Annual Report 2016

E.ON Group Financial Highlights[1]

€ in millions	2016	2015	+/- %
Sales	38,173	42,656	-11
Adjusted EBITDA[2]	4,939	5,844	-15
Adjusted EBIT[2]	3,112	3,563	-13
– Regulated business	1,482	1,814	-18
– Quasi-regulated and long-term contracted business	488	442	+10
– Merchant business	1,142	1,307	-13
Net loss	-16,007	-6,377	-151
Net loss attributable to shareholders of E.ON SE	-8,450	-6,999	-21
Adjusted net income[2]	904	1,076	-16
Investments	3,169	3,227	-2
Research and development expense	14	20	-30
Cash provided by operating activities of continuing operations	2,961	4,191	-29
Cash provided by operating activities of continuing operations before interest and taxes	3,974	4,749	-16
Economic net debt (at year-end)	26,320	27,714	-5
Debt factor[3]	5.3	3.7[4]	+1.6[5]
Equity	1,287	19,077	-93
Total assets	63,699	113,693	-44
ROCE (%)	10.4	10.9	-0.5[6]
Pretax cost of capital (%)	5.8	6.7	-0.9[6]
After-tax cost of capital (%)	4.0	4.9	-0.9[6]
Value added	1,370	1,216	+13
Employees (at year-end)	43,138	43,162	–
– Percentage of female employees	32.1	32.0	+0.1[6]
– Percentage of female executives and senior managers	19.6	18.4	+1.2[6]
– Average turnover rate (%)	5.3	3.5	+1.8[6]
– Average age	42	42	–
– TRIF (E.ON employees)	2.5	2.0	+25
Earnings per share[7,8] (€)	-4.33	-3.60	-20
Equity per share[7,8] (€)	-0.54	8.42	–
Dividend per share[9] (€)	0.21	0.50	-58
Dividend payout	410	976	-58
Market capitalization[8] (€ in billions)	13.1	17.4	-25

[1]The Uniper Group was deconsolidated effective December 31, 2016; it is shown in our 2015 and 2016 income statement as discontinued operation.
[2]Adjusted for non-operating effects (see Glossary).
[3]Ratio of economic net debt and adjusted EBITDA.
[4]Not adjusted for Uniper; figure as reported in the 2015 Annual Report.
[5]Change in absolute terms.
[6]Change in percentage points.
[7]Attributable to shareholders of E.ON SE.
[8]Based on shares outstanding.
[9]For the respective financial year; the 2016 figure represents management's dividend proposal.

Contents

CEO Letter

Report of the Supervisory Board

Dear Shareholders,

Dr. Johannes Teyssen,
Chairman of the Management Board

At the 2016 Annual Shareholders Meeting, an overwhelming majority of you—99.7 percent—approved our plan to reinvent E.ON. You gave my Management Board colleagues and me a clear task: to do everything we can to make E.ON fit for the future and, above all, to rethink E.ON from our customers' perspective. Their choices regarding our products, services, and solutions will determine how successful E.ON will be in the new energy world. That's why we want to meet the needs of our customers—people, companies, and communities—with superior, simple, and convenient energy products and solutions. E.ON's aspiration is to provide customers with the best that the new energy world has to offer.

One indication of E.ON's great potential is the recent uptick in our stock price. Uniper stock has also done well and, in fact, was Europe's best-performing utility stock of 2016. In dividing E.ON into the new E.ON and Uniper we paid particular attention to safeguarding your interests. If you kept both stocks, at the end of February 2017 they were worth more together than E.ON stock was by itself before the spinoff. And from E.ON's perspective, our core businesses are no longer burdened by the risks of the old energy world, such as the uncertainties of commodity markets. The spinoff relieved your company and its balance sheet of most of the burdens of the past. For example, we recorded impairment charges on power plants and businesses that the altered business environment had rendered less valuable and got them off our balance sheet entirely when Uniper was deconsolidated. As we repeatedly emphasized, 2016 truly was a year of transition.

In 2016 broad agreement with Germany's political leadership was reached on the phaseout of nuclear energy. Germany enacted a law that reassigns the future responsibilities for, and arranges the funding of, the intermediate and final storage of the country's nuclear waste. Negotiations are currently under way for a contractual agreement with the Federal Republic of Germany regarding these matters. The law will require your company to make a considerable financial contribution in the near future: in mid-2017 we'll have to transfer just under €10 billion to a public fund. Although we created provisions for a large portion—just under €8 billion—of these obligations, the risk surcharge imposed by the law has obviously had an adverse impact on our balance sheet. In return, however, your company will be relieved of these essentially perpetual risks.

The Uniper spinoff and the funding of nuclear-waste storage left deep marks on our balance sheet. We informed you of these matters early and transparently. In 2016 these burdens of the past affected our income statement for the last time, leading to a net loss of €16 billion. However, the entire amount of this net loss is attributable to discontinued operations and nuclear energy. With the exception of the risk surcharge, the loss is not cash-effective. Moreover, portions of the loss bear no risk for our equity either.

But more important than looking back is looking ahead: the new E.ON is already solid from an operating perspective. In 2016 we posted adjusted EBIT of €3.1 billion and adjusted net income of around €900 million. Our 2016 earnings were therefore at the upper end of our forecast range. Adjusted for disposals, the E.ON Group's earnings strength actually improved relative to the prior year. Sixty-five percent of our adjusted EBIT comes from regulated, quasi-regulated, and long-term contracted businesses. Our three core businesses—energy networks, customer solutions, and renewables—deliver stable earnings. In 2016 we generated adjusted EBIT of €2.5 billion. In short, we have a good foundation on which to continue our company's transformation. I'm firmly convinced that much of our success will depend on our adaptability. For us, 2017 will be a year of transformation. We set five clear objectives:

(1) We'll strengthen our balance sheet and make the company financially sustainable. This is the key prerequisite for us to grow in the future. Although our markets offer many opportunities, our financial resources are limited. Our top priority is therefore to continue to develop our operating business while systematically prioritizing our investment expenditures (we'll only pursue the best projects) and achieving our budget targets. Over the medium and long term, these steps will enable us to establish a sustainable financial foundation from which to invest in your company's future.

(2) We're putting our customers first. Our new brand idea—"Let's create a better tomorrow"—makes a clear commitment. In everything we do we need to ask how it benefits our customers, what they want, and what will make their lives better. The answers we've come up with include roof-top solar panels together with a battery storage system and, in conjunction with Sixt Leasing, a complete e-mobility package consisting of an electric car, a charging point, maintenance service, and a green power product.

(3) The latest generation of energy products is digitally integrated. That's precisely our strategy. We intend to be a pacesetter in the digitalization of the energy business. Increasingly, digitalization will be a defining feature of the solutions we offer our customers. We already have a successful smartphone app that enables customers to manage their energy consumption and all their communications with us. Other exciting products are on the way, this year and beyond. New solutions in our network business—such as the efficient systems we developed for the "Werksviertel," a former industrial district near Munich's East train station—always involve digital networking.

(4) I'm convinced that the new E.ON is active in the right markets. The energy future is green, distributed, and digital. But this market is more fragmented than the conventional energy world. We face different competitors who are swift and agile. That's why we need to make E.ON more entrepreneurial and ensure that our offerings are better, more innovative, and faster-to-market than all the others. When old business models become obsolete, we need to find new ones. To help us achieve all this, we intend to reduce our bureaucracy this year, to make our organizational setup more customer-centric, and to become leaner, more decentralized, and more agile.

(5) Management and cultural adaptation are particularly important tasks in this era of continual change. E.ON has a very knowledgeable and dedicated team of employees who work hard each day to transform our company. We want to inspire them. Because their efforts will make a key contribution to our success on the road ahead. We also want to further improve how we work together and cultivate a work environment based on openness, diversity, performance, and mutual respect and support. In short, we want to create a corporate culture that will make E.ON faster, more customer-oriented, and more successful.

All of us are prepared to do our part. E.ON has great potential to become a leading company of the new energy world—the company of choice for customers and investors. It's within our power to seize this great opportunity and thus to actively shape the future of E.ON and the far-reaching changes in our market.

Best wishes,

Dr. Johannes Teyssen

Dear Shareholders,

Dr. Karl-Ludwig Kley,
Chairman of the Supervisory Board

2016 was a difficult year for E.ON. The successful spinoff of Uniper was an enormous undertaking. At the same time, E.ON adopted a new business model. Moreover, amid these strategic challenges, it was important not to lose focus on the operating business.

E.ON carried out all of these tasks superbly. First and foremost, the Supervisory Board would therefore like to express its sincere thanks to the Management Board and employees of this great company. Although there is still much to be done, E.ON is well prepared for its future in the new energy world.

In the 2016 financial year the Supervisory Board carefully performed all its duties and obligations under law, the Company's Articles of Association, and its own policies and procedures. It thoroughly examined the Company's situation and devoted particular attention to its continually changing energy-policy and economic environment.

We advised the Management Board intensively about the Company's management and continually monitored the Management Board'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 Management Board's reports. At the Supervisory Board's five regular and one extraordinary meeting in the 2016 financial year, we addressed in depth all issues relevant to the Company, including in conjunction with the new corporate strategy. All Supervisory Board members attended all meetings with the exception of one member who was unable to attend one meeting. A table showing attendance by member is on page 78 of this report.

The Management Board 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 Management Board'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 procedures. After thoroughly examining and discussing the resolutions proposed by the Management Board, the Supervisory Board approved them.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Management Board throughout the entire financial year. In the case of particularly pertinent issues, the Chairman of the Supervisory Board was kept informed at all times. The Chairman of the Supervisory Board likewise maintained contact with the members of the Supervisory Board outside of board meetings. Consequently, the Supervisory Board was at all times informed about the current operating performance of the major Group companies, significant business transactions, the development of key financial figures, and decisions under consideration.

Implementation of E.ON's New Strategy

A significant share of the Supervisory Board's work in 2016 revolved around the implementation of the new corporate strategy E.ON adopted in November 2014. E.ON and Uniper have been operating independently of one another since January 1, 2016. On June 8, 2016, the Annual Shareholders Meeting approved the Spinoff and Takeover Agreement between E.ON SE and Uniper SE with a 99.68-percent majority. The agreement was entered into the commercial register on September 9, 2016. Uniper had its stock-market listing on September 12, 2016. The resolved-on Control Termination Agreement took effect on December 31, 2016. E.ON and Uniper therefore successfully carried out an ambitious and challenging corporate transformation exactly on schedule.

We distributed 53.35 percent of Uniper SE's stock to our shareholders, who received one registered share of Uniper SE stock with no par value for each ten shares of E.ON SE they held. E.ON SE continues to hold a 46.65-percent stake in Uniper SE. The spinoff therefore did not alter shareholders' ownership interest. But it did expand their options. Depending on their preference, shareholders can invest in the new energy world or the conventional commodity business.

At our meetings we discussed the new E.ON and Uniper's business models and equity stories, the spinoff documentation, E.ON's finance situation, and Uniper's financing structure and received reports on the progress of the spinoff and the accounting treatment of Uniper in E.ON's Consolidated Financial Statements at different balance-sheet dates.

The new strategy under which E.ON and Uniper each focuses on its own energy world not only maintained value for shareholders. In terms of business logic, it is also the right response to the far-reaching structural changes in the energy industry, which have continued while E.ON's policy and regulatory environment has deteriorated since it adopted its new strategy in late 2014. Dislocations in the Company's market environment, the obligation to provide Uniper with a solid capital structure, and the impairment charges necessitated by Uniper's stock price left deep marks on E.ON's balance sheet. The new strategy will enable both E.ON and Uniper to meet the respective challenges in a focused way and to seize development opportunities.

Key Topics of the Supervisory Board's Discussions

The political developments in countries in which E.ON is active constituted a key overarching topic of our discussions. Alongside the macroeconomic and economic-policy situation in the individual countries, we focused primarily on the developments in European and German energy policy and their respective consequences for E.ON's various business areas.

Furthermore, in the context of the Group's current operating business, we discussed in detail the extreme volatility of national and international energy markets, the currencies that are important to E.ON, the impact of low interest rates on E.ON as well as the general business situation of the Group and its companies. We discussed E.ON SE's and the E.ON Group's current asset, financial, and earnings situation, future dividend policy, possible capital measures, workforce developments, and earnings opportunities and risks. In addition, we and the Management Board thoroughly discussed the E.ON Group's medium-term plan for 2017–2019. The Supervisory Board was provided information on a regular basis about the Company's health, (occupational) safety, and environmental performance (in particular the development of key accident indicators) as well as key figures for the number of customers, customer satisfaction, the number of apprentices, and measures to support women at the Company.

We thoroughly discussed current developments in E.ON and Uniper's core businesses. We discussed and passed resolutions regarding the Arkona wind farm project in the German Baltic Sea and the Nord Stream 2 project. The Supervisory Board was informed on an ongoing basis about the status of the negotiations with Gazprom to adjust the price terms of long-term gas procurement contracts, the performance of the business in Turkey, the repositioning of the E.ON brand, the Phoenix restructuring program, and the successful conclusion of the E.ON 2.0 program. The Management Board also reported on the progress of the legal proceedings relating to the nuclear-fuel tax, the status of the constitutional complaint against the nuclear phaseout and the lawsuit filed against the nuclear energy moratorium, and the proposals of the Commission for Organizing and Financing the Nuclear Energy Phaseout.

Finally, the Management Board provided information about the scope of E.ON's use of derivative financial instruments and how the regulation of these instruments affects E.ON's business. We also discussed E.ON's rating situation with the Management Board on a regular basis.

We thoroughly discussed the activity reports submitted by the Supervisory Board's committees.

Corporate Governance

In the 2016 financial year we again had intensive discussions about the implementation of the recommendations of the German Corporate Governance Code.

In the annual declaration of compliance issued at the end of the year, we and the Management Board declared that E.ON is in full compliance with the recommendations of the "Government Commission German Corporate Governance Code" dated May 5, 2015, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger). Furthermore, we declared that E.ON was in full compliance with the recommendations of the "Government Commission German Corporate Governance Code" dated May 5, 2015, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), since the last annual declaration on April 15, 2016, with the exception of Section 4.2.3, Paragraph 2, Sentence 8 of the German Corporate Governance Code. According to this sentence, there should be no retroactive changes to the performance targets or the comparison parameters of the Management Board's compensation. In April 2016, however, we decided to adjust certain performance targets in view of the Uniper spinoff.

The current version of the declaration of compliance is in the Corporate Governance Report on page 75; the current as well as earlier versions are continuously available to the public on the Company's website at www.eon.com.

The Supervisory Board is aware of no indications of conflicts of interest involving members of the Management Board or the Supervisory Board.

Furthermore, one education and training session on selected issues was conducted for Supervisory Board members in 2016.

The targets for the Supervisory Board's composition with regard to Item 5.4.1 of the German Corporate Governance Code and the status of their achievement are described in the Corporate Governance Report on pages 78 and 79.

An overview of Supervisory Board members' attendance at meetings of the Supervisory Board and its committees is on page 78.

Committee Work

To fulfill its duties carefully and efficiently, the Supervisory Board has created the committees described in detail below. Information about the committees' composition and responsibilities is in the Corporate Governance Report on pages 79 and 80. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to pass resolutions on certain matters. Committee chairpersons reported the agenda and results of their respective committee's meetings to the full Supervisory Board on a regular basis, typically at the Supervisory Board meeting subsequent to their committee meeting.

In the 2016 financial year the Executive Committee met seven times and adopted two resolutions by means of written communications. All members took part in all meetings and the written communications. In particular, this committee prepared the meetings of the full Supervisory Board. Furthermore, it discussed significant personnel matters, especially those relating to the spinoff and Management Board compensation and did comprehensive preparatory work for the Supervisory Board's resolutions on these matters. In addition, it prepared the Supervisory Board's resolutions to determine that the Management Board met its targets for 2015 and to set the targets for 2016. Finally, the committee adopted a resolution based on the Management Board's proposal to change its members' respective task areas.

The Finance and Investment Committee met five times. Attendance was complete at all meetings. The matters addressed by the committee included the Management Board's reports on the implementation of E.ON's new corporate strategy, the planned post-completion audits for Maasvlakte 3 generating unit and other projects, and Uniper's planned finance structure. The committee also discussed current developments in the Arkona offshore wind farm project in the Baltic Sea, Twin Forks onshore wind farm projects in the United States, and the Nord Stream 2 project. In particular, at its meetings the committee prepared the Supervisory Board's resolutions on these matters or, for matters for which it had the authority, made the decision itself. Furthermore, it discussed the medium-term plan for 2017–2019 and prepared the Supervisory Board's resolutions on this matter.

The Audit and Risk Committee met four times and adopted one resolution by means of written communications. All members took part in all meetings and the written communications. Attendance was complete at all meetings. With due attention to the Independent Auditor's Report and in discussions with the independent auditor, the committee devoted particular attention to the 2015 Financial Statements of E.ON SE (prepared in accordance with the German Commercial Code) and the E.ON Group's 2015 Consolidated Financial Statements and the 2016 Interim Reports of E.ON SE (prepared in accordance with International Financial Reporting Standards, or "IFRS"). The committee discussed the recommendation for selecting an independent auditor for the 2016 financial year as well as the intermediate financial reports and assigned the tasks for the auditing services, established the audit priorities, determined the independent auditor's compensation, and verified the auditor's qualifications and independence in line with the recommendations of the German Corporate Governance Code. The committee assured itself that the independent auditor has no conflicts of interest. Topics of particularly detailed discussions included issues relating to accounting, the internal control system, and risk management. In addition, the committee thoroughly discussed the Combined Group Management Report and the proposal for profit appropriation and prepared the relevant recommendations for the Supervisory Board and reported to the Supervisory Board. Furthermore, on a regular basis the committee discussed in detail the progress of significant investment projects. The Audit and Risk Committee also discussed in detail market conditions, the long-term changes in markets, and the resulting consequences for the underlying value of our activities. It reviewed the results of impairment tests and the necessary impairment charges. Other focus areas included an examination of E.ON's risk situation, its risk-bearing capacity, and the quality control of its risk-management system. This examination was based on consultations with the independent auditor and, among other things, reports from the Company's risk committee. On the basis of the quarterly regular risk reports, the Audit and Risk Committee noted that no risks were identified that might jeopardize the existence of the Company or individual segments. The committee also discussed the work done by internal audit including the audits conducted in 2016 as well as the audit plan and audit priorities for 2017. Furthermore, the committee discussed the health, safety, and environment report, compliance reports and E.ON's compliance system, as well as other issues related to auditing. The Management Board also reported on ongoing proceedings and on legal and regulatory risks for the E.ON Group's business. These included the status of the lawsuits filed against the nuclear-fuel tax, the constitutional complaint against the nuclear phaseout, the lawsuit filed against the nuclear energy moratorium, the proposals of the Commission for Organizing and Financing the Nuclear Energy Phaseout and Germany's Independent Audit Reform Act. Other topics included the development of E.ON's rating, the status of the carve-out of Uniper's operations and the spinoff process, the progress of Rampion and Arkona wind farm projects, the development of E.ON startups and co-investments, the Company's tax situation, reportable incidents at the E.ON Group, and insurance issues.

The Nomination Committee met twice in 2016. At these meetings it did preparatory work for the Supervisory Board's recommendations for the 2016 Annual Shareholders Meeting for election of shareholder representatives to the E.ON SE Supervisory Board. Attendance was complete at both meetings. The Nomination Committee's recommendations for the election of shareholder representatives took into consideration the requirements of the German Stock Corporation Act, the German Corporate Governance Code, the Supervisory Board's policies and procedures, and its targets for the composition of the Supervisory Board. The committee therefore ensured that the Supervisory Board as a whole and its individual members have the necessary expertise, skills, and professional experience to discharge their duties properly.

Examination and Approval of the Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2016

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft GmbH, Düsseldorf, the independent auditor 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 SE and the Combined Group Management Report for the year ended December 31, 2016. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON SE from the requirement to publish Consolidated Financial Statements in accordance with German law.

Furthermore, the auditor examined E.ON SE's early-warning system regarding risks. This examination revealed that the Management Board has taken appropriate measures to meet the requirements of risk monitoring and that the early-warning system regarding risks is fulfilling its task.

At the Supervisory Board's meeting on March 14, 2017, we thoroughly discussed—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—E.ON SE's Financial Statements, Consolidated Financial Statements, Combined Group Management Report, and the Management Board's proposal for profit appropriation. The independent auditor was available for supplementary questions and answers. After concluding our own examination we determined that there are no objections to the findings. We therefore acknowledged and approved the Independent Auditor's Report.

We approved the Financial Statements of E.ON SE prepared by the Management Board 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 the Company's future development.

We examined the Management Board's proposal for profit appropriation, which includes a cash dividend of €0.21 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. After examining and weighing all arguments, we agree with the Management Board's proposal for profit appropriation.

Personnel Changes on the Management Board

With the approval of the E.ON SE Supervisory Board, Dr. Bernhard Reutersberg became a member of the Uniper Supervisory Board, which subsequently elected him its Chairman. He ended his service on the E.ON Management Board effective June 30, 2016. We would like to take this opportunity to again thank Mr. Reutersberg for his many years of successful work at the E.ON Group and for the outstanding expertise and personal dedication he brought to the Group and the implementation of its new strategy. We wish him all the best for the future.

The Supervisory Board appointed Dr. Karsten Wildberger to the E.ON SE Management Board effective April 1, 2016, to succeed Mr. Reutersberg. He is responsible for sales and customer solutions, distributed generation, energy management, marketing, digital transformation, innovation, and IT.

In addition, in December 2016 the Supervisory Board appointed Dr. Marc Spieker to the E.ON SE Management Board effective January 1, 2017. He will succeed Michael Sen as Chief Financial Officer effective April 1, 2017.

Mr. Sen will end his service on the E.ON SE Management Board at the conclusion of March 31, 2017. The Supervisory Board would like to thank Mr. Sen for his successful work at the E.ON Group, in particular for his contribution to the successful spinoff of Uniper and the restructuring of E.ON's finance organization. We wish him all the best for the future.

Page 224 of this report shows E.ON SE Management Board members' respective task areas as of year-end 2016.

Personnel Changes on the Supervisory Board and Its Committees

Dr. Karl-Ludwig Kley, the former CEO of Merck KGaA, has been the new Chairman of the E.ON SE Supervisory Board since June 8, 2016, the same date the Annual Shareholders Meeting elected him to be a member of the Supervisory Board, which then elected him to be its Chairman. Mr. Kley succeeds Werner Wenning, who, at his own request, ended his service on the Supervisory Board effective the conclusion of the 2016 Annual Shareholders Meeting, as did René Obermann. Mr. Wenning joined the Supervisory Board in April 2008 and was its Chairman from May 2011. The Annual Shareholders Meeting elected Carolina Dybeck Happe to succeed Mr. Obermann on the Supervisory Board. She is the Chief Financial Officer ASSA ABLOY AB, a publicly listed company in Sweden that manufactures lock and security systems for the global market.

The Annual Shareholders Meeting adopted a resolution to temporarily expand the Supervisory Board from 12 to 18 members until the 2018 Annual Shareholders Meeting and elected three additional shareholder representatives to the Supervisory Board:

- Erich Clementi, Senior Vice President for Sales and Distribution at IBM, is an expert in industry 4.0 and the digitalization of customer processes.
- Andreas Schmitz has been Chairman of the Supervisory Board of HSBC Trinkaus & Burkhardt AG since June 2015 and was its CEO from 2006 to 2015.
- Ewald Woste serves as a consultant for EQT, Australian financial service provider Macquarie, and other clients and was President of the BDEW German Association of Energy and Water Industries from 2010 to 2014.

All three became members of the Supervisory Board effective July 19, 2016, the date the enlargement of the Supervisory Board took effect.

Effective July 19, 2016, three new employee representatives—Tibor Gila, Silvia Šmátralová, and Albert Zettl—also joined E.ON Supervisory Board, giving it a total of five female members. It therefore fulfills legally mandated minimum percentage.

The election of Mr. Kley as Chairman of the Supervisory Board led to changes on several of its committees. His election as Chairman of the Supervisory Board likewise made him Chairman of the Executive Committee and the Nomination Committee. In addition, Mr. Kley was elected Chairman of the Finance and Investment Committee and a member of the Audit and Risk Committee.

The Supervisory Board would like to take this opportunity to express its sincere gratitude to Mr. Wenning and Mr. Obermann for their outstanding service to the Group. Both played key roles in shaping E.ON's development in a period of significant challenges and dislocations in the energy industry. In particular, Mr. Wenning's prominent involvement in the design of E.ON's new strategy helped pave the way for E.ON and Uniper to achieve lasting success.

The Supervisory Board wishes to thank the Management Board, the Works Councils, and all the employees of the E.ON Group for their dedication and hard work in the 2016 financial year.

