Statements:

Net Income/Loss

€ in millions	2011	2010
EBITDA[1]	**9,293**	**13,346**
Depreciation and amortization	-3,689	-3,752
Impairments (-)/Reversals (+)[2]	-166	-140
EBIT[1]	**5,438**	**9,454**
Economic interest income (net)	-1,776	-2,257
Net book gains/losses	1,221	2,873
Restructuring/cost-management expenses	-586	-621
E.ON 2.0 restructuring expenses	-801	–
Impairment charges[2]	-3,004	-2,598
Other non-operating earnings	-3,403	2,212
Income/Loss (-) from continuing operations before taxes	**-2,911**	**9,063**
Income taxes	1,036	-1,946
Income/Loss (-) from continuing operations	**-1,875**	**7,117**
Income/Loss (-) from discontinued operations, net	14	-836
Net income/loss (-)	**-1,861**	**6,281**
Attributable to shareholders of E.ON AG	*-2,219*	*5,853*
Attributable to non-controlling interests	*358*	*428*

[1]Adjusted for extraordinary effects (see glossary).
[2]Impairments differ from the amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings.

Net book gains in 2011 decreased by €1,652 million, or 58 percent, from the previous year's level. Book gains in 2011 were generated mainly through the disposal of the remaining Gazprom stake, the sale of the network operator in the United Kingdom, the disposal of the gas distribution network in Sweden and the sale of securities. The figure for 2010 consisted primarily of the book gain on the sale of Gazprom shares, the disposal of generating capacity and the sale of the ultra-high-voltage transmission system (transpower) in the context of the commitment made to the European Commission.

Cost-management and restructuring expenses decreased by €35 million in the reporting period. As in 2010, the expenses related to structural measures at German regional utilities and at the regional units in the United Kingdom and in France. Further expenses were incurred in 2011 in connection with IT restructuring.

Restructuring expenses in the context of the E.ON 2.0 program consisted in particular of obligations under early-retirement agreements and severance packages.

In the fourth quarter of 2011, impairment losses were recognized on non-current assets and goodwill in the amount of €3 billion. In Spain and Italy, a more pessimistic view on long-term power prices, regulatory interventions and reduced load hours for gas and coal power plants necessitated impairment charges in these countries totaling approximately €1.9 billion. €1.6 billion of this amount relates to conventional generation, €0.1 billion is attributable to generation from renewables and €0.2 billion relates to the regional business in Italy. In Hungary and in the Slovak Republic, generation volumes and margins have also failed to meet expectations, with the result that impairments of €0.3 billion had to be recognized on power generation assets and another €0.2 billion on the regional business in Hungary. The remaining impairments resulted in write-downs of €0.6 billion. Of this total, amounts of €0.2 billion were respectively attributable to generation assets and to the regional business in the Benelux countries. The principal reasons for this are the earlier than previously scheduled shutdowns of older generation assets and reduced revenues from heat-run power plants and the consumer heating business due to adverse market developments. In 2010, this item consisted primarily of impairment charges of €2.6 billion on goodwill and on other non-current assets at the activities in Italy, Spain and France acquired from Enel/Acciona and Endesa (see also Note 14).

Other non-operating earnings include, among other things, the marking to market of derivatives used to protect the operating businesses from fluctuations in prices. As of December 31, 2011, this marking to market produced a negative effect of €1,805 million, compared with a positive effect of €2,711 million in 2010. Aside from the impairments recognized in the fourth quarter, additional interim impairments were also identified. These relate primarily to write-downs on non-current assets in connection with the amendment of the Atomgesetz in Germany and on exploration licenses in the gas business. There were additional negative effects in 2011 from the reclassification from equity of currency translation effects in the course of simplifying E.ON's corporate structure and from prepayment penalties, incurred as part of the announced intention to reduce debt, that are materially related to proceeds generated from sales of businesses.

An additional adjustment to the internal profit analysis relates to net interest income, which is presented based on economic considerations. Economic net interest income is calculated by taking the net interest income from the income statement and adjusting it using economic criteria and excluding certain extraordinary (that is, non-operating) effects.

Economic Net Interest Income

€ in millions	2011	2010
Interest and similar expenses (net) as shown in the Consolidated Statements of Income	-2,094	-2,303
Non-operating interest expense (+)/ income (-)	318	46
Economic interest income (net)	**-1,776**	**-2,257**

At -€1,776 million, economic net interest income increased over its 2010 level of -€2,257 million. The reason for the increase was a reduced interest expense resulting from the lower level of net debt during the year and from the reversal of provisions recognized in 2010 for negative interest effects from advance payments into the renewable energy support fund.

Transactions within the E.ON Group are generally effected at market prices.

Financial Information by Business Segment

€ in millions	Generation 2011	Generation 2010	Renewables 2011	Renewables 2010	Gas 2011	Gas 2010
External sales	3,737	4,838	781	688	5,473	5,712
Intersegment sales	11,242	9,903	1,658	1,255	17,539	15,636
Sales	**14,979**	**14,741**	**2,439**	**1,943**	**23,012**	**21,348**
EBITDA[1]	**2,114**	**3,757**	**1,459**	**1,207**	**1,533**	**1,975**
Earnings from companies accounted for under the equity method[2]	*8*	*76*	*11*	*13*	*439*	*477*
Operating cash flow before interest and taxes	**2,644**	**3,917**	**1,376**	**1,370**	**810**	**1,382**
Investments	**1,711**	**2,592**	**1,114**	**1,260**	**1,204**	**1,244**

[1]Adjusted for extraordinary effects (see glossary).
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

Financial Information by Business Segment—Presentation of Other EU Countries

€ in millions	U.K. 2011	U.K. 2010	Sweden 2011	Sweden 2010	Czechia 2011	Czechia 2010
External sales	8,467	8,598	2,716	2,942	2,629	2,172
Intersegment sales	87	134	206	293	136	166
Sales	**8,554**	**8,732**	**2,922**	**3,235**	**2,765**	**2,338**
EBITDA[1,2]	**523**	**966**	**672**	**629**	**470**	**323**
Earnings from companies accounted for under the equity method[3]	*–*	*-20*	*5*	*14*	*41*	*45*
Operating cash flow before interest and taxes	**154**	**1,016**	**622**	**595**	**230**	**349**
Investments	**212**	**523**	**422**	**427**	**200**	**198**

[1]Adjusted for extraordinary effects (see glossary).
[2]The 2011 EBITDA figure for the U.K. regional unit includes €173 million in earnings contributed by Central Networks, which was sold effective April 1, 2011.
[3]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow

€ in millions	2011	2010	Difference
Operating cash flow before interest and taxes	**7,859**	**12,425**	**-4,566**
Interest payments	-1,200	-1,085	-115
Tax payments	-49	-726	677
Operating cash flow	**6,610**	**10,614**	**-4,004**

The investments presented here are the purchases of investments reported in the Consolidated Statements of Cash Flows.

Trading		Germany		Other EU Countries		Russia		Group Management/ Consolidation		E.ON Group	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
44,695	25,225	34,776	33,546	21,788	21,523	1,615	1,252	89	79	112,954	92,863
25,768	22,723	2,468	2,857	1,244	1,131	–	–	-59,919	-53,505	0	0
70,463	**47,948**	**37,244**	**36,403**	**23,032**	**22,654**	**1,615**	**1,252**	**-59,830**	**-53,426**	**112,954**	**92,863**
-631	**1,205**	**2,421**	**2,463**	**2,259**	**2,583**	**553**	**377**	**-415**	**-221**	**9,293**	**13,346**
–	–	*78*	*106*	*117*	*129*	–	–	–	*7*	*653*	*808*
-327	**1,300**	**1,672**	**1,731**	**1,575**	**2,419**	**610**	**389**	**-501**	**-83**	**7,859**	**12,425**
24	**16**	**910**	**1,083**	**1,210**	**1,565**	**322**	**433**	**29**	**93**	**6,524**	**8,286**

Hungary		Other regional units		Other EU Countries	
2011	2010	2011	2010	2011	2010
1,916	1,990	6,060	5,821	21,788	21,523
32	42	783	496	1,244	1,131
1,948	**2,032**	**6,843**	**6,317**	**23,032**	**22,654**
223	**250**	**371**	**415**	**2,259**	**2,583**
–	–	*71*	*90*	*117*	*129*
197	**266**	**372**	**193**	**1,575**	**2,419**
147	**158**	**229**	**259**	**1,210**	**1,565**

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2011	2010
Electricity	59,946	55,167
Gas	46,068	31,731
Other	6,940	5,965
Total	**112,954**	**92,863**

The "Other" item consists in particular of revenues generated from services and from other trading activities.

The following table breaks down external sales (by location of customers and by location of seller), as well as property, plant and equipment, by geographic area:

Geographic Segment Information

	Germany		United Kingdom		Sweden		Europe (other)		Other		Total	
€ in millions	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External sales by location of customer	47,519	49,824	31,924	12,969	4,511	4,844	28,308	24,832	692	394	112,954	92,863
External sales by location of seller	83,511	62,966	8,759	8,797	2,800	2,968	17,661	17,942	223	190	112,954	92,863
Property, plant and equipment	20,900	20,562	5,307	9,266	9,097	8,856	17,627	19,576	2,938	2,610	55,869	60,870

E.ON's customer structure did not result in any major concentration in any given geographical region or business area. Due to the large number of customers the Company serves and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

Gas is procured primarily from Russia, Norway, Germany, the Netherlands and Denmark.

(34) Compensation of Supervisory Board and Board of Management

Supervisory Board

Total remuneration to members of the Supervisory Board in 2011 amounted to €4.8 million (2010: €4.9 million).

As in 2010, there were no loans to members of the Supervisory Board in 2011.

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on pages 180 and 181 in the Compensation Report, which is part of the Combined Group Management Report.

Additional information about the members of the Supervisory Board is provided on pages 194 and 195.

Board of Management

Total remuneration to members of the Board of Management in 2011 amounted to €17.6 million (2010: €15.4 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

Total payments to former members of the Board of Management and their beneficiaries amounted to €9.5 million (2010: €25.4 million). Provisions of €137.7 million (2010: €136.6 million) have been established for the pension obligations to former members of the Board of Management and their beneficiaries.

As in 2010, there were no loans to members of the Board of Management in 2011.

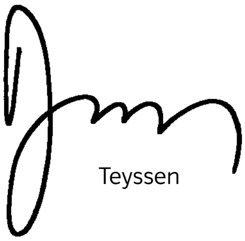
The Board of Management's compensation structure and the amounts for each member of the Board of Management are presented on pages 182 through 189 in the Compensation Report, which is part of the Combined Group Management Report.

Additional information about the members of the Board of Management is provided on page 203.

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

Düsseldorf, February 28, 2012

The Board of Management

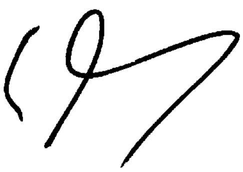


Teyssen

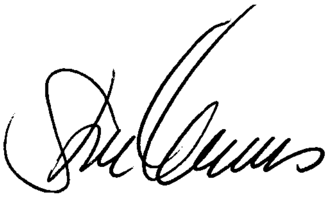
Kildahl

Maubach

Reutersberg



Schenck



Stachelhaus

(36) List of Shareholdings Pursuant to Section 313 (2) HGB

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2011)

Name, location	Stake (%)
2PRCE Énergies SARL, FR, La Camp du Castellet[2]	100.0
AB Lietūvos Dūjos, LT, Vilnius[4]	38.9
AB Svafo, SE, Stockholm[5]	22.0
Abfallwirtschaft Schleswig-Flensburg GmbH, DE, Schleswig[5]	49.0
Abfallwirtschaft Südholstein GmbH (AWSH), DE, Elmenhorst[5]	49.0
Abfallwirtschaftsgesellschaft Dithmarschen mbH, DE, Heide[5]	49.0
Abfallwirtschaftsgesellschaft Höxter mbH, DE, Höxter[5]	49.0
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[5]	49.0
Abwasser und Service Burg, Hochdonn GmbH, DE, Burg[5]	44.0
Abwasser und Service Satrup GmbH (ASG), DE, Satrup[5]	49.0
Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[5]	49.0
Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[5]	49.0
Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[5]	49.0
Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[5]	29.0
Abwasserentsorgung Berkenthin GmbH, DE, Berkenthin[5]	44.0
Abwasserentsorgung Bleckede GmbH, DE, Bleckede[5]	49.0
Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[5]	49.0
Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[5]	49.0
Abwasserentsorgung Kappeln GmbH, DE, Kappeln[5]	49.0
Abwasserentsorgung Kropp GmbH, DE, Kropp[5]	49.0
Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[5]	49.0
Abwasserentsorgung Schladen GmbH, DE, Schladen[5]	49.0
Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[5]	49.0
Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[5]	25.1
Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[5]	35.0
Abwasserentsorgung Uetersen GmbH, DE, Uetersen[5]	49.0
Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[5]	49.0
Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[5]	49.0
Abwassergesellschaft Ilmenau mbH, DE, Melbeck[5]	49.0
Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[5]	25.0
Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[5]	30.0
Adria LNG d.o.o. za izradu studija, HR, Zagreb[5]	39.2
Aerodis, S.A., FR, Rueil-Malmaison[1]	100.0
Åliden Vind AB, SE, Malmö[2]	100.0
AMGA – Azienda Multiservizi S.p.A., IT, Udine[4]	20.2
Amrumbank-West GmbH, DE, Munich[1,8]	100.0
Anacacho Wind Farm, LLC, US, Wilmington[1]	100.0
ANCO Sp. z o.o., PL, Jarocin[2]	100.0
Aquila Power Investments Limited, GB, Coventry[1]	100.0
Aquila Sterling Limited, GB, Coventry[1]	100.0
Arena One GmbH, DE, Munich[1]	100.0
AS EESTI GAAS, EE, Tallinn[5]	33.7
AS Latvijās Gāze, LV, Riga[4]	47.2
AV Packaging GmbH, DE, Munich[7]	0.0
AVA Velsen GmbH, DE, Saarbrücken[5]	49.0
Avon Energy Partners Holdings, GB, Coventry[1]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Stralsund[2]	98.0
AWP GmbH, DE, Paderborn[2]	100.0
B.V. NEA, NL, Dodewaard[2]	25.0
Bad Driburg-Solar GmbH & Co. KG, DE, Bad Driburg[5]	48.9
Bad Driburg-Solar-Verwaltungsgesellschaft mbH, DE, Bad Driburg[5]	49.0
Badlantic Betriebsgesellschaft mbH, DE, Ahrensburg[5]	49.0
Barras Eléctricas Galaico-Asturianas, S.A., ES, Lugo[1]	54.9
Barras Eléctricas Generación, S.L., ES, Lugo[1]	55.0
BauMineral GmbH, DE, Herten[1,8]	100.0
Bayernwerk AG, DE, Munich[2]	100.0
BBL Company V.O.F., NL, Groningen[4]	20.0
Bergeforsens Kraftaktiebolag, SE, Bispgården[4]	40.0
Beteiligungsgesellschaft der Energieversorgungs-unternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Karlsruhe[5]	44.0
Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2]	100.0
BEW Bayreuther Energie- und Wasserversorgungs-GmbH, DE, Bayreuth[4]	24.9
BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[5]	25.1
BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[5]	40.7
BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[5]	46.5
Bietergemeinschaft Tönsmeier MVA BI-HF, DE, Porta Westfalica[5]	50.0
Bio Flow AB OY, FI, Helsingfors[5]	49.0
Bioenergie Bad Füssing GmbH & Co. KG, DE, Bad Füssing[5]	25.0
Bioenergie Bad Füssing Verwaltungs-GmbH, DE, Bad Füssing[5]	25.0
Bioenergie Merzig GmbH, DE, Merzig[2]	51.0
Bioerdgas Hallertau GmbH, DE, Wolnzach[2]	64.9
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Roggenhagen GmbH, DE, Potsdam[2]	60.0
Biogas Steyerberg GmbH, DE, Steyerberg[2]	100.0
Bioheizwerk Rötz GmbH, DE, Rötz[5]	25.0
BioMass Nederland b.v., NL, Maasvlakte[1]	100.0

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality. [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. [9]IFRS figures. [10]Short fiscal year October 1, 2010 – September 30, 2011.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2011)

Name, location	Stake (%)
Biomasseheizkraftwerk Emden GmbH, DE, Emden[2]	70.0
Biomasseheizkraftwerk Landesbergen GmbH, DE, Landesbergen[5]	50.0
Bioplyn Cetín, s.r.o., SK, Bratislava[2]	71.5
Bioplyn Hont, s.r.o., SK, Bratislava[2]	89.1
Bioplyn Horovce, s.r.o., SK, Bratislava[2]	95.5
Bioplyn Ladzany, s.r.o., SK, Bratislava[2]	98.3
BIOPLYN Trebon spol. s r.o., CZ, Třeboň[5]	24.7
Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[5]	40.0
Biowärme Surheim GmbH, DE, Regensburg[2]	100.0
Björn Kraft Oy, FI, Kotka[1]	100.0
BKW Biokraftwerke Fürstenwalde GmbH, DE, Fürstenwalde/Spree[5]	48.8
Blåsjön Kraft AB, SE, Arbrå[4]	50.0
Blomberger Versorgungsbetriebe GmbH/E.ON Westfalen Weser AG-GbR, DE, Blomberg[5]	50.0
Brännälven Kraft AB, SE, Arbrå[4]	19.1
Brattmyrliden Vind AB, SE, Malmö[2]	100.0
Breitbandnetz GmbH & Co. KG, DE, Breklum[5]	25.1
BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[5]	33.3
Bursjöliden Vind AB, SE, Malmö[2]	100.0
Bützower Wärme GmbH, DE, Bützow[5]	20.0
caplog-x GmbH, DE, Leipzig[5]	25.0
Carbiogas b.v., NL, Nuenen[5]	33.3
CART Partecipazioni S.r.l., IT, Orio al Serio (BG)[2]	100.0
CEC Energieconsulting GmbH, DE, Kirchlengern[2]	62.5
Centrale Solare di Fiumesanto S.r.l., IT, Sassari[1]	100.0
Centrale Solare di Santa Domenica S.r.l. in liquidazione, IT, Scandale[2]	100.0
Centro Energia Ferrara S.p.A, IT, Rome[4]	58.4
Centro Energia Teverola S.p.A, IT, Rome[4]	58.4
Champion WF Holdco, LLC, US, Wilmington[1]	100.0
Champion Wind Farm, LLC, US, Wilmington[1]	100.0
CHN Contractors Limited, GB, Coventry[1]	100.0
CHN Electrical Services Limited, GB, Coventry[1]	100.0
CHN Group Ltd, GB, Coventry[1]	100.0
CHN Special Projects Limited, GB, Coventry[1]	100.0
Citigen (London) Limited, GB, Coventry[1]	100.0
Colonia-Cluj-Napoca-Energie S.R.L., RO, Cluj[5]	33.3
COMPAÑÍA EÓLICA ARAGONESA, S.A., ES, Zaragoza[4]	50.0
Cordova Wind Farm, LLC, US, Wilmington[2]	100.0
Cottam Development Centre Limited, GB, Coventry[1]	100.0
Croplin d.o.o., HR, Zagreb[5]	50.0
Csornai Kogenerációs Erőmű Kft., HU, Győr[5]	50.0
CT Services Holdings Limited, GB, Coventry[1]	100.0
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[5]	50.0
Debreceni Kombinált Ciklusú Erőmű Kft., HU, Debrecen[1]	100.0
Delcomm Limited, GB, Coventry[1]	100.0
DEUDAN-Deutsch/Dänische Erdgastransportgesellschaft mbH & Co. Kommanditgesellschaft, DE, Handewitt[5]	25.0
DEUDAN-HOLDING-GmbH, DE, Hanover[5]	49.0
Deutsche Flüssigerdgas Terminal oHG, DE, Essen[2]	90.0
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[5]	42.5
DFTG—Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2]	90.0
Diamond Power Generation Limited, GB, Coventry[1]	100.0
Distribuidora de Gas Cuyana S.A., AR, Mendoza[2]	53.2
Distribuidora de Gas del Centro S.A., AR, Córdoba[1]	58.7
Donaukraftwerk Jochenstein AG, DE, Passau[4]	50.0
Donau-Wasserkraft Aktiengesellschaft, DE, Munich[1]	100.0
DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[4]	26.0
DOTI Management GmbH, DE, Oldenburg[5]	26.0
DOTTO MORCONE S.R.L., IT, Milan[2]	100.0
Drachenfelssee 869. V V GmbH, DE, Bonn[5]	50.0
Drachenfelssee 876. V V GmbH, DE, Bonn[5]	50.0
Dunaújvárosi Szennyviztisztító Szolgáltató Kft., HU, Dunaújváros[5]	49.0
Dutchdelta Finance SARL, LU, Luxemburg[1]	100.0
E-Bio Kyjov s.r.o., CZ, Otrokovice[5]	24.5
E WIE EINFACH Strom & Gas GmbH, DE, Cologne[1, 8]	100.0
e.dialog GmbH, DE, Potsdam[2]	100.0
e.discom Telekommunikation GmbH, DE, Rostock[2]	100.0
e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1]	100.0
e.distherm Wärmedienstleistungen GmbH, DE, Potsdam[1]	100.0
e.inkasso GmbH, DE, Potsdam[2]	100.0
E.ON Achtzehnte Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Anlagenservice GmbH, DE, Gelsenkirchen[1, 8]	100.0
E.ON Argentina S.A., AR, Buenos Aires[1]	100.0
E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8]	100.0
E.ON Austria GmbH, AT, Vienna[1]	75.1
E.ON Avacon AG, DE, Helmstedt[1]	68.7
E.ON Avacon Vertrieb GmbH, DE, Helmstedt[1]	100.0
E.ON Avacon Wärme GmbH, DE, Sarstedt[1]	100.0
E.ON Bayern AG, DE, Regensburg[1, 8]	100.0
E.ON Bayern Vertrieb GmbH, DE, Regensburg[1, 8]	100.0
E.ON Bayern Verwaltungs AG, DE, Munich[2]	100.0
E.ON Bayern Wärme 1. Beteiligungs-GmbH, DE, Regensburg[2]	100.0
E.ON Bayern Wärme GmbH, DE, Munich[1]	100.0
E.ON Belgium N.V., BE, Brussels[1]	100.0
E.ON Benelux CCS Project B.V., NL, Rotterdam[2]	100.0
E.ON Benelux Holding b.v., NL, Rotterdam[1]	100.0
E.ON Benelux Levering b.v., NL, Eindhoven/Noord-Brabant[1]	100.0
E.ON Benelux N.V., NL, Rotterdam[1]	100.0
E.ON Best Service GmbH, DE, Hamburg[1]	100.0