Essen, March 14, 2017
The Supervisory Board

Best wishes,

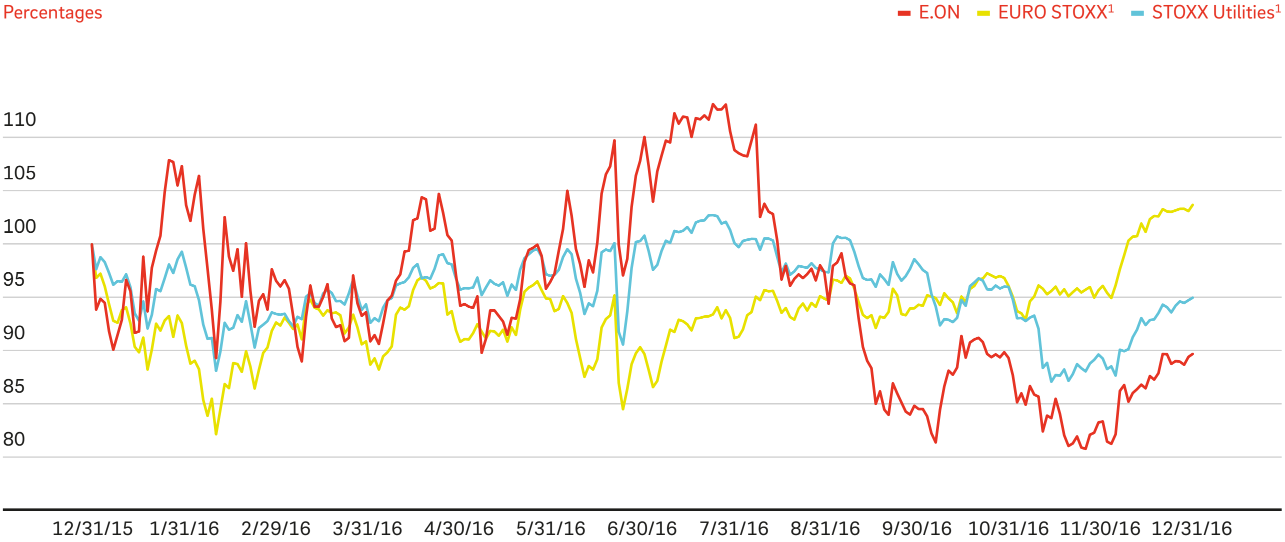
Dr. Karl-Ludwig Kley
Chairman

E.ON Stock

E.ON Stock in 2016

At the end of 2016 E.ON stock (including reinvested dividends and adjusted for the Uniper spinoff) was 10 percent below its year-end closing price for 2015, thereby underperforming its peer index, the STOXX Utilities (-5 percent), and the broader European stock market as measured by the EURO STOXX 50 index (+4 percent).

E.ON Stock Performance



[1]Based on the performance index.

E.ON Stock Key Figures

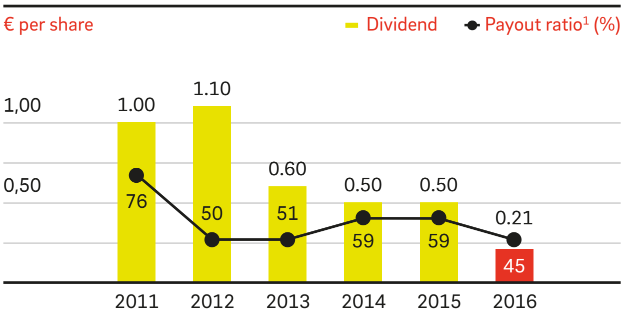
Per share (€)	2016	2015
Net income attributable to the shareholders of E.ON SE	-4.33	-3.60
Earnings from adjusted net income[1]	0.46	0.55
Dividend[2]	0.21	0.50
Dividend payout (€ in millions)	410	976
Twelve-month high[3]	8.49	12.98
Twelve-month low[3]	6.04	6.28
Year-end closing price[3]	6.70	7.87
Number of shares outstanding (in millions)	1,952	1,944
Market capitalization[4] (€ in billions)	13.1	17.4
E.ON stock trading volume[5] (€ in billions)	24.5	33.9

[1]Adjusted for non-operating effects.
[2]For the respective financial year; the 2016 figure represents management's dividend proposal.
[3]Xetra, adjusted for the Uniper spinoff.
[4]Based on ordinary shares outstanding at year-end.
[5]On all German stock exchanges, including Xetra.

Dividend

At the 2016 Annual Shareholders Meeting, management will propose a cash dividend of €0.21 per share for the 2016 financial year (prior year: €0.50). The payout ratio (as a percentage of adjusted net income) would be 45 percent. Based on E.ON stock's year-end 2016 closing price, the dividend yield is 3.1 percent.

Dividend per Share



[1]Payout ratio not adjusted for discontinued operations.

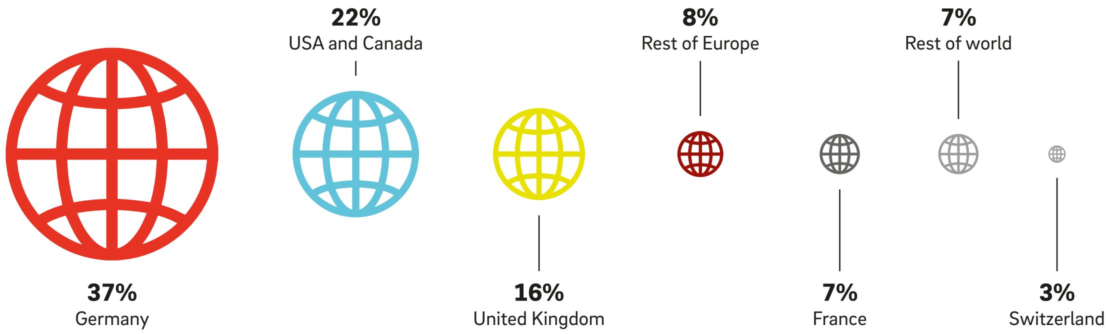
Shareholder Structure

Our most recent survey shows that we have roughly 74 percent institutional investors and 26 percent retail investors. Investors in Germany hold about 37 percent of our stock, those outside Germany about 63 percent. These percentages are based on the total number of investors we were able to identify and do not include treasury shares.

Shareholder Structure by Group[1]

[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2016).

Shareholder Structure by Country/Region[1]



[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2016).

Investor Relations

Our investor relations continue to be founded on four principles: openness, continuity, credibility, and equal treatment of all investors. Our mission is to provide prompt, precise, and relevant information at our periodic conferences and road shows, at eon.com, and when we meet personally with investors. Continually communicating with them and strengthening our relationships with them are essential for good investor relations.

We used the forum of E.ON's quarterly reporting to provide the greatest-possible transparency on the developments at our business units. We also held special information events focusing on specific businesses.

The key story of 2016 was the Uniper spinoff. We used a wide variety of information channels to continually inform our shareholders about the financial and technical implications of the spinoff. As part of this effort, in April 2016 we held a Capital Market Day to familiarize our investors early on with the new E.ON, its new strategic course, and its focus on three core businesses (energy networks, customer solutions, and renewables).

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

Strategy and Objectives

Our Strategy: Partner for the New Energy World

Adopted in 2014, E.ON's strategy focuses our company systematically on the new energy world of empowered and proactive customers, renewables and distributed energy, energy efficiency, local energy systems, and digital solutions. By seizing the initiative, E.ON can—for the benefit of our customers, employees, business partners, shareholders, and society in general—take advantage of the significant opportunities created by the emergence of the new energy world.

Our strategy reflects three fundamental market developments and corresponding growth businesses: the global trend toward renewables (particularly wind and solar), the evolution of energy networks into a platform for distributed-energy solutions, and customers' changing needs. We aim to add value in all of our businesses by delivering an outstanding performance in key areas, such as continual innovation, an unambiguous commitment to sustainability, and a strong brand.

Objectives and Core Businesses

E.ON is based in Essen, Germany, and has around 43,000 employees. With a clear focus on three strong core businesses—Energy Networks, Customer Solutions, and Renewables—we aim to become the partner of choice for energy and customer solutions:

- Energy Networks: Energy networks link our customers together and are the hub for grid digitalization, such as the direct marketing of distributed energy. In Germany, about one third of distributed generating capacity subsidized by the Renewable Energy Law is connected to our networks. Regional energy networks are what makes the transformation of the energy system possible. E.ON is already a leader in network efficiency and will continue to set new standards in the future.

- Customer Solutions: E.ON is expanding its top-quality offerings in the physical and digital new energy world for municipal, public, industrial, commercial, and residential customers in attractive regional markets. We strive to become customers' partner of choice. This is based on a consistently superior customer experience, strong digital orientation, and high-quality service. In addition, we will continually improve or redefine our portfolio of products and services in response to customers' demand for energy efficiency, distributed generation and storage, and sustainable mobility solutions.

- Renewables: E.ON's international renewables business focuses in attractive target regions (Europe and North America) and customer-relevant technologies (onshore and offshore wind, photovoltaic) for network companies, energy suppliers, large customers, wholesale markets, and government subsidy programs. Our industry-leading capabilities in project development and execution and in operational excellence already give us a tangible competitive advantage in this business.

Although each of these core businesses is independent and has its own business logic, combining them in a single company offers significant advantages. It will enable E.ON to acquire and leverage a comprehensive understanding of the transformation of the energy system and the interplay between the individual submarkets in regional and local energy supply systems. Being part of the same company will enable these businesses to work together to design customer-oriented offerings and package solutions for the new energy world (such as sustainable solutions for cities), to conduct joint stakeholder management, and to position the brand more effectively.

In addition to our three core businesses, our portfolio includes a nuclear power business in Germany, which is not a strategic business segment for E.ON and is managed by a separate operating company, PreussenElektra of Hanover. As Germany's phaseout of nuclear energy moves forward, E.ON will ensure that its nuclear assets are decommissioned and dismantled safely and cost-effectively. A solution for the funding of the intermediate and final storage of nuclear waste is on the horizon. In December 2016 Germany's two houses of parliament passed a law to reassign responsibility for the country's nuclear waste. The law cannot take effect until the European Commission has completed a state-aid review. E.ON is obliged to make a considerable contribution, approximately €10 billion, to finance this solution. In return, the German state will assume responsibility for the intermediate and final storage of the country's nuclear waste. E.ON continues to advocate that the law be underpinned by a contractual agreement in order to ensure lasting legal certainty.

Resources and Capabilities

A focused setup and systematic approach will enable E.ON to retain its existing strengths and advantages and build on them. Examples include our success at developing and building an international renewables portfolio consisting of 4.6 GW of operational capacity and an attractive development pipeline, our outstanding record of managing a total of roughly 1 million kilometers of energy networks, and our direct access to 30 million customers in key European markets and in Turkey.

Alongside its existing capabilities and resources, E.ON is developing and refining the necessary expertise for the key success factors in its businesses. In particular, we cultivate a strong customer orientation, develop and implement new downstream business models and products, and leverage the digital transformation. The successful implementation of our strategy also depends on partnerships, such as partnerships with providers of new technology and business models.

Significance for Employees and Stakeholders

E.ON offers attractive opportunities to current and future employees by creating jobs and career opportunities in growth markets and by setting clear objectives. It offers investors a reasonable balance between dividends with good growth prospects, highly predictable earnings, and solid financing.

Transformation

In 2016 E.ON embarked on a journey of transformation. The goal of this journey is to become a leading company in the new energy world. In the years ahead, we will therefore place considerable strategic emphasis on putting the right pieces in place for future success and growth in a demanding market environment.

Uniper Spinoff

E.ON and Uniper have operated separately as independent companies since January 1, 2016. Düsseldorf-based Uniper has about 13,000 employees and focuses on the conventional energy world. It consists of upstream and midstream businesses that originally belonged to E.ON. At our Annual Shareholders Meeting on June 8, 2016, E.ON SE shareholders voted to spin off a 53.35-percent majority stake in Uniper, which had a successful stock-market listing on September 12. Currently, E.ON continues to have a 46.65-percent stake in Uniper. We intend to divest our remaining Uniper stake over the medium term. Furthermore, a Control Termination Agreement was concluded, which took effect on December 31, 2016, at which time Uniper was deconsolidated.

Corporate Initiatives

Alongside the demanding spinoff process, we launched three important corporate initiatives in 2016 in order to enhance our competitiveness and customer orientation. They will help us lay the foundation for lasting success in the years ahead. All of them are designed for rapid results and implementation.

- Our focus on the new energy world and our commitment to put customers at the center of everything we do were the starting points for our new brand idea (“Let’s Create a Better Tomorrow”). Our new brand positioning aims for a strong emotional appeal and personality, built on what matters to our customers: brilliant experiences, giving them more; and smarter, sustainable solutions. These key brand pillars and our vibrant new brand design will enable our customer businesses to be distinctive in our chosen markets. At the end of 2016, our Italy regional unit already adopted our new brand positioning at the end of 2016. Our other regional units are following.

- Successful digitalization is an integral component of our strategy, which was appointed a Chief Digital Officer last year. Under his leadership, we are conducting a Group-wide digital transformation initiative to explore ideas that will fundamentally improve our customer experience, accelerate process simplification and automation, as well as enable us to tap new sources of growth through new and/or disruptive business models. We have already identified and prioritized the most promising ideas, which we will validate and implement swiftly in the months ahead.

- Under the project name Phoenix, E.ON is reviewing and optimizing our central functions and costs across the company in the wake of the Uniper spinoff. Its purpose is to make our central functions leaner and more customer-oriented so that we can continue to position ourselves successfully in the face of keener competition. As a result of Phoenix we intend to permanently reduce our controllable costs by €400 million.

Finance Strategy

The section of the Combined Group Management Report entitled Financial Situation contains explanatory information about our finance strategy.

People Strategy

The section of the Combined Group Management Report entitled Employees contains explanatory information about our people strategy.

Combined Group Management Report

- Adjusted EBIT at core business down slightly
- Earnings from discontinued operations and provisions for nuclear-waste management lead to €16 billion net loss
- Management to propose dividend of €0.21 per share
- 2017 adjusted EBIT between €2.8 and €3.1 billion

Corporate Profile

Business Model

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

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

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

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

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

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

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

Management System

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

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

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

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

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

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

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

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

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

Innovation

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

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

Strategic Co-Investments

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

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

Sample Projects from 2016

Customer Solutions

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

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

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

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

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

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

Macroeconomic and Industry Environment

Macroeconomic Environment

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

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

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

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

Turkey's GDP growth rate slowed.

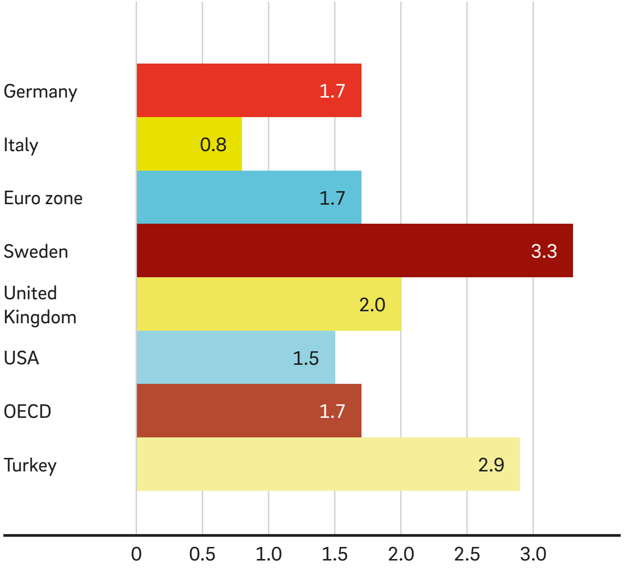
Energy Policy and Regulatory Environment

International

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

2016 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2016

Europe

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

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

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

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

Central Eastern Europe

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

Germany

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

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

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

Italy

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

Sweden

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

Turkey

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

United Kingdom

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

USA

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

Earnings Situation

Business Performance in 2016

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

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

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

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

Acquisitions, Disposals, and Discontinued Operations in 2016

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

Disposal Groups, Assets Held for Sale, and Discontinued Operations

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

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

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

Sales

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

Sales

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

Other Line Items from the Consolidated Statements of Income

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

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

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

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

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

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

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

Adjusted EBIT

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

Adjusted EBIT

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

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

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

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

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

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

Business Segments

Energy Networks

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

Power and Gas Passthrough

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

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

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

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

Energy Passthrough

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

System Length and Connections

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

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

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

Sales and Adjusted EBIT

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

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

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

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

Energy Networks

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

Customer Solutions

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

Power Sales

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

Gas Sales

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

Power and Gas Sales Volume

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

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

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

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

Customer Numbers

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

Sales and Adjusted EBIT

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

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

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

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

Customer Solutions

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

Renewables

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

Generating Capacity

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

Fully Consolidated and Attributable Generating Capacity

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

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

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

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

Power Generation

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

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

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

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

Renewables

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

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

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

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

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

Power Generation

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

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

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

Non-Core Business

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

Net loss

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

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

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

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

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

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

Net Loss

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

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

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

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

Adjusted Net Income

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

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

Adjusted Net Income

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

Financial Situation

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

Finance Strategy

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

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

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

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

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

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

Economic Net Debt

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

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

Economic Net Debt

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

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

Funding Policy and Initiatives

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

Financial Liabilities

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

[1]Includes private placements.

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

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

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

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

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

E.ON SE Ratings

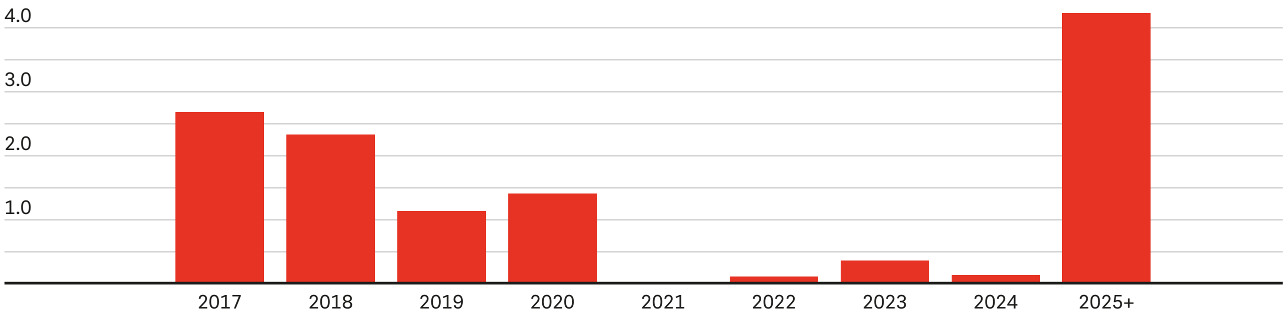
	Long term	Short term	Outlook
Moody's	Baa1	P-2	negative
Standard & Poor's	BBB+	A-2	negative

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

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

€ in billions

December 31, 2016



Investments

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

Investments

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

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

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

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

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

Cash Flow

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

Cash Flow[1]

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

[1]From continuing operations.

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

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

Asset Situation

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

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

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

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

Consolidated Assets, Liabilities, and Equity

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

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

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

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

Balance Sheet of E.ON SE (Summary)

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

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

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

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

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

Income Statement of E.ON SE (Summary)

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

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

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

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

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

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

Other Financial and Non-financial Performance Indicators

ROCE and Value Added

Cost of Capital

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

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

Cost of Capital

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

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

Analyzing Value Creation by Means of ROCE and Value Added

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

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

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

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

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

ROCE Performance in 2016

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

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

E.ON Group ROCE and Value Added

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

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

Corporate Sustainability

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

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

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

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

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

Highlights in 2016

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

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

We listen to our customers and treat them fairly.

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

We help customers optimize their energy usage.

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

We build and integrate renewable generating capacity.

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

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

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

We foster diversity and inclusion in our workforce.

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

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

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

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

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

Employees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Diversity

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

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

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

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

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

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

Workforce Figures

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

Employees[1]

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

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

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

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

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

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

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

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

Geographic Profile

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

Employees by Country[1]

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

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

Gender and Age Profile, Part-Time Staff

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

Proportion of Female Employees

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

[1]Includes E.ON Business Services.

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

Employees by Age

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

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

Part-time Rate

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

[1]Includes E.ON Business Services.

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

Turnover Rate

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

[1]Includes E.ON Business Services.

Occupational Health and Safety

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

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

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

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

Compensation, Pension Plans, Employee Participation

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

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

Apprenticeships

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

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

Apprentices in Germany

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

Forecast Report

Business Environment

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

Employees

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

Anticipated Earnings Situation

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

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

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

Our forecast by segment:

Adjusted EBIT[1]

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

[1]Adjusted for extraordinary effects.

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

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

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

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

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

Anticipated Financial Situation

Planned Funding Measures

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

Dividend

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

Planned Investments

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

Cash-Effective Investments: 2017 Plan

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

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

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

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

General Statement on E.ON's Future Development

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

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

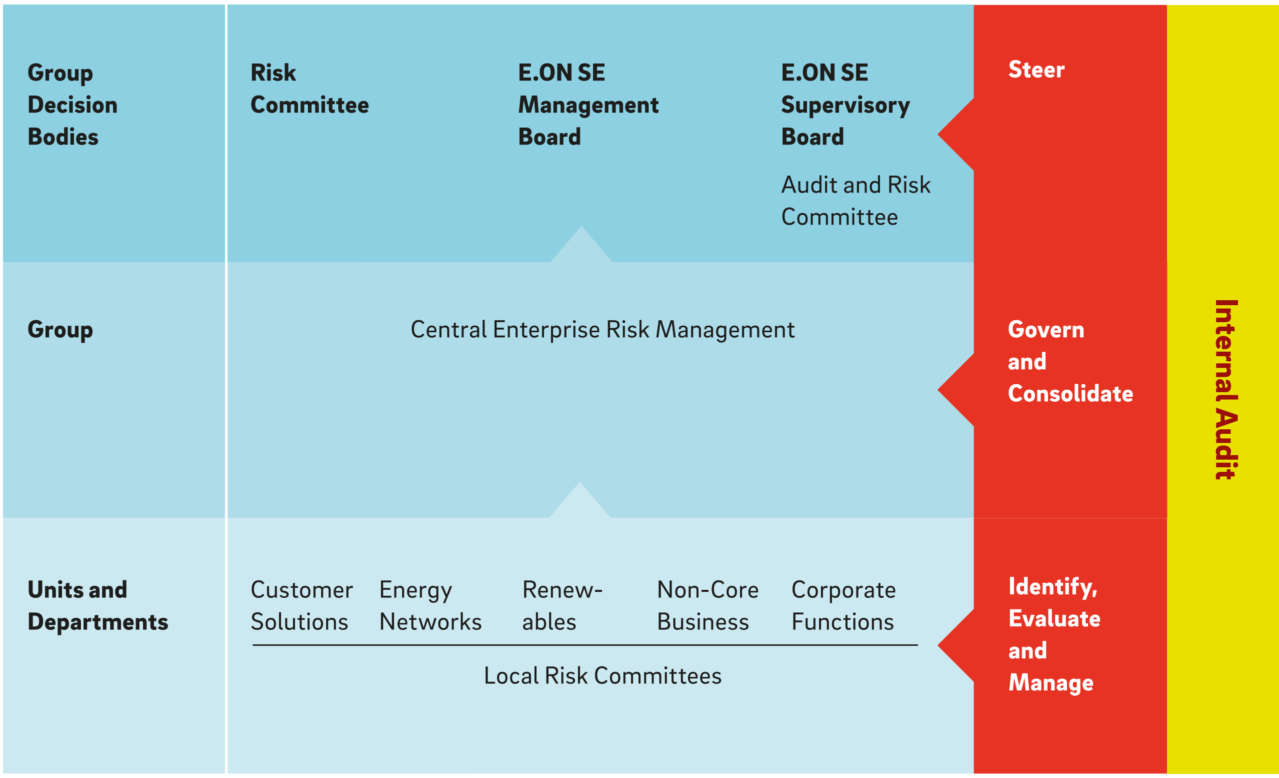
We are putting our customers first. Our new brand idea—"Let's create a better tomorrow"—makes a clear commitment. In everything we do we need to ask how it benefits our customers, what they want, and what will make their lives better.

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

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

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

Enterprise Risk Management System in the Narrow Sense



Objective

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

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

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

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

Scope

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

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

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

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

General Measures to Limit Risks

We take the following general preventive measures to limit risks.

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

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

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

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

Managing Health, Safety, Security, and Environmental ("HSSE"), Human Resources ("HR"), and Other Risks
Furthermore, the following are among the comprehensive measures we take to address HSSE, HR, and other risks (also in conjunction with operational and IT risks):

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

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

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

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

Managing Strategic Risks

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

Managing Finance and Treasury Risks

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

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

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

Enterprise Risk Management ("ERM")

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

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

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

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

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

Risks and Chances

Methodology

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

Risk Category

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

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

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

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

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

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

Impact Classes

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

General Risk Situation

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

Risk Category

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

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

Risks and Chances by Category

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

Legal and Regulatory Risks

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

PreussenElektra

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

In 2003 Section 6 of Germany[1]s Atomic Energy Act granted consent for Unterweser NPP to store radioactive spent nuclear fuel in an on-site intermediate storage facility. Lawsuits were filed against the consent. The complainants asked that the court rescind the consent on the grounds that the storage facility is not sufficiently protected against terrorist attacks. A ruling is expected in 2017. If the court rules in favor of the complainants, nuclear fuel could not be removed from Unterweser NPP on schedule. This would significantly prolong dismantling, thereby leading to higher costs. This could pose a major risk.

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

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

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

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

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

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

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

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

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

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

HSSE, HR, and Other Risks

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

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

Market Risks

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

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

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

Strategic Risks

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

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

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

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

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

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

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

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

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

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

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

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

Management Boards's Evaluation of the Risk Situation

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

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

General Principles

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

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

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

Accounting Process

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

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

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

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

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

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

Internal Control System

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

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

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

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

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

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

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

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

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

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

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

Composition of Share Capital

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

Restrictions on Voting Rights or the Transfer of Shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Essen, December 16, 2016

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

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

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

Relevant Information about Management Practices

Corporate Governance

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

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

Transparent Management

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

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

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

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

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

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

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

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

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

Management Board
The E.ON SE Management Board manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It establishes the Company's objectives, sets its fundamental strategic direction, and is responsible for corporate policy and Group organization.

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

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

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

Members of the Management Board are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Management Board. Members of the Management Board may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the E.ON SE Management Board in 2016. Any material transactions between the Company and members of the Management Board, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2016.

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

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

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

Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

Employee representatives are, as a rule, deemed independent.

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

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

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

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

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

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

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

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

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or exercising a board function with, one of E.ON's customers, suppliers, creditors, or other third parties. The Supervisory Board reports any conflicts of interest to the Annual Shareholders Meeting and describes how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest involving members of the Supervisory Board in the reporting period. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in the reporting period.

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

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

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

In being assigned the audit task, the independent auditor agrees to:

- promptly inform the Chairperson of the Audit and Risk Committee should any such facts arise during the course of the audit unless such facts are promptly resolved in satisfactory manner

- promptly inform the Supervisory Board of anything arising during the course of the audit that is of relevance to the Supervisory Board's duties

- inform the Chairperson of the Audit and Risk Committee of, or to note in the audit report, any facts that arise during the audit that contradict the statements submitted by the Management Board or Supervisory Board in connection with the German Corporate Governance Code.

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

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

The Nomination Committee consists of three shareholder-representative members. Its Chairperson is the Chairperson of the Supervisory Board. Its task is to recommend to the Supervisory Board, taking into consideration the Supervisory Board's targets for its composition, suitable candidates for election to the Supervisory Board by the Annual Shareholders Meeting.

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

Shareholders and Annual Shareholders Meeting

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

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

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

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

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

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

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

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

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

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

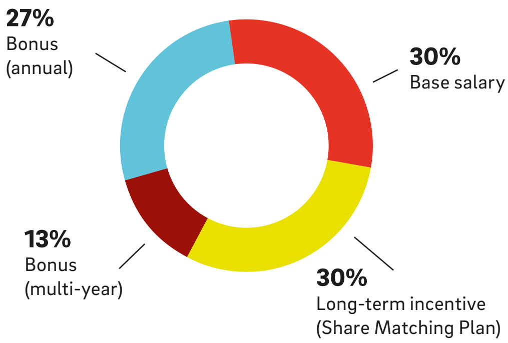
Basic Features of the Management Board Compensation Plan That Was Valid until December 31, 2016

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

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

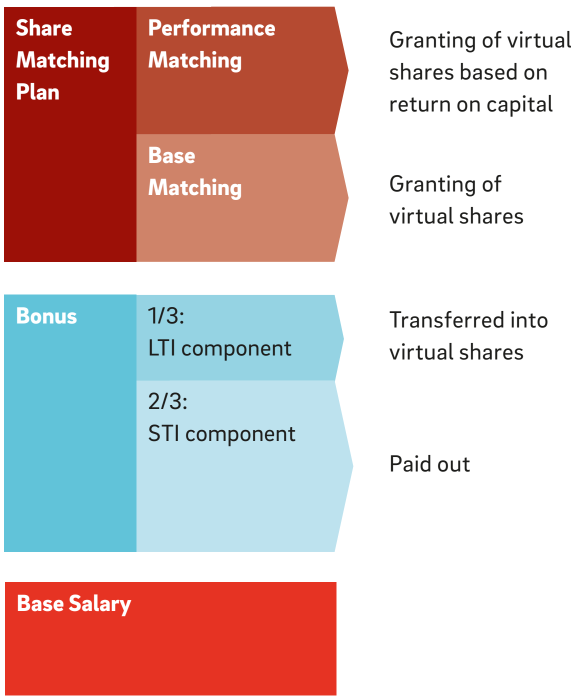
The compensation of Management Board members consists of a fixed base salary, an annual bonus, and long-term variable remuneration. These components account for approximately the following percentages of total compensation:

Compensation Structure[1]



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

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



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

Non-Performance Based Compensation

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

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

Performance-Based Compensation

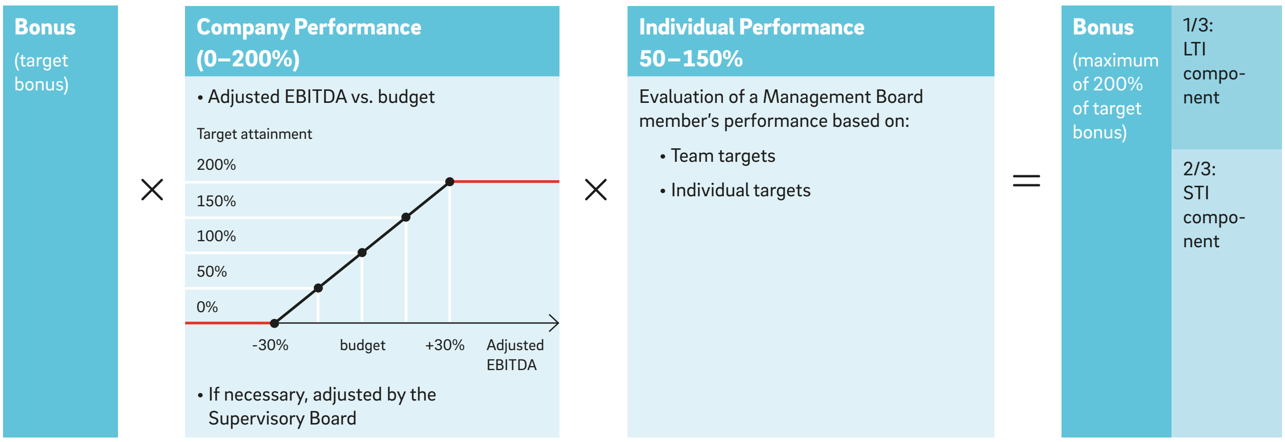
Since 2010 more than 60 percent of Management Board members' long-term variable compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act.

Annual Bonus

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

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

Bonus Mechanism



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

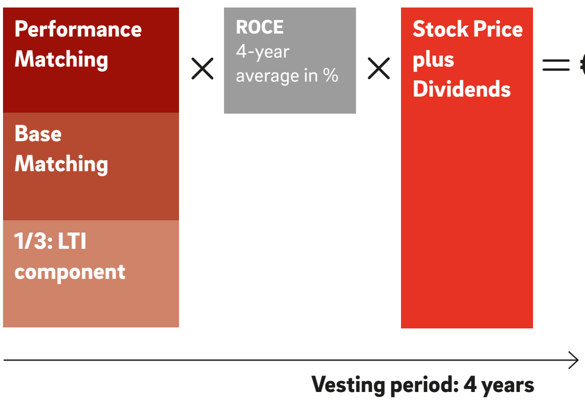
In assigning Management Board members their individual performance factors, the Supervisory Board evaluates their individual contribution to the attainment of collective targets as well as their attainment of their individual targets. The Supervisory Board, at its discretion, determines the degree to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

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

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

Long-Term Variable Compensation: E.ON Share Matching Plan

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



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

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

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

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

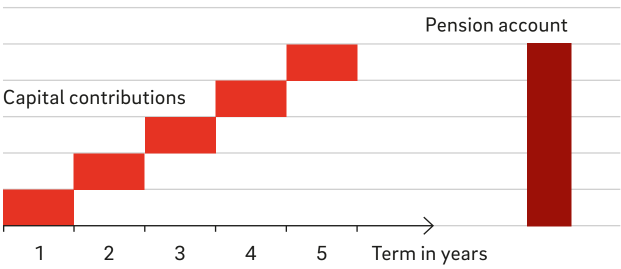
Overall Cap

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

Pension Entitlements

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

Contribution-Based Plan



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

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

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

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

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

Settlement Payments for Termination of Management Board Duties

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

In the event of a premature loss of a Management Board position due to a change of control, Management Board members are entitled to settlement payments. The change-of-control agreements stipulate that a change in control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the Company, as a dependent entity, concludes a corporate agreement; the Company is merged with non-affiliated company. Management Board members are entitled to a settlement payment if, within 12 months of the change of control, their service agreement is terminated by mutual consent, expires, or is terminated by them (in the latter case, however, only if their position on the Management Board is materially affected by the change in control). Management Board members' settlement payment consists of their base salary and target bonus plus fringe benefits for two years. To reflect discounting and setting off of payment for services rendered to other companies or organizations, payments will be reduced by 20 percent. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members would be equal to 100 percent of the above-described settlement cap.

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

Management Board Compensation in 2016

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

Performance-Based Compensation in 2016

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

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

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

Stock-based Compensation

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

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

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

Management Board Pensions in 2016

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

Pensions of Management Board Members Pursuant to IFRS

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

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

Pensions of Management Board Members Pursuant to the German Commercial Code

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

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

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

Total Compensation in 2016

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

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

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

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

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

Total Compensation of the Management Board

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

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

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

Table of Compensation Granted and Allocated

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

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

Table of Compensation Granted and Allocated

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

See footnotes on page 89.

Table of Compensation Granted and Allocated

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

See footnotes on page 89.

Table of Compensation Granted and Allocated

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

See footnotes on page 89.

Table of Compensation Granted and Allocated

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

See footnotes on page 89.

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

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

Summary Overview of Compensation Components

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

[1]For Management Board members appointed before 2010.

Payments Made to Former Members of the Management Board

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

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

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

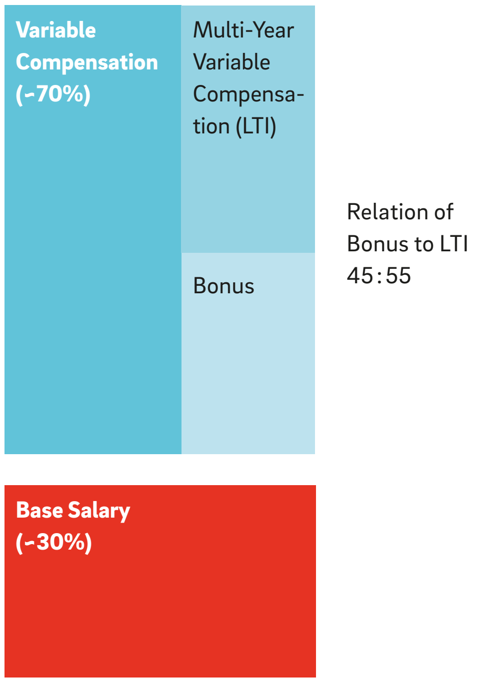
The revised compensation plan for members of the Management Board, which is described in detail below, meets the requirements of Germany's Stock Corporation Act and follows the recommendations and suggestions of the German Corporate Governance Code. The changes will apply equally to all members of the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

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

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

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

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



Fixed Compensation

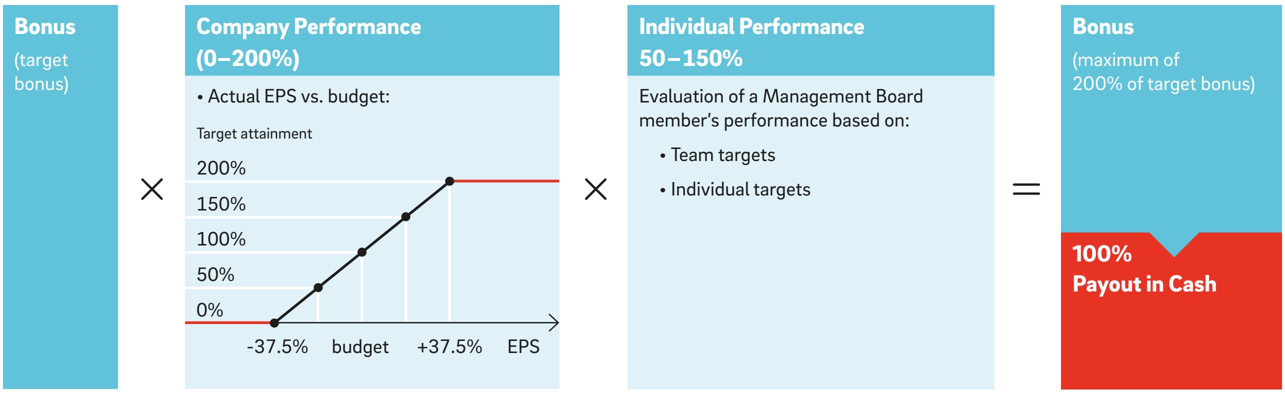
No adjustment was made to fixed compensation, which is not related to performance.

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

Annual Bonus

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

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



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

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

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

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

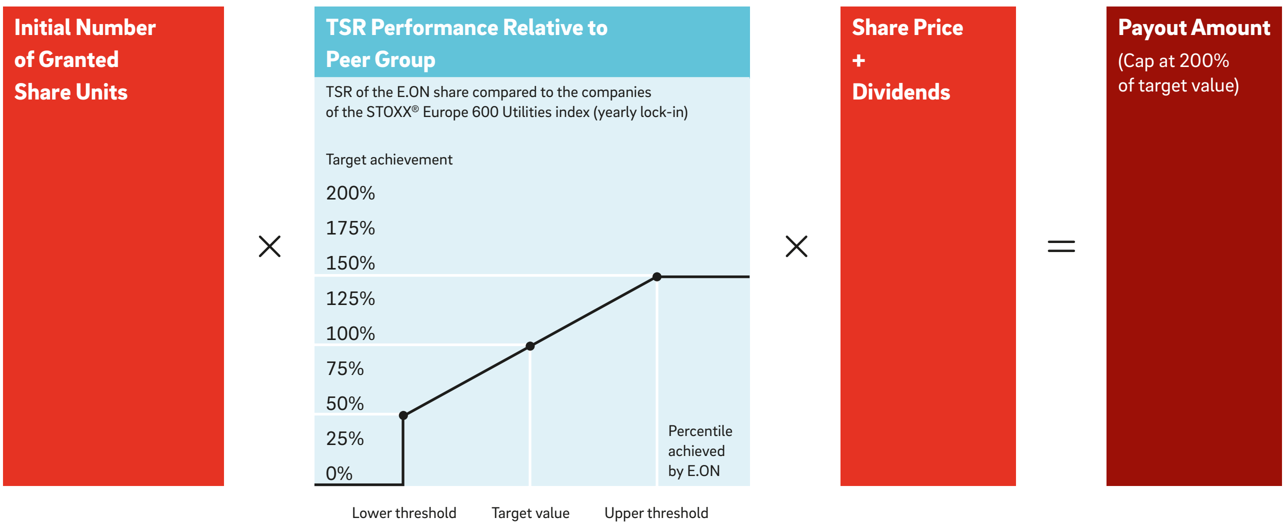
Long-Term Variable Compensation: E.ON's Performance Plan
Effective 2017, E.ON's previous Share Matching Plan was replaced by a new long-term compensation plan.

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

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

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

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



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

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

Introduction of Share Ownership Guidelines

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

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

Adjustments to Pension Entitlements under the Contribution-Based Plan

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

Compensation Plan for the Supervisory Board

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

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

Supervisory Board Compensation in 2016

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

Supervisory Board Compensation

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

Other

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

Consolidated Financial Statements

To E.ON SE, Düsseldorf

Report on the Audit of the Consolidated Financial Statements

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of E.ON SE, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2016, the consolidated income statement, the consolidated statement of recognized income and expenses, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, to December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, 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, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. Spin-off of a majority shareholding in and deconsolidation of Uniper SE
2. Change in segment reporting
3. Recoverability of goodwill
4. Provisions for nuclear waste management obligations

Our presentation of these key audit matters has been structured as follows:

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

1. Spin-off of a majority shareholding in and deconsolidation of Uniper SE

a. In the financial year 2016, E.ON SE implemented the organizational and legal realignment of the E.ON Group resolved at the end of 2014, and implemented the spin-off into two independent corporate groups. On June 8, 2016, the general meeting of E.ON SE approved the spin-off of a majority interest of 53.35% in Uniper SE. Due to the Company's plans to deconsolidate the companies belonging to the Uniper Group (hereinafter the "Uniper Group") within one year, the Uniper Group was reported as a discontinued operation for the first time in the interim financial statements as at June 30, 2016. In this context, the measurement of fair value less costs of disposal led to impairment charges on property, plant and equipment amounting to EUR 2.9 billion and provisions for contingent losses amounting to EUR 0.9 billion being recognized.

Since the spin-off on September 9, 2016, E.ON SE still holds 46.65% of the shares in Uniper SE. Since this shareholding affords a majority of the voting rights at the general meeting of Uniper SE and thus de facto control, the Uniper Group was, as had previously been the case, fully consolidated and reported as a discontinued operation in the interim financial statements of E.ON SE as at September 30, 2016. As a result of Uniper SE's initial IPO on September 12, 2016, the fair value of the disposal group as at September 30, 2016 was measured on the basis of the share price taking into consideration a standard market premium for reflecting the shareholder structure. In this context, additional impairment losses of EUR 7.0 billion were recognized for the disposal group in the reporting period.

By virtue of a so-called control termination agreement concluded between E.ON SE, its subsidiary E.ON Beteiligungen GmbH, which directly holds an interest in Uniper SE, and Uniper SE, E.ON SE ceded the de facto control of the Uniper Group as at December 31, 2016. Accordingly, the Uniper Group was deconsolidated and initially recognized as an associate in light of the significant influence that E.ON SE retained. At the Group level, the disposal resulted in a total loss of EUR 3.6 billion, due in particular to the recognition of currency translation losses in profit or loss that had previously been recognized directly in Group equity as accumulated "Other comprehensive income". From our point of view, this matter was of particular importance due to the complexity of the contractual agreements and the numerous material effects on the consolidated financial statements.

b. In order to ensure that the spin-off of the Uniper Group was properly accounted for, we, among other things, reviewed the bases of the spin-off transaction under company and stock corporation law and assessed the relevant contractual agreements and documents relating to the spin-off, in particular the spin-off report, the spin-off agreement and the control termination agreement.

We assessed whether the initial classification as a discontinued operation as of June 30, 2016, was appropriate and whether the recognition in the consolidated balance sheet, consolidated income statement and consolidated cash flow statement complied with the relevant standards and the generally accepted professional interpretations. With regard to the measurement of individual assets and liabilities at the level of the Uniper Group and the measurement of the Uniper disposal group at the level of the E.ON Group, we assessed the underlying assumptions as of the quarterly reporting dates in accordance with the procedure described under **3**. We assessed whether the impairment losses on assets and liabilities reported in the interim financial statements as at June 30, 2016, were correctly calculated and accounted for.

With respect to the recognition of the discontinued operation as at September 30, 2016, we evaluated the requirements for de facto control in order to ensure that the continued recognition as a fully consolidated entity was appropriate. Furthermore, we assessed whether the non-controlling interests were correctly reported as required. The Uniper SE's share price was used for the first time to calculate the fair value to measure the disposal group at the level of the E.ON Group as at September 30, 2016. In this connection, we assessed the fair value measurement, in particular the appropriateness of the additional standard market premium taken into consideration for reflecting the shareholder structure, as well as the correct measurement and recognition of impairment losses.

We conducted an in-depth assessment of the agreement that led to the loss of control and thus deconsolidation in order to ensure that the correct deconsolidation date was ascertained.

In addition, we examined that the deconsolidation process was correct from a technical standpoint and that the deconsolidation result had been correctly determined and accounted for. Furthermore, we performed audit procedures in order to ensure that the investment in Uniper SE was properly recognized as an associate and that the preliminary purchase price allocation in this context was properly performed for the initial measurement.

In total, we were able to satisfy ourselves that the transaction was properly accounted for, meaning that the associated measurements and recognition were appropriate and the impairments recognized during the year as well as the disposal loss were properly ascertained.

c. The Company's disclosures pertaining to the recognition as a discontinued operation, the deconsolidation as well as the initial recognition of the Uniper Group as an associate are contained in note 4 of the notes to the consolidated financial statements.

2. Change in segment reporting

a. As at April 1, 2016, E.ON SE adjusted the internal management and reporting of the E.ON Group and consequently restructured and renamed the segments. At the same time, E.ON SE defined adjusted EBIT as Key Performance Indicator for purposes of internal management control and for the segment's performance. Since the internal management and reporting structure is used as a basis for determining the reportable segments under IFRS 8, there was a corresponding change in the E.ON Group's segment reporting. From our point of view, this matter was of particular importance because, in the context of capital market communications, segment reporting has a special significance and the segment structure also affects other accounting-related areas, including the allocation of goodwill and the associated impairment tests.

b. As part of our audit, we, among other things, assessed the restructured internal reporting and the information regularly reported to E.ON SE's board of management. We compared this against the segment structure used in the segment reporting and questioned the decision making about management and allocation of resources on the level of the board of management. We were able to satisfy ourselves that the changes in the segment reporting were consistent with the reorganization of the internal management and reporting structure. We also evaluated the reallocation of goodwill. In doing so, we assessed whether the conceptual approach conforms to the rules set out in the standards and whether the allocated amounts were correctly calculated in accordance therewith. Furthermore, by examining the comparison of the fair values against the carrying amounts of the individual segments, including the reallocated goodwill, we satisfied ourselves that the reallocation did not lead to any impairment losses.

c. The Company's disclosures about the change of the internal management and reporting structure in connection with the organizational and strategic realignment of the E.ON Group are contained in note 33 of the notes to the consolidated financial statements.

3. Recoverability of goodwill

a. In the consolidated financial statements of E.ON SE as at December 31, 2016, an amount of EUR 3.5 billion is reported under the balance sheet line item "Goodwill" . The Company allocates goodwill to the cash-generating units or groups of cash-generating units that are primarily equivalent to the E.ON Group's operating segments. These are subject to impairment tests on a regular basis in the fourth quarter of a given financial year or if there are indications that goodwill may be impaired. These measurements are generally based on the present value of the future cash flows of the cash-generating unit to which the respective goodwill is allocated. The cash flows are based on the E.ON Group's medium-term planning for the years 2017 to 2019. This detailed planning period is generally extended by two additional years (or more, if required) and extrapolated on the basis of assumptions about long-term growth rates. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The result of this measurement depends to a large extent on management's estimates of future cash flows, the discount rate applied and the growth rate. The assumptions about the long-term development of the underlying prices and the relevant regulatory influencing factors are in particular also of importance. Due to the complexity of the measurement and the considerable uncertainties relating to the underlying assumptions, this matter was of particular importance during our audit.

b. We assessed whether the measurement model properly reflects the conceptual requirements of the relevant standards and whether the calculations in the model were correctly performed. The critical assessment of the key assumptions underlying the measurements was the focal point of our audit. Among other things, we compared the assumptions about the long-term development of prices and the relevant regulatory influencing factors against sector-specific expectations, and we assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated how the long-term growth rates used for terminal values were derived from the market expectations. We satisfied ourselves as to the appropriateness of the future cash flows used for the measurement of the cash-generating units by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment and finance plan for 2017 prepared by management and approved by the supervisory board as well as the planning for the years 2018 and 2019 prepared by management and noticed by the supervisory board. We also examined that the costs for Group functions were properly determined, allocated, and included in the impairment tests of the respective cash-generating units.

Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations, and we were able to verify that they were properly included in the measurement models.

c. The Company's disclosures relating to the recoverability of goodwill are contained in note 14 of the notes to the consolidated financial statements.

4. Provisions for nuclear waste management obligations

a. Provisions for nuclear waste management amounting to EUR 21.4 billion (33.6% of consolidated total assets) are recognized in the consolidated financial statements of E.ON SE as at December 31, 2016. These are recognized at their expected settlement amount, which is generally discounted as of the balance sheet date.

The provisions were recognized in accordance with German nuclear energy law and contain all obligations relating to the decommissioning and dismantlement of nuclear power plants, the disposal of spent nuclear fuel rods and nuclear waste as well as any costs associated with the interim and final storage of nuclear waste that are determined on the basis of the legal bases, contractual agreements, expert reports as well as external and internal cost estimates.

In December 2016, the German Bundestag and Bundesrat adopted the German Act on Reorganizing Responsibility for Nuclear Waste Management ("Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung"); the Act was published in the Federal Law Gazette ("Bundesgesetzblatt") on February 2, 2017. The Act cannot enter into force until the EU Commission has completed its review to determine whether or not the state aid complies with EU rules. The Act provides in particular for the formation of a fund to finance the disposal of nuclear waste and for the transfer of the obligations to finance and manage the disposal of radioactive waste from the operators of nuclear power plants to the Federal Republic of Germany against the transfer of the appropriate cash funds by the operators. Due to the high likelihood – in E.ON SE's assessment – that the Act will enter into force, the provisions had already been recognized as at December 31, 2016 on its basis.

The E.ON Group's contribution obligation to the fund amounts to approximately EUR 10.0 billion. This already includes an optional risk surcharge – the payment of which nuclear power plant operators use to completely release themselves from the obligation to make any additional contributions (release from liability) in accordance with the Act – plus the statutory interest that accrues on the payment amount from January 1, 2017, until the payment date. E.ON SE's management have decided to pay the entire amount, including risk surcharge and interest, as at July 1, 2017, and has therefore classified the relevant provision as a short-term provision as at December 31, 2016. Given that the discount rate was 0 %, the provision was not discounted.