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality. [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. [9]IFRS figures. [10]Short fiscal year October 1, 2010 – September 30, 2011.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2011)

Name, location	Stake (%)
E.ON Beteiligungsverwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Bioerdgas GmbH, DE, Essen[1, 8]	100.0
E.ON Biofor Sverige AB, SE, Malmö[1]	100.0
E.ON Biogas Sverige AB, SE, Malmö[1]	100.0
E.ON Brasil Energia LTDA., BR, City of São Paulo, State of São Paulo[1]	100.0
E.ON Bulgaria EAD, BG, Sofia[1]	100.0
E.ON Bulgaria Energy Services EOOD, BG, Varna[2]	100.0
E.ON Bulgaria Grid AD, BG, Varna[1]	67.0
E.ON Bulgaria Sales AD, BG, Varna[1]	67.0
E.ON Carbon Sourcing GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Carbon Sourcing North America LLC, US, Wilmington[2]	100.0
E.ON Castilla La Mancha, S.L., ES, Albacete[2]	100.0
E.ON Casting Renovables, S.L., ES, Teruel[2]	50.0
E.ON Česká republika, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Climate & Renewables Canada Ltd., CA, Saint John[2]	100.0
E.ON Climate & Renewables Carbon Sourcing Limited, GB, Coventry[2]	100.0
E.ON Climate & Renewables Carbon Sourcing Pte Ltd, SG, Singapore[2]	100.0
E.ON Climate & Renewables Central Europe GmbH, DE, Munich[1, 8]	100.0
E.ON Climate & Renewables France Solar S.A.S., FR, La Ciotat[1]	100.0
E.ON Climate & Renewables GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Climate & Renewables Italia S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables Italia Solar S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables North America LLC, US, Wilmington[1]	100.0
E.ON Climate & Renewables UK Biomass Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Blyth Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Developments Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Humber Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK London Array Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Operations Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Rampion Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg East Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg West Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Wind Limited, GB, Coventry[1]	100.0

Name, location	Stake (%)
E.ON Climate & Renewables UK Zone Six Limited, GB, Coventry[1]	100.0
E.ON Comercializadora de Último Recurso S.L., ES, Santander[1]	100.0
E.ON Czech Holding AG, DE, Munich[1, 8]	100.0
E.ON Czech Holding Verwaltungs-GmbH, DE, Munich[1, 8]	100.0
E.ON Danmark A/S, DK, Herlev[1]	100.0
E.ON Dél-dunántúli Áramhálózati Zrt., HU, Pécs[1]	100.0
E.ON Dél-dunántúli Gázhálózati Zrt., HU, Pécs[1]	100.0
E.ON Direkt GmbH, DE, Essen[1, 8]	100.0
E.ON Distribuce, a.s., CZ, České Budějovice[1]	100.0
E.ON Distribución, S.L., ES, Santander[1]	100.0
E.ON Dreiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON edis AG, DE, Fürstenwalde/Spree[1]	71.5
E.ON edis Contracting GmbH, DE, Fürstenwalde/Spree[2]	100.0
E.ON edis energia Sp. z o.o., PL, Warsaw[1]	100.0
E.ON edis Vertrieb GmbH, DE, Fürstenwalde/Spree[1]	100.0
E.ON Elektrárne s.r.o., SK, Tracovice[1]	100.0
E.ON Elnät Stockholm AB, SE, Malmö[1]	100.0
E.ON Elnät Sverige AB, SE, Malmö[1]	100.0
E.ON Energia S.p.A., IT, Verona[1]	100.0
E.ON Energía, S.L., ES, Santander[1]	100.0
E.ON Energiaszolgáltató Kft., HU, Budapest[1]	100.0
E.ON Energiatermelő Kft., HU, Debrecen[1]	100.0
E.ON Energie 25. Beteiligungsgesellschaft mbH München, DE, Munich[1, 8]	100.0
E.ON Energie 27. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 31. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 33. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 37. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 39. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie AG, DE, Munich[1, 8]	100.0
E.ON Energie Odnawialne Sp. z o.o., PL, Szczecin[1]	100.0
E.ON Energie Real Estate Investment GmbH, DE, Munich[2]	100.0
E.ON Energie România S.A., RO, Târgu Mureş[1]	51.0
E.ON Energie S.A.S., FR, Paris[1]	100.0
E.ON Energie, a.s., CZ, České Budějovice[1]	100.0
E.ON Énergies Renouvelables S.A.S., FR, Paris[1]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0
E.ON Energy from Waste AG, DE, Helmstedt[1, 8]	100.0
E.ON Energy from Waste Delfzijl B.V., NL, Farmsum[1]	100.0
E.ON Energy from Waste Göppingen GmbH, DE, Göppingen[1, 8]	100.0
E.ON Energy from Waste Großräschen GmbH, DE, Großräschen[1, 8]	100.0
E.ON Energy from Waste Hannover GmbH, DE, Hanover[1]	85.0

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Name, location	Stake (%)
E.ON Energy from Waste Helmstedt GmbH, DE, Helmstedt[1,8]	100.0
E.ON Energy from Waste Heringen GmbH, DE, Heringen[1,8]	100.0
E.ON Energy from Waste Leudelange SARL, LU, Leudelange[1]	100.0
E.ON Energy from Waste Polska Sp. z o.o., PL, Warsaw[2]	100.0
E.ON Energy from Waste Premnitz GmbH, DE, Premnitz[1,8]	100.0
E.ON Energy from Waste Saarbrücken GmbH, DE, Saarbrücken[1,8]	100.0
E.ON Energy from Waste Stapelfeld GmbH, DE, Stapelfeld[1]	100.0
E.ON Energy From Waste UK Limited, GB, Coventry—West Midlands[2]	100.0
E.ON Energy Gas (Eastern) Limited, GB, Coventry[1]	100.0
E.ON Energy Gas (Northwest) Limited, GB, Coventry[2]	100.0
E.ON Energy Projects GmbH, DE, Munich[1,8]	100.0
E.ON Energy Sales GmbH, DE, Essen[1,8]	100.0
E.ON Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON Energy Trading Bulgarien EOOD, BG, Sofia[2]	100.0
E.ON Energy Trading Holding GmbH, DE, Düsseldorf[1,8]	100.0
E.ON Energy Trading NL Staff Company 2 B.V., NL, Voorburg[1]	100.0
E.ON Energy Trading NL Staff Company B.V., NL, Rotterdam[1]	100.0
E.ON Energy Trading S.p.A., IT, Milan[1]	100.0
E.ON Energy Trading SE, DE, Düsseldorf[1,8]	100.0
E.ON Energy Trading Srbija d.o.o., RS, Belgrade[1]	100.0
E.ON Energy Trading UK Staff Company Limited, GB, Coventry[1]	100.0
E.ON Energy UK Limited, GB, Coventry[2]	100.0
E.ON Engineering Corporation, US, Groveport, Ohio[2]	100.0
E.ON Erőművek Termelő és Üzemeltető Kft., HU, Budapest[1]	100.0
E.ON España, S.L., ES, Madrid[1]	100.0
E.ON Észak-dunántúli Áramhálózati Zrt., HU, Győr[1]	100.0
E.ON Europa Power and Fuel S.r.l in liquidazione, IT, Terni[1]	100.0
E.ON Europa, S.L., ES, Madrid[1]	100.0
E.ON Facility Management GmbH, DE, Munich[1,8]	100.0
E.ON Fastigheter Sverige AB, SE, Malmö[1]	100.0
E.ON Fernwärme GmbH, DE, Gelsenkirchen[1,8]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1,8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[1]	100.0
E.ON Földgáz Storage Zrt., HU, Budapest[1]	100.0
E.ON Földgáz Trade Zrt., HU, Budapest[1]	100.0
E.ON Försäkring Sverige AB, SE, Malmö[1]	100.0
E.ON Försäljning Sverige AB, SE, Malmö[1]	100.0
E.ON France Management S.A.S., FR, Paris[2]	100.0
E.ON France S.A.S., FR, Paris[1]	100.0
E.ON Gas & Power S.R.L., RO, Bucharest[2]	100.0
E.ON Gas Grid GmbH, DE, Essen[1,8]	100.0
E.ON Gas Mobil GmbH, DE, Essen[2]	100.0
E.ON Gas Storage GmbH, DE, Essen[1,8]	100.0
E.ON Gas Storage UK Limited, GB, Coventry[1]	100.0
E.ON Gas Sverige AB, SE, Malmö[1]	100.0
E.ON Gashandel Sverige AB, SE, Malmö[1]	100.0
E.ON Gasification Development AB, SE, Malmö[1]	100.0
E.ON Gaz Distributie S.A., RO, Târgu Mureş[1]	51.0
E.ON Gazdasági Szolgáltató Kft., HU, Győr[1]	100.0
E.ON Generación, S.L., ES, Santander[1]	100.0
E.ON Generation Belgium N.V., BE, Vilvoorde[1]	100.0
E.ON Generation GmbH, DE, Hanover[1,8]	100.0
E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[2]	100.0
E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Düsseldorf[1]	100.0
E.ON Hálózati Szolgáltató Kft., HU, Pécs[1]	100.0
E.ON Hanse AG, DE, Quickborn[1]	73.8
E.ON Hanse Vertrieb GmbH, DE, Hamburg[1]	100.0
E.ON Hanse Wärme GmbH, DE, Hamburg[1]	100.0
E.ON Human Resources International GmbH, DE, Munich[1,8]	100.0
E.ON Hungária Zrt., HU, Budapest[1]	100.0
E.ON Iberia Holding GmbH, DE, Düsseldorf[1,8]	100.0
E.ON Iberia Services, S.L., ES, Málaga[1]	100.0
E.ON Inhouse Consulting GmbH, DE, Munich[2,8]	100.0
E.ON INTERNATIONAL FINANCE B.V., NL, Rotterdam[1]	100.0
E.ON Invest GmbH, DE, Grünwald, Landkreis Munich[2]	100.0
E.ON IT Bulgaria EOOD, BG, Sofia[2]	100.0
E.ON IT Czech Republic s.r.o., CZ, České Budějovice[2]	100.0
E.ON IT GmbH, DE, Hanover[1,8]	100.0
E.ON IT Hungary Kft., HU, Budapest[2]	100.0
E.ON IT Italia S.r.l., IT, Milan[2]	100.0
E.ON IT Netherlands B.V., NL, Rotterdam[2]	100.0
E.ON IT Romania S.R.L, RO, Iasi[2]	100.0
E.ON IT Slovakia s.r.o., SK, Bratislava[2]	51.0
E.ON IT Sverige AB, SE, Malmö[2]	100.0
E.ON IT UK Limited, GB, Coventry[1]	100.0
E.ON Italia Power & Fuel S.r.l., IT, Terni[1]	100.0
E.ON Italia S.p.A., IT, Milan[1]	100.0
E.ON JobCenter Sverige AB, SE, Malmö[1]	100.0
E.ON Kainuu Oy, FI, Kajaani[1]	50.6
E.ON Kärnkraft Finland AB, FI, Kajaani[1]	100.0
E.ON Kärnkraft Sverige AB, SE, Malmö[1]	100.0
E.ON Kernkraft GmbH, DE, Hanover[1,8]	100.0
E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1]	99.8
E.ON Kraftwerke 6. Beteiligungs-GmbH, DE, Hanover[2]	100.0
E.ON Kraftwerke GmbH, DE, Hanover[1,8]	100.0
E.ON Kundsupport Sverige AB, SE, Malmö[1]	100.0
E.ON Limited, GB, Coventry[1]	100.0
E.ON Mälarkraft Värme AB, SE, Håbo[1]	99.8
E.ON Masdar Integrated Carbon LLC, AE, Kalif A City, Abu Dhabi[5]	50.0
E.ON Metering GmbH, DE, Munich[2]	100.0
E.ON Mitte AG, DE, Kassel[1]	73.3
E.ON Mitte Natur GmbH, DE, Dillenburg[1]	100.0

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E.ON Mitte Vertrieb GmbH, DE, Kassel[1]	100.0
E.ON Mitte Wärme GmbH, DE, Kassel[1]	100.0
E.ON Moldova Distributie S.A., RO, Iasi[1]	51.0
E.ON NA Capital LLC, US, Wilmington[1]	100.0
E.ON NA Investments LLC, US, Wilmington[1]	100.0
E.ON Netz GmbH, DE, Bayreuth[1, 8]	100.0
E.ON Neunzehnte Verwaltungs GmbH, DE, Düsseldorf[2, 8]	100.0
E.ON New Build & Technology B.V., NL, Rotterdam[2]	100.0
E.ON New Build & Technology BVBA, BE, Vilvoorde[2]	100.0
E.ON New Build & Technology GmbH, DE, Gelsenkirchen[1, 8]	100.0
E.ON New Build & Technology Limited, GB, Coventry[1]	100.0
E.ON Nord Sverige AB, SE, Malmö[1]	100.0
E.ON Nordic AB, SE, Malmö[1]	100.0
E.ON North America, Inc., US, Wilmington[1]	100.0
E.ON Polska Sp. z o.o., PL, Warsaw[1]	100.0
E.ON Portfolio Solution GmbH, DE, Düsseldorf[1]	100.0
E.ON Power Plants Belgium BVBA, BE, Antwerp[2]	100.0
E.ON Produktion Danmark A/S, DK, Herlev[1]	100.0
E.ON Produzione Centrale Livorno Ferraris S.p.A., IT, Milan[1]	75.0
E.ON Produzione S.p.A., IT, Sassari[1]	100.0
E.ON Provence Biomasse SARL, FR, Nanterre[2]	100.0
E.ON RAG Beteiligungsgesellschaft mbH, DE, Düsseldorf[1]	100.0
E.ON Red S.L., ES, Santander[1]	100.0
E.ON Regenerabile Romania S.R.L, RO, Iasi[2]	100.0
E.ON Renovables, S.L., ES, Madrid[1]	100.0
E.ON Renovaveis Portugal, SGPS S.A., PT, Lisbon[1]	100.0
E.ON Retail Limited, GB, Coventry[1]	100.0
E.ON Risk Consulting GmbH, DE, Düsseldorf[1]	100.0
E.ON România S.R.L., RO, Târgu Mureş[1]	90.2
E.ON Ruhrgas AG, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Austria GmbH, AT, Vienna[1]	100.0
E.ON Ruhrgas BBL B.V., NL, Voorburg[1]	100.0
E.ON Ruhrgas Dogalgaz A.S., TR, Istanbul[2]	100.0
E.ON Ruhrgas Dutch Holding B.V., NL, Den Haag[2]	100.0
E.ON Ruhrgas E & P Ägypten GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas E & P Algerien GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas E & P GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas GGH GmbH, DE, Essen[2]	100.0
E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Ruhrgas International GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.0
E.ON Ruhrgas Norge AS, NO, Stavanger[1]	100.0
E.ON Ruhrgas Personalagentur GmbH, DE, Essen[2]	100.0
E.ON Ruhrgas Polska Sp. z o.o., PL, Warsaw[2]	100.0
E.ON Ruhrgas UK E&P Limited, GB, London[1]	100.0
E.ON Ruhrgas UK Energy Trading Limited, GB, London[1]	100.0
E.ON Ruhrgas UK EU Limited, GB, London[1]	100.0
E.ON Ruhrgas UK North Sea Limited, GB, Aberdeen[1]	100.0
E.ON Russia Beteiligungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Russia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Service GmbH, DE, Essen[2, 8]	100.0
E.ON Service Plus GmbH, DE, Landshut[1]	100.0
E.ON Servicii S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicios, S.L., ES, Santander[1]	100.0
E.ON Servisní, s.r.o., CZ, České Budějovice[1]	83.7
E.ON Siebzehnte Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Slovensko, a.s., SK, Bratislava[1]	100.0
E.ON Smart Living AB, SE, Malmö[2]	100.0
E.ON Suomi Oy, FI, Helsinki[1]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0
E.ON Thüringer Energie AG, DE, Erfurt[1]	53.0
E.ON Thüringer Energie Dritte Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Thüringer Energie KomSolar Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Thüringer Energie Zweite Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[1]	100.0
E.ON Trend s.r.o., CZ, České Budějovice[1]	100.0
E.ON Ügyfélszolgálati Kft., HU, Budapest[1]	100.0
E.ON UK CHP Limited, GB, Coventry[1]	100.0
E.ON UK CoGeneration Limited, GB, Coventry[1]	100.0
E.ON UK Community Solar Limited, GB, Coventry[2]	100.0
E.ON UK Directors Limited, GB, Coventry[2]	100.0
E.ON UK Energy Services Limited, GB, Coventry[1]	100.0
E.ON UK Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON UK Finance Limited (in member's voluntary liquidation), GB, Coventry[2]	100.0
E.ON UK Gas Limited, GB, Coventry[1]	100.0
E.ON UK Holding Company Limited, GB, Coventry[1]	100.0
E.ON UK Industrial Shipping Limited, GB, Coventry[2]	100.0
E.ON UK Ironbridge Limited, GB, Coventry[2]	100.0
E.ON UK Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON UK plc, GB, Coventry[1]	100.0
E.ON UK Power Technology Limited, GB, Coventry[1]	100.0
E.ON UK Property Services Limited, GB, Coventry[1]	100.0
E.ON UK PS Limited, GB, Coventry[1]	100.0
E.ON UK Retail Limited, GB, Coventry[2]	100.0
E.ON UK Secretaries Limited, GB, Coventry[2]	100.0
E.ON UK Technical Services Limited, GB, Edinburgh[1]	100.0
E.ON UK Trading Limited (in member's voluntary liquidation), GB, Coventry[2]	100.0
E.ON UK Trustees Limited, GB, Coventry[1]	100.0
E.ON US Corporation, US, Wilmington[1]	100.0
E.ON US Holding GmbH, DE, Düsseldorf[1, 8]	100.0

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Name, location	Stake (%)
E.ON US Investments Corp., US, Louisville[1]	100.0
E.ON Varme Danmark ApS, DK, Herlev[1]	100.0
E.ON Värme Sverige AB, SE, Malmö[1]	100.0
E.ON Värme Timrå AB, SE, Sundsvall[1]	90.9
E.ON Värmekraft Sverige AB, SE, Karlshamn[1]	100.0
E.ON Vattenkraft Sverige AB, SE, Sundsvall[1]	100.0
E.ON Vertrieb Deutschland GmbH, DE, Munich[1]	100.0
E.ON Vierundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Vind Sverige AB, SE, Malmö[1]	100.0
E.ON Wasserkraft GmbH, DE, Landshut[1,8]	100.0
E.ON Westfalen Weser 2. Vermögensverwaltungs-GmbH, DE, Herford[2]	100.0
E.ON Westfalen Weser 3. Vermögensverwaltungs-UG (haftungsbeschränkt), DE, Hameln[2]	100.0
E.ON Westfalen Weser AG, DE, Paderborn[1]	62.8
E.ON Westfalen Weser Energie-Service GmbH, DE, Kirchlengern[1]	100.0
E.ON Westfalen Weser Vertrieb GmbH, DE, Paderborn[1]	100.0
E.ON Zwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2,8]	100.0
East Midlands Electricity Distribution Holdings, GB, Coventry[1]	100.0
East Midlands Electricity Distribution Limited, GB, Coventry[2]	100.0
East Midlands Electricity Generation (Corby) Limited, GB, Coventry[1]	100.0
East Midlands Electricity Limited, GB, Coventry[1]	100.0
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EAV 2. Beteiligungs-GmbH, DE, Helmstedt[2]	100.0
EAV Beteiligungs-GmbH, DE, Helmstedt[2]	100.0
EBG 1. Beteiligungsgesellschaft mbH, DE, Essen[2]	100.0
EBS Kraftwerk GmbH, DE, Hürth[5]	50.0
EBY Eigenbetriebe GmbH, DE, Regensburg[1,8]	100.0
EBY Gewerbeobjekt GmbH, DE, Regensburg[2]	100.0
EBY Immobilien GmbH & Co. KG, DE, Regensburg[2]	100.0
EBY Port 3 GmbH, DE, Regensburg[1]	100.0
EBY Port 5 GmbH, DE, Regensburg[2]	100.0
EC Serwis Sp. z o.o., PL, Slupsk[1]	100.0
EC Skarżysko-Kamienna Sp. z o.o., PL, Skarżysko Kamienna[2]	63.9
EC&R Asset Management, LLC, US, Wilmington[1]	100.0
EC&R Canada Ltd., CA, Saint John[2]	100.0
EC&R Development, LLC, US, Wilmington[1]	100.0
EC&R Energy Marketing, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt II, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt, LLC, US, Wilmington[1]	100.0
EC&R NA Solar PV, LLC, US, Wilmington[2]	100.0
EC&R O&M, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek WF I&II Holdco, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek WF III Holdco, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm I&II, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm III, LLC, US, Wilmington[1]	100.0
EC&R Papalote Creek I, LLC, US, Wilmington[1]	100.0
EC&R Papalote Creek II, LLC, US, Wilmington[1]	100.0
EC&R QSE, LLC, US, Wilmington[1]	100.0
EC&R Services, LLC, US, Wilmington[1]	100.0
EC&R Sherman, LLC, US, Wilmington[2]	100.0
Economy Power Limited, GB, Coventry[1]	100.0
E-Eko Malenovice s.r.o., CZ, Otrokovice[5]	24.5
EEP 1. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EFG Erdgas Forchheim GmbH, DE, Forchheim[5]	24.9
EFM GmbH & Co. Beta KG, DE, Karlsfeld[1,8]	100.0
EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[5]	39.9
EFR-CEE Szolgáltató Kft., HU, Budapest[5]	37.0
EGF EnergieGesellschaft Frankenberg mbH, DE, Frankenberg/Eder[2]	40.0
EH-SZER Energetikai és Távközlési Hálózatépítő és Szerelő Kft., HU, Győr[1]	100.0
Eisenacher Versorgungs-Betriebe GmbH (EVB), DE, Eisenach[4]	25.1
Ekopur d.o.o., SI, Ljubljana[2]	100.0
EKS-Service Kft., HU, Budapest[5]	50.0
Elecdey ASCOY, S.A., ES, Murcia[5]	19.5
Elecdey CARCELÉN, S.A., ES, Albacete[4]	23.0
Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2]	100.0
Elevate Wind Holdco, LLC, US, Wilmington[2]	100.0
ELICA S.R.L., IT, Naples[2]	100.0
Elmregia GmbH, DE, Schöningen[5]	49.0
Elsö Magyar Szelerömü Kft, HU, Kulcs[2]	74.7
Eltel Networks Pohjoinen Oy, FI, Kajaani[4]	25.0
Elverket Vallentuna AB, SE, Vallentuna[4]	43.4
EME Distribution No. 2 Limited, GB, Coventry[1]	100.0
Empec Ustka Sp. z o.o., PL, Ustka[4]	48.5
Empower Training Services Limited (member's liquidation), GB, Coventry[2]	100.0
ENACO Energieanlagen- und Kommunikationstechnik GmbH, DE, Maisach, Landkreis Fürstenfeldbruck[5]	26.0
ENAG/Maingas Energieanlagen GmbH, DE, Eisenach[5]	50.0
Energest S.r.l., IT, Mira (VE)[2]	100.0
Energetika Malenovice, a.s., CZ, Zlin-Malenovice[2]	100.0
ENERGETIKA SERVIS s.r.o., CZ, České Budějovice[2]	80.0
Energetyka Cieplna Opolszczyzny S.A., PL, Opole[5]	45.7
Energías Renovables de Euskadi, S.L., ES, Bilbao[5]	30.0
Energie- und Medienversorgung Schwarza GmbH (EMS), DE, Rudolstadt/Schwarza[1]	100.0
Energie und Wasser Potsdam GmbH, DE, Potsdam[4]	35.0
Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[5]	50.1