For E.ON SE's remaining future obligations relating primarily to the decommissioning and dismantling of nuclear power plants, the nominal series of payments based on the cost estimates is initially raised to the future expected cost level and then discounted using a discount rate with matching terms.

The accounting treatment of the Act and the lower interest rate as of the balance sheet date led to an addition to provisions totaling approximately EUR 4.3 billion. The increase in the provisions on the basis of estimates was capitalized to the extent they relate to facilities still in operation (approximately EUR 1.0 billion). This as well as other necessary write-downs in connection with accounting for the effects of the Act weighed down the consolidated net income attributable to E.ON shareholders by approximately EUR 3.6 billion.

This matter was generally of particular importance during our audit since the amount of this provision depends to a large extent on management's assumptions and estimates and is therefore subject to considerable uncertainty. Regarding the obligations to decommission and dismantle nuclear power plants, this in particular relates to the dismantling scenario and the expected cost increases. Due to the material effects on the 2016 consolidated financial statements resulting from the adopted Act, this matter was again of particular importance during our audit this year.

b. With the knowledge that the measurement of the provision is primarily based on management's assumptions and that these have a significant effect on consolidated net income, we in particular assessed the reliability of the information used as well as the appropriateness of the assumptions underlying the measurement. As part of our audit, we, among other things, evaluated the external expert report and compared this information, among other things, with agreements, market data and internal cost estimates. Furthermore, we assessed whether the interest rates with matching terms were properly derived from the market data. We evaluated the measurement model for the provisions using the applicable measurement parameters (including discounting) and scrutinized the planned timetable for utilizing the provisions.

The focal point of our audit of the 2016 consolidated financial statements was on considering the effects of the adopted Act: Among other things, we obtained estimates from the management and from experts, took into account resolutions and documents, e.g., pertaining to the planned payment of the risk surcharge, as well as external and internal opinions, and assessed, also by including other experts, what impact the adopted Act would have on the accounting treatment. The core issues were the proper allocation of the obligation amounts to E.ON SE's remaining decommissioning and dismantling obligations and the expected expiring disposal obligations as well as their measurement, including the associated recognition and measurement of dismantling costs.

We were able to satisfy ourselves that the assessments and assumptions made were sufficiently substantiated to justify the measurement of the provisions. We consider the measurement parameters and assumptions used by management to be reproducible and we were able to verify that they were properly included in the determination of the provisions.

c. The Company's disclosures relating to the provisions for nuclear waste management are contained in note 25 of the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of E.ON SE, Düsseldorf, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and Regulatory Requirements

Report on the Audit of the Group Management Report

Audit Opinion on the Group Management Report

We have audited the group management report of E.ON SE, Düsseldorf, which is combined with the Company's management report, for the financial year from January 1, to December 31, 2016.

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

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report

We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Group Management Report

Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

Auditor's Responsibilities for the Audit of the Group Management Report

Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.

- We obtain an understanding of the policies and procedures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).

- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

Emphasis of Matter and Other Matter – Supplementary Audit

We issue this auditor's report on the basis of our duty-bound audit of the consolidated financial statements concluded as of March 7, 2017, and our supplementary audit concluded as of March 14, 2017, which refers to the amendment of matters that have become known subsequent to the preparation of the consolidated financial statements and which are described in note 35 ("Subsequent Events") to the consolidated financial statements. The audit opinion on the consolidated financial statements has not been changed as a result of the supplementary audit compared to the audit opinion before the amendment.

Responsible Auditor

The auditor responsible for the audit is Aissata Touré.

Düsseldorf, March 7, 2017/limited to the above mentioned adjustments: March 14, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2016	2015[1]
Sales including electricity and energy taxes		39,175	43,828
Electricity and energy taxes		-1,002	-1,172
Sales	(5)	**38,173**	**42,656**
Changes in inventories (finished goods and work in progress)		8	6
Own work capitalized	(6)	529	510
Other operating income	(7)	7,448	6,337
Cost of materials[2]	(8)	-32,325	-33,184
Personnel costs	(11)	-2,839	-2,995
Depreciation, amortization and impairment charges	(14)	-3,823	-5,669
Other operating expenses[2]	(7)	-7,867	-7,968
Income/Loss from companies accounted for under the equity method		285	295
Income/Loss from continuing operations before financial results and income taxes		**-411**	**-12**
Financial results	(9)	-1,314	-1,480
Income/Loss from equity investments		*-19*	*1*
Income/Loss from other securities, interest and similar income		*343*	*450*
Interest and similar expenses		*-1,638*	*-1,931*
Income taxes	(10)	-440	-728
Income/Loss from continuing operations		**-2,165**	**-2,220**
Income/Loss from discontinued operations, net	(4)	-13,842	-4,157
Net income/loss		**-16,007**	**-6,377**
Attributable to shareholders of E.ON SE		*-8,450*	*-6,999*
Attributable to non-controlling interests		*-7,557*	*622*
in €			
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted	(13)		
from continuing operations		-1.22	-1.29
from discontinued operations		-3.11	-2.31
from net income/loss		**-4.33**	**-3.60**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]In the previous year, expenses for concession payments amounting to €0.3 billion were recognized in other operating expenses. In the current year, these expenses are contained in cost of materials in the amount of €0.3 billion.

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

€ in millions	2016	2015
Net income/loss	**-16,007**	**-6,377**
Remeasurements of defined benefit plans	-1,401	1,323
Remeasurements of defined benefit plans of companies accounted for under the equity method	-2	12
Income taxes	-202	-679
Items that will not be reclassified subsequently to the income statement	**-1,605**	**656**
Cash flow hedges	-331	151
Unrealized changes	*-673*	*499*
Reclassification adjustments recognized in income	*342*	*-348*
Available-for-sale securities	-106	-498
Unrealized changes	*295*	*-118*
Reclassification adjustments recognized in income	*-401*	*-380*
Currency translation adjustments	4,865	-142
Unrealized changes	*926*	*-210*
Reclassification adjustments recognized in income	*3,939*	*68*
Companies accounted for under the equity method	-87	-162
Unrealized changes	*-229*	*-248*
Reclassification adjustments recognized in income	*142*	*86*
Income taxes	-27	-426
Items that might be reclassified subsequently to the income statement	**4,314**	**-1,077**
Total income and expenses recognized directly in equity	**2,709**	**-421**
Total recognized income and expenses (total comprehensive income)	**-13,298**	**-6,798**
Attributable to shareholders of E.ON SE	*-7,867*	*-7,440*
Continuing operations	*-3,816*	*-2,566*
Discontinued operations	*-4,051*	*-4,874*
Attributable to non-controlling interests	*-5,431*	*642*

E.ON SE and Subsidiaries Consolidated Balance Sheets—Assets

€ in millions	Note	December 31, 2016	2015
Goodwill	(14)	3,463	6,441
Intangible assets	(14)	2,329	4,465
Property, plant and equipment	(14)	25,242	38,997
Companies accounted for under the equity method	(15)	6,352	4,536
Other financial assets	(15)	5,148	5,926
Equity investments		*821*	*1,202*
Non-current securities		*4,327*	*4,724*
Financial receivables and other financial assets	(17)	553	3,571
Operating receivables and other operating assets	(17)	1,761	5,534
Income tax assets	(10)	7	46
Deferred tax assets	(10)	1,441	4,096
Non-current assets		**46,296**	**73,612**
Inventories	(16)	785	2,546
Financial receivables and other financial assets	(17)	463	1,493
Trade receivables and other operating assets	(17)	6,719	25,331
Income tax assets	(10)	851	1,330
Liquid funds	(18)	8,573	8,190
Securities and fixed-term deposits		*2,147*	*2,078*
Restricted cash and cash equivalents		*852*	*923*
Cash and cash equivalents		*5,574*	*5,189*
Assets held for sale	(4)	12	1,191
Current assets		**17,403**	**40,081**
Total assets		**63,699**	**113,693**

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

		December 31,	
€ in millions	Note	2016	2015
Capital stock	(19)	2,001	2,001
Additional paid-in capital	(20)	9,201	12,558
Retained earnings	(21)	-8,495	9,419
Accumulated other comprehensive income	(22)	-2,048	-5,835
Treasury shares	(19)	-1,714	-1,714
Equity attributable to shareholders of E.ON SE		**-1,055**	**16,429**
Non-controlling interests (before reclassification)		2,896	3,209
Reclassification related to put options		-554	-561
Non-controlling interests	(23)	**2,342**	**2,648**
Equity		**1,287**	**19,077**
Financial liabilities	(26)	10,435	14,954
Operating liabilities	(26)	5,247	8,346
Income taxes	(10)	1,433	1,562
Provisions for pensions and similar obligations	(24)	4,009	4,210
Miscellaneous provisions	(25)	15,609	26,445
Deferred tax liabilities	(10)	2,554	5,655
Non-current liabilities		**39,287**	**61,172**
Financial liabilities	(26)	3,792	2,788
Trade payables and other operating liabilities	(26)	6,888	24,811
Income taxes	(10)	434	814
Miscellaneous provisions	(25)	12,008	4,280
Liabilities associated with assets held for sale	(4)	3	751
Current liabilities		**23,125**	**33,444**
Total equity and liabilities		**63,699**	**113,693**

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2016	2015[1]
Net income/loss	**-16,007**	**-6,377**
Income/Loss from discontinued operations, net	13,842	4,157
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	3,823	5,669
Changes in provisions	3,142	78
Changes in deferred taxes	-66	1,412
Other non-cash income and expenses	-276	382
Gain/Loss on disposal of	-203	-510
Intangible assets and property, plant and equipment	*-42*	*-107*
Equity investments	*-45*	*-175*
Securities (> 3 months)	*-116*	*-228*
Changes in operating assets and liabilities and in income taxes	-1,294	-620
Inventories and carbon allowances	*63*	*326*
Trade receivables	*68*	*683*
Other operating receivables and income tax assets	*-462*	*2,028*
Trade payables	*243*	*116*
Other operating liabilities and income taxes	*-1,206*	*-3,773*
Cash provided by (used for) operating activities of continuing operations (operating cash flow)[2]	**2,961**	**4,191**
Cash provided by (used for) operating activities of discontinued operations	2,332	1,988
Cash provided by (used for) operating activities	**5,293**	**6,179**
Proceeds from disposal of	836	4,305
Intangible assets and property, plant and equipment	*363*	*118*
Equity investments	*473*	*4,187*
Purchases of investments in	-3,169	-3,227
Intangible assets and property, plant and equipment	*-3,035*	*-2,982*
Equity investments	*-134*	*-245*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	2,470	3,379
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-3,272	-3,162
Changes in restricted cash and cash equivalents	94	148
Cash provided by (used for) investing activities of continuing operations	**-3,041**	**1,443**
Cash provided by (used for) investing activities of discontinued operations	-1,325	-1,730
Cash provided by (used for) investing activities	**-4,366**	**-287**
Payments received/made from changes in capital[3]	429	130
Cash dividends paid to shareholders of E.ON SE	-976	-706
Cash dividends paid to non-controlling interests	-113	-112
Proceeds from financial liabilities	1,537	870
Repayments of financial liabilities	-2,029	-4,094
Cash provided by (used for) financing activities of continuing operations	**-1,152**	**-3,912**
Cash provided by (used for) financing activities of discontinued operations	864	54
Cash provided by (used for) financing activities	**-288**	**-3,858**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]Additional information on operating cash flow is provided in Note 33.
[3]No material netting has taken place in either of the years presented here.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2016	2015[1]
Net increase/decrease in cash and cash equivalents	**639**	**2,034**
Effect of foreign exchange rates on cash and cash equivalents	-87	-60
Cash and cash equivalents at the beginning of the year[4]	5,190	3,216
Cash and cash equivalents from the deconsolidation of discontinued operations	-168	–
Cash and cash equivalents at the end of the year[5]	**5,574**	**5,190**
Less: Cash and cash equivalents of discontinued operations at the end of the year	0	299
Cash and cash equivalents of continuing operations at the end of the year[6]	**5,574**	**4,891**
Supplementary information on cash flows from operating activities		
Income taxes paid (less refunds)	-483	-150
Interest paid	-1,005	-1,114
Interest received	445	358
Dividends received	263	240

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[4]Cash and cash equivalents at the beginning of the year also includes the holdings of Uniper, which is reported as a discontinued operation, and holdings of €1 million in E.ON E&P UK, which is reported as a disposal group. In the prior year, holdings in the Spain region of €4 million and the generation activities with a combined €6 million in Spain and Italy, which were presented as disposal groups, were also included. Cash and cash equivalents of €15 million as of January 1, 2015, of the Italy region were reclassified to the continuing operations in the cash flow statement, but not in the consolidated balance sheet.
[5]Cash and cash equivalents at the end of the previous year also include the holdings of E.ON E&P UK of €1 million, which is reported as a disposal group.
[6]Cash and cash equivalents from continuing operations at the end of the previous year also include the holdings of E.ON E&P UK of €1 million, which is reported as a disposal group.

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, 2015	**2,001**	**13,077**	**16,842**	**-4,917**	**887**	**-803**
Change in scope of consolidation						
Treasury shares repurchased/sold		-519	-9			
Capital increase						
Capital decrease						
Dividends			-966			
Share additions/reductions			-10			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-6,438	-434	-468	-100
Net income/loss			*-6,999*			
Other comprehensive income			*561*	*-434*	*-468*	*-100*
Remeasurements of defined benefit plans			*561*			
Changes in accumulated other comprehensive income				*-434*	*-468*	*-100*
Balance as of December 31, 2015	**2,001**	**12,558**	**9,419**	**-5,351**	**419**	**-903**
Balance as of January 1, 2016	**2,001**	**12,558**	**9,419**	**-5,351**	**419**	**-903**
Change in scope of consolidation		-3,357	-7,029	1,920	-173	-6
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends			-976			
Share additions/reductions			-5	13	-4	
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-9,904	2,268	111	-342
Net income/loss			*-8,450*			
Other comprehensive income[1]			*-1,454*	*2,268*	*111*	*-342*
Remeasurements of defined benefit plans			*-1,454*			
Changes in accumulated other comprehensive income				*2,268*	*111*	*-342*
Balance as of December 31, 2016	**2,001**	**9,201**	**-8,495**	**-1,150**	**353**	**-1,251**

[1]The changes recognized here in the current year include the entirety of the changes attributable to Uniper entities, which are then allocated to non-controlling interests in the amount of €301 million.

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-2,502	**24,585**	**2,723**	**-595**	**2,128**	**26,713**
		-142		-142	-142
788	260				260
		167		167	167
		-18		-18	-18
	-966	-163		-163	-1,129
	-10				-10
			34	34	34
	-7,440	642		642	-6,798
	-6,999	*622*		*622*	*-6,377*
	-441	*20*		*20*	*-421*
	561	*95*		*95*	*656*
	-1,002	*-75*		*-75*	*-1,077*
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
	-8,645	4,978		4,978	-3,667
					0
		246		246	246
					0
	-976	-168		-168	-1,144
	4	62		62	66
			7	7	7
	-7,867	-5,431		-5,431	-13,298
	-8,450	*-7,557*		*-7,557*	*-16,007*
	583	*2,126*		*2,126*	*2,709*
	-1,454	*-151*		*-151*	*-1,605*
	2,037	*2,277*		*2,277*	*4,314*
-1,714	**-1,055**	**2,896**	**-554**	**2,342**	**1,287**

(1) Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements of E.ON SE, Essen, registered office in Düsseldorf, registered in the Commercial Register of Düsseldorf District Court under number HRB 69043, have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRIC") 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, 2016.

Principles

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

Scope of Consolidation

The Consolidated Financial Statements incorporate the financial statements of E.ON SE and entities controlled by E.ON ("subsidiaries"). Control exists when E.ON as the investor can direct the activities relevant to the business performance of the entity, participate in this business performance in the form of variable returns and be able to influence the performance and the related returns through its involvement. Control is normally deemed established if E.ON directly or indirectly holds a majority of the voting rights in the investee. In structured entities, control can be established by means of contractual arrangements if control is not demonstrated through possession of a majority of the voting rights.

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.

If a subsidiary or associate sells shares to a third party, leading to a reduction in E.ON's ownership interest in these investees ("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.

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 investee over whose financial and operating policy decisions E.ON has significant influence and that is not controlled by E.ON or jointly controlled with E.ON. Significant influence is presumed if E.ON directly or indirectly holds at least 20 percent, but not more than 50 percent, of an entity's voting rights.

Interests in associated companies are accounted for using the equity method.

Interests in associated companies accounted for using 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 and for 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 generally not recognized. Any difference between the cost of the investment and the remeasured value of its net assets is recognized in the Consolidated Financial Statements as part of the carrying amount.

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

Companies accounted for using 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 using the equity method are generally prepared using accounting that is uniform within the Group.

Joint Ventures

Joint ventures are also accounted for using 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.

Joint Operations

A joint operation exists when E.ON and the other investors directly control this activity, but unlike in the case of a joint venture they do not have a claim to the changes in net assets from the operation, but instead have direct rights to individual assets or direct obligations with respect to individual liabilities in connection with the operation. In a joint operation, assets and liabilities, as well as revenues and expenses, are recognized pro rata according to the rights and obligations attributable to E.ON.

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 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 derived from market prices for comparable assets or comparable transactions. If these values are not directly observable, fair value is determined using appropriate valuation methods. 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 subsidiaries are also recognized in equity, provided that such disposals do not coincide with a loss of control.

Intangible assets must be recognized separately 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 non-controlling interests. A negative difference is 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. At each balance sheet date monetary foreign currency items are adjusted to the exchange rate on the reporting date; any gains and losses resulting from fluctuations in the relevant currencies 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 SE 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.

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		€1, annual average rate	
		2016	2015	2016	2015
British pound	GBP	0.86	0.73	0.82	0.73
Norwegian krone	NOK	9.09	9.60	9.29	8.95
Romanian leu	RON	4.54	4.52	4.49	4.45
Swedish krona	SEK	9.55	9.19	9.47	9.35
Czech crown	CZK	27.02	27.02	27.03	27.28
Turkish lira	TRY	3.71	3.18	3.34	3.03
Hungarian forint	HUF	309.83	315.98	311.44	310.00
U.S. dollar	USD	1.05	1.09	1.11	1.11

Recognition of Income

a) Revenues

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets. Revenues earned from the distribution of electricity and gas and from deliveries of steam, heat and water are also recognized under revenues.

Revenues include the surcharge mandated by the German Renewable Energy Sources Act and are presented net of sales taxes, returns, rebates and discounts, and after elimination of intragroup sales.

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.

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.

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 SE has issued no potentially dilutive ordinary shares.

Goodwill and Intangible Assets

Goodwill

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 reported, and considered in performance metrics for controlling, only at that level. An exception to this is the allocation of goodwill at Renewables, where the cash-generating units are defined at a subsegment 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.

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. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

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 are amortized using the straight-line method over their expected useful lives. The useful lives of marketing-related intangible assets range between 5 and 30 years, between 2 and 50 years for customer-related intangible assets and between 3 and 50 years for contract-based intangible assets. Technology-based intangible assets are generally amortized over a useful life of between 3 and 33 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, expenditure on research is expensed as incurred, while costs incurred during the development phase of new products, services and technologies are to be recognized as assets when the general criteria for recognition specified in IAS 38 are present. In the 2016 and 2015 fiscal years, E.ON only capitalized costs for internally generated software in this context.

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 at the time of 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.

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	5 to 60 years
Technical equipment, plant and machinery	2 to 50 years
Other equipment, fixtures, furniture and office equipment	2 to 30 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 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.

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 in the former Exploration & Production 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 was 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 were reclassified as property, plant and equipment. Such property, plant and equipment was then depreciated in accordance with production volumes. For uneconomical drilling, the previously capitalized expenditures were immediately expensed. Other capitalized expenditures were written off once it was determined that no viable reserves could be found. Other expenses for geological and geophysical work (seismology) and licensing fees were 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 borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a financing rate uniform within the Group of 5.58 percent was applied for 2016 (2015: 5.75 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 the Group satisfies the necessary conditions for receipt of the grant and if it is highly probable that the grant will be issued.

Government grants for costs are posted as income over the period in which the costs 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 involved as the lessee are classified either as finance leases or operating leases. If E.ON bears substantially all of the risks and rewards incident to ownership of the leased property, the transaction is classified as a finance lease. In such case, E.ON recognizes the leased property and the lease liability on its balance sheet.

The leased property is recognized at the beginning of the lease term at the lower of fair value or the present value of the minimum lease payments, and the lease liability is recognized as a liability in an equal amount.

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, including transaction costs, on the settlement date when acquired. IFRS 13, "Fair Value Measurement," ("IFRS 13") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price).

Non-derivative financial instruments, e.g. 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.

Available-for-sale securities are non-derivative financial assets that have been allocated either to this category or to none of the other categories mentioned above. They are allocated to non-current assets as long as there is no intention to sell them within twelve months after the balance sheet date, and as long as the asset does not mature within that same period. 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 changes in value 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 been more than 10 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 generally deemed present if one of the three major rating agencies has downgraded its rating 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. Objective indications may be present, for example, in the case of default on payments.

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
Derivative financial instruments and separated embedded derivatives are measured at fair value as of the balance sheet 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.

The instruments primarily used are foreign currency forwards and cross-currency interest rate swaps, as well as interest rate swaps and options. In commodities, the instruments used include physically and financially settled forwards and options related to electricity, gas, oil and emission rights.

As part of fair value measurement in accordance with IFRS 13, the counterparty risk is also taken into account for derivative financial instruments. E.ON determines this risk based on a portfolio valuation in a bilateral approach for both own credit risk (debt value adjustment) and the credit risk of the corresponding counterparty (credit value adjustment). The counterparty risks thus determined are allocated to the individual financial instruments by applying the relative fair value method on a net basis.

E.ON has designated some of these derivatives as part of a hedging relationship. 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. E.ON currently uses hedges in the framework of cashflow hedges and hedges of a net investment.

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 financial instruments are shown net as either revenues or cost of materials, provided they meet the corresponding conditions for such accounting. 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, can be classified 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") and IFRS 13 both require 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.

Primary and derivative financial instruments are netted on the balance sheet if E.ON has both an unconditional right—even in the event of the counterparty's insolvency—and the intention to settle offsetting positions simultaneously and/or on a net basis.

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 and Discontinued Operations

Non-current assets and any corresponding liabilities held for sale and any directly attributable liabilities are recognized separately from other assets and liabilities in the balance sheet in the line items "Assets held for sale" and "Liabilities associated with assets held for sale" if they can be disposed of in their current condition and if there is sufficient probability of their disposal actually taking place.

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 this 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 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 share of the results of the non-controlling shareholders' share in net income are recognized in Net interest income/expense.

If E.ON SE or a Group company buys treasury shares of E.ON SE, the value of the consideration paid, including directly attributable additional costs (net after income taxes), is deducted from E.ON SE'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 recognized in 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"). Since the 2013 fiscal year, share-based payments have been based on the E.ON Share Matching Plan. Under this plan, the number of allocated rights is governed by the development of the financial measure ROACE (ROCE from 2016). The compensation expense is recognized in the income statement pro rata over the vesting period. The E.ON Share Matching Plan also represents a cash-settled share-based payment.

In 2015 and 2016, virtual shares were granted exclusively to members of the Management Board of E.ON SE in the framework of a share matching plan. Executives who in previous years had participated in the share matching plan were instead granted a multi-year bonus extending over a term of four years, whose payout amount depends on the performance of the E.ON share up to the payment date.

Provisions for Pensions and Similar Obligations

Measurement of defined benefit obligations in accordance with IAS 19, "Employee Benefits" 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 reporting date and economic trend assumptions such as assumptions on wage and salary growth rates and pension increase rates, among others, that are made in order to reflect realistic expectations, as well as variables specific to reporting dates such as discount rates, for example.

Included in gains and losses from the remeasurements of the net defined benefit liability or asset are actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables. Additionally included is the difference between the actual return on plan assets and the expected interest income on plan assets included in the net interest result. Remeasurements effects are recognized in full in the period in which they occur and are not reported within the Consolidated Statements of Income, but are instead 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; the net interest on the net liability or asset from defined benefit pension plans determined based on the discount rate applicable at the start of the fiscal year is reported under financial results.

Past service cost, as well as gains and losses from settlements, are fully recognized in the income statement in the period in which the underlying plan amendment, curtailment or settlement takes place. They are reported under personnel costs.

The amount reported on the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the present value of available refunds and the reduction in future contributions and to the benefit from prepayments of minimum funding requirements. Such an asset position is recognized as an operating receivable.

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to state 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 generally discounted at the market interest rate applicable as of the respective balance sheet date, provided that it is not negative. 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 concerned have already been fully depreciated, changes to estimates are recognized within the income statement.

The estimates for nuclear decommissioning provisions are based on studies, cost estimates, legally binding civil agreements and legal information. A material element in the estimates are the real interest rates applied (the applied discount rate, less the cost increase rate). The impact on consolidated net income depends on the level of the corresponding adjustment posted to property, plant and equipment.

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 were not recognized on the balance sheet.

A more detailed description is not provided for certain contingent liabilities and contingent receivables, particularly in connection with pending litigation, as this information could influence further proceedings.