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Name, location	Stake (%)
Energie-Agentur Weyhe GmbH, DE, Weyhe[5]	50.0
Energieerzeugungswerke Geesthacht GmbH, DE, Geesthacht[5]	33.4
Energienetze Bayern GmbH, DE, Regensburg[1]	100.0
Energienetze Schaafheim GmbH, DE, Regensburg[2]	100.0
Energie Region Kassel GmbH & Co. KG, DE, Kassel[2]	100.0
Energie Region Kassel Verwaltungs GmbH, DE, Kassel[2]	100.0
Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[5]	69.5
Energieversorgung Apolda GmbH, DE, Apolda[4]	49.0
Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[5]	50.0
Energieversorgung Greiz GmbH, DE, Greiz[4]	49.0
Energieversorgung Inselsberg GmbH, DE, Waltershausen[5]	20.0
Energieversorgung Nordhausen GmbH, DE, Nordhausen[4]	40.0
Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[5]	50.0
Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[5]	50.0
Energieversorgung Rudolstadt GmbH, DE, Rudolstadt[5]	23.9
Energieversorgung Sehnde GmbH, DE, Sehnde[5]	30.0
Energie-Wende-Garching GmbH & Co. KG, DE, Garching, Landkreis Munich[5]	33.3
Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching, Landkreis Munich[5]	33.3
Energiewerke Isernhagen GmbH, DE, Isernhagen[4]	49.0
Energiewerke Zeulenroda GmbH, DE, Zeulenroda-Triebes[5]	49.0
Energos Deutschland GmbH, DE, Helmstedt[2]	100.0
Energy Collection Services Limited, GB, Coventry[1]	100.0
ENERGY Sp. z o.o., PL, Pile[2]	100.0
Enertec Hameln GmbH, DE, Hameln[1]	100.0
Enfield Energy Centre Limited, GB, Coventry[1]	100.0
Enfield Energy Services (Europe) Limited, GB, Coventry[1]	100.0
Enfield Operations (UK) Limited, GB, Coventry[1]	100.0
Enizade Limited, GB, Coventry[1]	100.0
ENSECO GmbH, DE, Unterschleißheim, Landkreis Munich[5]	49.0
Entsorgungsgemeinschaft Oberhavel GbR, DE, Helmstedt[2]	74.9
Entsorgungszentrum Salzgitter GmbH, DE, Salzgitter[5]	50.0
Eólica de Levante, S.L., ES, Alicante[5]	25.0
Eólica de São Julião, Lda, PT, Lisbon[4]	45.0
EÓLICA MARÍTIMA Y PORTUARIA, SOCIEDAD LIMITADA, ES, Oviedo[2]	70.0
Eoliser Serviços de Gestão para parques eólicos, Lda, PT, Lisbon[1]	100.0
EOS PAX IIA, S.L., ES, Santiago de Compostela[4]	48.5
EPS Polska Holding Sp. z o.o., PL, Warsaw[2]	100.0
EPS Polska Sp. z o.o., PL, Warsaw[2]	100.0
Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH (EVG), DE, Erfurt[3]	50.0
Ergon Energy Limited, GB, Coventry[1]	100.0
Ergon Finance Limited (member's liquidation), GB, Coventry[2]	100.0
Ergon Holding Company Limited, GB, Coventry[1]	100.0
Ergon Holdings Ltd, MT, St. Julians[1]	100.0
Ergon Insurance Ltd, MT, St. Julians[1]	100.0
Ergon Nominees Limited, GB, Coventry[1]	100.0
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
Ergon Power Limited, GB, Coventry[2]	100.0
Ergon Properties Limited (member's liquidation), GB, Coventry[2]	100.0
Ergosud S.p.A., IT, Rome[4]	50.0
ERKA Vermögensverwaltungsgesellschaft mbH, DE, Düsseldorf[2]	100.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[5]	47.5
Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[7]	74.8
Etzel Gas-Lager Management GmbH, DE, Friedeburg-Etzel[5]	74.8
European Nuclear Energy Leadership Academy GmbH, DE, Garching[5]	26.3
Evantec GmbH, DE, Munich[2]	100.0
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[5]	49.0
EVU Services GmbH, DE, Neumünster[5]	25.0
EVV Elektrizitätsversorgungsgesellschaft Velten mbH, DE, Velten[5]	35.0
EW Eichsfeldgas GmbH, DE, Worbis[2]	49.0
ew wärme GmbH, DE, Bad Heiligenstadt[5]	49.0
EWC Windpark Cuxhaven GmbH, DE, Munich[5]	50.0
ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[5]	50.2
EZH-SEON b.v., NL, Rotterdam[1]	100.0
EZH-Systems Inc., US, Delaware[2]	100.0
EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[5]	28.9
EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[5]	28.8
Falkenbergs Biogas AB, SE, Malmö[4]	65.0
Farma Wiatrowa Barzowice Sp. z o.o., PL, Warsaw[1]	100.0
Farma Wiatrowa Lebcz Sp. z o.o., PL, Warsaw[1]	100.0
Fennovoima Oy, FI, Helsingfors[4]	34.0
Ferngas Nordbayern GmbH, DE, Nuremberg[1]	70.0
Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[5]	50.0
Fernwärmeversorgung Herne GmbH, DE, Herne[5]	50.0
Fidelia Communications Inc., US, Delaware[2]	100.0
FIDELIA Holding LLC, US, Wilmington[1]	100.0
Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach i. Isartal, Landkreis Munich[2]	90.0
FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach i. Isartal, Landkreis Munich[2]	90.0
FITAS Verwaltung GmbH & Co. Vermietungs-KG, DE, Pöcking[2]	99.9
Flatlands Wind Farm, LLC, US, Wilmington[2]	100.0
Forest Creek Investco, Inc., US, Wilmington[1]	100.0

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Forest Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Forest Creek Wind Farm, LLC, US, Wilmington[1]	100.0
Frankengas GmbH, DE, Nuremberg[4]	30.9
Freizeitbad Reinbek Betriebsgesellschaft mbH, DE, Reinbek[5]	49.0
Freya Bunde-Etzel GmbH & Co. KG, DE, Bonn[4]	60.0
G.E.I.—Gestione Energetica Impianti S.p.A., IT, Crema[4]	48.9
GAL Beteiligungs GmbH, DE, Porta Westfalica[5]	50.0
Gasag Berliner Gaswerke Aktiengesellschaft, DE, Berlin[4]	36.9
GasLine Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, DE, Straelen[5]	40.0
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, DE, Straelen[4]	40.0
Gasspeicher Lehrte GmbH, DE, Helmstedt[2]	100.0
Gasum Oy, FI, Espoo[4]	20.0
Gas-Union GmbH, DE, Frankfurt/Main[4]	25.9
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[5]	50.0
Gasversorgung Biedenkopf GmbH, DE, Biedenkopf[5]	49.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[5]	50.0
Gasversorgung Frankenwald GmbH (GFW), DE, Helmbrechts[5]	50.0
Gasversorgung Greifswald GmbH, DE, Greifswald[5]	49.0
Gasversorgung im Landkreis Gifhorn GmbH (GLG), DE, Wolfsburg-Fallersleben[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[4]	64.0
Gasversorgung Vorpommern GmbH, DE, Trassenheide[5]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[5]	49.0
Gasversorgung Wismar Land Vertrieb GmbH, DE, Lübow[5]	49.0
Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[5]	50.0
Gaswerk Bad Sooden-Allendorf GmbH, DE, Bad Sooden-Allendorf[5]	49.0
GCE Énergies SARL, FR, La Camp du Castellet[2]	100.0
Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1]	100.0
Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
Gelsenwasser Beteiligungs-GmbH, DE, Munich[1, 8]	100.0
Gem. Ges. zur Förderung des E.ON-Instituts für Energieforschung mbH, DE, Gorleben[5]	50.0
Gemeindewerke Leck GmbH, DE, Leck[5]	49.9
Gemeindewerke Uetze GmbH, DE, Uetze[5]	49.0
Gemeindewerke Wedemark GmbH, DE, Wedemark[5]	49.0
Gemeindewerke Wietze GmbH, DE, Wietze[5]	49.0
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG, DE, Emmerthal[1]	100.0
Gemeinschaftskernkraftwerk Grohnde Management GmbH, DE, Emmerthal[2]	83.2
Gemeinschaftskernkraftwerk Isar 2 GmbH, DE, Essenbach[2]	75.0
Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1]	50.2
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[3]	50.0
Gemeinschaftskraftwerk Staudinger GmbH & Co. KG, DE, Großkrotzenburg[1, 8]	100.0
Gemeinschaftskraftwerk Staudinger Verwaltungs-GmbH, DE, Großkrotzenburg[2]	100.0
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1]	66.7
Gemeinschaftskraftwerk Weser GmbH & Co. oHG, DE, Emmerthal[1]	66.7
Gen Net.Com Limited, GB, Coventry[2]	100.0
Generale Servizi S.r.l., IT, Gandino (BG)[2]	100.0
Geólica Magallón, S.L, ES, Zaragoza[4]	36.2
Geothermie-Wärmegesellschaft Braunau-Simbach mbH, AT, politische Gemeinde Braunau am Inn[5]	20.0
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH, DE, Kiel[5]	33.3
GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[5]	41.7
GGG Gesellschaft für Grundstücks- und Gebäudenutzung mbH, DE, Essen[2]	100.0
GHD E.ON Bayern AG & Co. KG, DE, Dingolfing[2]	75.0
GLG Netz GmbH, DE, Gifhorn[1]	100.0
GNR Gesellschaft zur energetischen Nutzung nachwachsender Rohstoffe mbH, DE, Brakel[5]	33.3
GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[4]	48.0
GOLLIPP Bioerdgas GmbH & Co KG, DE, Gollhofen[5]	50.0
GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Nuremberg[5]	50.0
Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2]	100.0
GRE Gesellschaft zur rationellen Energienutzung Horn-Bad Meinberg mbH, DE, Horn-Bad Meinberg[5]	50.0
Grenzkraftwerke Gesellschaft mit beschränkter Haftung, DE, Simbach am Inn[5]	50.0
GreyLogix GmbH, DE, Flensburg[5]	74.2
Guyane Conhilac Énergies SARL, FR, Cayenne[2]	100.0
Hamburg Netz GmbH, DE, Hamburg[1]	100.0
Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2]	100.0
Hams Hall Management Company Limited, GB, Coventry[4]	46.6
Harzwasserwerke GmbH, DE, Hildesheim[4]	20.8
Hauptstadtsee 865. V V GmbH, DE, Berlin[5]	50.0
Havelstrom Zehdenick GmbH, DE, Zehdenick[5]	49.0
Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[5]	50.0
Helioenergy Electricidad Dos, S.A, ES, Sevilla[4]	50.0
Helioenergy Electricidad Uno, S.A., ES, Sevilla[4]	50.0
HEMAB Elförsäljning AB, SE, Malmö[1]	100.0
Hermann Seippel-Unterstützungseinrichtung GmbH, DE, Essen[2]	100.0
HEUREKA-Gamma AG, CH, Baden-Dättwil[2]	100.0
HGC Hamburg Gas Consult GmbH, DE, Hamburg[2]	100.0
Hibernia Gamma Beteiligungsgesellschaft mbH, DE, Frankfurt/Main[4]	39.4

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HIBERNIA Industriewerte GmbH & Co. oHG, DE, Düsseldorf[2]	100.0
Hochtemperatur-Kernkraftwerk GmbH (HKG), Gemeinsames europäisches Unternehmen, DE, Hamm[5]	26.0
HOCHTIEF Energy Management Harburg GmbH, DE, Hamburg[5]	35.0
Holford Gas Storage Limited, GB, Edinburgh[1]	100.0
Holsteiner Wasser GmbH, DE, Neumünster[5]	50.0
Horizon Nuclear Power Limited, GB, Gloucester[3]	50.0
Horizon Nuclear Power Oldbury Limited, GB, Gloucester[2]	100.0
Horizon Nuclear Power Services Limited, GB, Gloucester[2]	100.0
Horizon Nuclear Power Wylfa Limited, GB, Gloucester[2]	100.0
HSE AVG Beteiligungs-GmbH, DE, Darmstadt[5]	50.0
HSN Magdeburg GmbH, DE, Magdeburg[1]	74.9
HUGE Kft., HU, Budapest[2]	100.0
Inadale WF Holdco, LLC, US, Wilmington[1]	100.0
Inadale Wind Farm, LLC, US, Wilmington[1]	100.0
Induboden GmbH, DE, Düsseldorf[2]	100.0
Induboden GmbH & Co. Grundstücksgesellschaft OHG, DE, Düsseldorf[1]	100.0
Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[1]	100.0
Industry Development Services Limited, GB, Coventry[1]	100.0
Informační služby—energetika, a.s., CZ, Prague[2]	100.0
InfraServ-Bayernwerk Gendorf GmbH, DE, Burgkirchen/Alz[5]	50.0
Infrastructure Alliance Limited, JE, St. Helier[1]	100.0
Infrastrukturgesellschaft Stadt Nienburg/Weser mbH, DE, Nienburg/Weser[5]	49.9
INTERARGEM GbR, DE, Bielefeld[2]	66.7
Interargem GmbH, DE, Bielefeld[1]	61.2
Inversora de Gas Cuyana S.A., AR, Mendoza[2]	24.0
Inversora de Gas del Centro S.A., AR, Córdoba[1]	75.0
Inwestycyjna Spółka Energetyczna-IRB Sp. z o.o., PL, Warsaw[5]	50.0
Isam-Immobilien-GmbH, DE, Munich[2]	100.0
Jihočeská plynárenská, a.s., CZ, České Budějovice[2]	100.0
Jihomoravská plynárenská, a.s., CZ, Brno[4]	43.7
Kajaanin Lämpö Oy, FI, Helsingfors[4]	50.0
Kalmar Energi Försäljning AB, SE, Kalmar[4]	40.0
Kalmar Energi Holding AB, SE, Kalmar[4]	50.0
Karlshamn Kraft AB, SE, Karlshamn[1]	70.0
Kärnkraftsäkerhet & Utbildning AB, SE, Nyköping[5]	25.0
Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1]	80.0
Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[4]	33.3
Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[4]	25.0
Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[4]	50.0
Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1]	66.7
Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1, 8]	100.0
KGN Kommunalgas Nordbayern GmbH, DE, Bamberg[1, 8]	100.0
KGW—Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1]	69.8
Klåvbens AB, SE, Olofström[5]	50.0
Kolbäckens Kraft KB, SE, Sundsvall[1]	100.0
Komáromi Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
KommEnergie GmbH, DE, Eichenau, Landkreis Fürstenfeldbruck[5]	67.0
Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[5]	49.0
Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[5]	25.0
Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[5]	25.0
Kraftverkehrsgesellschaft Paderborn mbH -KVP-, DE, Paderborn[2]	100.0
Kraftwerk Buer Betriebsgesellschaft mbH, DE, Gelsenkirchen[5]	50.0
Kraftwerk Buer GbR, DE, Gelsenkirchen[5]	50.0
Kraftwerk Burghausen GmbH, DE, Munich[1, 8]	100.0
Kraftwerk Hattorf GmbH, DE, Munich[2]	100.0
Kraftwerk Obernburg GmbH, DE, Erlenbach am Main[3]	50.0
Kraftwerk Plattling GmbH, DE, Munich[1, 8]	100.0
Kraftwerk Schkopau Betriebsgesellschaft mbH, DE, Schkopau[1]	55.6
Kraftwerk Schkopau GbR, DE, Schkopau[1]	58.1
Kraftwerk Schwedt GmbH & Co. KG, DE, Schwedt[1]	99.0
Kraftwerk Schwedt Verwaltungsgesellschaft mbH, DE, Schwedt[2]	100.0
Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[5]	41.7
Kreiswerke Main-Kinzig GmbH, DE, Gelnhausen[5]	24.5
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald, Landkreis Munich[1]	90.0
LandE GmbH, DE, Wolfsburg-Fallersleben[1]	69.6
Landgas Göhren GmbH, DE, Göhren[5]	40.6
Landwehr Wassertechnik GmbH, DE, Schöppenstedt[2]	100.0
Lighting for Staffordshire Holdings Limited, GB, Coventry[1]	60.0
Lighting for Staffordshire Limited, GB, Coventry[1]	100.0
Lillo Energy NV, BE, Beveren/Antwerp[5]	50.0
Limited Liability Company E.ON IT, RU, Moscow[2]	100.0
Line WORX GmbH, DE, Essen[2]	100.0
Livorno Holding S.r.l., IT, Rome[5]	50.0
LIWACOM Informationstechnik GmbH, DE, Essen[5]	33.3
Łobeska Energetyka Cieplna Sp. z o.o., PL, Łobez[2]	100.0
London Array Limited, GB, Coventry[5]	30.0
LSW LandE-Stadtwerke Wolfsburg GmbH & Co. KG, DE, Wolfsburg[4]	57.0
LSW LandE-Stadtwerke Wolfsburg Verwaltungs-GmbH, DE, Wolfsburg[5]	57.0
Lubmin-Brandov Gastransport GmbH, DE, Essen[1]	100.0
LUMEN DISTRIBUČNÍ SOUSTAVY, s.r.o., CZ, České Budějovice[5]	34.0
Lumen Energy a.s., CZ, Prague[5]	40.0