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 publicly announced or 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. Uncertain tax positions are recognized at their most likely value. 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. The planning horizon is 3 to 5 years in this context. 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 the E.ON Group's major German companies are–unchanged from the previous year–calculated using an aggregate tax rate of 30 percent. This tax rate includes, in addition to the 15 percent corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax and the average trade tax rate of 14 percent. 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 in cash flows from 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, “Operating Segments,” (“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 EBIT adjusted to exclude certain non-operating 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.

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 both 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 current knowledge obtained on the 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 2016

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") have issued the following standards and interpretations that have been adopted by the EU into European law and whose application is mandatory in the reporting period from January 1, 2016, through December 31, 2016:

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions

In November 2013, the IASB published amendments to IAS 19. This pronouncement amends IAS 19 in respect of the accounting for defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) to a defined benefit plan are independent of the number of years of service, their nominal amount can still be deducted from the service cost. But if employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. It has been adopted by the EU into European law. Consequently, the amendments are mandatory for fiscal years beginning on or after February 1, 2015. The amendment has no material impact on E.ON's Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2010–2012 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect standards IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, IAS 37 and IAS 38. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after February 1, 2015. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Amendments to IFRS 11—Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. This also applies to the publication of the corresponding notes to the consolidated financial statements. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. They will result in no changes for E.ON affecting its Consolidated Financial Statements.

Amendments to IAS 16 and IAS 38—Clarification of Acceptable Methods of Depreciation and Amortization

In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment, and to amortize intangible assets. Under this standard, a revenue-based depreciation method is not permitted. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 16 and IAS 41—Agriculture: Bearer Plants

In June 2014, the IASB published amendments to IAS 16 and IAS 41. They provide that bearer plants shall be accounted for in the same way as property, plant and equipment, in accordance with IAS 16. IAS 41 shall continue to apply for the produce they bear. As a result of the amendments, bearer plants will in future no longer be measured at fair value less estimated costs to sell, but rather in accordance with IAS 16, using either a cost model or a revaluation model. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 27—Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27—Separate Financial Statements. The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The EU has adopted these amendments into European law. The amendments shall be applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2012–2014 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect standards IFRS 5, IFRS 7, IAS 19 and IAS 34. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after January 1, 2016. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Amendments to IAS 1—Presentation of Financial Statements

In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items on the balance sheet and in the statement of comprehensive income. The amendments further provide that an entity's share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. The EU has adopted these amendments into European law. The amendments are applicable for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The amendments have no impact on E.ON's Consolidated Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 28—Investment Entities: Applying the Consolidation Exception

In December 2014, the IASB published amendments to IFRS 10, IFRS 12 and IAS 28. The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements, even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method. However, the fair value measurements that this investment company applies to its investments in subsidiaries may be maintained. The EU has adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. The amendments have no impact on E.ON's Consolidated Financial Statements.

Standards and Interpretations Not Yet Applicable in 2016

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not yet being applied by E.ON in the 2016 fiscal year because their application is not yet mandatory or because adoption by the EU remains outstanding at this time for some of them.

IFRS 9, "Financial Instruments"

In November 2009 and October 2010, respectively, the IASB published phases of the new standard IFRS 9, "Financial Instruments" ("IFRS 9"). Under IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth generally be subdivided into only two classifications: financial instruments measured at amortized cost and financial instruments measured at fair value. As part of another revision of the standards in July 2014, an additional measurement category has been introduced for debt instruments. These may in future be measured at fair value through other comprehensive income as long as doing so does not conflict with the business model of the entity preparing its financial statements and certain prerequisites with respect to the contractual cash flows are met. E.ON expects greater income volatility from the future amendments in phase I of the new standard since fewer equity instruments than planned can be classified as FVOCI. Phase II of the project addresses issues of amortized cost and impairment of financial assets. The current impairment model of IAS 39 is based on the incurred loss model, which only considers credit losses that have already taken place. The proposed "expected loss" impairment model based on expected cash flows, including expected credit losses, would make more use of forward-looking information and would have a tendency to take losses into account at an earlier stage. Because of the new model, in the future E.ON expects the timing on the impairment of financial assets to be different. The third phase of the project addresses rules for hedge accounting and was completed in November 2013. The objective is to form a better connection between corporate risk management strategies, the reasons for entering into a hedging transaction and the resulting effects. In particular, the IASB intends to simplify the requirements for measuring effectiveness, and thus the eligibility conditions for hedge accounting. E.ON does not anticipate any material impact from this. The application of IFRS 9 is to be mandatory for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The EU has adopted these amendments into European law.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers," which completely revises the rules for revenue recognition. IFRS 15 replaces the current standards and interpretations IAS 11, "Construction Contracts," IAS 18, "Revenue," IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue—Barter Transactions Involving Advertising Services." A 5-stage model will be used to determine in what amount and at what time and for how long revenue is to be recognized. IFRS 15 also contains additional disclosure requirements. IFRS 15 must be applied for fiscal years beginning on or after January 1, 2018. Initial application must be carried out retrospectively, but the choice between two transitional methods is available. In April 2016, some clarifications on IFRS 15 were published, which relate in particular to the identification of separate performance obligations, the distinction between principal and the agent, and the recognition of royalties. The clarifications have not yet been adopted by the EU. Within the framework of the ongoing project for the implementation of IFRS 15, the following significant effects were determined in comparison with the previous revenue recognition:

- The separation of performance obligations and the resulting allocation of the transaction price required under IFRS 15 under certain conditions will influence how revenue is distributed over time. This may affect almost all business models, depending on the structure of the distribution agreements.

- The mandatory capitalization of costs of obtaining a contract in accordance with IFRS 15 that are expected to be recovered over the term of the contract will have the effect of inflating the balance sheet.

- IFRS 15 requires a divergence of cash flows and revenue recognition. This results in balance sheet inflation from the recognition of contractual assets, i.e., claims on the part of E.ON against customers for which there is not yet a legal right. This may also require reclassifications between trade receivables and contractual assets. Contractual liabilities must be recognized on the balance sheet if E.ON has the obligation to transfer goods or services to a customer from which E.ON has already received consideration.

- Payments in kind or cash awards are granted in the case of customer loyalty programs. Such contractual constructs will be treated either as a separate performance obligation or as a reduction in the transaction price.

- Discussions continue on the treatment of certain power, gas and heat supply contracts, with or without a base fee, with respect to the requirement of identifying an additional separate performance obligation.

The E.ON Group is seeking modified retrospective initial application of IFRS 15.

IFRS 16 "Leases"

The IASB published the new accounting standard IFRS 16 "Leases" in January 2016. In particular, the new standard amends the recognition of leases for the lessee, which in the future will recognize liabilities in connection with the lease and the right of use with respect to the leased property on the balance sheet.

The lessor will distinguish between finance leases and rental leases on its balance sheet. IFRS 16 also contains a number of other provisions relating to recognition, disclosures and sale and leaseback transactions. The application of IFRS 16 is required for fiscal years beginning on or after January 1, 2019. Early application is permissible, provided that IFRS 15 is also applied. They have not yet been adopted by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

Additional Standards and Interpretations Not Yet Applicable

Additional standards and interpretations have been adopted in addition to the new standards outlined in detail above, but no material impact on E.ON's consolidated financial statements is expected:

- Amendments to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published in September 2014, first-time application postponed indefinitely
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses," published in January 2016, not yet transposed into European law, expected first-time application in fiscal year 2017
- Amendments to IAS 7 "Statement of Cash Flows," published in January 2016, not yet transposed into European law, expected first-time application in fiscal year 2017
- Amendments to IFRS 2 "Classification and Measurement of Share-Based Payment Transactions," published in June 2016, not yet transposed into European law, expected first-time application in fiscal year 2018
- Amendments to IFRS 4 "Applying IFRS 9 with IFRS 4," published in September 2016, not yet transposed into European law, expected first-time application in fiscal year 2018
- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 cycle), publication in December 2016, transposition into European law still pending, first-time application for amendments to IFRS 12 in fiscal year 2017, amendments to IFRS 1 and IAS 28 in fiscal year 2018
- Amendments to IAS 40 "Transfers of Investment Property," published in December 2016, not yet transposed into European law, expected first-time application in fiscal year 2018
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration," published in December 2016, not yet transposed into European law, expected first-time application in fiscal year 2018

(3) Scope of Consolidation

The number of consolidated companies changed as follows in 2016:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2015	**107**	**210**	**317**
Additions	11	11	22
Disposals/Mergers	11	31	42
Consolidated companies as of December 31, 2015	**107**	**190**	**297**
Additions	1	8	9
Disposals/Mergers	31	49	80
Consolidated companies as of December 31, 2016	**77**	**149**	**226**

The disposals/mergers in the 2016 fiscal year primarily relate to the deconsolidation of the Uniper business.

In 2016, a total of 18 domestic and 12 foreign associated companies were accounted for under the equity method (2015: 19 domestic companies and 23 foreign companies). In 2016, one domestic company reported as joint operations was presented pro rata on the consolidated financial statements (2015: 1 domestic company).

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2016

Uniper

In the fiscal year, the decision by the Management Board of E.ON in December 2014 to spin off its conventional power generation, global energy trading, Russia and exploration and production business areas into a separate entity now called the Uniper Group was organizationally and legally implemented.

The spinoff took effect with the approval of the E.ON Annual Shareholders Meeting held on June 8, 2016, on the spinoff of a 53.35-percent share in Uniper and upon entry in the commercial register on September 9, 2016. E.ON shareholders received one Uniper share for every ten E.ON shares they held. Uniper shares were admitted for trading on the regulated market of the Frankfurt Stock Exchange on September 9, 2016. Trading on the Frankfurt Stock Exchange commenced on September 12, 2016.

From the time at which the Annual Shareholders Meeting granted its consent to the spinoff and until deconsolidation, Uniper met the requirements for being reported as a discontinued operation. The income and losses from Uniper's ordinary operating activities were reported separately on the face of the Group's income statement under income/loss from discontinued operations, net. Prior-year income statement figures were adjusted accordingly. The relevant assets and liabilities were recognized in a separate line on the balance sheet; prior-year figures were not adjusted. Uniper's cash flows were reported separately in the cash flow statement, with prior-year figures adjusted accordingly.

All intragroup expenses and income between companies of the Uniper Group and the remaining E.ON Group companies were eliminated. For deliveries, goods and services that were previously intragroup in nature, but which after the deconsolidation of Uniper will be continued with Uniper or third parties, the elimination entries required for the consolidation of income and expenses were allocated entirely to the discontinued operation.

Pursuant to IFRS 5, the carrying amounts of all of Uniper's assets and liabilities must be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, based on the application of IAS 36, an impairment charge of €2.9 billion was recognized on non-current assets in the second quarter of 2016. Approximately €1.8 billion of this charge was attributable to European Generation, and approximately €1.1 billion to Global Commodities. Furthermore, provisions were established for anticipated losses in the amount of €0.9 billion.

When Uniper SE shares commenced trading on the Frankfurt Stock Exchange in the third quarter of 2016, the fair value of Uniper was calculated on the basis of the share price plus a market-rate premium for presentation of ownership. This resulted in an additional impairment of €6.1 billion, including deferred taxes, which was first allocated to the goodwill included in the discontinued operation (€2.9 billion). The remaining impairment was allocated to long-term assets on the basis of relative carrying amounts. This resulted in depreciation of property, plant and equipment of €2.8 billion as well as of intangible assets of €0.5 billion. There was a negative impact from deferred taxes (€0.1 billion). All depreciation is included in income from discontinued operations.

As of December 31, 2016, the fair value–once again on the basis of the share price taking into account a market-based premium to reflect the ownership structure–was again compared with the carrying amount of the Uniper Group. Although the stock exchange price rose against the price as of September 30, 2016, there was an additional impairment of around €0.9 billion, which was allocated to non-current assets using the same allocation logic as in the third quarter. The background for the additional impairment is the increase in net assets at Uniper in the fourth quarter of 2016, which more than offset the positive development of the stock market value.

On December 31, 2016, E.ON and Uniper finalized the agreement on the non-exercise of control annexed to the spinoff agreement, under which E.ON undertakes to permanently abstain from exercising voting rights relating to the election of a certain number of supervisory board members of Uniper. With the finalization of the agreement, even though E.ON will continue to hold an interest in Uniper of 46.65 percent—which would transmit de facto control because E.ON is likely to constitute a majority of share capital represented at any Uniper shareholders' meeting—E.ON loses control of Uniper. The deconsolidation of Uniper results in a loss on disposal of €3.6 billion.

Since the loss of control, the remaining 46.65-percent interest in Uniper is classified as an associated company, and will subsequently be accounted for in the consolidated financial statements using the equity method.

In 2016, E.ON generated revenues of €2,982 million (2015: €5,279 million), interest income of €188 million (2015: €171 million) and interest expenses of €11 million (2015: €36 million), as well as other income of €1,579 million (2015: €7,306 million) and other expenses of €8,327 million (2015: €18,279 million), with companies of the Uniper Group.

The following table shows selected financial information for the Uniper Group, which is reported as discontinued operations (after reallocation of elimination entries) up to the date of deconsolidation:

Selected Financial Information—Uniper (Summary)[1]

€ in millions	2016	2015
Sales	56,661	74,851
Other income	4,152	7,556
Other expense	-72,190	-86,457
Income/Loss from continuing operations before income taxes	**-11,377**	**-4,050**
Income taxes	929	-108
Income/Loss from discontinued operations, net	**-10,448**	**-4,158**

[1]This does not include the deconsolidation loss amounting to -€3.6 billion.

The derecognized asset and liability items of the Uniper Group were intangible assets (€1.5 billion), property, plant and equipment (€8.5 billion), other assets (€32.1 billion), provisions (€9.2 billion) and liabilities (€26.5 billion). Taking into account other deconsolidation effects (€0.5 billion), the loss on disposal primarily results from recognition in the consolidated income statement of currency translation effects that were previously recognized in other comprehensive income.

E.ON Distribuţie România S.A.

E.ON entered into an agreement with Allianz Capital Partners in December 2016 to sell a 30-percent stake in E.ON Distribuţie România S.A., a power and gas distribution company in Romania. E.ON Distribuţie România S.A owns and operates a gas distribution network of over 20,000 kilometers and a power distribution network of more than 80,000 kilometers, supplying more than 3 million customers. After closing of the transaction on December 22, 2016, E.ON retains 56.5 percent of the shares of E.ON Distribuţie România. The Romanian Ministry of Energy holds 13.5 percent of the shares. The parties agreed not to disclose the purchase price. Because this was a sale of shares without loss of control, no income was recognized.

E.ON in Spain

In late November 2014, E.ON entered into contracts with a subsidiary of Macquarie European Infrastructure Fund 4 (MEIF4) and Wren House Infrastructure (WHI) on the sale of its Spanish and Portuguese activities.

The activities sold include all of E.ON's Spanish and Portuguese businesses, including 650,000 electricity and gas customers and electricity distribution networks extending over a total distance of 32,000 kilometers. In addition, the activities include a total generation capacity of 4 GW from coal, gas, and renewable sources in Spain and Portugal. While the Spain regional unit was reported as a discontinued operation, the Spanish generation businesses held in the Generation and Renewables segments have been classified as disposal groups as of November 30, 2014.

The agreed transaction volume for the equity and for the assumption of liabilities and working capital positions was €2.4 billion. The respective classification as discontinued operations and disposal groups required that the Spanish and Portuguese businesses be measured at the agreed purchase price. This remeasurement produced a goodwill impairment of approximately €0.3 billion in 2014.

The transaction closed on March 25, 2015, with a minimal loss on disposal. The disposed asset and liability items of the regional unit now being reported as discontinued operations were property, plant and equipment (€1.0 billion) and current assets (€0.5 billion), as well as provisions (€0.2 billion) and liabilities (€0.7 billion). The major asset items of the generation activities held as a disposal group were property, plant and equipment (€1.1 billion), intangible assets and goodwill (€0.4 billion), financial assets (€0.1 billion) and current assets (€0.4 billion). The liability items consisted primarily of provisions (€0.2 billion) and liabilities (€0.4 billion).

As part of the agreement and a subsequent contractual agreement concluded in October 2016, E.ON received an additional payment of €0.2 billion. This payment is included as a purchase price adjustment from discontinued operations in the fourth quarter of 2016.

The following table shows selected financial information from the Spain regional unit now being reported as discontinued operations:

Selected Financial Information—E.ON Spain (Summary)[1]

€ in millions	2016	2015
Sales	–	324
Other income/expenses, net	–	-284
Income/Loss from continuing operations before income taxes	**0**	**40**
Income taxes	–	–
Income/Loss from discontinued operations, net	**0**	**40**

[1]This does not include the deconsolidation gain/loss amounting to €216 million (2015: -€39 million).

Exploration and Production Business in the North Sea

In November 2014, E.ON had announced the strategic review of its exploration and production business in the North Sea. Because of a firming commitment to divest itself of these activities, E.ON had reported this business as a disposal group as of September 30, 2015.

In January 2016, E.ON signed an agreement to sell its British E&P subsidiary E.ON E&P UK Limited, London, United Kingdom, to Premier Oil plc, London, United Kingdom. The base sale price as of the January 1, 2015, effective date was approximately €0.1 billion ($0.12 billion). In addition, E.ON retains liquid funds that existed in the company as of the effective date, and also receives other adjustments that will result in the transaction producing a net cash inflow of approximately €0.3 billion. As the purchase price for the British E&P business became more certain in the fourth quarter of 2015, a charge was recognized on its goodwill in the amount of approximately €0.1 billion. Held as a disposal group in the former Exploration & Production global unit, the major asset and liability items of the British E&P business as of March 31, 2016, were goodwill (€0.1 billion) and other assets (€0.7 billion), as well as liabilities (€0.6 billion). The closing of the transaction at the end of April 2016 resulted in a loss on disposal of about €0.1 billion, which consisted mostly of realized foreign exchange translation differences reclassified from other comprehensive income to the income statement.

E.ON had already signed an agreement to sell all of its shares in E.ON Exploration & Production Norge AS ("E.ON E&P Norge"), Stavanger, Norway, to DEA Deutsche Erdoel AG ("DEA"), Hamburg, Germany, in October 2015. The transaction value was $1.6 billion, including $0.1 billion in cash and cash equivalents on the balance sheet as of the January 1, 2015, effective date. The transaction resulted in a minimal gain on disposal when it closed in December 2015. The major asset and liability items of these activities, which were held in the former Exploration & Production global unit, were goodwill (€0.1 billion), other non-current assets (€0.9 billion) and current assets (€0.2 billion), as well as liabilities (€1.0 billion).

As the disposal process for the North Sea E&P business took greater shape, it already became necessary to perform impairment tests on assets in the third quarter of 2015. These tests resulted in impairments totaling approximately €1 billion, which were partially offset by amortizing deferred tax liabilities to income in the amount of roughly €0.6 billion. In addition, the goodwill of approximately €0.8 billion attributable to these activities was written down by roughly €0.6 billion as of September 30, 2015.

Enovos International S.A.

In December 2015, E.ON signed an agreement to sell its 10-percent shareholding in Enovos International S.A., Esch-sur-Alzette, Luxembourg—joining with RWE AG ("RWE"), Essen, Germany, which is also selling its stake—to a bidder consortium led by the Grand Duchy of Luxembourg and the independent private investment company Ardian, Paris, France. The carrying amount of the 10-percent shareholding, which was reported within the former Global Commodities unit, amounted to approximately €0.1 billion as of December 31, 2015. The transaction closed in the first quarter of 2016. The parties agreed not to disclose the purchase price.

AS Latvijas Gāze

On December 22, 2015, E.ON entered into an agreement to sell 28.974 percent of the shares of its associated shareholding AS Latvijas Gāze, Riga, Latvia, to the Luxembourg company Marguerite Gas I S.à r.l. The carrying amount of the equity interest, which is reported within the former Global Commodities global unit, amounted to approximately €0.1 billion as of December 31, 2015. The transaction, which closed in January 2016 at a sale price of approximately €0.1 billion, resulted in a minimal gain on disposal.

Grid Connection Infrastructure for the Humber Gateway Wind Farm
Following the construction and entry into service of the Humber Gateway wind farm in the U.K. North Sea, E.ON was required by regulation to sell to an independent third party the associated grid connection infrastructure currently held by E.ON Climate & Renewables UK Humber Wind Ltd., Coventry, United Kingdom ("Humber Wind"). The sale to Balfour Beatty Equitix Consortium (BBEC) was completed in September 2016. The sales price and carrying amount totaled approximately €0.2 billion each.

Arkona Offshore Wind Farm Partnership
E.ON has made the decision to build the Arkona offshore wind farm project in the Baltic Sea. The Norwegian energy company Statoil has acquired a 50-percent interest in the project and is involved from the start. E.ON is responsible for building and operating the wind farm. The contract on the sale of the 50-percent stake was signed in the first quarter of 2016, and the transaction closed in April 2016. The transaction resulted in a slight gain on disposal.

Results from Discontinued Operations
Results from discontinued operations are primarily determined by the Uniper Group, with after-tax results of -€14.1 billion. In addition, the purchase price adjustment related to the sale of the Spanish and Portuguese activities made a significant contribution of approximately €0.2 billion to after-tax results from discontinued operations.

Disposal Groups and Assets Held for Sale in 2015

E.ON in Italy
As of December 31, 2014, against the backdrop of specifying its divestment intentions, E.ON reported the Italy regional unit under discontinued operations, and the Italian businesses held in its Generation and Renewables segments—except for the wind-power activities—as disposal groups.

The non-controlling interest in Gestione Energetica Impianti S.p.A. ("GEI"), Crema, Italy, was already sold in December 2014. Also agreed in December 2014 was the disposal of the Italian coal and gas generation assets to the Czech energy company Energetický a Průmyslový Holding ("EPH"), Prague, Czech Republic.

As the disposal process took greater shape, it also became necessary to reexamine the measurement of the Italian businesses on the basis of the expected proceeds on disposal. This remeasurement resulted in an impairment of approximately €1.3 billion as of December 31, 2014, of which roughly €0.1 billion was charged to goodwill and roughly €1.2 billion to other non-current assets.

A contract with F2i SGR S.p.A., Milan, Italy, for the sale of the solar activities held in the Renewables segment was signed and finalized in February 2015. Its major balance sheet items related to property, plant and equipment (€0.1 billion). There were no significant items on the liabilities side. The transaction closed with a minimal gain on disposal.

The disposal of the Italian coal and gas generation assets, which were reported as a disposal group, was finalized in July 2015. The result was a minimal deconsolidation gain. The disposed asset and liability items related to property, plant and equipment (€0.3 billion) and current assets (€0.2 billion) and to liabilities (€0.5 billion).

E.ON additionally signed an agreement in August 2015 to sell its Italian hydroelectric activities to ERG Power Generation S.p.A. ("ERG"), Genoa, Italy, at a purchase price of roughly €1.0 billion. This agreement, which resulted in a minimal gain on disposal, was finalized in December 2015. The major asset and liability items of the activities, which were held as a disposal group in the Renewables global unit, were property, plant and equipment (€0.5 billion), intangible assets (€0.5 billion) and current assets (€0.1 billion), as well as liabilities (€0.2 billion).

E.ON also decided in early August 2015 that it would retain and further develop the electricity and gas distribution business held by the Italy regional unit. Accordingly, because the planned sale was abandoned in the third quarter of 2015, the assets and liabilities and the results reported separately for the discontinued operations had to be reported once again in the individual line items of the balance sheet and the income statement, and the corresponding adjustments had to be made to the cash flow statement. This reverse reclassification resulted in no material impact on consolidated net income.

Esperanto Infrastructure
In late March 2015, E.ON signed an agreement with the Swedish private equity group EQT on the sale of the remaining 49-percent stake in Esperanto Infrastructure. The carrying amount of this Energy from Waste activity held in the Germany regional unit was €0.2 billion. The agreed transaction closed in late April 2015. It produced a gain of approximately €0.1 billion on disposal.

(5) Revenues

Revenues are generally recognized upon delivery of goods to purchasers or customers, 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 and from deliveries of steam and water.

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.

At €38.2 billion, revenues in 2016 were roughly 11 percent lower than in the previous year. This decrease was mainly due to the transfer of the wholesale customers to Uniper, the decommissioning of the Grafenrheinfeld nuclear power plant and disposals.

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

(6) Own Work Capitalized

Own work capitalized amounted to €529 million in 2016 (2015: €510 million) and resulted primarily from capitalized work performed in connection with IT projects and network assets.

(7) Other Operating Income and Expenses

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

Other Operating Income

€ in millions	2016	2015
Income from exchange rate differences	5,039	3,894
Gain on derivative financial instruments	1,141	524
Gain on disposal of equity investments and securities	242	468
Write-ups of non-current assets	61	56
Gain on disposal of property, plant and equipment	48	98
Miscellaneous	917	1,297
Total	**7,448**	**6,337**

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

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €3,407 million (2015: €3,199 million) and from receivables and payables denominated in foreign currency in the amount of €622 million (2015: €292 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €1,010 million (2015: €403 million).

Gains and losses on derivative financial instruments relate to gains from fair value measurement from derivatives under IAS 39. There was a significant impact from the change in the market value of gas and electricity derivatives.

The gain on the disposal of equity investments and securities consisted primarily of gains on the sale of shares in ENOVOS and shares in AWE Arkona-Windpark Entwicklungs GmbH. In the previous year, there were gains on the disposal of Esperanto Infrastructure and of the E&P Norge shares.

Gains were realized on the sale of securities in the amount of €141 million (2015: €266 million).