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Name, location	Stake (%)
LUMEN SYNERGY s.r.o., CZ, České Budějovice[5]	34.0
Luminar S.r.l., IT, Milan[1]	100.0
Luna Lüneburg GmbH, DE, Lüneburg[5]	49.0
Maasvlakte CCS Project B.V., NL, Rotterdam[5]	50.0
Maasvlakte I b.v., NL, Rotterdam[2]	100.0
Maasvlakte II b.v., NL, Rotterdam[2]	100.0
MADINERGIE SARL, FR, Le Lamentin[2]	100.0
Magic Valley Wind Farm I, LLC, US, Wilmington[1]	100.0
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, Munich[2]	75.0
MCE Énergies SARL, FR, La Camp du Castellet[2]	100.0
MEC Koszalin Sp. z o.o., PL, Koszalin[4]	30.8
MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, DE, Essen[3]	51.0
MEGAL Verwaltungs-GmbH, DE, Essen[2]	51.0
MEON Pensions GmbH & Co. KG, DE, Grünwald[1]	100.0
MEON Verwaltungs GmbH, DE, Grünwald[2]	100.0
Mer. Wind S.r.l., IT, Rome[1]	100.0
Měření dodávek plynu, a.s., CZ, Prague[2]	100.0
Metegra GmbH, DE, Laatzen[5]	25.0
Meter Services Limited, GB, Coventry[2]	100.0
Metering Services Limited, GB, Coventry[2]	100.0
METHA-Methanhandel GmbH, DE, Essen[1, 8]	100.0
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG, DE, Grünwald[7]	90.0
Midlands Electricity Group Limited, GB, Coventry[1]	100.0
Midlands Electricity Limited, GB, Coventry[2]	100.0
Midlands Electricity Metering Limited, GB, Coventry[2]	100.0
Midlands Gas Limited, GB, Coventry[1]	100.0
Midlands Generation (Overseas) Limited, GB, Coventry[1]	100.0
Midlands Power (UK) Limited, GB, Coventry[1]	100.0
Midlands Power International Limited, GB, Coventry[1]	100.0
Midlands Sales Limited, GB, Coventry[2]	100.0
Mittelrheinische Erdgastransportleitungsgesellschaft mbH, DE, Haan[1, 8]	100.0
Mittlere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Montan GmbH Assekuranz-Makler, DE, Düsseldorf[4]	44.3
Mosoni-Duna Menti Szélerőmű Kft., HU, Győr[2]	100.0
Müllheizkraftwerk Rothensee GmbH, DE, Magdeburg[7]	51.0
Munnsville Investco, LLC, US, Wilmington[1]	100.0
Munnsville WF Holdco, LLC, US, Wilmington[1]	100.0
Munnsville Wind Farm, LLC, US, Wilmington[1]	100.0
MVA Bielefeld-Herford GmbH, DE, Bielefeld[1]	100.0
Nafta a.s., SK, Bratislava[4]	40.5
Nahwärme Bad Oeynhausen-Löhne GmbH, DE, Bad Oeynhausen[2]	65.4
Nahwärmeversorgung Kirchlengern GmbH, DE, Kirchlengern[5]	50.0
Naturgas Emmerthal GmbH & Co. KG, DE, Emmerthal[2]	84.6
NEL Beteiligungs GmbH, DE, Essen[2]	100.0
NetConnect Germany GmbH & Co. KG, DE, Ratingen[5]	44.0
NetConnect Germany Management GmbH, DE, Ratingen[5]	44.0
NETRA GmbH Norddeutsche Erdgas Transversale, DE, Schneiderkrug[5]	33.3
NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, DE, Schneiderkrug[4]	40.6
Netz Veltheim GmbH, DE, Porta Westfalica[1]	66.7
Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[5]	34.8
Netzgesellschaft Gehrden mbH, DE, Gehrden[5]	49.0
Netzgesellschaft Hemmingen mbH, DE, Hemmingen[5]	49.0
Netzgesellschaft Herrenwald Verwaltung GmbH, DE, Stadtallendorf[2]	51.0
Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[5]	40.0
Netzgesellschaft Stuhr/Weyhe mbH, DE, Weyhe[5]	49.0
Netzservice Mecklenburg-Vorpommern (NMV) GmbH, DE, Schwerin[2]	100.0
Neue Energien Bad Salzungen GmbH, DE, Bad Salzungen[5]	40.0
Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1]	50.1
NHG Netzgesellschaft Herrenwald GmbH & Co. KG, DE, Stadtallendorf[2]	51.0
Nord Stream AG, CH, Zug[4]	15.5
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH, DE, Helmstedt[2]	51.0
NORD-direkt GmbH, DE, Neumünster[2]	100.0
Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, DE, Haan[3]	50.0
Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, DE, Haan[5]	50.0
Nordzucker Bioerdgas GmbH & Co. KG, DE, Braunschweig[2]	50.0
Nordzucker Bioerdgas Verwaltung-GmbH, DE, Braunschweig[2]	50.0
Northeolic Montebuño, S.L., ES, Madrid[2]	100.0
Nürnberger Straße 57 Grundstücks-Verwaltungs GmbH, DE, Würzburg[2]	100.0
Nyíregyházi Kombinált Ciklusú Erőmű Kft., HU, Nyíregyháza[1]	100.0
OAO E.ON Russia, RU, Surgut[1]	79.0
OAO Severneftegazprom, RU, Krasnoselkup[4]	25.0
OAO Shaturskaya Upravlyayushchaya Kompaniya, RU, Shatura[2]	51.0
oaza-Krupka, a.s., CZ, Liberec VI[5]	49.0
Obere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[5]	49.0
Offshore Trassenplanungs GmbH, DE, Hanover[2]	50.0
Offshore-Windpark Beta Baltic GmbH, DE, Munich[2]	100.0
Offshore-Windpark Delta Nordsee GmbH, DE, Munich[2]	100.0
OKG AB, SE, Oskarshamn[1]	54.5
OLT Offshore LNG Toscana S.p.A., IT, Milan[4]	46.8
One World Hospitality (Proprietary) ltd., ZA, Randburg[5]	50.0

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Name, location	Stake (%)
OOO E.ON Ruhrgas E&P Russia, RU, Moscow[2]	100.0
OOO E.ON Russia, RU, Moscow[2]	100.0
OOO E.ON Russia Power, RU, Moscow[2]	100.0
OOO Teplosbyt, RU, Shatura[2]	100.0
Open Grid Europe GmbH, DE, Essen[1, 8]	100.0
Open Grid Service GmbH, DE, Essen[2]	100.0
Oskarshamns Energi AB, SE, Oskarshamn[4]	50.0
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, DE, Simbach am Inn[3]	50.0
Östersjöfrakt AB, SE, Örebro[1]	80.0
Östrand Energi AB, SE, Sundsvall[1]	100.0
Ostrowski Zaklad Ceoplowinczy S.A., PL, Ostrow Wielkopolski[4]	48.6
PaderSprinter AG & Co. oHG, DE, Paderborn[2]	100.0
PADES Personalservice GmbH, DE, Munich[2]	100.0
Panrusgáz Zrt., HU, Budapest[5]	50.0
Parq Eolic De Les Basses, S.L., ES, Barcelona[5]	50.0
Parque Eólico Barlavento, S.A., PT, Lisbon[1]	90.0
Parque Eólico de Valcaire, S.L., ES, Granada[5]	45.0
Parque Eólico Sierra de Penadecabras S.L., ES, Madrid[2]	80.0
PEG Infrastruktur AG, CH, Zug[1]	100.0
Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg, Landkreis Weilheim-Schongau[2]	100.0
Peißenberger Wärmegesellschaft mbH, DE, Peißenberg, Landkreis Weilheim-Schongau[5]	50.0
Perstorps Fjärrvärme AB, SE, Perstorp[4]	50.0
Pioneer Trail Wind Farm, LLC, US, Wilmington[1]	100.0
PLEcon Pipeline Engineering Consulting GmbH, DE, Berlin[2]	85.0
PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH, DE, Essen[2]	100.0
Power Technology Limited, GB, Coventry[2]	100.0
Powerforum Zrt., HU, Budapest[5]	50.0
Powergen (East Midlands) Investments, GB, Coventry[1]	100.0
Powergen (East Midlands) Loan Notes, GB, Coventry[1]	100.0
Powergen Australia Investments Limited, GB, Coventry[1]	100.0
Powergen Finance Limited, GB, Coventry[1]	100.0
Powergen Gas Limited, GB, Coventry[2]	100.0
Powergen Group Holdings Limited, GB, Coventry[1]	100.0
Powergen Group Investments, GB, Coventry[1]	100.0
Powergen Holdings B.V., NL, Amsterdam[1]	100.0
Powergen Holdings SARL, LU, Luxembourg[1]	100.0
Powergen International Limited, GB, Coventry[1]	100.0
Powergen Investments Limited (member's liquidation), GB, Coventry[2]	100.0
Powergen Ireland Limited, GB, Coventry[1]	100.0
Powergen Limited, GB, Coventry[1]	100.0
Powergen LS SE, GB, Coventry[1]	100.0
Powergen Luxembourg Holdings SARL, LU, Luxembourg[1]	100.0
Powergen Overseas Holdings Limited (in member's liquidation), GB, Coventry[2]	100.0
Powergen Power No. 1 Limited, GB, Coventry[1]	100.0
Powergen Power No. 2 Limited, GB, Coventry[1]	100.0
Powergen Power No. 3 Limited, GB, Coventry[1]	100.0
Powergen Retail Gas Limited, GB, Coventry[2]	100.0
Powergen Retail Limited, GB, Coventry[1]	100.0
Powergen Retail Supply Limited, GB, Coventry[1]	100.0
Powergen Serang Limited, GB, Coventry[2]	100.0
Powergen Share Trustees Limited (member's liquidation), GB, Coventry[1]	100.0
Powergen UK Holding Company Limited, GB, Coventry[1]	100.0
Powergen UK Investments, GB, Coventry[1]	100.0
Powergen UK Limited, GB, Coventry[1]	100.0
Powergen UK Securities, GB, Coventry[1]	100.0
Powergen US Holdings Limited, GB, Coventry[1]	100.0
Powergen US Investments, GB, Coventry[1]	100.0
Powergen US Securities Limited, GB, Coventry[1]	100.0
Powergen Warm Front Limited (member's voluntary liquidation), GB, Coventry[2]	100.0
Powergen Weather Limited, GB, Coventry[2]	100.0
Pragoplyn, a.s., CZ, Prague-Nové Město[1]	100.0
Pražská plynárenská Distribuce, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[1]	100.0
Pražská plynárenská Holding a.s., CZ, Prague[5]	49.0
Pražská plynárenská Servis distribuce, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2]	100.0
Pražská plynárenská Správa majetku, s.r.o., člen koncernu Pražská plynárenská, a.s., CZ, Prague-Michle[2]	100.0
Pražská plynárenská, a.s., CZ, Prague[1]	49.3
Promec Sp. z o.o., PL, Skarżysko Kamienna[2]	100.0
Prometheus, energetické služby, s.r.o., CZ, Prague[2]	100.0
Przedsiębiorstwo Energetyki Cieplnej w Barlinku Sp. z o.o., PL, Barlinek[2]	51.5
PT Power Jawa Barat, ID, Jakarta[4]	40.0
Purena GmbH, DE, Wolfenbüttel[1]	94.5
Pyron WF Holdco, LLC, US, Wilmington[1]	100.0
Pyron Wind Farm, LLC, US, Wilmington[1]	100.0
Q-Energie b.v., NL, Eindhoven[2]	53.3
Qenergy Sp. z o.o., PL, Warsaw[5]	40.0
Raab Karcher Electronic Systems plc, GB, Coventry[1]	100.0
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4]	30.0
Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	77.4
RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Würzburg[2]	60.7
RDE Verwaltungs-GmbH, DE, Würzburg[2]	100.0
ReCon Projektentwicklungs- und Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
REGAS GmbH & Co KG, DE, Regensburg[5]	50.0

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REGAS Verwaltungs-GmbH, DE, Regensburg[5]	50.0
REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[5]	35.5
RegioCom GmbH, DE, Magdeburg[5]	50.0
regiolicht Niedersachsen GmbH, DE, Helmstedt[2]	100.0
Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[5]	33.3
REWAG REGENSBURGER ENERGIE- UND WASSER-VERSORGUNG AG & CO KG, DE, Regensburg[4]	35.5
RGE Holding GmbH, DE, Essen[1, 8]	100.0
Rhein-Main-Donau Aktiengesellschaft, DE, Munich[1]	77.5
Ringhals AB, SE, Varberg[4]	29.6
R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[5]	20.0
R-KOM Regensburger Telekommunikationsverwaltungs-gesellschaft mbH, DE, Regensburg[5]	20.0
RMD Wasserstraßen GmbH, DE, Munich[2]	100.0
RMD-Consult GmbH Wasserbau und Energie, DE, Munich[2]	100.0
Roscoe WF Holdco, LLC, US, Wilmington[1]	100.0
Roscoe Wind Farm, LLC, US, Wilmington[1]	100.0
Rosengård Invest AB, SE, Malmö[5]	25.0
Rota Gas S.r.l., IT, Mercato San Severino (SA)[5]	49.0
RuhrEnergie GmbH, EVR, DE, Gelsenkirchen[1, 8]	100.0
S.C. Congaz S.A., RO, Constanţa[5]	28.6
S.C. Salgaz S.A., RO, Salonta[2]	60.1
Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2]	100.0
Sakab AB, SE, Kumla[1]	100.0
Sakab Sellbergs AB, SE, Örebro[1]	100.0
San Juan de Bargas Eólica, S.L., ES, Zaragoza[4]	47.0
Sand Bluff WF Holdco, LLC, US, Wilmington[1]	100.0
Sand Bluff Wind Farm, LLC, US, Wilmington[1]	100.0
Scarweather Sands Limited, GB, Coventry[5]	50.0
SCF2 S.R.L, IT, Rome[2]	100.0
SCHLESWAG Abwasser GmbH, DE, Neumünster[5]	100.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	94.4
Schleswig-Holstein Netz GmbH, DE, Rendsburg[2]	100.0
Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1]	100.0
Sea Power & Fuel S.r.l., IT, Genoa[5]	50.0
SEC Energia Sp. z o.o., PL, Szczecin[2]	100.0
SEE-Sul Energia Eólica, Lda, PT, Lisbon[1]	100.0
SERVICE plus GmbH, DE, Neumünster[2]	100.0
Service Plus Recycling GmbH, DE, Neumünster[2]	100.0
Settlers Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Sinergia Andaluza, S.L., ES, Granada[5]	25.0
SINERGIA ARAGONESA, S.L., ES, Zaragoza[2]	60.0
Sisyphus Quebec Limited, GB, Coventry[1]	100.0
SKO ENERGO FIN, s.r.o., CZ, Mlada Boleslav[4]	42.5
SKO ENERGO, s.r.o., CZ, Mlada Boleslav[5]	21.0
Slovak Gas Holding B.V., NL, Zoetermeer[3]	50.0
SO.MET. ENERGIA S.r.l., IT, Costigliole d'Asti (AT)[1]	60.0
Sociedad Eólica Salmantina, S.L, ES, Salamanca[1]	90.0
Société des Eaux de l'Est S.A., FR, Saint-Avold (Creutzwald)[4]	25.0
Société Nationale d'Électricité et de Thermique, S.A. (SNET), FR, Paris[1]	100.0
Söderåsens Bioenergi AB, SE, Billesholm[4]	51.0
Solar Energy s.r.o., CZ, Znojmo[5]	25.0
Solare Bulgaria Group OOD, BG, Varna[5]	25.1
Sollefteåforsens AB, SE, Sundsvall[4]	50.0
SOTECTRAT Tratamento de Residuos Sólidos, Portugal, Unipessoal Lda., PT, Funchal[2]	100.0
SQC Kvalificeringscentrum AB, SE, Stockholm[5]	33.3
Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[5]	29.0
Städtische Werke Magdeburg GmbH, DE, Magdeburg[4]	26.7
Stadtversorgung Pattensen GmbH & Co. KG, DE, Pattensen[5]	49.0
Stadtversorgung Pattensen Verwaltung GmbH, DE, Pattensen[5]	49.0
Stadtwerk Haßfurt GmbH, DE, Haßfurt[5]	24.9
Stadtwerke Arnstadt GmbH, DE, Arnstadt[5]	44.0
Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[5]	36.0
Stadtwerke Bad Langensalza GmbH, DE, Bad Langensalza[5]	40.0
Stadtwerke Barth GmbH, DE, Barth[5]	49.0
Stadtwerke Bebra GmbH, DE, Bebra[5]	20.0
Stadtwerke Bergen GmbH, DE, Bergen[5]	49.0
Stadtwerke Blankenburg GmbH, DE, Blankenburg[5]	30.0
Stadtwerke Bogen GmbH, DE, Bogen[5]	41.0
Stadtwerke Brandenburg an der Havel GmbH, DE, Brandenburg an der Havel[4]	36.8
Stadtwerke Bredstedt GmbH, DE, Bredstedt[5]	49.9
Stadtwerke Burgdorf GmbH, DE, Burgdorf[5]	49.0
Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[5]	25.0
Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[5]	49.0
Stadtwerke Eisenberg GmbH, DE, Eisenberg[5]	49.0
Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt/Oder[4]	39.0
Stadtwerke Garbsen GmbH, DE, Garbsen[4]	24.9
Stadtwerke Geesthacht GmbH, DE, Geesthacht[5]	24.9
Stadtwerke Gelnhausen GmbH, DE, Gelnhausen[1]	100.0
Stadtwerke Gotha GmbH, DE, Gotha[4]	48.0
Stadtwerke Göttingen AG, DE, Göttingen[2]	48.9
Stadtwerke Husum GmbH, DE, Husum[5]	49.9
Stadtwerke Lage GmbH, DE, Lage[5]	45.0
Stadtwerke Leinefelde GmbH, DE, Leinefelde-Worbis[5]	49.0
Stadtwerke Lichtenau GmbH, DE, Lichtenau[5]	25.0
Stadtwerke Lübz GmbH, DE, Lübz[5]	25.0
Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[5]	29.0
Stadtwerke Mühlhausen GmbH, DE, Mühlhausen[5]	23.9

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2011)

Name, location	Stake (%)
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[5]	24.9
Stadtwerke Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[4]	24.9
Stadtwerke Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[5]	24.9
Stadtwerke Neustadt an der Orla GmbH, DE, Neustadt an der Orla[5]	20.0
Stadtwerke Niebüll GmbH, DE, Niebüll[5]	49.9
Stadtwerke Parchim GmbH, DE, Parchim[5]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[5]	35.0
Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[5]	49.0
Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[5]	39.0
Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[4]	37.8
Stadtwerke Sondershausen GmbH, DE, Sondershausen[5]	23.9
Stadtwerke Stadtroda GmbH, DE, Stadtroda[5]	24.9
Stadtwerke Suhl/Zella-Mehlis GmbH, DE, Suhl[4]	44.4
Stadtwerke Tornesch GmbH, DE, Tornesch[5]	49.0
Stadtwerke Vilshofen GmbH, DE, Vilshofen[5]	41.0
Stadtwerke Weilburg GmbH, DE, Weilburg an der Lahn[5]	20.0
Stadtwerke Weimar Stadtversorgungs-GmbH, DE, Weimar[4]	49.0
Stadtwerke Wismar GmbH, DE, Wismar[4]	49.0
Stadtwerke Wittenberge GmbH, DE, Wittenberge[5]	22.7
Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[4]	26.0
Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[5]	49.4
Statco Six Limited, GB, London[1]	100.0
Stensjön Kraft AB, SE, Stockholm[4]	50.0
Stony Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Stony Creek Wind Farm, LLC, US, Wilmington[1]	100.0
store-x Storage Capacity Exchange GmbH, DE, Leipzig[5]	38.0
Strom Germering GmbH, DE, Germering, Landkreis Fürstenfeldbruck[2]	90.0
Stromnetzgesellschaft Bad Salzdetfurth mbH, DE, Bad Salzdetfurth[5]	49.0
Stromversorgung Ahrensburg GmbH, DE, Ahrensburg[2]	100.0
Stromversorgung Angermünde GmbH, DE, Angermünde[5]	49.0
Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	100.0
Stromversorgung Zerbst GmbH & Co. KG, DE, Zerbst[5]	30.0
Stromversorgung Zerbst Verwaltungs-GmbH, DE, Zerbst[5]	30.0
strotög GmbH Strom für Töging, DE, Töging am Inn[5]	50.0
SüdWasser GmbH, DE, Erlangen[2]	100.0
SULPUR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Erfurt KG i.L., DE, Schönefeld[2]	83.3
Sunshine 1 S.r.l., IT, Milan[2]	100.0
Surschiste, S.A., FR, Mazingarbe[2]	100.0
SV Civitella S.r.l., IT, Milan[1]	100.0
SV VII S.r.l., IT, Milan[1]	100.0
Svensk Kärnbränslehantering AB, SE, Stockholm[5]	34.0
Svenskt Gastekniskt Center AB, SE, Malmö[5]	50.0
SVH Stromversorgung Haar GmbH, DE, Haar, Landkreis Munich[5]	50.0
SVI-Stromversorgung Ismaning GmbH, DE, Ismaning, Landkreis Munich[5]	49.0
SVO Energie GmbH, DE, Celle[1]	97.5
SVO Holding GmbH, DE, Celle[1]	50.1
SVO Vertrieb GmbH, DE, Celle[1]	100.0
SWE Energie GmbH, DE, Erfurt[4]	29.0
SWE Netz GmbH, DE, Erfurt[4]	29.0
SWE Technische Service GmbH, DE, Erfurt[5]	25.1
SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[4]	25.1
SWS Energie GmbH, DE, Stralsund[4]	49.0
Sydkraft EC Slupsk Sp. z o.o., PL, Slupsk[1]	98.9
Sydkraft Polen AB, SE, Malmö[1]	100.0
Sydkraft Term Sp. z o.o., PL, Poznań[1]	100.0
Sydkraft Zlotow Sp. z o.o., PL, Zlotow[1]	85.0
Szczecinska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1]	66.4
Szombathelyi Erőmű Zrt., HU, Szombathely[2]	55.0
Szombathelyi Távhőszolgáltató Kft., HU, Szombathely[5]	25.0
Tapolcai Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
Tauerngasleitung GmbH, AT, Wals-Siezenheim[5]	48.0
Technische Werke Delitzsch GmbH, DE, Delitzsch[4]	25.1
TEN Thüringer Energienetze GmbH, DE, Erfurt[1]	100.0
Teplárna Kyjov, a.s., CZ, Kyjov[2]	99.3
Teplárna Otrokovice a.s., CZ, Otrokovice[1]	100.0
Teplárna Tábor, a.s., CZ, Tábor[1]	51.5
Terminal Alpi Adriatico S.r.l., IT, Rome[1]	100.0
Terrakomp GmbH, DE, Helmstedt[2]	100.0
THB Thüringer Breitband GmbH, DE, Weimar[2]	100.0
The Power Generation Company Limited, GB, Coventry[2]	100.0
Thor Cogeneration Limited, GB, Coventry[1]	100.0
Thor Holdings Limited, GB, Coventry[1]	100.0
Thüringer Energie Netzservice Geschäftsführungsgesellschaft mbH, DE, Erfurt[2]	100.0
Thüringer Energie Netzservice GmbH & Co. KG, DE, Erfurt[2]	100.0
Thüringer Netkom GmbH, DE, Weimar[2]	100.0
TPG Wind Limited, GB, Coventry[4]	50.0
Tractaments de Juneda, S.A., ES, Lérida[4]	26.4
Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, DE, Essen[4]	51.0
Trans Europa Naturgas Pipeline Verwaltungs-GmbH, DE, Essen[5]	50.0
TREA Breisgau Betriebsgesellschaft mbH, DE, Eschbach[2]	74.9
TREA Breisgau Energieverwertung GmbH, DE, Eschbach[5]	30.0
Treasury, SE, Malmö[1]	100.0
TXU Europe (AH Online) Limited, GB, Coventry[1]	100.0
TXU Europe (AHG) Limited, GB, Coventry[1]	100.0
TXU Europe (AHGD) Limited, GB, Coventry[1]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2011)

Name, location	Stake (%)
TXU Europe (AHST) Limited, GB, Coventry[1]	100.0
TXU Europe Group Trustee Limited, GB, Coventry[1]	100.0
TXU Warm Front Limited, GB, Coventry[2]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[4]	48.0
Umspannwerk Miltzow-Mannhagen GbR, DE, Horst[5]	36.8
Umwelt- und Wärmeenergiegesellschaft Strasburg GmbH, DE, Strasburg[2]	100.0
Unión de Generadores de Energía, S.A., ES, Zaragoza[4]	50.0
UNIVERSAL SUN S.R.L., IT, Milan[5]	50.0
Untere Iller AG, DE, Landshut[2]	60.0
Uranit GmbH, DE, Jülich[3]	50.0
Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1]	100.0
Utility Debt Services Limited, GB, Coventry[2]	100.0
Valoritzacions Agroramaderes Les Garrigues, S.L., ES, Lérida[4]	36.8
VEBA Electronics Beteiligungs GmbH, DE, Norderfriedrichskoog[1]	100.0
VEBA Electronics GmbH, DE, Norderfriedrichskoog[1]	100.0
VEBA Electronics LLC, US, Wilmington[1]	100.0
VEBA Electronics US Holding GmbH, DE, Norderfriedrichskoog[1]	100.0
VEBA Investments Limited, GB, Coventry[1]	100.0
VEBA OIL SUPPLY AND TRADING LLC, US, Red Bank[1]	100.0
VEBACOM Holdings LLC, US, Wilmington[2]	100.0
Venado Wind Farm, LLC, US, Wilmington[2]	100.0
Verkehrs-Servicegesellschaft Paderborn/Höxter mbH, DE, Paderborn[5]	37.0
Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[5]	49.0
Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[2]	90.0
Versorgungskasse Energie (VVaG), DE, Hanover[1]	95.1
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[5]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Győr[2]	100.0
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, DE, Gelsenkirchen-Buer[2]	55.1
VIAG Connect Ges. für Telekommunikation Ges.m.b.H., AT, Vienna[2]	100.0
Visioncash, GB, Coventry[1]	100.0
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft, DE, Wolfsburg[3]	95.0
Wärme- und Wasserversorgung Friedensstadt GmbH, DE, Trebbin OT Blankensee[5]	50.0
Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[5]	40.0
Wärmeversorgung Sollstedt GmbH, DE, Sollstedt[5]	49.0
Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2]	50.1
Warmtebedrijf Exploitatie N.V., NL, Rotterdam[5]	50.0
Wasser GmbH Salzhemmendorf, DE, Salzhemmendorf[5]	49.0
Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Vienenburg[5]	49.0
Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[5]	50.0
Wasserversorgung Sarstedt GmbH, DE, Sarstedt[5]	49.0
Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[5]	49.8
Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[5]	49.8
Wasserwerks-Betriebsgemeinschaft Klein Heidorn GbR, DE, Neustadt a. Rbge.[5]	50.0
Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[5]	49.0
WAZV-Abwasserentsorgung GmbH, DE, Nentershausen[5]	49.0
WBG GmbH, DE, Helmstedt[1]	98.0
WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2]	70.0
Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Berneck[2]	93.5
Western Gas Limited, GB, Coventry[1]	100.0
WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1]	50.2
WEVG Verwaltungs GmbH, DE, Salzgitter[2]	50.2
WGS Wärmegesellschaft mbH Saalfeld, DE, Saalfeld[5]	24.0
Wildcat Wind Farm I, LLC, US, Wilmington[1]	100.0
Wildcat Wind Farm II, LLC, US, Wilmington[2]	100.0
WINDENERGIEPARK WESTKÜSTE GmbH, DE, Rendsburg[2]	80.0
Windpark Anhalt-Süd (Köthen) OHG, DE, Potsdam[2]	83.3
Windpark Mutzschen OHG, DE, Potsdam[2]	77.8
Windpark Naundorf OHG, DE, Potsdam[2]	66.7
Windy Hills Limited, GB, County Tyrone[1]	100.0
WPG Westfälische Propan-GmbH, DE, Detmold[5]	22.2
WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[5]	22.2
Yorkshire Windpower Limited, GB, Coventry[4]	50.0
ZAO Gazprom YRGM Development, RU, Salekhard[7]	25.0
Západoslovenská energetika a.s. (ZSE), SK, Bratislava[4]	49.0

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Name, location	Stake %
Consolidated investment funds	
ACTIVEST A 5 Fonds, DE, Unterföhring[7]	100.0
ACTIVEST B 18 Fonds, DE, Unterföhring[7]	100.0
E.ON Treasury 1, DE, Unterföhring[7]	100.0
EBW Fonds, DE, Unterföhring[7]	100.0
EDEN Fonds, DE, Unterföhring[7]	100.0
GRP Fonds, DE, Unterföhring[7]	100.0
GSB Fonds, DE, Unterföhring[7]	100.0
GSBW 1 Fonds, DE, Unterföhring[7]	100.0
HANSE 2 Fonds, DE, Unterföhring[7]	100.0
MEA Fonds, DE, Unterföhring[7]	100.0
ON Balance 1 Fonds, DE, Unterföhring[7]	100.0
OP-ONE Fonds, DE, Unterföhring[7]	100.0
SEW Fonds, DE, Unterföhring[7]	100.0
TASSILO Fonds, DE, Unterföhring[7]	100.0
VKE Fonds, DE, Unterföhring[7]	100.0
WEB Fonds, DE, Unterföhring[7]	100.0

Name, location	Stake %	Equity € in millions	Earnings € in millions
Other companies in which share investments are held			
AB Lesto, LT, Vilnius[6]	11.8	635.5	-1.9
Baumgarten-Oberkappel-Gasleitungsgesellschaft m.b.H., AT, Vienna[6]	15.0	35.0	24.8
Enovos International S.A., LU, Esch-sur-Alzette[6]	10.0	619.1	89.6
European Energy Exchange AG, DE, Leipzig[6]	3.5	57.6	7.5
Forsmarks Kraftgrupp AB, SE, Östhammar[6, 9]	8.5	32.3	0.1
Gasnor AS, NO, Avaldsnes[6]	14.0	42.5	6.6
Holdigaz SA, CH, Vevey[6]	2.2	59.8	11.4
Interconnector (UK) Limited, GB, London[6, 10]	15.1	52.3	19.2
Powernext, S.A., FR, Paris[6]	4.9	18.8	5.1
Trans Adriatic Pipeline AG, CH, Baar[6]	15.0	32.5	-12.2
Transitgas AG, CH, Zurich[6]	3.0	86.4	2.3

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Corporate Governance Declaration, made in accordance with Section 289a of the German Commercial Code (Part of the Combined Group Management Report)

Declaration of Compliance with the German Corporate Governance Code, made in accordance with Section 161 of the German Stock Corporation Act, by the Board of Management and the Supervisory Board of E.ON AG

"The Board of Management and the Supervisory Board hereby declare that E.ON AG, from the date of its previous declaration of compliance (December 13, 2010) to the date its declaration was updated (March 8, 2011), fully complied with the recommendations contained in the German Corporate Governance Code ('the Code'), dated May 26, 2010, prepared by the Government Commission appointed by the German Minister of Justice and published in the official section of the electronic version of the *Bundesanzeiger*. Since March 8, 2011, E.ON AG has fully complied with all of the Code's recommendations, and will do so in the future, with the following exception:

Section 5.4.6, Paragraph 2, Item 1 of the Code recommends that Supervisory Board members receive performance-based compensation in addition to fixed compensation. In May 2011, the E.ON Annual Shareholders Meeting decided to change the Supervisory Board's compensation to consist only of fixed compensation and to adjust the Company's Articles of Association accordingly. The 2011 financial year is the first for which the new rule applies. The purpose of eliminating performance-based compensation is to further enhance the Supervisory Board's independence. This change to the Company's Articles of Association also reflects current developments in discussions regarding corporate governance.

Düsseldorf, December 12, 2011

For the Supervisory Board of E.ON AG:
Werner Wenning
(Chairman of the Supervisory Board of E.ON AG)

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

The declaration is published on the Company's webpage at www.eon.com and is thus publicly available to shareholders at all times.

Relevant Information about Management Practices

Corporate Governance

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

In 2011, the Board of Management and Supervisory Board paid close attention to E.ON's compliance with the Code's recommendations and suggestions. They determined that E.ON complies with all of the Code's recommendations (with one exception described in the declaration above) and with nearly all of its suggestions.

Transparent Management

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

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

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

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

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

Pursuant to Section 10 of the German Securities Prospectus Law, E.ON is required to publish an annual document that contains all its ad hoc and financial releases of the previous 12 months.

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

Directors' Dealings

Persons with executive responsibilities, in particular members of E.ON AG's Board of Management and Supervisory Board, and persons closely related to them, must disclose their dealings in E.ON stock or in related financial instruments pursuant to Section 15a of the German Securities Trading Act. Such dealings that took place in 2011 have been disclosed on the Internet at www.eon.com. As of December 31, 2011, there was no ownership interest subject to disclosure pursuant to Item 6.6 of the Code.

Integrity

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

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

Board of Management

The E.ON Board of Management manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It establishes the Company's objectives, sets its fundamental strategic direction, and is responsible for corporate policy and Group organization.

The Board of Management consists of six members and has one Chairperson. Board of Management members may not be older than 65. The Board of Management has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

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

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

Members of the Board of Management are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Board of Management. Members of the Board of Management may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the Board of Management in 2011. Any material transactions between the Company and members of the Board of Management, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2011.

In addition, the Board of Management 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 AG whose experience, responsibilities, and expertise make them particularly suited for their committee's tasks.

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

A Risk Committee ensures the correct application and implementation of the legal requirements of Paragraph 91 of the German Stock Corporation Act ("AktG"). This committee monitors the E.ON Group's risk situation and devotes particular attention to the early warning system in order to recognize developments that could potentially threaten the Group's continued existence. In collaboration with relevant departments and sub-departments, the committee ensures and refines the implementation of, and compliance with, the reporting policies enacted by the Board of Management with regard to commodity risks, credit risks, and opportunities and risks pursuant to Germany's Corporate Sector Control and Transparency Act ("KonTraG").

A Market Committee ensures that E.ON, across all its entities and in a timely manner, adopts clear and unequivocal policies and assigns clear mandates for monitoring market developments and managing its commodity portfolio (power, gas, coal, and so forth). These mandates provide the authority to make external transactions for the purpose of managing the portfolio's risk-reward profile in pursuance of the E.ON Group's financial and strategic objectives.

Supervisory Board

The Supervisory Board has 20 members and, in accordance with the German Codetermination Act, is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. The other ten members of the Supervisory Board are elected by employee delegates and must include seven employees and three trade-union representatives. Persons are not eligible as Supervisory Board members if they:

- are already supervisory board members in ten or more commercial companies that are obliged by law to set up 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 Board of Management
- were a member of the Company's Board of Management in the past two years, unless the person concerned is nominated by shareholders who hold more than 25 percent of the Company's voting rights.

At least one independent member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board determined that Werner Wenning and Dr. Theo Siegert meet this requirement.

The Supervisory Board oversees the Company's management and advises the Board of Management on an ongoing basis. The Board of Management requires the Supervisory Board's prior approval for significant transactions or measures, such as the Group's investment, finance, and personnel plans; the acquisition or sale of companies, equity interests, or parts of companies whose value exceeds 1 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets; financing measures that exceed the same value and have not been approved by it as part of the Company's finance plan; and the conclusion, amendment, or termination of affiliation agreements. The Supervisory Board examines the Financial Statements of E.ON AG, the Management Report, and the proposal for appropriating income available for distribution and, on the basis of the Audit and Risk Committee's preliminary review, the Consolidated Financial Statements and the Combined Group Management Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

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

In view of Item 5.4.1 of the Code, in December 2010 the Supervisory Board defined targets for its composition that go beyond the applicable legal requirements. These targets are as follows:

"The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand and assess on his or her own all the business transactions that may occur. The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any business relationship with the Company or its Board of Management that constitutes a conflict of interest. The Supervisory Board should not include more than two former members of the Board of Management, and members of the Supervisory Board must not sit on the boards of, or act as consultants for, any of the Company's major competitors.

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

As a general rule, Supervisory Board members should not be older than 70.

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

In addition, the Supervisory Board as a whole should have particular expertise in the energy sector and the E.ON Group's business operations. Such expertise includes knowledge about the key markets in which the E.ON Group operates. Furthermore, the internal and external stakeholder groups (shareholders/investors, employees/unions, society/government) should be represented in the Supervisory Board.

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

In view of the E.ON Group's international orientation, the Supervisory Board should include a sufficient number of members who have spent, at a minimum, a significant part of their professional career abroad.

In addition, the Supervisory Board aims to continually increase the number of women in the Supervisory Board. Currently, one shareholder representative and one employee representative are women. The Supervisory Board aims to double this number at the latest at its next regular election, which takes place in 2013. It aims for 30 percent of Supervisory Board members to be women as of the regular election after that; this reflects the percentage of women employees in the E.ON Group."

These targets for the Supervisory Board's composition were taken into consideration for the first time by the Nomination Committee and the full Supervisory Board's recommendations for the election of three shareholder representative Supervisory Board members at the 2011 Annual Shareholders Meeting. The Annual Shareholders Meeting elected, by a large majority, the recommended candidates: Baroness Denise Kingsmill, Bård Mikkelsen, and René Obermann. Baroness Denise Kingsmill's membership on the United Kingdom's Monopolies and Mergers Commission and her many successful years as an attorney give her extensive knowledge of energy markets and their competitive and regulatory environment as well as broad political experience. René Obermann has exceptional management experience from an industry in which regulation and competition developed in a manner similar to that of the energy industry. Under his leadership, technological and business innovations for this industry were successfully developed and marketed. Bård Mikkelsen was for many years the Chief Executive Officer of Statkraft, a Norwegian energy supplier, and has deep knowledge of the European energy market, including renewables. The three new members add to the Supervisory Board's international diversity. In addition, the Supervisory Board's goal of doubling the number of its female members by 2013 was achieved for the shareholders side by 2011. The targets for the Supervisory Board's composition will be taken into consideration when proposing the shareholder representatives of the Supervisory Board in the process of the planned transformation of E.ON AG into a Societas Europaea ("SE").

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or holding a corporate office with, one of E.ON's customers, suppliers, creditors, or other business partners. The Supervisory Board is required to report any conflicts of interest to the Annual Shareholders Meeting and to describe how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest involving members of the Supervisory Board in 2011. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in 2011.

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

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

The Executive Committee consists of the four members of the above-named committee. It prepares the meetings of the Supervisory Board and advises the Board of Management on matters of general policy relating to the Company's strategic development. In urgent cases (in other words, if waiting for the Supervisory Board's prior approval would materially prejudice the Company), the Executive Committee acts on the full Supervisory Board's behalf. In addition, a key Executive Committee task is to prepare the Supervisory Board's personnel decisions and resolutions for setting the total compensation of individual Board of Management members within the meaning of Section 87 of AktG. Furthermore, it is responsible for the conclusion, alteration, and termination of the service agreements of Board of Management members and for presenting the Supervisory Board with a proposal for a resolution on the Board of Management's compensation plan including key elements of Board of Management service agreements. It also deals with corporate-governance matters and reports to the Supervisory Board at least once a year on the status and effectiveness of, and possible ways of improving, the Company's corporate governance.

The Audit and Risk Committee consists of four members who have special knowledge in the field of accounting and/or business administration. In line with Section 100, Paragraph 5, of AktG and the Code's mandates, the Chairperson has extensive knowledge and experience in applying accounting principles and/or in international business control processes. In particular, the Audit and Risk Committee monitors the Company's accounting and the accounting process; the effectiveness of internal control systems, internal risk management, and the internal audit system; compliance; and the independent audit. With regard to the independent audit, the committee also deals with the definition of the audit priorities and the agreement regarding the independent auditor's fees. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON AG and the Consolidated Financial Statements. It also examines the Company's quarterly Interim Reports and discusses the audit review of the Interim Reports with the independent auditor and regularly reviews the Company's risk situation and risk management. The effectiveness of the internal control mechanisms for the accounting process used at E.ON AG and the management units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditors detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

As part of its audit responsibilities, the independent auditor agrees to:

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

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

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

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 190 to 193) contains information about the activities of the Supervisory Board and its committees in the financial year under review. Pages 194 and 195 show the composition of the Supervisory Board and its committees.

Shareholders and Annual Shareholders Meeting

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

At the Annual Shareholders Meeting, shareholders may vote their shares themselves, 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.

Compensation Report pursuant to Section 289, Paragraph 2, Item 5 and Section 315, Paragraph 2, Item 4 of the German Commercial Code (Part of the Combined Group Management Report)

This compensation report describes the compensation plan and the individual compensation for E.ON AG's Supervisory Board and Board of Management. It applies the regulations of the German Commercial Code and the German Stock Corporation Act (known by its German abbreviation, "AktG") as amended to reflect the Act on the Appropriateness of Management Board Compensation (known by its German acronym, "VorstAG") as well as the principles of the German Corporate Governance Code ("the Code").

Compensation Plan for Members of the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by E.ON AG's Articles of Association. In accordance with German law, the compensation plan takes into consideration Supervisory Board members' responsibilities and scope of duties.

The Supervisory Board's compensation plan was changed by a resolution of the Annual Shareholders Meeting on May 5, 2011. Starting in the 2011 financial year, Supervisory Board members receive fixed compensation only. Although this deviates from one of the Code's recommendations, it further enhances the independence necessary for the Supervisory Board to fulfill its supervisory function. In addition, there are a number of duties that Supervisory Board members must perform irrespective of the Company's financial performance. The new plan ensures an appropriate level of compensation even when the Company faces difficult times, since in such times the Supervisory Board's work is often particularly demanding.

The details of the proposed compensation plan are as follows: In addition to being reimbursed for their expenses including the value-added tax due on their compensation, Supervisory Board members receive fixed compensation of €140,000 for each financial year. 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. There is no additional compensation for members of the Nomination Committee or of any committees formed on an ad hoc basis. Members serving on more than one committee receive the highest applicable committee compensation only. In contradistinction to the compensation just described, the Chairman of the Supervisory Board receives fixed compensation of €440,000; the Deputy Chairman, €320,000,00. The Chairman and the Deputy Chairman 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. Compensation is paid on a pro rata basis after the completion of each quarter.

Individuals who were members of the Supervisory Board or any of its committees for less than an entire financial year receive pro rata compensation.

Finally, the Company has taken out D&O insurance for the benefit of Supervisory Board members to cover the statutory liability related to their Supervisory Board duties. In accordance with the Code's recommendations, this insurance includes a deductible in the case of a damage claim being granted. The deductible is 10 percent of a damage claim but with a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Compensation of the Members of the Supervisory Board

The total compensation of the members of the Supervisory Board amounted to €4.8 million (2009: €4.9 million). As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2011 financial year. The members of the Supervisory Board are listed on pages 194 and 195.

Supervisory Board Compensation for 2011

€	Supervisory Board Compensation	Compensation for committee duties	Supervisory Board compensation from affiliated companies[1]	Total
Werner Wenning (Chairman since May 5, 2011)	340,000	23,333	–	363,333
Ulrich Hartmann (until May 5, 2011)	183,333	–	–	183,333
Erhard Ott	320,000	–	–	320,000
Werner Bartoschek	140,000	110,000	38,000	288,000
Sven Bergelin	140,000	–	61,220	201,220
Oliver Biniek (since September 30, 2011)	46,667	17,500	4,550	68,717
Gabriele Gratz	140,000	70,000	56,000	266,000
Wolf-Rüdiger Hinrichsen (until September 30, 2011)	105,000	52,500	–	157,500
Ulrich Hocker	140,000	–	–	140,000
Baroness Denise Kingsmill CBE (since May 5, 2011)	93,333	–	–	93,333
Prof. Dr. Ulrich Lehner	140,000	70,000	–	210,000
Bård Mikkelsen	140,000	–	–	140,000
René Obermann (since May 5, 2011)	93,333	–	–	93,333
Hans Prüfer	140,000	70,000	–	210,000
Klaus Dieter Raschke	140,000	110,000	46,870	296,870
Dr. Walter Reitler	140,000	–	37,500	177,500
Hubertus Schmoldt	140,000	–	–	140,000
Dr. Henning Schulte-Noelle	140,000	70,000	–	210,000
Dr. Karen de Segundo	140,000	–	–	140,000
Dr. Theo Siegert	140,000	180,000	–	320,000
Prof. Dr. Wilhelm Simson (until May 5, 2011)	58,333	–	–	58,333
Dr. Georg Frhr. von Waldenfels	140,000	–	–	140,000
Hans Wollitzer	140,000	70,000	58,900	268,900
Subtotal	**3,339,999**	**843,333**	**303,040**	**4,486,372**
Attendance fees and meeting-related reimbursements				287,378
Total				**4,773,750**

[1]Following the adoption of an expense-based approach, this column only shows compensation for the 2011 financial year. Mrs. Gratz and Mr. Bartoschek received €76,055 and €54,836 from E.ON subsidiaries, respectively, for Supervisory Board duties in 2010.

Compensation Plan for Members of the Board of Management

In accordance with the principles of the version of the Code dated May 26, 2010, which incorporates VorstAG's provisions and in some cases defines them in greater detail, the Supervisory Board must approve the Executive Committee's proposal for the Board of Management's compensation plan and reviews the plan regularly.

At its meeting on March 8, 2011, the Supervisory Board passed a resolution approving the compensation plan described below.

Components of the Compensation Plan

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

These components account for approximately the following percentages of total compensation:

- Base salary 30 percent
- Annual target bonus (with 100% target attainment) 40 percent
- Long-term compensation (value at issuance) 30 percent

Annual Bonus

The annual bonus mechanism for the year under review was established by a resolution of the Supervisory Board dated March 8, 2011, and took effect on January 1, 2011. Section 87 of the VorstAG version of the AktG requires that a management board's compensation package must be geared towards a sustainable business performance. To implement this requirement, the Supervisory Board and Board of Management members agreed in 2009 that the Board of Management's annual bonus mechanism would adopt a multi-year performance metric effective 2010. This modification affects the company performance portion of the annual bonus.