Reversals of impairment charges in property, plant and equipment primarily resulted from reversals in Hungary (€51 million). In the previous year, reversals of impairment charges primarily resulted from reversals in Italy (€43 million).

Miscellaneous other operating income in 2016 included the proceeds of passing on charges for the provision of personnel and services, as well as reimbursements, reversals of valuation allowances on loans and receivables, and rental and lease interest.

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

Other Operating Expenses

€ in millions	2016	2015
Loss from exchange rate differences	4,925	4,049
Loss on derivative financial instruments	231	553
Taxes other than income taxes	96	120
Loss on disposal of equity investments and securities	80	64
Miscellaneous	2,535	3,182
Total	**7,867**	**7,968**

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €3,523 million (2015: €3,130 million) and from receivables and payables denominated in foreign currency in the amount of €190 million (2015: €453 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €1,212 million (2015: €466 million).

Miscellaneous other operating expenses included expenses for external consulting, audit and non-audit services in the amount of €246 million (2015: €247 million), advertising and marketing expenses in the amount of €117 million (2015: €155 million), write-downs of trade receivables in the amount of €238 million (2015: €320 million), rents and leases in the amount of €151 million (2015: €173 million) and other services rendered by third parties in the amount of €459 million (2015: €487 million). Additionally reported in this item, among other things, are IT expenditures, insurance premiums and travel expenses. In order to align itself with industry standards for presentation and to enable greater insight into the earnings situation, expenses for concession fees in the reporting year are shown in cost of materials. Concession fees of €311 million were recognized in 2015.

Other operating expenses from exploration activity totaled €1 million (2015: €48 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. Network usage charges and fuel supply are also included in this line item. Expenses for purchased services consist primarily of maintenance costs. The cost of materials decreased by €0.9 billion to €32 billion (2015: €33 billion). The reason for this was lower expenses for electricity and gas procurement in Customer Solutions (-€3.1 billion), primarily because of the transfer of the wholesale business to Uniper, and lower expenses at PreussenElektra (-€0.6 billion), which is primarily attributable to expiring procurement contracts. In addition, the cost of materials declined compared to the previous year due to disposals (-€0.6 billion).

Cost of Materials

€ in millions	2016	2015
Expenses for raw materials and supplies and for purchased goods	27,924	31,374
Expenses for purchased services	4,401	1,810
Total	**32,325**	**33,184**

In contrast, the allocation of the provision for nuclear waste disposal at PreussenElektra (+ €2.2 billion) increased. In the Energy Networks Germany segment, the cost of materials also increased (+€1.1 billion), which is primarily the result of an increase in pass-throughs under Germany's Renewable Energy Law.

(9) Financial Results

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

Financial Results

€ in millions	2016	2015
Income/Loss from companies in which equity investments are held	76	70
Impairment charges/reversals on other financial assets	-95	-69
Income/Loss from equity investments	**-19**	**1**
Income/Loss from securities, interest and similar income[1]	343	450
Available for sale	*183*	*145*
Loans and receivables	*53*	*177*
Held for trading	*2*	*38*
Other interest income	*105*	*90*
Interest and similar expenses[1]	-1,638	-1,931
Amortized cost	*-529*	*-861*
Held for trading	*-51*	*-47*
Other interest expenses	*-1,058*	*-1,023*
Net interest income/loss	**-1,295**	**-1,481**
Financial results	**-1,314**	**-1,480**

[1]The measurement categories are described in detail in Note 1.

The improvement in financial results relative to the previous year is primarily attributable to the diminished impact of interest expenses for financial liabilities based on scheduled repayments. Also, financial results in 2016 were affected by positive non-recurring effects according to IAS 32.

Other interest income consists predominantly of income from lease receivables (finance leases) and effects from the reversal of provisions. Other interest expenses include the accretion of provisions for asset retirement obligations in the amount of €770 million (2015: €814 million). Also contained in this item is the net interest cost from provisions for pensions in the amount of €84 million (2015: €77 million).

Other interest expenses further include the positive non-recurring effects on financial results of carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries and of non-controlling interests in fully consolidated partnerships with legal structures that give their shareholders a statutory right of withdrawal combined with a compensation claim, which according to IAS 32 must be recognized as liabilities and amounted to €214 million (2015: €6 million).

Interest expense was reduced by capitalized interest on debt totaling €37 million (2015: €108 million).

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

(10) Income Taxes

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

Income Taxes

€ in millions	2016	2015
Domestic income taxes	281	-832
Foreign income taxes	225	148
Other income taxes	–	–
Current taxes	**506**	**-684**
Domestic	-224	1,780
Foreign	158	-368
Deferred taxes	**-66**	**1,412**
Total income taxes	**440**	**728**

The tax expense in 2016 amounted to €0.4 billion, compared with €0.7 billion in 2015. In spite of the pretax loss there is still a tax expense, and hence a negative effective tax rate of 25 percent (2015: 49 percent). Expenses that provided no tax relief, as well as material effects from changes in the value of deferred tax assets, were the principal reasons for the change in the effective tax rate in 2016.

Of the amount reported as current taxes, €173 million is attributable to previous years (2015: -€934 million).

Deferred taxes reported for 2016 resulted from changes in temporary differences, which totaled -€84 million (2015: €820 million), loss carryforwards of €13 million (2015: €570 million) and tax credits amounting to €5 million (2015: €22 million).

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 €24 million in 2016 (2015: €53 million).

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, 2016, €5 million (2015: €5 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").

Accordingly, deferred tax liabilities were not recognized for temporary differences of €483 million (2015: €466 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 resulted in tax income of €78 million in total (2015: €53 million).

Income taxes relating to discontinued operations (see also Note 4) are reported in the income statement under "Income from discontinued operations." In the reporting year they amounted to tax income of €929 million (2015: tax expense of €108 million). The prior-year figures have been similarly adjusted to include discontinued operations.

The base income tax rate of 30 percent applicable in Germany, which is unchanged from the previous year, is composed of corporate income tax (15 percent), trade tax (14 percent) and the solidarity surcharge (1 percent). The differences from the effective tax rate are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2016		2015	
	€ in millions	%	€ in millions	%
Income/Loss from continuing operations before taxes	**-1,725**	**100.0**	**-1,492**	**100.0**
Expected income taxes	-518	30.0	-447	30.0
Foreign tax rate differentials	-311	18.0	13	-0.9
Changes in tax rate/tax law	-78	4.5	-53	3.6
Tax effects on tax-free income	-42	2.4	88	-5.9
Tax effects of non-deductible expenses and permanent differences	-167	9.8	-66	4.4
Tax effects on income from companies accounted for under the equity method	-71	4.1	-85	5.7
Tax effects of goodwill impairment and elimination of negative goodwill	–	0.0	627	-42.0
Tax effects of changes in value and non-recognition of deferred taxes	1,437	-83.3	781	-52.4
Tax effects of other taxes on income	186	-10.8	-159	10.7
Tax effects of income taxes related to other periods	18	-1.0	50	-3.4
Other	-14	0.8	-21	1.4
Effective income taxes/tax rate	**440**	**-25.5**	**728**	**-48.8**

Deferred tax assets and liabilities as of December 31, 2016, and December 31, 2015, break down as shown in the following table:

Deferred Tax Assets and Liabilities

	December 31, 2016		December 31, 2015	
€ in millions	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Intangible assets	210	446	439	898
Property, plant and equipment	172	2,453	325	3,378
Financial assets	164	260	162	360
Inventories	7	–	47	23
Receivables	396	972	766	6,910
Provisions	2,906	467	6,262	2,077
Liabilities	1,602	630	6,536	1,248
Loss carryforwards	1,414	–	1,887	–
Tax credits	12	–	18	–
Other	654	361	786	319
Subtotal	**7,537**	**5,589**	**17,228**	**15,213**
Changes in value	-3,061	–	-3,574	–
Deferred taxes (gross)	**4,476**	**5,589**	**13,654**	**15,213**
Netting	-3,035	-3,035	-9,558	-9,558
Deferred taxes (net)	**1,441**	**2,554**	**4,096**	**5,655**
Current	*609*	*559*	*2,155*	*2,003*

Of the deferred taxes reported, a total of -€425 million was charged directly to equity in 2016 (2015: -€685 million charge). A further €49 million in current taxes (2015: €49 million) was also recognized directly in equity.

Income taxes recognized in other comprehensive income for the years 2016 and 2015 break down as follows:

Income Taxes on Components of Other Comprehensive Income

	2016			2015		
€ in millions	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Cash flow hedges	-331	-10	-341	151	-287	-136
Available-for-sale securities	-106	45	-61	-498	3	-495
Currency translation adjustments	4,865	-54	4,811	-142	-144	-286
Remeasurements of defined benefit plans	-1,401	-202	-1,603	1,323	-680	643
Companies accounted for under the equity method	-89	-8	-97	-150	3	-147
Total	**2,938**	**-229**	**2,709**	**684**	**-1,105**	**-421**

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

Tax Loss Carryforwards

€ in millions	December 31, 2016	2015
Domestic tax loss carryforwards	7,923	6,446
Foreign tax loss carryforwards	6,800	9,806
Total	**14,723**	**16,252**

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. The domestic tax loss carryforwards result from adding corporate tax loss carryforwards amounting to €3,115 million (2015: €2,231 million) and trade tax loss carryforwards amounting to €4,808 million (2015: €4,215 million). The foreign tax loss carryforwards consist of corporate tax loss carryforwards amounting to €4,806 million (2015: €7,359 million) and tax loss carryforwards from local income taxes amounting to €1,994 million (2015: €2,447 million). Of the foreign tax loss carryforwards, a significant portion relates to previous years.

Deferred taxes were not recognized, or no longer recognized, on a total of €5,109 million (2015: €7,144 million) in tax loss carryforwards that do not expire. Deferred tax assets were not recognized, or no longer recognized, on non-expiring domestic corporate tax loss carryforwards of €3,089 million (2015: €2,132 million) or on domestic trade tax loss carryforwards of €4,769 million (2015: €4,004 million).

In total, deferred tax assets were not recognized, or are no longer recognized, in the amount of €10,133 million (2015: €7,523 million) for temporary differences which are recognized in income and equity.

As of December 31, 2016, and December 31, 2015, E.ON reported deferred tax assets for companies that incurred losses in the current or the prior-year period that exceed the deferred tax liabilities by €31 million and €193 million, respectively. The basis for recognizing deferred tax assets is an estimate by management of the extent to which it is probable that the respective companies will achieve taxable earnings in the future against which the as yet unused tax losses, tax credits and deductible temporary differences can be offset.

(11) Personnel-Related Information

Personnel Costs

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

Personnel Costs

€ in millions	2016	2015
Wages and salaries	2,231	2,282
Social security contributions	340	344
Pension costs and other employee benefits	268	369
Pension costs	*263*	*365*
Total	**2,839**	**2,995**

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

Share-Based Payment

The expenses for share-based payment in 2016 (employee stock purchase programs in the United Kingdom, the E.ON Share Performance Plan, the E.ON Share Matching Plan and the multi-year bonus) amounted to €14.1 million (2015: €18.2 million).

Employee Stock Purchase Program

The voluntary employee stock purchase program, which in previous years provided employees of German group companies the opportunity to purchase E.ON shares at preferential terms, was suspended in 2016 due to the spinoff of Uniper. In the previous year, an expense of €5.5 million from granting preferential prices was recognized in the framework of the employee stock purchase program.

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 expense of issuing these matching shares amounted to €1.4 million in 2016 (2015: €1.8 million) and is recorded under personnel costs as part of "Wages and salaries."

Long-Term Variable Compensation

Members of the Management Board of E.ON SE and certain executives of the E.ON Group receive share-based payment as part of their voluntary long-term variable compensation. 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 reports on the E.ON Share Matching Plan introduced in 2013 and on the multi-year bonus introduced in 2015.

E.ON Share Matching Plan

Since 2013, E.ON has been granting virtual shares under the E.ON Share Matching Plan. At the end of its four-year term, each virtual share is entitled to a cash payout linked to the final E.ON share price established at that time. The calculation inputs for this long-term variable compensation package are equity deferral, base matching and performance matching.

The equity deferral is determined by multiplying an arithmetic portion of the beneficiary's contractually agreed target bonus by the beneficiary's total target achievement percentage from the previous year. The equity deferral is converted into virtual shares and vests immediately. In the United States, virtual shares were granted in the amount of the equity deferral for the first time in 2015. Beneficiaries are additionally granted virtual shares in the context of base matching and performance matching. For members of the Management Board of E.ON SE, the proportion of base matching to the equity deferral is determined at the discretion of the Supervisory Board; for all other beneficiaries it is 2:1. The performance-matching target value at allocation is equal to that for base matching in terms of amount. Performance matching will result in a payout only on achievement of a minimum performance as specified at the beginning of the term by the Management Board and the Supervisory Board.

In 2015 and 2016, virtual shares from the third and fourth tranche were granted in the context of base matching and performance matching exclusively to members of the Management Board of E.ON SE. Executives were instead granted a multi-year bonus, the terms of which are described further below.

Under the plan's original structure, the amount paid out under performance matching was to be equal to the target value at issuance if the E.ON share price was maintained at the end of the term and if the average ROACE performance matched a target value specified by the Management Board and the Supervisory Board. If the average ROACE during the four-year term exceeded the target value, the number of virtual shares granted under performance matching increases up to a maximum of twice the target value. If the average ROACE had fallen short of the target value, the number of virtual shares, and thus also the amount paid out, were to decrease.

In 2016, the plan was changed to the effect that for periods from 2016 onwards, ROCE was used instead of ROACE for measuring performance. Accordingly, new targets were defined for 2016 and/or subsequent years. At the same time, the previous ROACE target achievement for the previous years will be included in the total performance of the respective tranches on a pro-rata basis. In the event of a defined underperformance, there is no payout under performance matching.

A payout generally will not take place until after the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, all virtual shares—except for those that resulted from the equity deferral—expire.

At the end of the term, the sum of the dividends paid to the ordinary shareholders during the term is added to each virtual share. The maximum amount to be paid out to a plan participant is limited to twice the sum of the equity deferral, base matching and the target value under performance matching.

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. To offset the change in value resulting from the spinoff of Uniper SE, both the 60-day average price of the E.ON share and the total dividends paid to a shareholder will be multiplied by a correction factor at the end of the term.

The plan also contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

The following are the base parameters of the tranches of the share matching plan active in 2016:

E.ON Share Matching Virtual Shares

	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	Apr. 1, 2016	Apr. 1, 2015	Apr. 1, 2014	Apr. 1, 2013
Term	4 years	4 years	4 years	4 years
Target value at issuance	€8.63	€13.63	€13.65	€13.31

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 virtual shares. In addition, the change in ROCE is simulated for performance matching. The provision for the first, second, third and fourth tranches of the E.ON Share Matching Plan as of the balance sheet date is €45.5 million (2015: €52.7 million). The expense for the first, second, third and fourth tranches amounted to €3.6 million in the 2016 fiscal year (2015: €11.2 million).

Multi-Year Bonus

In 2015 and 2016, E.ON extended to those executives who in previous years had been granted virtual shares in the context of base matching and performance matching a multi-year bonus extending over a term of four years. Beneficiaries were informed individually of the target value of the multi-year bonus.

For executives in the E.ON Group, the amount paid out is equal to the target value if the E.ON share price at the end of the term is equal to the E.ON share price after the spinoff of Uniper. If the share price at the end of the term is higher or lower than the share price after the spinoff, the amount paid out relative to the target value will increase or decrease in equal proportion to the change in the share price, but in no event shall the payout be higher than twice the target value.

A payout generally will not take place until after the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, there is no entitlement to a multi-year bonus payout.

60-day average prices are used to determine both the share price after the spinoff and the final price 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.

The provision for the multi-year bonus as of the balance sheet date is €13.7 million (2015: €6.0 million). The expense amounted to €9.1 million in the 2016 fiscal year (2015: €5.2 million).

Employees

During 2016, E.ON employed an average of 42,595 persons (2015: 43,572), not including an average of 884 apprentices (2015: 936).

The breakdown by segment is shown in the following table:

Employees[1]

Headcount	2016	2015
Energy Networks	16,690	14,680
Customer Solutions	18,785	21,294
EC&R	1,012	875
Corporate Functions & Other[2]	4,036	4,275
Employees, core business	**40,523**	**41,124**
Non-Core Business (PreussenElektra)	2,038	2,027
Other (activities disposed of)	34	421
Total employees, E.ON Group	**42,595**	**43,572**

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

(12) Other Information

German Corporate Governance Code

On December 16, 2016, the Management Board and the Supervisory Board of E.ON SE 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 2016 and 2015, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") GmbH, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

Independent Auditor Fees

€ in millions	2016	2015
Financial statement audits	21	22
Domestic	*15*	*15*
Other attestation services	18	20
Domestic	*16*	*15*
Tax advisory services	1	1
Domestic	–	–
Other services	2	2
Domestic	*2*	*2*
Total	**42**	**45**
Domestic	*33*	*32*

The fees for financial statement audits concern the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates. In 2016, this also includes fees for auditing the annual and consolidated financial statements of Uniper SE, which since then has been listed on the stock exchange.

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 divestitures, and other mandatory and voluntary audits, including in connection with the spinoff and stock exchange listing of Uniper SE.

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 209 through 221.

(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	2016	2015
Income/Loss from continuing operations	-2,165	-2,220
Less: Non-controlling interests	-217	-293
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**-2,382**	**-2,513**
Income/Loss from discontinued operations, net	-13,842	-4,157
Less: Non-controlling interests	7,774	-329
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**-6,068**	**-4,486**
Net income/loss attributable to shareholders of E.ON SE	**-8,450**	**-6,999**
in €		
Earnings per share (attributable to shareholders of E.ON SE)		
from continuing operations	-1.22	-1.29
from discontinued operations	-3.11	-2.31
from net income/loss	**-4.33**	**-3.60**
Weighted-average number of shares outstanding (in millions)	1,952	1,944

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

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

The changes in goodwill and intangible assets, and in property, plant and equipment, are presented in the tables on the following pages:

Goodwill, Intangible Assets and Property, Plant and Equipment

	Acquisition and production costs						
€ in millions	Jan. 1, 2016	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Dec. 31, 2016
Goodwill	**11,943**	**-185**	**-6,469**	**0**	**0**	**0**	**5,289**
Marketing-related intangible assets	2	–	–	–	–	–	2
Customer-related intangible assets	717	-10	-66	3	-47	–	597
Contract-based intangible assets	4,664	149	-3,012	56	-41	19	1,835
Technology-based intangible assets	795	-5	-169	35	-43	13	626
Internally generated intangible assets	212	-14	-113	50	-1	83	217
Intangible assets subject to amortization	**6,390**	**120**	**-3,360**	**144**	**-132**	**115**	**3,277**
Intangible assets not subject to amortization	824	-82	-71	765	-995	-2	439
Advance payments on intangible assets	326	-14	-35	242	-6	-112	401
Intangible assets	**7,540**	**24**	**-3,466**	**1,151**	**-1,133**	**1**	**4,117**
Real estate and leasehold rights	2,715	-57	-1,949	4	-103	4	614
Buildings	6,557	46	-3,451	50	-84	51	3,169
Technical equipment, plant and machinery	78,151	-1,491	-30,743	3,948	-864	891	49,892
Other equipment, fixtures, furniture and office equipment	1,329	-5	-309	100	-115	17	1,017
Advance payments and construction in progress	4,268	-97	-2,517	1,565	-89	-1,015	2,115
Property, plant and equipment	**93,020**	**-1,604**	**-38,969**	**5,667**	**-1,255**	**-52**	**56,807**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2016

	Energy Networks			Customer Solutions						
€ in millions	Germany	Sweden	CEE/ Turkey	Germany	UK	Other	Renew-ables	Non-Core Business[1]	Corporate Functions/ Other[2]	E.ON Group
Net carrying amount of goodwill as of January 1, 2016[3]	**271**	**131**	**76**	**525**	**1,099**	**60**	**1,350**	**2,929**	**0**	**6,441**
Changes resulting from acquisitions and disposals	–	–	–	–	–	5	–	–	–	5
Impairment charges	–	–	–	–	–	–	–	–	–	0
Other changes[4]	342	-31	-16	-342	-224	38	–	-2,929	179	-2,983
Net carrying amount of goodwill as of December 31, 2016	**613**	**100**	**60**	**183**	**875**	**103**	**1,350**	**0**	**179**	**3,463**
Growth rate (in %)[5]	1.5	–	–	–	1.5	–	n.a.	–	–	–
Cost of capital (in %)[5]	2.7	–	–	–	6.6	–	3.8-4.1	–	–	–
Other non-current assets[6]										
Impairment	-71	–	-19	–	-72	-3	-278	-2,891	–	-3,334
Reversals	–	–	52	–	–	–	5	–	–	57

[1]Also includes the goodwill of the Uniper Group, which was deconsolidated as of December 31, 2016.
[2]Recognized goodwill expected to be eliminated from the scope of consolidation soon.
[3]Due to the changed structure in segment reporting, goodwill was reallocated on April 1, 2016.
[4]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale. Also included is the goodwill impairment of discontinued operations (see also page 154).
[5]Presented here are the growth rates and cost of capital after taxes for selected cash-generating units whose respective goodwill is material when compared with the carrying amount of all goodwill.
[6]Other non-current assets consist of intangible assets and of property, plant and equipment.

Accumulated depreciation									Net carrying amounts
Jan. 1, 2016	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	Dec. 31, 2016	Dec. 31, 2016
-5,502	**-4**	**3,680**	**0**	**0**	**0**	**0**	**0**	**-1,826**	**3,463**
-2	–	–	–	–	–	–	–	-2	0
-473	6	50	-35	47	–	–	–	-405	192
-1,805	-41	1,283	-70	28	-1	-135	–	-741	1,094
-615	4	127	-60	42	–	–	–	-502	124
-120	9	61	-27	–	–	-1	–	-78	139
-3,015	**-22**	**1,521**	**-192**	**117**	**-1**	**-136**	**0**	**-1,728**	**1,549**
-18	16	-6	–	–	1	5	–	-2	437
-42	-2	1	1	–	–	-16	–	-58	343
-3,075	**-8**	**1,516**	**-191**	**117**	**0**	**-147**	**0**	**-1,788**	**2,329**
-441	6	336	-4	45	–	-10	–	-68	546
-3,959	6	2,198	-103	30	–	-91	–	-1,919	1,250
-47,966	922	24,052	-3,291	291	6	-2,882	57	-28,811	21,081
-968	4	253	-96	88	–	-1	–	-720	297
-689	14	770	–	60	1	-203	–	-47	2,068
-54,023	**952**	**27,609**	**-3,494**	**514**	**7**	**-3,187**	**57**	**-31,565**	**25,242**

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	Acquisition and production costs: Jan. 1, 2015	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Dec. 31, 2015
Goodwill	**12,324**	**174**	**-555**	**0**	**0**	**0**	**11,943**
Marketing-related intangible assets	2	–	–	–	–	–	2
Customer-related intangible assets	591	5	167	–	-47	1	717
Contract-based intangible assets	4,657	-106	-19	84	-17	65	4,664
Technology-based intangible assets	740	5	21	53	-56	32	795
Internally generated intangible assets	155	2	–	24	-15	46	212
Intangible assets subject to amortization	**6,145**	**-94**	**169**	**161**	**-135**	**144**	**6,390**
Intangible assets not subject to amortization	1,454	9	-451	1,532	-1,684	-36	824
Advance payments on intangible assets	223	13	23	362	-8	-287	326
Intangible assets	**7,822**	**-72**	**-259**	**2,055**	**-1,827**	**-179**	**7,540**
Real estate and leasehold rights	2,690	42	89	21	-126	-1	2,715
Buildings	6,674	-47	80	297	-507	60	6,557
Technical equipment, plant and machinery	79,488	932	-1,427	2,830	-6,532	2,860	78,151
Other equipment, fixtures, furniture and office equipment	1,410	10	-14	91	-183	15	1,329
Advance payments and construction in progress	6,441	125	16	1,010	-486	-2,838	4,268
Property, plant and equipment	**96,703**	**1,062**	**-1,256**	**4,249**	**-7,834**	**96**	**93,020**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2015

€ in millions	Energy Networks: Germany	Energy Networks: Sweden	Energy Networks: CEE/ Turkey	Customer Solutions: Germany	Customer Solutions: UK	Customer Solutions: Other	Renew-ables	Non-Core Business[1]	Corporate Functions/ Other	E.ON Group
Net carrying amount of goodwill as of January 1, 2015	**271**	**128**	**75**	**545**	**1,040**	**58**	**1,283**	**7,587**	**825**	**11,812**
Changes resulting from acquisitions and disposals	–	–	–	–	–	–	22	4	-174	-148
Impairment charges	–	–	–	–	–	–	–	-4,748	-38	-4,786
Other changes[2]	–	3	1	-20	59	2	45	86	-613	-437
Net carrying amount of goodwill as of December 31, 2015	**271**	**131**	**76**	**525**	**1,099**	**60**	**1,350**	**2,929**	**0**	**6,441**
Growth rate (in %)[3]	–	–	–	–	–	–	–	–	–	–
Cost of capital (in %)[3]	–	–	–	–	–	–	–	–	–	–
Other non-current assets[4]										
Impairment	-36	–	-9	-1	-204	-24	-244	-1,819	-1,025	-3,362
Reversals	–	8	–	4	282	43	–	112	–	449

[1]Also includes the goodwill of the Uniper Group, which was deconsolidated as of December 31, 2016.
[2]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale. Also included is the goodwill impairment of disposal groups (see also page 155).
[3]These values are not indicated due to the change in structure in segment reporting in 2016.
[4]Other non-current assets consist of intangible assets and of property, plant and equipment.