The amount of the bonus is determined by the degree to which certain performance targets are attained. The target-setting system consists of company performance targets, individual performance targets, and a value-added factor based on return on average capital employed ("ROACE"). Board of Management members who fully attain their performance target receive the target bonus agreed to in their contracts.

The first step in calculating the total annual bonus is to determine to what degree the operating-earnings target has been attained. The second step is for the Supervisory Board, at its discretion, to determine the degree to which the individual-performance portion of the annual bonus has been attained. The third step is for both target-attainment portions to be weighted (70 percent operating-earnings target, 30 percent for the individual-performance target) and added together. Finally, this subtotal is multiplied by a value-added factor.

The metric used for the operating-earnings target is EBITDA. The EBITDA target for a particular financial year is the plan figure approved by the Supervisory Board. If E.ON's actual EBITDA is equal to the EBITDA target, this constitutes 100-percent attainment. If it is 30 percentage points or more below the target, this constitutes 0-percent achievement. If it is 30 percentage points or more above the target, this constitutes 200-percent attainment. Linear interpolation is used to translate intermediate EBITDA figures into percentages.

The metric used for the value-added target is ROACE. The ROACE target is the prior-year weighted-average cost of capital ("WACC") plus a premium, stipulated by the Supervisory Board, to increase leverage. The premium for the 2011 financial year was 2 percentage points. In view of altered long-term returns expectations for much of the energy industry and for E.ON (particularly because of the forced shutdown of some nuclear power stations in Germany and the altered regulatory environment), the Supervisory Board resolved to set the premium at 1.25 percentage points beginning with the 2012 financial year. If E.ON's actual ROACE is equal to the ROACE target, this constitutes 100-percent attainment. If it is 2 (effective 2012: 1.25) percentage points or more lower, this constitutes 50-percent attainment. If it is 2 (effective 2012: 1.25) percentage points or more higher, this constitutes 150-percent attainment. Linear interpolation is used to translate intermediate ROACE figures into percentages.

Extraordinary events and changes in E.ON's portfolio (acquisitions and disposals of significant assets or government interventions such as the forced shutdown of some nuclear power stations in Germany) are not factored into the determination of target attainment.

The Supervisory Board, at its discretion, determines the degree to which Board of Management members have met the targets of the individual-performance portion of their annual bonus. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 of the AktG and to the Code.

The maximum bonus that can be attained is 200 percent of the target bonus. The minimum bonus paid is equal to 30 percent of the target bonus (except in the case of Mrs. Stachelhaus and Mr. Kildahl, who were appointed to the Board of Management in 2010).

Thirty percent of the total annual bonus (individual target attainment multiplied by the value-added factor) is based on target achievement for the prior financial year (a single-year performance metric). The remaining 70 percent of the total annual bonus (EBITDA target attainment multiplied by the value-added factor) is calculated as follows: Half (that is, 35 percent of the total annual bonus) is based on the prior financial year. The other half (that is, the other 35 percent of the total annual bonus) is a three-year performance metric based on EBITDA target attainment and the value-added factor for the previous financial year and the two subsequent years. This portion of the annual bonus will be calculated and paid out based on target attainment for the previous financial year. However, this portion of the bonus is preliminary and is subject to partial repayment if there are negative developments in the subsequent years. This portion of the annual bonus is definitively set at the end of the two-year period following the baseline year. If the three-year average for target attainment is higher than the preliminary calculation for the one-year period, then Board of Management members receive an additional bonus payment (bonus). If it is lower, they are required to pay back the resulting difference or have it deducted from their next bonus (malus or negative bonus).

Since 2010, more than 60 percent of the Board of Management's variable compensation (which consists of the annual bonus and long-term variable compensation) is based on long-term performance metrics, thereby ensuring that this variable compensation is sustainable. The sustainability requirement is also reflected by the fact that the Supervisory Board considers the criteria of Section 87 of the AktG and the Code when it determines the individual performance portion of the annual bonus.

Long-Term Variable Compensation

The long-term variable compensation component that Board of Management members receive is stock-based compensation under the E.ON Share Performance Plan. The Supervisory Board decides each year on the allocation of new tranches, including the respective targets and the number of rights granted to individual members of the Board of Management. To ensure that this compensation is sustainable within the meaning of VorstAG, all performance rights allocated under the plan since 2010 have a vesting period of four years.

The dependence of this compensation on E.ON's stock price serves to bring together management's and shareholders' interests and objectives. This effect is enhanced by the requirement that Board of Management members have to invest in E.ON stock themselves. The factoring in of an internal value-added factor underscores the plan's close alignment with the Company's interests. Payout under the plan only occurs if minimum internal target parameters, which are set by the Supervisory Board prior to allocation, are achieved.

Starting with the sixth tranche of performance rights allocated in 2011, the value of performance rights is based in part on a 60-day average of E.ON's stock price and in part on the average ratio of ROACE to WACC plus, per tranche, a premium stipulated by the Supervisory Board. If this hurdle is not reached, the value-added factor is 0 percent, and there is no payout. If the hurdle is reached, the value-added factor is 75 percent. If the hurdle is exceeded, a linear function is used to calculate the value-added factor, which is limited to a 150-percent maximum.

Extraordinary events and changes in E.ON's portfolio (acquisitions and disposals of significant assets or government interventions such as the forced shutdown of some nuclear power stations in Germany) are not factored into the determination of the value-added factor.

The payout rate calculated at the end of a tranche's term is capped at 250 percent of the target value originally set by the Supervisory Board.

At the time of the payout of the fourth tranche (issued in 2009), which expired in 2011, the payout rate was roughly 4 percent of the target value at grant. The figures for prior tranches are roughly 23 percent for the third tranche (issued in 2008) and roughly 94 percent for the second tranche (issued in 2007). This reflects, in particular, the absolute and relative changes in the price of E.ON stock, with the result that the Board of Management's compensation is affected by changes in E.ON's market value.

The Supervisory Board made a decision regarding the seventh tranche and its target parameters. In view of E.ON's altered long-term returns expectations, the Supervisory Board also passed a resolution to lower the premium for the sixth tranche which had been set in the prior year. However, this change does not apply to the first year of the sixth tranche's term. An explanation of the deviation from the Code was published on the Company's website. The caps on the value-added factor and the payout amount remain unchanged.

Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Contractual Non-cash Compensation

Under their contracts, Board of Management members receive non-cash compensation in the form of a chauffeur-driven company car for business and personal use, telecommunications equipment for business and personal use, appropriate accident insurance coverage, and an annual medical examination. In addition, Board of Management members have D&O insurance coverage. If an insurance claim is granted, this insurance includes a deductible. In accordance with VorstAG, the deductible is equal to 10 percent of a damage claim but with a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Settlement Cap for Premature Termination of Board of Management Duties

In accordance with the Code, all Board of Management members have a settlement cap. Under the cap, payments to a Board of Management member for a premature termination of Board of Management duties without significant cause within the meaning of Section 626 of the German Civil Code may not exceed the value of two years' total compensation or the total compensation for the remainder of the member's service agreement, whichever is less.

Change-in-Control Clauses

The Company had change-in-control agreements with all Board of Management members in the 2011 financial year. In the event of a premature loss of a Board of Management position due to a change-in-control event, Board of Management members are entitled to severance and settlement payments.

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

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

Pension Entitlements

Mr. Kildahl and Mrs. Stachelhaus, who were not part of the E.ON Group when they were appointed to the Board of Management in 2010, were enrolled in the Contribution Plan E.ON Management Board, a contribution-based pension plan whose terms (with the exception of the contribution amount) reflect those of the pension plan that has been in effect since 2008 for newly hired employees and senior managers of E.ON companies in Germany. Under the Contribution Plan E.ON Management Board, the Company contributes to Board of Management members' pension account. The amount of the annual contributions is equal to a predetermined percentage of pensionable income (base salary and annual bonus). The percentage for Board of Management members was set after consultations with outside compensation experts. The annual company contribution is equal to 13 percent of pensionable income. The second component of the company contribution is a performance-based contribution based on the difference between the E.ON Group's ROCE and prior-year cost of capital. The performance-based company contribution is a minimum of 1 percent and a maximum of 6 percent of pensionable income. The third component is an annual matching contribution equal to 4 percent of pensionable income. The requirement for the matching contribution to be granted is that the Board of Management member contributes, at a minimum, the same amount by having it withheld from his or her compensation. The company-funded matching contribution is suspended if and as long as, for the last three years, the positive difference between the E.ON Group's ROCE and prior-year cost of capital is less than 0 percentage points. The contributions made for a Board of Management member during a calendar year are capitalized based on a standard retirement age of 62 using, for each intervening year, an interest rate based on the return of long-term German treasury notes. At the time of pension payout, a Board of Management member (or his or her survivors) may choose to have the pension account balance paid out as a lifelong pension, in installments, or in a lump sum. In the case of retirement, the monthly pension is set so that its cash value at the time of pension payout—at the earliest, however, at the time that a Board of Management member or his or her survivors stop receiving compensation under his or her service agreement—is equal to the pension account balance taking into account a 1-percent increase per year.

The following commentary applies to the pension entitlements of Dr. Teyssen, Prof. Dr. Maubach, Dr. Schenck, and Dr. Reutersberg:

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

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

In the third case, annual pension payments also range between 50 percent and 75 percent of the last annual base salary and begin when the member reaches the age of 60. Members who depart the Board of Management in this way receive a reduced pension as a bridge payment from the date of their departure until they reach the age of 60 if they had, at the time of their departure, been in a Top Management position in the E.ON Group for more than five years and if the termination or non-extension of their service agreement is not due to their misconduct or rejection of an offer of extension that is at least on a par with their existing service agreement. The amount of the bridge payment is also initially between 50 percent and 75 percent of the last annual base salary based on the length of service on the Board of Management. This amount is then reduced by the ratio between the actual and potential length of service in a Top Management position in the E.ON Group until the standard retirement age. In contrast to this, the service agreements the Company concluded before the 2006 financial year do not include reductions to the bridge payment.

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

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

Following the death of an active or former Board of Management member, a reduced amount of his or her pension is paid as a survivor's pension to the family. Widows and widowers are entitled to lifelong payment equal to 60 percent of the pension a Board of Management member received on the date of his or her death or would have received had he or she entered retirement on this date. This payment is terminated if a widow or widower remarries. The children or dependents of a Board of Management member who have not reached the age of 18 are entitled, for the duration of their education or professional training until they reach a maximum age of 25, to an annual payment equal to 20 percent of the pension the Board of Management member received or would have received on the date of his or her death. Surviving children benefits granted before 2006 deviate from this model and are equal to 15 percent of a Board of Management member's pension. If, taken together, the survivor's pensions of the widow or widower and children exceed 100 percent of a Board of Management member's pension, the pensions paid to the children are proportionally reduced by the excess amount.

The following table provides an overview of the current pension obligations to Board of Management members. The table also includes the additions to provisions for pensions for each member. These additions to provisions for pensions are not paid compensation but valuations calculated in accordance with IFRS. In addition, the cash value of pension obligations is shown in the following table. The cash value is equal to the defined benefit obligation based on a 4.75-percent interest rate (2010: 5 percent).

Pursuant to stipulations of the German Occupational Pensions Improvement Act (known by its German acronym, "BetrAVG"), Board of Management members' pension entitlements are not vested until they have been in effect for five years. This applies to both of the above-described pension plans.

Pensions of the Board of Management Members for 2011

	Current pension entitlement at December 31, 2011		Additions to provisions for pensions in 2011		Cash value at December 31, 2011
	As a percentage of annual base salary	(€)	(€)	Thereof interest cost (€)	(€)
Dr. Johannes Teyssen	75	930,000	938,358	481,073	11,726,545
Jørgen Kildahl[1]	–	–	296,708	10,475	534,129
Prof. Dr. Klaus-Dieter Maubach	60	420,000	473,220	150,244	4,334,327
Dr. Bernhard Reutersberg	70	490,000	964,546	340,549	7,795,387
Dr. Marcus Schenck	60	540,000	533,927	88,155	2,808,202
Regine Stachelhaus[1]	–	–	311,832	10,926	516,027

[1]Contribution Plan E.ON Management Board.

Pensions of the Board of Management Members for 2010

	Current pension entitlement at December 31, 2010		Additions to provisions for pensions in 2010		Cash value at December 31, 2010
	As a percentage of annual base salary	(€)	(€)	Thereof interest cost (€)	(€)
Dr. Wulf H. Bernotat (until April 30, 2010)[1]	–	–	536,953	536,953	13,581,803
Dr. Johannes Teyssen	70	784,000	758,605	397,322	9,621,462
Christoph Dänzer-Vanotti (until May 12, 2010)	50	375,000	472,738	173,020	5,171,717
Lutz Feldmann (until May 12, 2010)	60	450,000	263,869	195,644	2,854,189
Jørgen Kildahl (since May 13, 2010)[2]	–	–	209,495	–	209,495
Prof. Dr. Klaus-Dieter Maubach (since May 13, 2010)	50	350,000	280,475	88,180	3,004,887
Dr. Bernhard Reutersberg (since August 11, 2010)	60	420,000	379,517	56,323	6,810,972
Dr. Marcus Schenck	50	375,000	439,221	62,014	1,763,103
Regine Stachelhaus (since June 24, 2010)[2]	–	–	218,524	–	218,524

[1]Entered retirement on May 1, 2010.
[2]Contribution Plan E.ON Management Board.

Compensation of the Members of the Board of Management

There was no general adjustment of Board of Management compensation in 2011. At its meeting on March 8, 2011, the Supervisory Board passed a resolution to adjust the compensation of Dr. Teyssen and Dr. Schenck effective September 1, 2011.

The Supervisory Board determined that the Board of Management's compensation is appropriate. In accordance with VorstAG's provisions, the Supervisory Board made this determination in particular by means of horizontal comparisons.

The Board of Management's compensation was subject to a market comparison with compensation at companies of similar size and in similar industries.

The total compensation of the members of the Board of Management in the 2011 financial year amounted to €17.6 million (2010: €15.4 million). Individual members of the Board of Management were paid the following total compensation:

Compensation of the Board of Management for 2011

€	Fixed annual compensation	Bonus	Other compensation	Value of the 6th tranche of performance rights granted	Total	Number of 6th tranche performance rights granted
Dr. Johannes Teyssen	1,160,000	2,143,000	27,425	1,212,186	4,542,611	60,188
Jørgen Kildahl	700,000	1,032,000	247,796	538,745	2,518,541	26,750
Prof. Dr. Klaus-Dieter Maubach	700,000	1,016,000	448,843	538,745	2,703,588	26,750
Dr. Bernhard Reutersberg	700,000	1,130,000	24,041	538,745	2,392,786	26,750
Dr. Marcus Schenck	800,000	1,548,000	23,724	718,333	3,090,057	35,667
Regine Stachelhaus	700,000	1,016,000	59,852	538,745	2,314,597	26,750
Total	**4,760,000**	**7,885,000**	**831,681**	**4,085,499**	**17,562,180**	**202,855**

The figures for performance rights granted do not indicate actual payments in 2011 but rather indicate values, based on commercial principles, of the performance rights granted in 2011. The payout of the performance rights from the sixth tranche will be calculated at the end of 2014 on the basis of E.ON's stock price and the value-added factor. As a result, the payout figures could be higher or lower than the figures shown here.

To indicate how the compensation plan works, the table below shows Board of Management members' compensation for 2011 including the amounts calculated from the settlement at year-end 2011 of the fourth tranche of the E.ON Share Performance Plan granted in 2009 (see the 2009 Compensation Report, page 154).

Effective compensation of the Board of Management for 2011

€	Fixed annual compensation	Bonus	Other compensation	Payout value of the 4th tranche of performance rights	Total
Dr. Johannes Teyssen	1,160,000	2,143,000	27,425	43,494	3,373,919
Jørgen Kildahl	700,000	1,032,000	247,796	–	1,979,796
Prof. Dr. Klaus-Dieter Maubach	700,000	1,016,000	448,843	13,453	2,178,296
Dr. Bernhard Reutersberg	700,000	1,130,000	24,041	12,139	1,866,180
Dr. Marcus Schenck	800,000	1,548,000	23,724	32,368	2,404,092
Regine Stachelhaus	700,000	1,016,000	59,852	–	1,775,852
Total	**4,760,000**	**7,885,000**	**831,681**	**101,454**	**13,578,135**

Compensation of the Board of Management for 2010

€	Fixed annual compen-sation	Bonus	Other compen-sation	Value of the 5th tranche of perfor-mance rights granted	Total	Number of 5th tranche performance rights granted
Dr. Wulf H. Bernotat (until April 30, 2010)	413,333	600,000	7,450	306,170	1,326,953	16,514
Dr. Johannes Teyssen	1,080,000	2,337,000	27,966	793,772	4,238,738	42,814
Christoph Dänzer-Vanotti (until May 12, 2010)	274,194	402,150	6,300	435,449	1,118,093	23,487
Lutz Feldmann (until May 12, 2010)	274,194	402,150	11,558	435,449	1,123,351	23,487
Jørgen Kildahl (since May 13, 2010)	444,444	686,000	48,006	272,149	1,450,599	14,679
Prof. Dr. Klaus-Dieter Maubach (since May 13, 2010)	421,213	786,000	60,379	34,021	1,301,613	1,835
Dr. Bernhard Reutersberg (since August 11, 2010)	273,106	421,000	9,847	34,021	737,974	1,835
Dr. Marcus Schenck	750,000	1,530,000	26,351	544,297	2,850,648	29,358
Regine Stachelhaus (since June 24, 2010)	363,258	563,000	31,964	272,149	1,230,371	14,679
Total	**4,293,742**	**7,727,300**	**229,821**	**3,127,477**	**15,378,340**	**168,688**

The above figures show the compensation of members who ended their service on, or joined, the Board of Management in 2010 on a pro rata basis reflecting the percentage of the year they were on the Board of Management.

To indicate how the compensation plan works, the table below shows Board of Management members' compensation for 2010 including the amounts paid out from the settlement of the third tranche of the E.ON Share Performance Plan granted in 2008 (see the 2008 Compensation Report, page 153).

Effective compensation of the Board of Management for 2010

€	Fixed annual compen-sation	Bonus	Other compen-sation	Payout value of the 3th tranche of perfor-mance rights	Total
Dr. Wulf H. Bernotat (until April 30, 2010)	413,333	600,000	7,450	689,795[1]	1,710,578
Dr. Johannes Teyssen	1,080,000	2,337,000	27,966	238,071	3,683,037
Christoph Dänzer-Vanotti (until May 12, 2010)	274,194	402,150	6,300	185,085	867,729
Lutz Feldmann (until May 12, 2010)	274,194	402,150	11,558	394,833[1]	1,082,735
Jørgen Kildahl (since May 13, 2010)	444,444	686,000	48,006	–	1,178,450
Prof. Dr. Klaus-Dieter Maubach (since May 13, 2010)	421,213	786,000	60,379	64,774	1,332,366
Dr. Bernhard Reutersberg (since August 11, 2010)	273,106	421,000	9,847	63,639	767,592
Dr. Marcus Schenck	750,000	1,530,000	26,351	185,085	2,491,436
Regine Stachelhaus (since June 24, 2010)	363,258	563,000	31,964	–	958,222
Total	**4,293,742**	**7,727,300**	**229,821**	**1,821,282**	**14,072,145**

[1]Extraordinary payment.

The remaining other compensation of the members of the Board of Management consists primarily of benefits in kind from the personal use of company cars and, in some cases, temporary coverage of rent payments for a second residence, relocation costs, and real-estate agent fees along with the income tax levied on this compensation.

Following the adjustment of the premium (the Company's website contains an explanation of how this deviates from the Code), stock-based compensation with a value of €20.14 (according to Section 314, Paragraph 1, Item 6a of the German Commercial Code) per performance right from the sixth tranche was included in Board of Management members' total compensation for 2011. For purposes of internal communications between the Board of Management and the Supervisory Board, the target value is used instead of the above-mentioned value. The target value is equal to the cash payout amount of each performance right if at the end of the vesting period E.ON stock maintains its price and the value-added factor is 100 percent. In 2011, the target value of the rights issued was €1,350,000 for the Chairman of the Board of Management, €0.8 million for Dr. Schenck, and €0.6 million for all other Board of Management members. The German Commercial Code (Section 314, Paragraph 1, Item 6a, Sentence 9) requires supplemental disclosure, by year, of the Company's expenses for all tranches granted in 2011 and in previous years and for tranches existing in 2011. The following expenses in accordance with IFRS 2 were recorded for performance rights existing in the 2011 financial year (figures are approximate): Dr. Teyssen €86,000, Mr. Kildahl €128,000, Mrs. Stachelhaus €128,000, Prof. Dr. Maubach €136,000, Dr. Reutersberg €136,000, and Dr. Schenck €19,000.

Additional information about E.ON AG's stock-based compensation program can be found in Note 11 to the Consolidated Financial Statements. As in the prior year, no loans were outstanding or granted to members of the Board of Management in 2011 financial year. Page 203 contains additional information about the members of the Board of Management.

Payments Made to Former Members of the Board of Management

Total payments made to former Board of Management members and to their beneficiaries amounted to €9.5 million in 2011 (2010: €25.4 million).

Provisions of €137.7 million (2010: €136.6 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.

Report of the Supervisory Board

In the 2011 financial year, the Supervisory Board carefully performed all its duties and obligations under law, the Articles of Association, and its own policies and procedures. It thoroughly examined and discussed the Company's situation.

We advised the Board of Management regularly about the Company's management and continually monitored the Board of Management's activities, assuring ourselves that the Company's management was legal, purposeful, and orderly. We were closely involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Board of Management's reports. At the Supervisory Board's five regular meetings and five extraordinary meetings, we addressed in depth all issues relevant to the Company. The Board of Management regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Supervisory Board and its committees, we had sufficient opportunity to actively discuss the Board of Management's reports, motions, and proposed resolutions. We voted on such matters when it was required by law, the Company's Articles of Association, or the Supervisory Board's policies and procedure. The Supervisory Board agreed to the resolutions proposed by the Board of Management after thoroughly examining and discussing them.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Board of Management throughout the entire financial year. In fulfillment of his duties, the Chairman of the Supervisory Board also maintained contact with the members of the Supervisory Board outside of board meetings. The Supervisory Board was therefore continually informed about the current operating performance of the major Group companies, significant business transactions, the development of key financial figures, and relevant decisions under consideration.

Situation in Japan, Energy Policy and Regulatory Environment, and Proceedings

The Board of Management provided the Supervisory Board with ongoing, detailed information about the natural disaster in Japan in March 2011 and the resulting developments at the country's nuclear power stations. In this context, the Board of Management reported on the safety of nuclear power stations in Germany and the current status of the policy debate on the future of nuclear energy in Germany and in Europe. Key topics of the Supervisory Board's discussions were the amendment to Germany's Atomic Energy Act calling for the early and unplanned shutdown of nuclear power stations, the rescission of operative-life extensions, the retention of the nuclear-fuel tax, and the impact of these measures on E.ON. This included the discussion of the reasons for the legal action taken against the laws and ordinances relating to the transformation of Germany's energy system.

In addition, we regularly held thorough discussions of the current status of significant investment projects, particularly the developments connected with the generating units under construction in Datteln und Maasvlakte. The Board of Management also reported regularly and in detail about ongoing antitrust proceedings.

Strategy and Implementation

We intensively scrutinized and thoroughly discussed the main aspects of the E.ON Group's strategic development and upcoming investment and divestment projects. We support the necessary change processes.

The Board of Management reported in detail about the implementation of the new strategic course the E.ON Group set in the previous year and confirmed that this course is the right one, particularly in view of Germany's altered energy-policy environment and the deterioration of Europe's economic situation.

In this regard, the Board of Management informed us about E.ON's numerous activities to expand its renewables capacity and about its planned activities outside Europe; our thorough discussions with the Board of Management centered in particular on the opportunities and risks of different alternatives in light of E.ON's international competitive environment. This included E.ON's possible participation in the privatization of Portugal's energy industry, which in the end did not take place. During the course of this process, we were informed in a timely manner about other growth options.

Other measures to optimize E.ON's portfolio presented by the Board of Management included primarily the sale of E.ON's power distribution network in the United Kingdom. The Board of Management also reported on the respective status of the sale process for E.ON's gas transmission system operator in Germany (Open Grid Europe) and the disposal of ownership interests in power and gas companies in other EU countries.

The Supervisory Board dealt thoroughly with the consequences of the transformation of Germany's energy system and with steps to secure E.ON's future competitiveness. As part of its response, E.ON launched a restructuring program called E.ON 2.0 whose purpose is to achieve lasting performance improvements and to reduce E.ON's controllable costs to €9.5 billion by 2015 at the latest.

In addition, the Board of Management informed us about its initial thoughts regarding E.ON AG's transformation into a Societas Europaea ("SE").

Financial Situation and Medium-Term Plan

We discussed in detail the financial situation of the major Group companies in relation to developments in European and global energy markets, about which the Board of Management continually informed us. The full Supervisory Board discussed E.ON AG's and the E.ON Group's current asset, financial, and earnings situation, workforce developments, and earnings opportunities and risks.

Topics of our discussions were the impact of Europe's weaker economic performance in the wake of the European sovereign debt crisis and the global economic slowdown on E.ON's business situation. We also discussed current developments in markets relevant for E.ON, the development of global fuel prices and of power prices, and existing overcapacity in Germany and E.ON's other core markets, as well as E.ON's significantly altered business environment due to the transformation of Germany's energy system. In addition, the Board of Management informed us about the current status of negotiations with gas producers regarding the terms of long-term gas supply contracts.

In our discussions of the E.ON Group's medium-term plan, we agreed with the budget presented by the Board of Management for 2011 and 2012 and took note of the plan for 2013 and 2014, including the investment program, its financing, and Group-wide human resources. Furthermore, the Board of Management informed us about the scope of E.ON's use of derivative financial instruments and how certain changes to the regulation of these instruments will affect E.ON's business. We also discussed the Company's ratings situation with the Board of Management.

In addition, the Board of Management informed us regularly about developments in E.ON's individual markets and necessary impairment charges. In this regard, we thoroughly discussed the impact on E.ON's business environment in the context of a further deterioration of the long-term development of power prices, the future utilization of power stations, and increasing regulatory intervention.

Corporate Governance

In the 2011 financial year, we again had intensive discussions about the implementation of the recommendations of the German Corporate Governance Code ("the Code"). Together with the Board of Management, on March 8 we issued an updated declaration of compliance in view of the recommendation made to the Annual Shareholders Meeting that the Supervisory Board's compensation in the future no longer contain a performance-based component. In addition, we assured ourselves that in the 2011 financial year E.ON AG complied with the Code's recommendations pursuant to the declaration of compliance it had issued on December 13, 2010, and the above-mentioned update in March. Together with the Board of Management, we issued a declaration that E.ON had fully complied with all of the recommendations of the most recent version of the Code from its last declaration on December 13, 2010, until March 8, 2011; after this date, it complied with one exception and will so comply in the future. The exception is the elimination, starting with the 2011 financial year, of the performance-based component from the Supervisory Board's compensation.

The Supervisory Board is aware of no indications of conflicts of interest by members of the Board of Management or the Supervisory Board.

Furthermore, the Supervisory Board discussed the results of its efficiency review. In this context, we agreed with the Board of Management that in the future training and advanced-training sessions will be conducted for the Supervisory Board on selected issues. The new members who joined the Supervisory Board in 2011 received comprehensive information to prepare them for their duties.

Committee Meetings

To fulfill its duties carefully and efficiently, the Supervisory Board has created five committees. Information about the composition of the committees can be found in the Corporate Governance Report on pages 178 and 179. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to pass resolutions on certain matters. Chairpersons report to the full Supervisory Board, periodically and without delay, about the agenda and results of the committee's meetings.

The Supervisory Board's Executive Committee met six times. In particular, it prepared the meetings of the E.ON AG Supervisory Board. Among other things, the Executive Committee thoroughly reviewed the Board of Management's compensation plan for compliance with the Act on the Appropriateness of Management Board Compensation (known by its German acronym, "VorstAG") and did comprehensive preparatory work for the Supervisory Board's resolutions on this matter. In addition, it discussed the Board of Management's initial thoughts regarding E.ON AG's transformation into an SE.

At its two meetings, the Nomination Committee prepared the recommendation for the Annual Shareholders Meeting for the election of three shareholder representatives (Baroness Denise Kingsmill, Bård Mikkelsen, and René Obermann) to the E.ON AG Supervisory Board.

The Mediation Committee pursuant to Section 27, Paragraph 3, of the Codetermination Act did not meet in 2011.

The Finance and Investment Committee held four meetings. The matters addressed by the committee included the sale of E.ON's power distribution network in the United Kingdom and an opportunity to acquire a shareholding (which ultimately was not implemented) in conjunction with the privatization of Portugal's energy industry. It also dealt conclusively with the planning for 2011 and dealt in detail with the medium-term plan for the period 2012–2014. The committee's thorough discussions and the Board of Management's comprehensive reports focused on issues relating to corporate finance, the investment plan, and the Company's rating situation. At its meetings, the committee also prepared Supervisory Board resolutions on transactions requiring the Supervisory Board's approval and on the medium-term plan.

The Audit and Risk Committee met six times. With due attention to the independent auditors' audit report and in discussions with the independent auditors, the committee devoted particular attention to the Financial Statements of E.ON AG (prepared in accordance with the German Commercial Code) and the E.ON Group's Consolidated Financial Statements and Interim Reports (prepared in accordance with International Financial Reporting Standards, or "IFRS"). The Interim Reports for 2011 were thoroughly discussed prior to their release. The committee discussed the recommendation for selecting independent auditors for the 2011 financial year and assigned the tasks for their auditing services, established the audit priorities, determined the independent auditors' compensation, and verified their qualifications and independence in line with the Code's recommendations. The committee assured itself that the independent auditors have no conflicts of interest. Topics of particularly detailed discussions included issues relating to accounting, the internal control system, and risk management in relation to the accounting process. In addition, the committee thoroughly discussed the Combined Group Management Report and the proposal for appropriating income available for distribution and prepared the relevant recommendations for the Supervisory Board and reported to the Supervisory Board. In this context, the committee also discussed in detail the progress of significant investment projects as well as the results of the goodwill impairment tests and the necessary impairment charges. Other matters dealt with by the committee included the testing and quality control of E.ON's risk management system. The committee focused on the Company's risk-monitoring organization as well as its risk situation and ability to bear risk, in particular with regard to counterparty, liquidity, country, market and operational risks. It did this by working with the independent auditors and by examining documents that included reports from the Company's risk committee. The committee also discussed the work done by internal audit including the audit plan in 2011 and the audit priorities for 2012. Furthermore, the committee discussed the compliance report and E.ON's compliance system, and other issues related to auditing. The Board of Management also reported on ongoing proceedings and on legal and regulatory risks for the E.ON Group's business.

Examination and Approval of the Financial Statements of E.ON AG, Approval of the Consolidated Financial Statements, Proposal for Appropriating Income Available for Distribution

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditors chosen by the Annual Shareholders Meeting and appointed by the Supervisory Board, audited and submitted an unqualified opinion on the Financial Statements of E.ON AG and the Combined Group Management Report for the year ended December 31, 2011. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON AG from the requirement to publish Consolidated Financial Statements in accordance with the German Commercial Code.

Furthermore, the auditors examined E.ON AG's risk detection system. This examination revealed that the Board of Management has taken appropriate measures to meet the requirements of risk monitoring and that the risk detection system is fulfilling its tasks.

At our meeting on March 13, 2012, we examined—in the presence of the independent auditor and with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—the Financial Statements of E.ON AG, the Consolidated Financial Statements, the Combined Group Management Report, and the Board of Management's proposal regarding the appropriation of net income available for distribution. The independent auditor was available for supplementary questions and answers. We found no reasons, including after the conclusion of our examination, for objections regarding these documents. We therefore noted with approval the Independent Auditor's Report.

We approved the Financial Statements of E.ON AG prepared by the Board of Management and the Consolidated Financial Statements. The Financial Statements are thus adopted. We agree with the Combined Group Management Report and, in particular, with its statements concerning E.ON's future development.

We examined the Board of Management's proposal for appropriating income available for distribution, which includes a cash dividend of €1 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. The proposal is in the Company's interest with due consideration for the shareholders' interests. After examining and weighing all arguments, we agree with the Board of Management's proposal for appropriating income available for distribution.

Personnel Changes on the Board of Management and Supervisory Board

There were no personal changes on the E.ON AG Board of Management in the 2011 financial year.

There were the following personnel changes on the Supervisory Board: Ulrich Hartmann and Dr. Wilhelm Simson ended their service on the Supervisory Board effective the conclusion of the Annual Shareholders Meeting on May 5, 2011.

This resulted in a change in the Chairmanship of the Supervisory Board and on various committees. At its meeting after the Annual Shareholders Meeting, the Supervisory Board elected Werner Wenning, who was already a member of the Supervisory Board, to be its new Chairman. This also made Mr. Wenning Chairman of the Executive Committee and the Nomination Committee and a member of the Mediation Committee; he was elected Chairman of the latter committee by the Supervisory Board. Mr. Wenning was also elected Chairman of the Finance and Investment Committee and a member of the Audit and Risk Committee. In addition, Dr. Henning Schulte-Noelle was elected a member of the Finance and Investment Committee.

As successors on the Supervisory Board, the E.ON AG Annual Shareholders Meeting elected Baroness Denise Kingsmill and René Obermann on May 5, 2011. In addition, the Annual Shareholders Meeting elected Bård Mikkelsen to be a member of the Supervisory Board. He had already succeeded Jens P. Heyerdahl as a member of the Supervisory Board by court order effective July 19, 2010. We would like to take this opportunity to thank Mr. Heyerdahl for his work on the Supervisory Board. The new members were elected for the departing members' remaining term of service, which lasts until April 30, 2013.

After a long and difficult illness, Wolf-Rüdiger Hinrichsen, for many years Chairman of the E.ON AG Works Council and an employee representative on the Supervisory Board, died on September 30, 2011. Mr. Hinrichsen had represented the employees' interests on the E.ON AG Supervisory Board since 1998. Through his membership on this board and his wise council, he played a decisive role in shaping the Company's culture and development. We will honor his memory.

Mr. Hinrichsen's successor is Oliver Biniek, Chairman of Works Council of E.ON Anlagenservice GmbH, who had already been elected a replacement member and so automatically took his place on the Supervisory Board. At its meeting on October 19, 2011, the Supervisory Board elected Mr. Biniek to succeed Mr. Hinrichsen as a member of the Finance and Investment Committee.

The Supervisory Board would like to take this opportunity to express its sincere thanks to Ulrich Hartmann and Wilhelm Simson for their outstanding service to the E.ON Group. Mr. Hartmann worked for our company for 39 years, much of it as Chairman of the Board of Management and, later, Chairman of the Supervisory Board. He thus played a decisive role in setting the Company's course and contributing to its success over several decades. Professor Dr. Simson served the Company for more than 20 years as Chairman of the Board of Management and, later, as a member of the Supervisory Board. By merging VEBA and VIAG, Mr. Hartmann and Mr. Simson forged the world's first truly international energy supply company. After ending their service on the Board of Management in 2003, both served for many years as members of the Supervisory Board, where their business acumen and sure judgment played a key role in guiding E.ON's successful strategic development and its transformation into a focused energy company.

The Supervisory Board wishes to thank the Board of Management, the Works Councils, and all the employees of the E.ON Group for their dedication and hard work in the 2011 financial year.

Düsseldorf
March 13, 2012
The Supervisory Board

Werner Wenning
Chairman

Supervisory Board (and Information on Other Directorships Held by Supervisory Board Members)

Honorary Chairman

Prof. Dr. Günter Vogelsang
Düsseldorf

Supervisory Board

Ulrich Hartmann
Chairman of the Supervisory Board, E.ON AG (until May 5, 2011)

Werner Wenning
Chairman of the Supervisory Board, E.ON AG (since May 5, 2011)
- Deutsche Bank AG
- HDI V.a.G.
- Talanx AG
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Freudenberg & Co. KG (Shareholders' Committee)

Erhard Ott
Member of the National Executive Board, Unified Service Sector Union, ver.di,
Deputy Chairman of the Supervisory Board, E.ON AG
- Bremer Lagerhaus-Gesellschaft AG

Werner Bartoschek
Chairman of the Group Works Council, E.ON Ruhrgas AG
- E.ON Ruhrgas AG

Sven Bergelin
Director of the National Energy Industry Group, Unified Service Sector Union, ver.di
- E.ON Energie AG
- E.ON Kernkraft GmbH

Oliver Biniek
(since September 30, 2011)
Chairman of the Supervisory Board, E.ON Anlagenservice GmbH
- E.ON Anlagenservice GmbH
- E.ON Generation GmbH

Gabriele Gratz
Chairwoman of the European Works Council, E.ON AG
- E.ON Ruhrgas AG

Wolf-Rüdiger Hinrichsen
(until September 30, 2011)
Chairman of the Works Council, E.ON AG

Ulrich Hocker
General Manager, German Investor Protection Association
- Deutsche Telekom AG
- Feri Finance AG
- Gildemeister AG
- Gartmore SICAV (until June 15, 2011)
- Phoenix Mecano AG (Chairman of the Board of Directors)

Baroness Denise Kingsmill, CBE
(since May 5, 2011)
Attorney, Member of the House of Lords
- Aprenergy plc
- Betfair plc
- International Consolidated Airlines Group S.A.
- Korn/Ferry International Limited

Prof. Dr. Ulrich Lehner
Member of the Shareholders' Committee, Henkel AG & Co KGaA
- Deutsche Telekom AG (Chairman)
- Henkel Management AG
- HSBC Trinkaus & Burkhardt AG (until June 7, 2011)
- Porsche Automobil Holding SE
- ThyssenKrupp AG
- Dr. Oetker KG (Advisory Board)
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Novartis AG (Administrative Council)

Bård Mikkelsen
Businessman, former President and Chief Executive Officer, Statkraft AS
- Bore Tech AB (Chairman)
- Cermaq ASA (Chairman)
- Clean Energy Invest AS (Chairman)
- Ganger Rolf ASA/Bonheur ASA (Shareholders' Committee)
- Powel AS (Chairman)
- Saferoad AS
- Store Norske Spitsbergen Kulkompani AS (Chairman)

René Obermann
(since May 5, 2011)
Chief Executive Officer, Deutsche Telekom AG
- T-Systems International GmbH (Chairman)
- T-Mobile US Inc. (Chairman) Board of Directors

Hans Prüfer
Chairman of the Group Works Council, E.ON AG

Information as of December 31, 2011, or as of the date on which membership in the E.ON 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.

Klaus Dieter Raschke
Chairman of the Group Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Kernkraft GmbH

Dr. Walter Reitler
Senior Vice President of HSE and Corporate Responsibility, E.ON Energie AG
- E.ON Energie AG

Hubertus Schmoldt
Economist
- Bayer AG
- BP Europa SE (until May 6, 2011)
- DOW Olefinverbund GmbH
- RAG Aktiengesellschaft

Dr. Henning Schulte-Noelle
Chairman of the Supervisory Board, Allianz SE
- Allianz SE (Chairman)

Dr. Karen de Segundo
Attorney
- British American Tobacco plc
- Ensus Ltd. (until September 24, 2011)
- Koninklijke Ahold N.V. (until April 20, 2011)
- Lonmin plc
- Pöyry Oyj

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

Prof. Dr. Wilhelm Simson
Chemist (until May 5, 2011)
- Hochtief AG (until May 12, 2011)
- E.ON Energie AG (since October 9, 2011)
- Freudenberg & Co. KG (until June 25, 2011)

Dr. Georg Frhr. von Waldenfels
Attorney
- Georgsmarienhütte Holding GmbH
- Rothenbaum Sport GmbH (Chairman)

Hans Wollitzer
Chairman of the Company Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Bayern AG

Supervisory Board Committees

Mediation Committee
Werner Wenning, Chairman
Erhard Ott, Deputy Chairman
Hans Prüfer
Dr. Henning Schulte-Noelle

Executive Committee
Werner Wenning, Chairman
Erhard Ott, Deputy Chairman
Hans Prüfer
Dr. Henning Schulte-Noelle

Audit and Risk Committee
Dr. Theo Siegert, Chairman
Klaus Dieter Raschke, Deputy Chairman
Werner Bartoschek
Werner Wenning

Finance and Investment Committee
Werner Wenning, Chairman
Hans Wollitzer, Deputy Chairman
Oliver Biniek
Gabriele Gratz
Prof. Dr. Ulrich Lehner
Dr. Henning Schulte-Noelle

Nomination Committee
Werner Wenning, Chairman
Prof. Dr. Ulrich Lehner
Dr. Henning Schulte-Noelle

Information as of December 31, 2011, or as of the date on which membership in the E.ON 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.

Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, of the German Commercial Code (Part of the Combined Group Management Report)

Composition of Share Capital

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

Restrictions on Voting Rights or the Transfer of Shares

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

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

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

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

The Supervisory Board appoints members to the Board of Management for a term not exceeding five years; a member may be appointed for another term of office or a member's term of office may be extended for an additional term not exceeding five years. If more than one person is appointed as a member of the Board of Management, the Supervisory Board may appoint one of the members as Chairperson of the Board of Management. If a Board of Management member is absent, in the event of an urgent matter, the court makes the necessary appointment upon petition by a concerned party. The Supervisory Board may revoke the appointment of a member of the Board of Management and the Chairperson of the Board of Management for serious cause (for further details, see Sections 84 and 85 of the AktG and Sections 31 and 33 of the German Codetermination Act).

Pursuant to Section 179 of the AktG, an amendment to the Articles of Association requires a resolution of the Shareholders Meeting. Resolutions of the Shareholders Meeting require a simple majority and, in cases where a majority of the share capital is required, a simple majority of the share capital represented, unless the law or the Articles of Association explicitly prescribe otherwise.

The Supervisory Board is authorized to decide by resolution on amendments to the Articles of Association that affect only their wording (Section 24 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.

Board of Management's Power to Issue or Buy Back Shares

Pursuant to a resolution of the Shareholders Meeting of May 6, 2010, the Board of Management is authorized, until May 5, 2015, to acquire own shares. The shares acquired and other own shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

At the Board of Management'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 for Company shares
- by use of derivatives (put or call options or a combination of both).

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

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

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

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

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

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

Pursuant to Section 3, Paragraph 5 of the Articles of Association, the Board of Management is authorized, subject to the Supervisory Board's consent, to increase the Company's share capital until May 5, 2014 by up to €460,000,000 by issuing new registered shares with no-par value against contribution in cash and/or in kind once or several times (Authorized Capital pursuant to Sections 202 et seq. of the AktG). In such issuances, the Board of Management is authorized, subject to the Supervisory Board's consent, to exclude shareholders' subscription right in the case of an issue of shares against cash contributions in an amount of up to 10 percent of the Company's share capital. The shares applied to the 10-percent limit will be those issued, under the exclusion of subscription right, by means of the measures described in the resolution of the Shareholders Meeting. The Board of Management is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription right in the case of an issue of shares against contributions in kind, but only to such an extent that the aggregate amount of the shares issued under this authorization (Section 3, Paragraph 5 of the Articles of Association) against contribution in kind with an exclusion of the shareholders' subscription right does not exceed 20 percent of the Company's share capital. In addition, the total amount of shares issued against contributions in cash or in kind with an exclusion of the subscription right may not exceed 20 percent of the Company's share capital.