	Accumulated depreciation									Net carrying amounts
	Jan. 1, 2015	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	Dec. 31, 2015	Dec. 31, 2015
	-512	**32**	**-236**	**0**	**0**	**0**	**-4,786**	**0**	**-5,502**	**6,441**
	-2	–	–	–	–	–	–	–	-2	0
	-342	-3	-167	-42	47	–	–	34	-473	244
	-1,615	20	16	-153	5	-1	-77	–	-1,805	2,859
	-571	-5	-26	-76	55	–	–	8	-615	180
	-81	-2	-1	-49	13	–	–	–	-120	92
	-2,611	**10**	**-178**	**-320**	**120**	**-1**	**-77**	**42**	**-3,015**	**3,375**
	-307	4	280	–	97	–	-137	45	-18	806
	-22	-2	-5	1	–	–	-14	–	-42	284
	-2,940	**12**	**97**	**-319**	**217**	**-1**	**-228**	**87**	**-3,075**	**4,465**
	-411	-4	1	-6	11	–	-36	4	-441	2,274
	-4,082	-14	-58	-156	457	4	-113	3	-3,959	2,598
	-48,815	-499	86	-2,486	6,300	-138	-2,762	348	-47,966	30,185
	-1,037	-9	10	-109	175	3	-1	–	-968	361
	-1,085	-7	–	-7	395	230	-222	7	-689	3,579
	-55,430	**-533**	**39**	**-2,764**	**7,338**	**99**	**-3,134**	**362**	**-54,023**	**38,997**

Goodwill and Non-Current Assets

The changes in goodwill within the segments, as well as the allocation of impairments and their reversals to each reportable segment, are presented in the tables on pages 150 through 153.

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. In the absence of binding sales transactions or market prices for the respective cash-generating units, fair values are calculated based on discounted cash flow methods.

Valuations are based on the medium-term corporate planning authorized by the Management Board. 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 is used as the calculation basis. The cash flow assumptions extending beyond the detailed planning period are determined using growth rates that generally correspond to the inflation rates in each of the currency areas where the cash-generating units are tested. In 2016, the inflation rate used for the euro area was 1.5 percent (2015: 1.5 percent). The recoverable amount for Renewables was determined in 2016 without a terminal value calculation. The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2016, ranged between 2.7 and 8.0 percent after taxes (2015: 4.0 and 10.8 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 the cost of capital. These assumptions are based on external market data from established providers and on internal estimates

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.

With the exception of the effects from the valuation of the Uniper Group in accordance with IFRS 5, the goodwill impairment testing performed in 2016 necessitated no recognition of impairment charges (2015: €4.8 billion). In connection with Uniper, impairments were recognized on the goodwill included in the discontinued operations in the amount of approximately €3.0 billion.

The goodwill of all cash-generating units whose respective goodwill as of the balance sheet date 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 material valuation parameters would necessitate the recognition of goodwill impairment.

In fiscal year 2016, a total of €387 million in impairments was charged to property, plant and equipment in the core business. In renewable energies in the Onshore & Solar business, property, plant and equipment totaling €211 million was written down in the USA, Poland and Italy, mainly as a result of lower expected revenues in these countries as well as adverse regulatory developments in Poland. In the Energy Networks Germany segment, impairment losses of around €71 million were recognized on property, plant and equipment. The largest single item in this context was a natural gas storage facility, which was written down by around €56 million due to the continued difficult marketing situation of the corresponding capacities and the development of the trading range between summer and winter prices. Impairments of €72 million were charged to the Customer Solutions UK segment. This affected in particular various assets from the area of combined heat and power, mainly due to lower expected profitability in later capacity market years.

Impairments on intangible assets in the core business amounted to approximately €56 million in 2016. This is primarily attributable to the developments in Onshore & Solar Renewable Energies.

Reversals of impairments in the core business recognized in previous years amounted to approximately €57 million in 2016, significantly influenced by a reduction in the corporate tax rate and regulatory developments in Hungary.

In addition, further impairments related to Uniper were recognized. Following the resolution of the Annual General Meeting on the spinoff of the Uniper businesses and immediately before reclassification of the carrying amounts of all assets and liabilities to discontinued operations, an impairment of €2.9 billion was recognized in non-current assets in the second quarter of 2016 on the basis of IAS 36. When shares in Uniper SE began trading on the Frankfurt Stock Exchange, the assets and the carrying amounts of the Uniper Group at E.ON were to be reviewed on the basis of the share price plus a market-based premium. The resulting additional impairment in the third and fourth quarters of 2016 of €7.0 billion was initially allocated to goodwill at €3.0 billion and was then, on the basis of relative book values, reclassified to property, plant and equipment (€3.6 billion) and intangible assets (€0.6 billion). This was offset by deferred taxes in the amount of €0.2 billion. All impairments are included in income from discontinued operations.

Goodwill impairment testing performed in 2015 had necessitated recognition of impairment charges of €4.8 billion. The most substantial individual issue in terms of amount, at €4.5 billion, was the total write-down of all goodwill in the former Generation global unit to its recoverable amount of €6.9 billion. In addition, goodwill was written down by roughly €0.2 billion in the former focus region Russia. This unit was written down to a recoverable amount of €2.7 billion. In connection with initiated sales, in 2015 impairments were recognized on goodwill in the disposal group in the amount of roughly €0.7 billion relating to the U.K. and Norwegian North Sea businesses of the former Exploration & Production unit on the basis of the expected purchase prices.

A total of €3.1 billion in impairments was charged to property, plant and equipment in 2015. Material impairment charges were attributable to the former Generation global unit, in the amount of €1.7 billion, and to the former Exploration & Production global unit, in the amount of €0.9 billion. Within the former Generation global unit, property, plant and equipment was written down in several countries as a consequence of lower expected power sales. The most substantial individual impairments in terms of amount related to one conventional power plant in France at €0.4 billion and one in the United Kingdom at €0.2 billion, and to one conventional power plant in Germany and one in the Netherlands at €0.2 billion each. This resulted in recoverable amounts of €0.1 billion, €0.6 billion, €1.1 billion and €1.5 billion, respectively, in France, the United Kingdom, Germany and the Netherlands. Furthermore, a gas storage facility within the former Global Commodities unit was written down by €0.2 billion to a recoverable amount of €0.1 billion.

Impairments charged to intangible assets amounted to €0.2 billion in total in 2015. This was primarily attributable to the developments in the former Exploration & Production segment (€0.1 billion).

Reversals of impairments recognized in previous years amounted to €0.4 billion in 2015. The greatest impairment reversal in terms of amount related to a power plant in the United Kingdom, which was written up by €0.2 billion to a recoverable amount of €1 billion. Responsible for this reversal were changed expectations regarding price developments for carbon allowances in the United Kingdom.

Intangible Assets

The majority of the change concerns the disposal of the Uniper activities.

In 2016, the Company recorded an amortization expense of €191 million (2015: €319 million). Impairment charges on intangible assets amounted to €147 million in 2016 (2015: €228 million).

Intangible assets include emission rights from different trading systems with a carrying amount of €130 million (2015: €442 million).

€14 million in research and development costs as defined by IAS 38 were expensed in 2016 (2015: €20 million).

Property, Plant and Equipment

The majority of the change concerns the disposal of the Uniper activities.

Borrowing costs in the amount of €37 million were capitalized in 2016 (2015: €108 million) as part of the historical cost of property, plant and equipment.

Depreciation amounted to €3,494 million in 2016 (2015: €2,764 million). This mainly affects €1,568 million in impairments for capitalized disposal costs in connection with the legislative implementation of the KFK recommendations (see Note 25). Lower depreciation of the disposed E&P activities had an offsetting effect.

In addition, write-downs on property, plant and equipment in the amount of €3,187 million (2015: €3,134 million) were made in the year under review. Reversals of impairments on property, plant and equipment in the amount of €57 million (2015: €362 million) were recognized in the reporting year.

In 2016 there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €2,415 million (2015: €1,434 million).

The property, plant and equipment capitalized in the framework of finance leases had the following carrying amounts as of December 31, 2016:

E.ON as Lessee—Carrying Amounts of Capitalized Lease Assets

	December 31,	
€ in millions	2016	2015
Land	4	4
Buildings	27	29
Technical equipment, plant and machinery	256	717
Other equipment, fixtures, furniture and office equipment	65	93
Net carrying amount of capitalized lease assets	**352**	**843**

Some of the leases contain price-adjustment clauses, as well as extension and purchase options. 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	2016	2015	2016	2015	2016	2015
Due within 1 year	55	103	18	57	37	46
Due in 1 to 5 years	214	397	67	222	147	175
Due in more than 5 years	246	1,357	72	751	174	606
Total	**515**	**1,857**	**157**	**1,030**	**358**	**827**

The decrease in payment obligations from finance leases in fiscal year 2016 is mainly due to the deconsolidation of the Uniper businesses.

The present value of the minimum lease obligations is reported 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. Contingent lease payments received totaled €29 million in 2016 (2015: €30 million). Future lease installments receivable under operating leases are due as shown in the table at right:

E.ON as Lessor—Operating Leases

€ in millions	2016	2015
Nominal value of outstanding lease installments		
Due within 1 year	22	14
Due in 1 to 5 years	49	21
Due in more than 5 years	42	12
Total	**113**	**47**

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

	December 31, 2016			December 31, 2015		
€ in millions	E.ON Group	Associates[1]	Joint ventures[1]	E.ON Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	6,352	4,096	2,256	4,536	2,092	2,444
Equity investments	821	254	3	1,202	278	10
Non-current securities	4,327	–	–	4,724	–	–
Total	**11,500**	**4,350**	**2,259**	**10,462**	**2,370**	**2,454**

[1]The associates and joint ventures presented as equity investments are associated companies and joint ventures accounted for at cost on materiality grounds.

Companies accounted for under the equity method consist solely of associates and joint ventures.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2016, impairment charges on companies accounted for under the equity method amounted to €18 million (2015: €14 million).

Impairments on other financial assets amounted to €48 million (2015: €57 million). The carrying amount of other financial assets with impairment losses was €299 million as of the end of the fiscal year (2015: €363 million).

€744 million (2015: €623 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of Versorgungskasse Energie ("VKE") (see Note 31).

Shares in Companies Accounted for under the Equity Method

The carrying amounts of the immaterial associates accounted for under the equity method totaled €480 million (2015: €1,045 million), and those of the joint ventures totaled €497 million (2015: €371 million). The significant decline in the area of associates accounted for under the equity method was a result of the disposal of Uniper companies.

Investment income generated from companies accounted for under the equity method amounted to €223 million in 2016 (2015: €232 million).

The following table summarizes significant line items of the aggregated statements of comprehensive income of the associates and joint ventures that are accounted for under the equity method:

Summarized Financial Information for Individually Non-Material Associates and Joint Ventures Accounted for under the Equity Method

	Associates		Joint ventures		Total	
€ in millions	2016	2015	2016	2015	2016	2015
Proportional share of net income from continuing operations	51	114	91	64	142	178
Proportional share of other comprehensive income	5	3	4	-10	9	-7
Proportional share of total comprehensive income	**56**	**117**	**95**	**54**	**151**	**171**

The tables below show significant line items of the aggregated balance sheets and of the aggregated statements of comprehensive income of the material companies accounted for under the equity method. The material associates in the E.ON Group are Uniper SE, Nord Stream AG, Gasag Berliner Gaswerke AG and Západoslovenská energetika a.s. Uniper SE was fully consolidated in the E.ON Group until the end of fiscal year 2016 and recognized under discontinued operations. Consequently, there was no reconciliation to the pro rata equity-method earnings in 2015 and 2016 or to the carrying amount as of December 31, 2015.

The Group adjustments presented in the table are primarily attributable to the allocation of undisclosed accruals and provisions in the context of initial recognition and to effects from the adjustment on the accounting policies applicable throughout the E.ON Group. In the framework of the transitional consolidation of Uniper SE from full consolidation to measurement at equity, the investment's carrying amount is valued at the stock exchange price as of December 31, 2016, plus a market-based premium for the presentation of ownership structures. The negative difference between the proportional share of equity of Uniper Group and the value described above is also shown as a consolidation adjustment.

Material Associates—Balance Sheet Data as of December 31

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Non-current assets	27,199	29,461	5,944	6,234	1,785	1,802	762	736
Current assets	21,672	34,062	589	606	286	290	194	136
Current liabilities (including provisions)	20,796	34,218	548	506	311	377	208	159
Non-current liabilities (including provisions)	15,272	14,304	4,040	4,596	1,003	1,019	751	751
Equity	12,803	15,001	1,945	1,738	757	696	-3	-38
Non controlling interests	582	540	–	–	65	60	–	–
Ownership interest (in %)	46.65	46.65	15.50	15.50	36.85	36.85	49.00	49.00
Proportional share of equity	5,701	–	301	269	255	234	-1	-19
Consolidation adjustments	-3,013	–	83	89	81	83	209	212
Carrying amount of equity investment	**2,688**	**0**	**384**	**358**	**336**	**317**	**208**	**193**

Material Associates—Earnings Data

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015
Sales	67,285	92,115	1,079	1,080	1,167	1,055	1,001	1,009
Net income/loss from continuing operations	-3,234	-3,757	428	395	58	44	93	88
Non-controlling interests in the net income/loss from continuing operations	-17	328	–	–	10	5	–	–
Dividend paid out	–	–	303	321	36	31	58	61
Other comprehensive income	804	-644	57	116	47	-13	1	1
Total comprehensive income	-2,430	-4,401	485	511	105	31	94	89
Ownership interest (in %)	46.65	46.65	15.50	15.50	36.85	36.85	49.00	49.00
Proportional share of total comprehensive income after taxes	-1,134	-2,053	75	79	39	11	46	43
Proportional share of net income after taxes	–	–	66	61	18	14	46	43
Consolidation adjustments	–	–	-1	-5	-3	2	-3	-5
Equity-method earnings	**0**	**0**	**65**	**56**	**15**	**16**	**43**	**38**

Presented in the tables below are significant line items of the aggregated balance sheets and of the aggregated income statements of the sole joint venture accounted for under the equity method, Enerjisa Enerji A.Ş.:

Material Joint Venture—Balance Sheet Data as of December 31

	Enerjisa Enerji A.Ş.	
€ in millions	2016	2015
Non-current assets	6,841	7,251
Current assets	1,099	1,304
Current liabilities (including provisions)	1,857	2,000
Non-current liabilities (including provisions)	3,524	3,464
Cash and cash equivalents	28	81
Current financial liabilities	1,225	1,226
Non-current financial liabilities	2,464	2,741
Equity	2,559	3,091
Ownership interest (in %)	50	50
Proportional share of equity	1,279	1,545
Consolidation adjustments	480	528
Carrying amount of equity investment	**1,759**	**2,073**

Material Joint Venture—Earnings Data

	Enerjisa Enerji A.Ş.	
€ in millions	2016	2015
Sales	3,389	3,725
Net income/loss from continuing operations	79	90
Write-downs	-142	-140
Interest income/expense	-235	-233
Income taxes	-65	-47
Dividend paid out	–	–
Other comprehensive income	-67	12
Total comprehensive income	12	102
Ownership interest (in %)	50	50
Proportional share of total comprehensive income after taxes	6	51
Proportional share of net income after taxes	40	45
Consolidation adjustments	-20	-48
Equity-method earnings	**20**	**-3**

The material associates and the material joint venture are active in diverse areas of the gas and electricity industries. Disclosures of company names, registered offices and equity interests as required by IFRS 12 for material joint arrangements and associates can be found in the list of shareholdings pursuant to Section 313 (2) HGB (see Note 36).

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €2,703 million in 2016 (2015: €82 million). The fair value of E.ON's share in these companies was €2,707 million (2015: €84 million). The significant increase is due to the initial recognition of the proportional share of Uniper SE as a company valued under the equity method.

Investments in associates totaling €384 million (2015: €538 million) were restricted because they were pledged as collateral for financing as of the balance sheet date.

There are no further material restrictions apart from those contained in standard legal and contractual provisions.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

	December 31,	
€ in millions	2016	2015
Raw materials and supplies	677	1,454
Goods purchased for resale	62	978
Work in progress and finished products	46	114
Total	**785**	**2,546**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Write-downs totaled €7 million in 2016 (2015: €63 million). Reversals of write-downs amounted to €3 million in 2016 (2015: €2 million).

The significant decrease of €1.8 billion in inventories results from the deconsolidation of Uniper.

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, 2016		December 31, 2015	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	54	318	45	564
Other financial receivables and financial assets	409	235	1,448	3,007
Financial receivables and other financial assets	**463**	**553**	**1,493**	**3,571**
Trade receivables	3,999	–	11,213	–
Receivables from derivative financial instruments	965	1,553	11,108	5,102
Other operating assets	1,755	208	3,010	432
Trade receivables and other operating assets	**6,719**	**1,761**	**25,331**	**5,534**
Total	**7,182**	**2,314**	**26,824**	**9,105**

Changes to receivables and other assets result from the disposal of Uniper, unless otherwise noted.

In 2016, there were unguaranteed residual values of €12 million (2015: €14 million) due to E.ON as lessor under finance leases. Some of the leases contain price-adjustment clauses, as well as extension and purchase options.

As of December 31, 2016, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €297 million (2015: €303 million).

The aging schedule of trade receivables is presented in the table below:

Aging Schedule of Trade Receivables

€ in millions	2016	2015
Not impaired and not past-due	3,294	10,387
Not impaired and past-due by	614	715
up to 60 days	*420*	*440*
61 to 90 days	*37*	*70*
91 to 180 days	*63*	*101*
181 to 360 days	*61*	*73*
more than 360 days	*33*	*31*
Net value of impaired receivables	91	111
Total trade receivables	**3,999**	**11,213**

Valuation allowances for trade receivables have changed as shown in the following table:

Valuation Allowances for Trade Receivables

€ in millions	2016	2015
Balance as of January 1	**-978**	**-952**
Change in scope of consolidation	129	-47
Write-downs	-236	-332
Reversals of write-downs	87	89
Disposals	188	277
Other[1]	16	-13
Balance as of December 31	**-794**	**-978**

[1]"Other" includes also currency translation adjustments.

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.

With regard to the not impaired and not past due portfolio of trade receivables, there is no indication at the balance sheet date that the debtors will not be able to meet their payment obligations.

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	2016	2015	2016	2015	2016	2015
Due within 1 year	89	99	35	55	54	44
Due in 1 to 5 years	241	368	109	185	132	183
Due in more than 5 years	233	552	47	170	186	382
Total	**563**	**1.019**	**191**	**410**	**372**	**609**

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	2016	2015
Securities and fixed-term deposits	2,147	2,078
Current securities with an original maturity greater than 3 months	*2,146*	*2,020*
Fixed-term deposits with an original maturity greater than 3 months	*1*	*58*
Restricted cash and cash equivalents	852	923
Cash and cash equivalents	5,574	5,189
Total	**8,573**	**8,190**

In 2016, there was €27 million in restricted cash (2015: €4 million) with a maturity greater than three months.

Current securities with an original maturity greater than three months include €275 million (2015: €435 million) in securities held by VKE that are restricted for the fulfillment of legal insurance obligations (see Note 31).

Cash and cash equivalents include €4,668 million (2015: €4,404 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 shares with no par value ("no-par-value shares") and amounts to €2,001,000,000 (2015: €2,001,000,000). The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company ("SE").

Pursuant to a resolution by the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of December 31, 2016, was 1,952,396,600 (December 31, 2015: 1,952,396,600). As of December 31, 2016, E.ON SE held a total of 48,603,400 treasury shares (December 31, 2015: 48,603,400) having a book value of €1,714 million (equivalent to 2.43 percent or €48,603,400 of the capital stock).

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

Authorized Capital

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

Conditional Capital

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

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

(20) Additional Paid-in Capital

Additional paid-in capital declined by €3,357 million during 2016, to €9,201 million (2015: €12,558 million). The reduction of additional paid-in capital is due to the spin-off of Uniper.

(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	2016	2015
Legal reserves	45	45
Other retained earnings	-8,540	9,374
Total	**-8,495**	**9,419**

Under German securities law, E.ON SE shareholders may receive distributions from the balance sheet profit of E.ON SE reported as available for distribution in accordance with the German Commercial Code.

As of December 31, 2016, these German-GAAP retained earnings totaled €472 million (2015: €3,673 million). Of this amount, legal reserves of €45 million (2015: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG. Other retained earnings decreased by €3,612 million because of the spinoff of Uniper Beteiligungs GmbH described in Note 4.

The amount of retained earnings available for distribution is €345 million (2015: €3,626 million).

A proposal to distribute a cash dividend for 2016 of €0.21 per share will be submitted to the Annual Shareholders Meeting. For 2015, shareholders at the June 8, 2016, Annual Shareholders Meeting voted to distribute a dividend of €0.50 for each dividend-paying ordinary share. Based on a €0.21 dividend, the total profit distribution is €410 million (2015: €976 million).

(22) Changes in Other Comprehensive Income

The change in other comprehensive income is primarily the result of the recognition of the OCI of the Uniper Group in the amount of €3.7 billion (of which €2.2 billion relates to non-controlling interests). For further information, please refer to the Consolidated Statements of Recognized Income and Expenses of the E.ON Group on page 109 and the Statement of Changes in Equity on page 114 et seq.

The table at right 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	2016	2015
Balance as of December 31 (before taxes)	**-964**	**-875**
Taxes	-1	7
Balance as of December 31 (after taxes)	**-965**	**-868**

The change in OCI attributable to companies accounted for using the equity method primarily results from the elimination of negative exchange rate differences. This was offset by the recognition of OCI attributable to associates of the Uniper Group.

(23) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table:

Non-Controlling Interests

€ in millions	December 31, 2016	2015
Energy Networks	1,513	1,502
Germany	*1,135*	*1,249*
Sweden	*–*	*–*
CEE/Turkey	*378*	*253*
Customer Solutions	166	184
Germany	*79*	*72*
UK	*1*	*1*
Other	*86*	*111*
Renewables	376	167
Non-Core Business	-1	532
Corporate Functions/Other	288	263
E.ON Group	**2,342**	**2,648**

The decrease in non-controlling interests in the non-core business resulted primarily from the spinoff of Uniper. This was partially offset by a capital increase in the Renewables segment.

The table below illustrates the share of OCI that is attributable to non-controlling interests:

Share of OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Available-for-sale securities	Currency translation adjustments	Remeasurements of defined benefit plans
Balance as of January 1, 2015	**4**	**26**	**-590**	**-238**
Changes	2	-21	-41	92
Balance as of December 31, 2015	**6**	**5**	**-631**	**-146**
Changes	2	4	534	-116
Balance as of December 31, 2016	**8**	**9**	**-97**	**-262**

Subsidiaries with material non-controlling interests are active in diverse areas of the gas and electricity industries. Disclosures of company names, registered offices and equity interests as required by IFRS 12 for subsidiaries with material non-controlling interests can be found in the list of shareholdings pursuant to Section 313 (2) HGB (see Note 36).

The following tables provide a summary overview of cash flow and significant line items of the aggregated income statements and of the aggregated balance sheets of subsidiaries with material non-controlling interests:

Subsidiaries with Material Non-Controlling Interests—Balance Sheet Data as of December 31

	E.ON România Group		E.DIS Group		Avacon Group	
€ in millions	2016	2015	2016	2015	2016	2015
Non-controlling interests in equity	463	356	464	454	709	721
Non-controlling interests in equity (in %)[1]	28.0	24.8	33.0	33.0	38.5	38.5
Dividends paid out to non-controlling interests	–	–	23	23	58	60
Operating cash flow	151	229	254	59	348	237
Non-current assets	1,031	969	2,054	2,039	2,905	2,898
Current assets	772	586	357	281	334	282
Non-current liabilities	246	241	522	498	1,429	1,341
Current liabilities	356	335	443	387	449	392

[1]Non-controlling interests in the lead company of the respective group; share of segment in Romania.

Subsidiaries with Material Non-Controlling Interests—Earnings Data

	E.ON România Group		E.DIS Group		Avacon Group	
€ in millions	2016	2015	2016	2015	2016	2015
Share of earnings attributable to non-controlling interests	39	45	49	52	85	110
Sales	1,201	1,202	2,785	2,672	3,326	3,148
Net income/loss	123	115	146	135	203	271
Comprehensive income	126	110	84	183	59	270

There are no major restrictions beyond those under customary corporate or contractual provisions.

(24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the active and former employees of the E.ON Group, which amounted to €16.4 billion, were covered by plan assets having a fair value of €12.4 billion as of December 31, 2016. This corresponds to a funded status of 76 percent.

In addition to the reported plan assets, VKE, which is included in the Consolidated Financial Statements, administers another fund holding assets of €1.0 billion (2015: €1.1 billion) that do not constitute plan assets under IAS 19 but which are mostly intended for the coverage of retirement benefit obligations at E.ON Group companies in Germany (see Note 31).