Furthermore, the Shareholders Meeting of May 6, 2010, gave the Board of Management two authorizations to issue bonds with conversion or option rights and with conversion obligations, profit participation rights, or participating bonds (or a combination or these instruments). Under these authorizations, the Board of Management may, with the Supervisory Board's consent, issue, once or several times, until May 5, 2015, registered option bonds, convertible bonds, profit participation rights, or participating bonds (or a combination of these instruments) with a total face value of up to €5 billion and grant option rights to the holders of option bonds and/or conversion rights to the holders of convertible bonds for registered Company shares with a proportionate amount of the Company's share capital totaling up to €175,000,000 pursuant to the details of the terms and conditions of the option and/or conversion bonds. This ensures that the total face value of up to €5 billion could only be utilized once through the utilization of the authorization. In line with the authorization, the Company's share capital is conditionally increased by up to €175,000,000 and again by up to €175,000,000 pursuant to Section 3, Paragraphs 3 and 4, of the Articles of Association. Here, too, the Board of Management is authorized, subject to the Supervisory Board's consent, to fully exclude the shareholders' subscription right on bonds (with option or conversion rights or conversion obligation) issued against contributions in cash.

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 ministerial approval of the German Federal Minister of Economics and Technology dated July 5/September 18, 2002, on the proposed mergers of E.ON/Gelsenberg and E.ON/Bergemann contains the following condition: at the direction of the Federal Ministry of Economics and Technology, E.ON must sell to a third party all shares in Ruhrgas AG held by E.ON or its affiliated companies if another company acquires a voting-rights or share-capital majority in E.ON and the acquirer gives reasonable cause for concern that the Federal Republic of Germany's energy policy interests will be negatively affected. The acquirer of Ruhrgas shares requires the prior approval of the Federal Ministry of Economics and Technology; such prior approval may be denied only if the acquirer gives reasonable cause for concern that the Federal Republic of Germany's energy policy interests will be negatively affected. This obligation is valid for a period of ten years after the mergers' consummation.

Debt issued since 2007 contains change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON International Finance B.V. and guaranteed by E.ON AG, promissory notes issued by E.ON AG, and other instruments such as credit contracts. Granting change-of-control rights to creditors is considered good corporate governance and has become standard market practice.

Further information about financial liabilities is contained in the section of the Combined Group Management Report entitled "Financial Condition" and in Note 26 to the Consolidated Financial Statements.

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

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

In the case of a change-of-control event, there is an early settlement of performance rights under the E.ON Share Performance Plan.

Disclosures Pursuant to Section 289, Paragraph 5, of the German Commercial Code on the Internal Control System for the Accounting Process (Part of the Combined Group Management Report)

General Principles

We apply Section 315a (1) of the German Commercial Code and prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting 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). Our market units are our IFRS reportable segments.

We prepare the E.ON AG Financial Statements in accordance with the German Commercial Code (in the version of the Accounting Law Modernization Act, known by its German acronym, "BilMoG," which took effect on May 29, 2009) and the German Stock Corporation Act.

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

Accounting Process

The Consolidated Financial Statements are prepared in a multi-step process using the same SAP software throughout the E.ON Group. The financial statements of our units (prepared by the respective lead company and approved by its independent auditor) are combined at E.ON AG in the Consolidated Financial Statements. E.ON AG is responsible for maintaining and providing support for the consolidation software, for the E.ON-wide standard chart of accounts, and for implementing central consolidation measures. At several E.ON entities, shared service centers conduct some processes (like human resources management) that have an indirect impact on the 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 include a description of all general E.ON Group consolidation processes as well as the applicable IFRS accounting and valuation principles. They also explain accounting principles (such as those for provisions for nuclear waste management and the treatment of regulatory obligations) typical in the E.ON Group. In addition, all such companies must meet the deadlines of our balance-sheet closing calendar.

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

E.ON AG's Financial Statements are also prepared by using SAP software. The accounting and preparation processes are divided into discrete functional steps. Automated or manual controls are integrated into each process. Defined procedures ensure that all transactions and the preparation of E.ON AG's Financial Statements are recorded, processed, assigned on an accrual basis, and documented in a complete, timely, accurate manner. Relevant data from E.ON AG's Financial Statements are, if necessary, adjusted to conform with IFRS and then transferred to the consolidation software system using SAP-supported transfer technology.

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

Internal Control and Risk Management System

Internal controls are an integral part of our accounting processes. Guidelines, called Internal_Controls@E.ON, define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. The guidelines include a definition of their scope, documentation and evaluation standards, a Catalog of Management Controls, a Generic Risk Catalog, a description of the test activities of our Internal Audit division, and a description of the final Sign-Off process. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

COSO Model

Our internal control system is based on the globally recognized COSO model (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The Generic Risk Catalog (which encompasses company- and industry-specific aspects) defines possible risks for accounting (financial reporting) in the functional areas of our operating entities and thus serves as check list and provides guidance for the documentation process.

The Catalog of Management Controls is a key component of a functioning internal control system. It encompasses overarching controls to address risks in a range of issue areas and processes, such as financial reporting, corporate responsibility, fraud, the communications process, planning and budgeting, investment controlling and internal audit.

Central Documentation System

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

Scope

Each year, we conduct a multi-stage process using qualitative criteria and quantitative materiality metrics to define which E.ON companies must document and evaluate their financial-disclosure processes and controls. Selection is based on predefined line items in the balance sheets, income statements and/or notes of each company's prior-year financial statements.

Assessment
After companies have documented their processes and controls, they 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 companies relies on the assessment performed by their staff and on testing of the internal control system performed by Internal Audit. These tests are a key part of the process. Using a risk-oriented testing 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 company's management carries out the final signing-off.

Following the preliminary evaluation of the processes and controls performed by an E.ON company's own staff and by Internal Audit, the market units carry out a second evaluation process to ensure quality before a final report is made to E.ON AG. This second evaluation is conducted by a committee of market unit staff or by the market unit management itself.

Sign-Off Process
The final step of the internal evaluation process is the submission of a formal written declaration confirming the system's effectiveness. The declaration process is conducted at all levels of the Group (beginning at the business-unit level) before it is conducted by the reporting units and, finally, by E.ON AG. It is therefore a formal mechanism that encompasses all levels of the E.ON Group's hierarchy. The Chairman of the E.ON AG Board of Management and the Chief Financial Officer make the final Sign-Off on the effectiveness of the internal control system of E.ON AG's financial reporting.

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

General IT Controls
The effectiveness of the automated controls in the standard accounting software systems and in key additional applications depends to a considerable degree on the proper functioning of IT systems. Consequently, IT controls are embedded in our documentation system. These controls primarily involve ensuring the proper functioning of access-control mechanisms of systems and applications, of daily IT operations (such as emergency intervention), and of the program change process. In addition, support for the central consolidation system is conducted at E.ON AG in Düsseldorf. Furthermore, an E.ON company called E.ON IT and external service providers provide comprehensive IT services for the majority of our units.

Explanatory Report of the Board of Management on the Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, as well as Section 289, Paragraph 5, of the German Commercial Code

The Board of Management has read and discussed the disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Combined Group Management Report for the year ended December 31, 2011, and issues the following declaration regarding these disclosures:

The disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Company's Combined Group Management Report are correct and conform with the Board of Management's knowledge. The Board of Management therefore confines itself to the following statements:

Beyond the disclosures contained in the Combined Group Management Report (and legal restrictions such as the exclusion of voting rights pursuant to Section 136 of the German Stock Corporation Act), the Board of Management is not aware of any restrictions regarding voting rights or the transfer of shares. The Company is not aware of shareholdings in the Company's share capital exceeding ten out of one hundred voting rights, so that information on such shareholdings is not necessary. There is no need to describe shares with special control rights (since no such shares have been issued) or special restrictions on the control rights of employees' shareholdings (since employees who hold shares in the Company's share capital exercise their control rights directly, just like other shareholders).

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

The Board of Management also read and discussed the disclosures in the Combined Group Management Report pursuant to Section 289, Paragraph 5, of the German Commercial Code. The disclosures contained in the Combined Group Management Report on the key features of our internal control and risk management system for accounting processes are complete and comprehensive.

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

Düsseldorf, February 2012

E.ON AG
Board of Management

Dr. Teyssen	Kildahl	Prof. Dr. Maubach
Dr. Reutersberg	Dr. Schenck	Stachelhaus

Board of Management (and Information on Other Directorships Held by Board of Management Members)

Dr. Johannes Teyssen

Born 1959 in Hildesheim
Chairman and Chief Executive Officer
Member of the Board of Management since 2004
Group Executive Human Resources, Corporate Strategy & Development, Investor Relations, Group Audit, and Political Affairs & Corporate Communications, Düsseldorf

- E.ON Energie AG[1]
- E.ON Ruhrgas AG[1]
- Deutsche Bank AG
- Salzgitter AG

Jørgen Kildahl

Born 1963 in Bærum, Norway
Member of the Board of Management since 2010
Upstream/Generation, Trading & Optimization, Düsseldorf

- E.ON Ruhrgas AG[1] (Chairman)
- E.ON Energy Trading SE[1] (Chairman)
- E.ON Generation GmbH[2] (Chairman)
- E.ON Sverige AB[2]

Prof. Dr. Klaus-Dieter Maubach

Born 1962 in Schwelm
Member of the Board of Management since 2010
Research & Development, New Build & Technology, Corporate Responsibility, Corporate Incident & Crisis Management, Health/Safety & Environment, Düsseldorf

- E.ON Ruhrgas AG[1]
- E.ON Energy Trading SE[1]
- E.ON New Build & Technology GmbH[1] (Chairman)
- E.ON Czech Holding AG[2]
- E.ON Sverige AB[2]

Dr. Bernhard Reutersberg

Born 1954 in Düsseldorf
Member of the Board of Management since 2010
Management of regional units, management of distribution and retail businesses, Düsseldorf

- E.ON Energie AG[1] (Chairman)
- E.ON España S.L.[2]
- E.ON France S.A.S.[2] (Chairman)
- E.ON Italia S.p.A.[2]
- E.ON Sverige AB[2] (Chairman)
- E.ON Benelux N.V.[2] (Chairman)
- E.ON Hungaria Zrt.[2] (Chairman)
- OAO E.ON Russia[2]
- Nord Stream AG

Dr. Marcus Schenck

Born 1965 in Memmingen
Member of the Board of Management since 2006
Finance, Accounting, Corporate Planning & Controlling, Mergers & Acquisitions, Tax, Düsseldorf

- E.ON Energy Trading SE[1]
- E.ON Ruhrgas AG[1]
- E.ON IT GmbH[1]
- Commerzbank AG
- SMS Group GmbH
- AXA S.A.

Regine Stachelhaus

Born 1955 in Böblingen
Member of the Board of Management since 2010
Group Human Resources, IT, Group Procurement, Legal Affairs & Compliance, Real Estate/Mining, Facility Management, E.ON Academy, Labor Director, Düsseldorf

- E.ON Energie AG[1]
- E.ON Ruhrgas AG[1]
- E.ON IT GmbH[1] (Chairwoman)

Information as of December 31, 2011, or as of the date on which membership in the E.ON Board of Management ended.

- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2, of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

[1]Exempted E.ON Group directorship. [2]Other E.ON Group directorship.

Summary of Financial Highlights[1]

€ in millions	2007	2008	2009	2010	2011
Sales and earnings					
Sales	66,912	84,873	79,974	92,863	112,954
EBITDA[2]	11,907	12,836	12,975	13,346	9,293
EBIT[2]	8,820	9,483	9,291	9,454	5,438
Net income/Net loss	7,724	1,621	8,669	6,281	-1,861
Net income/Net loss attributable to shareholders of E.ON AG	7,204	1,283	8,420	5,853	-2,219
Value measures					
ROACE/through 2009 ROCE (%)	15.6	13.6	12.2	14.4	8.4
Cost of capital (%)	9.1	9.1	9.1	8.3	8.3
Value added[3]	3,678	3,128	2,362	4,000	90
Asset structure					
Non-current assets	105,804	108,622	113,046	106,657	102,221
Current assets	31,490	48,107	39,568	46,224	50,651
Total assets	137,294	156,729	152,614	152,881	152,872
Capital structure					
Equity	55,130	38,451	43,986	45,585	39,613
Capital stock	*1,734*	*2,001*	*2,001*	*2,001*	*2,001*
Minority interests	*5,756*	*3,960*	*3,607*	*3,932*	*3,876*
Non-current liabilities	52,402	66,323	70,775	69,580	67,129
Provisions	*20,963*	*22,757*	*21,692*	*23,631*	*25,672*
Financial liabilities	*15,915*	*25,036*	*30,657*	*28,880*	*24,029*
Other liabilities and other	*15,524*	*18,530*	*18,426*	*17,069*	*17,428*
Current liabilities	29,762	51,955	37,853	37,716	46,130
Provisions	*3,992*	*4,260*	*4,715*	*4950*	*4,985*
Financial liabilities	*5,549*	*16,022*	*7,120*	*3,611*	*5,885*
Other liabilities and other	*20,221*	*31,673*	*26,018*	*31,527*	*35,260*
Total assets	137,294	156,824	152,614	152,881	152,872
Cash flow and investments					
Cash provided by operating activities of continuing operations	8,434	6,397	8,590	10,614	6,610
Cash-effective investments	10,616	17,756	8,655	8,286	6,524
Financial ratios					
Equity ratio (%)	40	25	29	30	26
Long-term capital as a percentage of non-current assets (%)	102	96	102	108	104
Economic net debt (at year-end)	-23,432	-44,946	-44,665	-37,701	-36,385
Debt factor[4]	1.9	3.4	3.4	2.8	3.9
Cash provided by operating activities of continuing operations as a percentage of sales	12.7	7.8	11.1	11.4	5.9
Stock[5]					
Earnings per share attributable to shareholders of E.ON AG (€)	3.69	0.69	4.42	3.07	-1.16
Equity[6] per share (€)	26.06	18.11	21.19	21.86	18.76
Twelve-month high per share (€)	48.69	50.93	30.47	29.36	25.11
Twelve-month low per share (€)	32.02	23.50	18.19	21.13	12.88
Year-end closing price per share[7] (€)	48.53	28.44	29.23	22.94	16.67
Dividend per share[8] (€)	1.37	1.50	1.50	1.50	1.00
Dividend payout	2,560	2,857	2,858	2,858	1,905
Market capitalization[7, 9] (€ in billions)	92.0	54.2	55.7	43.7	31.8
E.ON AG long-term ratings					
Moody's	A2	A2	A2	A2	A3
Standard & Poor's	A	A	A	A	A
Employees					
Employees at year end	84,838	90,428	85,108	85,105	78,889

[1]Adjusted for discontinued operations. [2]Adjusted for extraordinary effects. [3]Starting with 2010, the figue is as of the balance-sheet date. [4]Ratio between economic net debt and EBITDA. [5]All figures subsequent to, or adjusted for, the stock split. [6]Attributable to shareholders of E.ON AG. [7]On December 30. [8]For the respective financial year; the 2011 figure is management's proposed dividend. [9]Based on shares outstanding.

Glossary of Financial Terms

Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of a number of variables, such as projected future salaries and pensions. An actuarial gain or loss is recorded when the actual numbers turn out to be different from the projections.

ADR
Abbreviation for American depositary receipt. These are depositary certificates issued by U.S. banks and traded on U.S. stock exchanges in place of a foreign stock. ADRs make it easier for foreign companies to gain access to U.S. investors.

Beta factor
Indicator of a stock's relative risk. A beta coefficient of more than one indicates that a stock has a higher risk than the overall market; a beta coefficient of less than one indicates that it has a lower risk.

Bond
Debt instrument that gives the holder the right to repayment of the bond's face value plus an interest payment. Bonds are issued by public entities, credit institutions, and companies and are sold through banks. They are a form of medium- and long-term debt financing.

Capital employed
Represents the interest-bearing capital tied up in the E.ON Group. It is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Other shareholdings are included at their acquisition cost, not their fair value.

Capital stock
The aggregate face value of all shares of stock issued by a company; entered as a liability in the company's balance sheet.

Cash flow statement
Calculation and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing, and financing activities.

Cash provided by operating activities
Cash provided by, or used for, operating activities of continuing operations.

Commercial paper ("CP")
Unsecured, short-term debt instruments issued by commercial firms and financial institutions. CPs are usually quoted on a discounted basis, with repayment at par value.

Consolidation
Accounting approach in which a parent company and its affiliates are presented as if they formed a single legal entity. All intracompany income and expenses, intracompany accounts payable and receivable, and other intracompany transactions are offset against each other. Share investments in affiliates are offset against their capital stock, as are all intracompany credits and debts, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items in the annual financial statements yields the consolidated balance sheets and the consolidated statements of income.

Contractual trust arrangement ("CTA")
Model for financing pension obligations under which company assets are converted to assets of a pension plan administered by an independent trust that is legally separate from the company.

Cost of capital
Weighted average of the costs of debt and equity financing (weighted average cost of capital: "WACC"). The cost of equity is the return expected by an investor in a given stock. The cost of debt is based on the cost of corporate debt and bonds. The interest on corporate debt is tax deductible (referred to as the tax shield on corporate debt).

Credit default swap ("CDS")
A credit derivative used to hedge the default risk on loans, bonds, and other debt instruments.

Debt factor
Ratio between economic net debt and EBITDA. Serves as a metric for managing E.ON's capital structure.

Debt issuance program
Contractual framework and standard documentation for the issuance of bonds.

Discontinued operations
Businesses or parts of a business that are planned for divestment or have already been divested. They are subject to special disclosure rules.

EBIT
Adjusted earnings before interest and taxes. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

EBITDA
Adjusted earnings before interest, taxes, depreciation, and amortization. E.ON's key earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

Economic net debt
Key figure that supplements net financial position with pension obligations and asset retirement obligations (less prepayments to the Swedish nuclear fund). The calculation of economic net debt includes the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management) in order to also reflect the foreign-currency effects of financial transactions which, for accounting reasons, would not be included in the components of net financial position.

Equity method
Method for valuing shareholdings in associated companies whose assets and liabilities are not fully consolidated. The proportional share of the company's annual net income (or loss) is reflected in the shareholding's book value. This change is usually shown in the owning company's income statement.

Fair value
The price at which assets, debts, and derivatives pass from a willing seller to a willing buyer, each having access to all the relevant facts and acting freely.

Financial derivative
Contractual agreement based on an underlying value (reference interest rate, securities prices, commodity prices) and a nominal amount (foreign currency amount, a certain number of stock shares).

Goodwill
The value of a subsidiary as disclosed in the parent company's consolidated financial statements resulting from the consolidation of capital (after the elimination of hidden reserves and liabilities). It is calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's book value with its fair value. A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

International Financial Reporting Standards ("IFRS")
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS for fiscal years that begin on or after January 1, 2005, and by January 1, 2007, at the latest.

Investments
Cash-effective capital investments.

Net financial position
Difference between a company's total financial assets (cash and securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies).

Option
The right, not the obligation, to buy or sell an underlying asset (such as a security or currency) at a specific date at a predetermined price from or to a counterparty or seller. Buy options are referred to as calls, sell options as puts.

Other non-operating earnings
Income and expenses that are unusual or infrequent, such as book gains or book losses from significant disposals as well as restructuring expenses (see EBIT).

Prepayments and accrued income
Line item used to account for aperiodic expenses and income. Prepayments, which are recorded on the liability side of the balance sheet, occur when payment is made before the balance-sheet date, but the expense is after the balance-sheet date. Accrued income, which is recorded on the liabilities side of the balance sheet, occurs when payment is received before the balance-sheet date, but the income is recorded after the balance-sheet date.

Purchase price allocation
In a business combination accounted for as a purchase, the values at which the acquired company's assets and liabilities are recorded in the acquiring company's balance sheet.

Rating
Standardized performance categories for an issuer's short- and long-term debt instruments based on the probability of interest payment and full repayment. Ratings provide investors and creditors with the transparency they need to compare the default risk of various financial investments.

Return on equity
The return earned on an equity investment (in this case, E.ON stock), calculated after corporate taxes but before an investor's individual income taxes.

ROACE
Acronym for return on average capital employed. A key indicator for monitoring the performance of E.ON's business, ROACE is the ratio between E.ON's EBIT and average capital employed. Average capital employed represents the interest-bearing average capital tied up in the E.ON Group.

ROCE
Acronym for return on capital employed. ROCE is the ratio between E.ON's EBIT and capital employed. Capital employed represents the interest-bearing capital tied up in the E.ON Group.

Stock appreciation rights ("SAR")
Virtual stock options in which compensation is in cash instead of in stock. At E.ON, the exercise gain equals the difference between the price of E.ON stock on the exercise date and at the time the SAR were issued.

Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

Tax shield
Deductions that reduce an enterprise's tax burden. For example, the interest on corporate debt is tax deductible. An enterprise takes this into consideration when choosing between equity and debt financing (see Cost of capital).

Underlying net income
An earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain extraordinary effects. The adjustments include effects from the marking to market of derivatives, book gains and book losses on disposals, restructuring expenses, and other non-operating income and expenses of a non-recurring or rare nature (after taxes and minority interests). Underlying net income also excludes income/loss from discontinued operations, net.

Value added
Key measure of E.ON's financial performance based on residual wealth calculated by deducting the cost of capital (debt and equity) from operating profit. It is equivalent to the return spread (ROCE minus the cost of capital) multiplied by capital employed, which represents the interest-bearing capital tied up in the E.ON Group.

Value at risk ("VaR")
Risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99 percent) over a certain period of time (for example, one day). Due to the correlation of individual transactions, the risk faced by a portfolio is lower than the sum of the risks of the individual investments it contains.

Working capital
The difference between a company's current assets and current liabilities.

Further information

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Financial Calendar

May 3, 2012	2012 Annual Shareholders Meeting
May 4, 2012	Dividend Payout
May 9, 2012	Interim Report: January - March 2012
August 13, 2012	Interim Report: January - June 2012
November 13, 2012	Interim Report: January - September 2012
March 13, 2013	Release of the 2012 Annual Report
May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payout
May 8, 2013	Interim Report: January - March 2013
August 13, 2013	Interim Report: January - June 2013
November 13, 2013	Interim Report: January - September 2013