The present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) are presented in the table below. A significant component of the change compared to December 31, 2015 is the deconsolidation of the Uniper Group, which is shown in the following tables on changes in the defined benefit obligation, the fair value of plan assets and the net defined benefit liability under changes in the scope of consolidation.

Provisions for Pensions and Similar Obligations

€ in millions	December 31, 2016	2015
Present value of all defined benefit obligations		
Germany	10,412	11,453
United Kingdom	5,933	6,280
Other countries	47	187
Total	**16,392**	**17,920**
Fair value of plan assets		
Germany	7,073	8,133
United Kingdom	5,299	5,554
Other countries	11	25
Total	**12,383**	**13,712**
Net defined benefit liability/asset (-)		
Germany	3,339	3,320
United Kingdom	634	726
Other countries	36	162
Total	**4,009**	**4,208**
Presented as operating receivables	*–*	*-2*
Presented as provisions for pensions and similar obligations	*4,009*	*4,210*

Description of the Benefit Plans

In addition to their entitlements under government retirement systems and the income from private retirement planning, most active and former E.ON Group employees are also covered by occupational benefit plans. Both defined benefit plans and defined contribution plans are in place at E.ON. Benefits under defined benefit plans are generally paid upon reaching retirement age, or in the event of disability or death.

E.ON regularly reviews the pension plans in place within the Group for financial risks. Typical risk factors for defined benefit plans are longevity and changes in nominal interest rates, as well as inflation and rising wages and salaries. In order to avoid exposure to future risks from occupational benefit plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies beginning in 1998.

The existing entitlements under defined benefit plans as of the balance sheet date cover about 50,000 retirees and their beneficiaries (2015: 54,000), about 14,000 former employees with vested entitlements (2015: 17,000) and about 28,000 active employees (2015: 40,000). The corresponding present value of the defined benefit obligations is attributable to retirees and their beneficiaries in the amount of €9.8 billion (2015: €10.1 billion), to former employees with vested entitlements in the amount of €2.5 billion (2015: €2.7 billion) and to active employees in the amount of €4.1 billion (2015: €5.1 billion). Aside from normal employee turnover, the changes from the previous year resulted in particular from the deconsolidation of the Uniper Group.

The features and risks of defined benefit plans are shaped by the general legal, tax and regulatory conditions prevailing in the respective country. The configurations of the major defined benefit and defined contribution plans within the E.ON Group are described in the following discussion.

Germany

Active employees at the German Group companies are predominantly covered by cash balance plans. In addition, some final-pay arrangements, and a small number of fixed-amount arrangements, still exist under individual contracts.

The majority of the reported benefit obligation toward active employees is centered on the “BAS Plan,” a pension unit system launched in 2001, and on a “provision for the future” (“Zukunftssicherung”) plan, a variant of the BAS Plan that emerged from the harmonization in 2004 of numerous benefit plans granted in the past. In the “Zukunftssicherung” benefit plan, vested final-pay entitlements are considered in addition to the defined contribution pension units when determining the benefit. These plans are closed to new hires.

The plans described in the preceding paragraph generally provide for ongoing pension benefits that generally are payable upon reaching the age threshold, or in the event of disability or death.

The only benefit plan open to new hires is the E.ON IQ contribution plan (the “IQ Plan”). This plan is a “units of capital” system that provides for the alternative payout options of a prorated single payment and payments of installments in addition to the payment of a regular pension.

The benefit expense for all the cash balance plans mentioned above is dependent on compensation and is determined at different percentage rates based on the ratio between compensation and the contribution limit in the statutory retirement pension system in Germany. Employees can additionally choose to defer compensation. The cash balance plans contain different interest rate assumptions for the pension units. Whereas fixed interest rate assumptions applied for both the BAS Plan and the “Zukunftssicherung” plan, the units of capital for the open IQ Plan earned interest at the average yield of long-term government bonds of the Federal Republic of Germany observed in the fiscal year. Starting from January 1, 2017, the interest rate for the BAS Plan and the “Zukunftssicherung” plan will be adjusted to market developments and hedged via minimum interest rates. The pension units for the previous years, including for 2016, remain in place unchanged. Based on market developments, an annual determination is made as to whether the minimum interest rates or possibly a higher interest rate is used for the formation of pension units. This interest rate model is also applied to the formation of the capital units in the IQ Plan. Future pension increases at a rate of 1 percent are guaranteed for a large number of active employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate of inflation, usually in a three-year cycle.

To fund the pension plans for the German Group companies, plan assets were established in the form of Contractual Trust Arrangements ("CTAs"). The major part of these plan assets is administered by E.ON Pension Trust e.V. as trustee in accordance with specified investment principles. Additional domestic plan assets are managed by smaller German pension funds. The long-term investments and liquid funds administered by VKE do not constitute plan assets under IAS 19, but are almost exclusively intended for the coverage of benefit obligations at German E.ON Group companies.

Only at the pension funds and at VKE do regulatory provisions exist in relation to capital investment or funding requirements.

As a result of the spinoff of Uniper, the claims of Uniper employees acquired up to that point were transferred to Uniper. In this framework, an additional CTA was established whose plan assets are administered by Uniper Pension Trust e.V. as trustee in accordance with specified investment principles. Existing plan assets intended for the coverage of the benefit obligations of German Uniper companies were transferred out of the E.ON CTA and into the Uniper CTA. The method of implementation for pension obligations covered by VKE that were attributable to the Uniper Group was changed to a pension fund commitment. As a result, assets of €0.2 billion were transferred from VKE to a corporate pension fund.

United Kingdom

In the United Kingdom, there are various pension plans. Until 2005 and 2008, respectively, employees were covered by defined benefit plans, which for the most part were final-pay plans and make up the majority of the pension obligations currently reported for the United Kingdom. These plans were closed to employees hired after these dates. Since then, new hires are offered a defined contribution plan. Aside from the payment of contributions, this plan entails no additional actuarial risks for the employer.

Benefit payments to the beneficiaries of the currently existing defined benefit pension plans are adjusted for inflation as measured by the U.K. Retail Price Index ("RPI").

Plan assets in the United Kingdom are administered in a pension trust. The trustees are selected by the members of the plan or appointed by the entity. In that capacity, the trustees are particularly responsible for the investment of the plan assets.

Separate pension trusts were established for Uniper employees in the context of the Uniper spinoff. Uniper employees had until the end of January 2016 to choose whether to have the entitlements they earned through September 30, 2015, transferred to these new trusts or whether to keep them in the existing pension trust. The overwhelming majority of Uniper employees chose to transfer the previously acquired claims plus the pro rata plan assets to the new pension trust. This transfer was completed at the end of March of 2016.

The Pensions Regulator in the United Kingdom requires that a so-called "technical valuation" of the plan's funding conditions be performed every three years. The actuarial assumptions underlying the valuation are agreed upon by the trustees and E.ON UK plc. They include presumed life expectancy, wage and salary growth rates, investment returns, inflationary assumptions and interest rate levels. The most recent technical valuation took place as of March 31, 2015, and resulted in a technical funding deficit of £967 million. The agreed deficit repair plan provides for a repair payment of £290 million in 2016 and annual payments of £65 million to the pension trust through 2026.

Other Countries

The remaining pension obligations are spread across various international activities of the E.ON Group.

However, these benefit plans in Sweden, Romania, the Czech Republic, Italy and the United States are of minor significance from a Group perspective.

Description of the Benefit Obligation

The following table shows the changes in the present value of the defined benefit obligations for the periods indicated:

Changes in the Defined Benefit Obligation

	2016				2015			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Defined benefit obligation as of January 1	**17,920**	**11,453**	**6,280**	**187**	**18,949**	**12,799**	**5,920**	**230**
Employer service cost	237	169	63	5	339	255	74	10
Past service cost	10	4	6	–	30	16	16	-2
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Interest cost on the present value of the defined benefit obligations	486	276	206	4	489	251	232	6
Remeasurements	2,650	1,608	1,007	35	-1,498	-1,424	-50	-24
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*–*	*–*	*–*	*–*	*-98*	*–*	*-98*	*–*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*2,630*	*1,525*	*1,069*	*36*	*-1,401*	*-1,380*	*-7*	*-14*
Actuarial gains (-)/losses (+) arising from experience adjustments	*20*	*83*	*-62*	*-1*	*1*	*-44*	*55*	*-10*
Employee contributions	–	–	–	–	1	–	1	–
Benefit payments	-702	-449	-251	-2	-730	-447	-276	-7
Changes in scope of consolidation	-3,290	-2,660	-449	-181	-16	5	–	-21
Exchange rate differences	-928	–	-929	1	363	–	363	–
Other	9	11	–	-2	-7	-2	–	-5
Defined benefit obligation as of December 31	**16,392**	**10,412**	**5,933**	**47**	**17,920**	**11,453**	**6,280**	**187**

The net actuarial losses generated in 2016 are largely attributable to a general decrease in the discount rates used within the E.ON Group and the rise in the wage and salary growth rates and pension increase rates in the United Kingdom.

The actuarial assumptions used to measure the defined benefit obligations and to compute the net periodic pension cost at E.ON's German and U.K. subsidiaries as of the respective balance sheet date are as follows:

Actuarial Assumptions

	December 31,		
Percentages	2016	2015	2014
Discount rate			
Germany	2.10	2.70	2.00
United Kingdom	2.90	3.80	3.70
Wage and salary growth rate			
Germany	2.50	2.50	2.50
United Kingdom	3.40	3.20	3.10
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.20	3.00	2.90

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

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 corporate bonds with a duration corresponding to the average period to maturity of the respective obligation.

For the fourth quarter of 2016, the determination of discount rates for the euro and GBP currency areas was standardized and adjusted to the changes in the capital market, in particular the ECB's bond purchase program. This includes, firstly, the fact that the outlier determination now takes increased account of the difference in observable market returns, and secondly, that the discount rate in the maturity bands relevant to the company no longer depends on the volatility of very long-term bonds (more than 25 years). This change led to an increase of 20 basis points in the discount rate for pension obligations in Germany as of December 31, 2016. Consequently, the corresponding actuarial gain was €339 million. For the 2017 fiscal year, this will result in a slightly lower net interest cost of €0.1 million in Germany. As of the balance sheet date, the adjustment had no effect on the level of the discount rate in the UK.

In view of the change in the interest rate assumptions from 2017 onwards, the measurement system for the BAS Plan and the "Zukunftssicherung" plan was converted from the so-called "pro rata" method to the present value of the acquired entitlement. This change resulted in an actuarial loss of €113 million. The adjustment of the annuity conversion factors resulted in negative past service costs of €10 million in the reporting year and in lower service costs of €48 million in 2017.

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:

Actuarial Assumptions (Mortality Tables)

Germany	2005 G versions of the Klaus Heubeck biometric tables (2005)
United Kingdom	CMI "00" and "S1" series base mortality tables 2015, taking into account future changes in mortality

Changes in the actuarial assumptions described previously would lead to the following changes in the present value of the defined benefit obligations:

Sensitivities

	Change in the present value of the defined benefit obligations			
	December 31, 2016		December 31, 2015	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-8.04*	*9.12*	*-7.44*	*8.44*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.43*	*-0.41*	*0.44*	*-0.43*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*2.08*	*-2.03*	*1.79*	*-1.73*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-3.02*	*3.38*	*-2.85*	*3.18*

A 10-percent decrease in mortality would result in a higher life expectancy of beneficiaries, depending on the age of each individual beneficiary. As of December 31, 2016, the life expectancy of a 63-year-old male E.ON retiree would increase by approximately one year if mortality were to decrease by 10 percent.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged.

When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Description of Plan Assets and the Investment Policy

The defined benefit plans are funded by plan assets held in specially created pension vehicles that legally are distinct from the Company. The fair value of these plan assets changed as follows:

Changes in the Fair Value of Plan Assets

€ in millions	2016 Total	2016 Germany	2016 United Kingdom	2016 Other countries	2015 Total	2015 Germany	2015 United Kingdom	2015 Other countries
Fair value of plan assets as of January 1	**13,712**	**8,133**	**5,554**	**25**	**13,375**	**8,033**	**5,296**	**46**
Interest income on plan assets	389	205	184	–	374	163	210	1
Remeasurements	938	352	588	-2	-149	47	-199	3
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*938*	*352*	*588*	*-2*	*-149*	*47*	*-199*	*3*
Employee contributions	–	–	–	–	1	–	1	–
Employer contributions	871	437	433	1	517	316	197	4
Benefit payments	-672	-420	-251	-1	-704	-426	-276	-2
Changes in scope of consolidation	-2,037	-1,639	-387	-11	-12	–	–	-12
Exchange rate differences	-823	–	-822	-1	325	–	325	–
Other	5	5	–	–	-15	–	–	-15
Fair value of plan assets as of December 31	**12,383**	**7,073**	**5,299**	**11**	**13,712**	**8,133**	**5,554**	**25**

A small portion of the plan assets consists of financial instruments of E.ON (2016: €0.1 billion; 2015: €0.2 billion). Because of the contractual structure, however, these instruments do not constitute an E.ON-specific risk to the CTA in Germany. The plan assets further include virtually no owner-occupied real estate or equity and debt instruments issued by E.ON Group companies. Each of the individual plan asset components has been allocated to an asset class based on its substance.

The plan assets thus classified break down as shown in the following table:

Classification of Plan Assets

Percentages	December 31, 2016 Total	Germany	United Kingdom	Other countries	December 31, 2015 Total	Germany	United Kingdom	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	18	22	12	–	18	22	12	2
Debt securities[1]	50	49	52	–	46	47	45	37
Government bonds	*38*	*31*	*46*	–	*35*	*30*	*43*	*1*
Corporate bonds	*10*	*13*	*6*	–	*8*	*12*	*2*	*36*
Other investment funds	18	6	34	–	19	6	38	–
Total listed plan assets	**86**	**77**	**98**	**0**	**83**	**75**	**95**	**39**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	4	5	2	–	3	5	1	–
Debt securities	2	3	–	–	2	3	–	–
Real estate	3	6	–	–	7	10	4	–
Qualifying insurance policies	2	3	–	100	–	–	–	59
Cash and cash equivalents	1	2	–	–	3	5	–	–
Other	2	4	–	–	2	2	–	2
Total unlisted plan assets	**14**	**23**	**2**	**100**	**17**	**25**	**5**	**61**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]In Germany, 5 percent (2015: 5 percent) of plan assets are invested in other debt securities, in particular mortgage bonds ("Pfandbriefe"), in addition to government and corporate bonds.

The fundamental investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding benefit plans. This investment policy stems from the corresponding governance guidelines of the Group. An increase in the net defined benefit liability or a deterioration in the funded status following an unfavorable development in plan assets or in the present value of the defined benefit obligations is identified in these guidelines as a risk that is controlled as part of a risk-budgeting concept. E.ON therefore regularly reviews the development of the funded status in order to monitor this risk.

To implement the investment objective, the E.ON Group primarily pursues an investment approach that takes into account the structure of the benefit obligations. This long-term investment 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, offset by simultaneous corresponding changes in the fair value of plan assets. The investment strategy may also involve the use of derivatives (for example, interest rate swaps and inflation swaps, as well as currency hedging instruments) to facilitate the control of specific risk factors of pension liabilities. In the table above, derivatives have been allocated, based on their substance, to the respective asset classes in which they are used. 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 and thus in excess of the discount rate.

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 in a comprehensive approach against the backdrop of existing investment principles, the current funded status, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The parameters used in the studies are additionally reviewed regularly, at least once each year. Asset managers are tasked with implementing the target portfolio structure. They are monitored for target achievement on a regular basis.

Description of the Pension Cost

The net periodic pension cost for defined benefit plans included in the provisions for pensions and similar obligations and in operating receivables is shown in the table below:

Net Periodic Pension Cost

	2016				2015			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Employer service cost	195	142	52	1	258	185	69	4
Past service cost	12	4	8	–	16	8	9	-1
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Net interest on the net defined benefit liability/asset	84	62	21	1	77	55	21	1
Total	**291**	**208**	**81**	**2**	**351**	**248**	**99**	**4**

In addition to the total net periodic pension cost for defined benefit plans, an amount of €56 million in fixed contributions to external insurers or similar institutions was paid in 2016 (2015: €62 million) for pure defined contribution plans.

Contributions to state plans totaled €0.2 billion (2015: €0.2 billion).

Description of Contributions and Benefit Payments

In 2016, E.ON made employer contributions to plan assets totaling €871 million (2015: €517 million) to fund existing defined benefit obligations.

For the 2017 fiscal year, it is expected that Group-wide employer contributions to plan assets will amount to a total of €234 million and primarily involve the funding of new and existing benefit obligations, with an amount of €138 million attributable to foreign companies.

Benefit payments to cover defined benefit obligations totaled €702 million in 2016 (2015: €730 million); of this amount, €30 million (2015: €26 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2016, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2017	668	433	233	2
2018	676	441	233	2
2019	686	449	235	2
2020	695	452	241	2
2021	699	458	239	2
2022–2026	3,657	2,387	1,255	15
Total	**7,081**	**4,620**	**2,436**	**25**

The weighted-average duration of the defined benefit obligations measured within the E.ON Group was 19.8 years as of December 31, 2016 (2015: 19.7 years).

Description of the Net Defined Benefit Liability

The recognized net liability from the E.ON Group's defined benefit plans results from the difference between the present value of the defined benefit obligations and the fair value of plan assets:

Changes in the Net Defined Benefit Liability

	2016				2015			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Net liability as of January 1	**4,208**	**3,320**	**726**	**162**	**5,574**	**4,766**	**624**	**184**
Net periodic pension cost	344	244	91	9	484	359	112	13
Changes from remeasurements	1,712	1,256	419	37	-1,349	-1,471	149	-27
Employer contributions to plan assets	-871	-437	-433	-1	-517	-316	-197	-4
Net benefit payments	-30	-29	–	-1	-26	-21	–	-5
Changes in scope of consolidation	-1,253	-1,021	-62	-170	-4	5	–	-9
Exchange rate differences	-105	–	-107	2	38	–	38	–
Other	4	6	–	-2	8	-2	–	10
Net liability as of December 31	**4,009**	**3,339**	**634**	**36**	**4,208**	**3,320**	**726**	**162**

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

	December 31, 2016		December 31, 2015	
€ in millions	Current	Non-current	Current	Non-current
Nuclear waste management obligations	10,530	10,848	607	18,696
Personnel obligations	63	760	229	1,182
Other asset retirement obligations	17	1,120	67	1,805
Supplier-related obligations	3	25	1,085	186
Customer-related obligations	220	43	409	108
Environmental remediation and similar obligations	23	446	76	775
Other	1,152	2,367	1,807	3,693
Total	**12,008**	**15,609**	**4,280**	**26,445**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2016	Exchange rate differences	Changes in scope of consolidation	Unwinding of discounts	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2016
Nuclear waste management obligations	19,303	-58	-2,275	781	47	-663	–	–	4,243	21,378
Personnel obligations	1,411	-1	-539	37	207	-262	1	-31	–	823
Other asset retirement obligations	1,872	-115	-840	36	75	-78	–	–	187	1,137
Supplier-related obligations	1,271	–	-1,242	1	988	-582	–	-408	–	28
Customer-related obligations	517	-2	-214	1	42	-29	–	-52	–	263
Environmental remediation and similar obligations	851	-1	-367	8	24	-35	–	-11	–	469
Other	5,500	-100	-2,438	103	2,144	-1,354	10	-346	–	3,519
Total	**30,725**	**-277**	**-7,915**	**967**	**3,527**	**-3,003**	**11**	**-848**	**4,430**	**27,617**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9). The provision items are discounted in accordance with the maturities with interest rates of between 0 and 2.55 percent.

As of December 31, 2016, provisions for nuclear waste management obligations exclusively relate to Germany; other provisions mainly relate to eurozone countries and the United Kingdom.

Provisions for Nuclear Waste Management Obligations

The provisions for nuclear waste management obligations as of January 1, 2016, include provisions for the German nuclear power business of €17.0 billion, and €2.3 billion for Swedish nuclear power activities. As of December 31, 2016, there are only provisions for German nuclear energy activities as a result of the spinoff of the Uniper companies.

The total of €21.4 billion (2015: €17.0 billion) in provisions based on German nuclear power legislation 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, external and internal cost estimates and contractual agreements.

The asset retirement obligations recognized include the anticipated costs of post- and service operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Provisions for the disposal of spent nuclear fuel rods also 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 and the transports to the final storage facility and the cost of proper conditioning prior to final storage, including the necessary containers.

Included furthermore are the costs of final storage of nuclear waste. Final storage costs consist particularly of the expected investment, operating and decommissioning costs for the final storage projects Gorleben and Konrad and are based on data from the German Federal Office for Radiation Protection and 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"); additional costs arise from the German legislation governing the selection of a repository site for high-level radioactive waste ("Standortauswahlgesetz" or "StandAG"), which took effect in

2013. Advance payments, including financing costs of €88 million, primarily remitted to the Federal Office for Radiation Protection and the Federal Office for the Regulation of Nuclear Waste Management in the amount of €1,522 million (2015: €1,319 million) have been deducted from the provisions. These payments are made each year based on the amount spent by the two aforementioned Federal Offices.

The cost estimates used to determine the provision amounts are based on studies and analyses performed by external specialists and are updated annually, provided that the cost estimates are not based on contractual agreements. The amendments to the German Nuclear Energy Act of August 6, 2011, and the Act on the Reorganization of Responsibility in Nuclear Waste Disposal, passed on December 15 and 16, 2016, in the Bundestag and Federal Council as the implementation of the recommendations of the Commission to review the financing of the nuclear phase-out (KFK) set up by the German Ministry of Economic Affairs and Energy in 2015 were taken into account in the measurement of the provisions. This Act essentially regulates the obligations of nuclear operators to pay into a disposal fund, which is yet to be established, as well as the transfer of financing and action obligations for the disposal of radioactive waste to the Federal Republic of Germany. The disposal of radioactive waste affects the central and decentralized interim storage as well as the identification, construction and operation of the final storage to be established. E.ON had to pay a total amount of €10.0 billion based on the consolidated nuclear power plant. This amount includes the so-called basic amount of €7.4 billion plus carry-forward and a risk surcharge of €2.6 billion. The basic amount of €7.4 billion will continue to be financed from January 1, 2017, to June 30, 2017, at an interest rate of 4.58 percent, taking into account the claims incurred during the period. This development resulted in an increase in provisions in the amount of €0.2 billion. In addition, E.ON may be entitled to settle future risks by paying a risk surcharge. The premium, as the difference between the provision value and the payment amount is about €2.2 billion. Immediate payment of the risk surcharge is assumed for the calculation of the provision. Accordingly, the existing capitalized disposal costs of €1.6 billion were recognized as fully impaired. The legislative implementation of the KFK recommendations results in an increase in provisions of approximately €2.4 billion for E.ON. Taking into account the impairment mentioned above, the impact on net income attributable to E.ON shareholders is €2.6 billion. As E.ON retains liability until final payment under nuclear power law, the disposal obligation is still to be reported as a provision for nuclear disposal obligations.

In the following, the provision items after deduction of advance payments are classified based on the recommendations of the KFK.

Nuclear Waste Management Obligations in Germany (Less Advance Payments)

	December 31,	
€ in millions	2016	2015
Remaining with E.ON		
Retirement and decomissioning	9,550	7,857
Containers, transports, operational waste, other	1,649	1,501
Subtotal	**11,199**	**9,358**
Transferred to disposal fund		
Containers, transports, operational waste, other	1,477	1,401
Interim storage	2,210	2,205
Schacht Konrad final storage facility	1,347	1,363
Final storage facilities for highly active waste	2,731	2,647
Subtotal	**7,765**	**7,616**
Risk surcharge before transfer to minority shareholders	2,245	n.a.
Further development of the payment amount from December 31, 2016 to June 30, 2017	169	n.a.
Total	**21,378**	**16,974**

Provisions, if they are non-current, are measured at their settlement amounts, discounted to the balance sheet date.

Transfer of responsibility in 2017, in particular for interim and permanent storage costs, resulted in a substantial reduction in the duration of the disposal obligation. A risk-free discount rate of an average of about 0.5 percent applies to E.ON's remaining disposal obligations (previous year: 4.4 percent cumulatively for E.ON's disposal obligations, which are transferred to the disposal fund). Correspondingly, an applicable cost increase rate of 1.4 percent p.a. was applied to E.ON's remaining disposal obligations (previous year: 3.5 percent cumulatively for E.ON's disposal obligations, which are transferred to the disposal fund, corresponding to a net interest rate of -0.9 percent (previous year: +0.9 percent). The change in the discount rate and the cost increase rate resulted in an increase in the provision on the part remaining with E.ON in the amount of approximately €1.9 billion. Of this amount, €1.0 billion was offset against non-current assets. A change in the net interest rate of 0.1 percent would change the amount of the provision recognized on the balance sheet by €0.1 billion.

Excluding the effects of discounting and cost increases, the amounts for E.ON's remaining disposal obligations would be €10,134 million with average credit terms of approximately 10 years. An increase of 0.1 percent in the discount rate would decrease the amount of the obligation to €10.0 billion. A decrease of 0.1 percent in the discount rate would increase the amount of the obligation to €10.2 billion.

There were changes in estimates for the German nuclear power business in 2016 in the amount of €4,243 million (2015: -€53 million), which primarily includes the effects from the change in the discount rate and the cost increase rate of €1.9 billion and consideration of the risk surcharge in the amount of €2.2 billion. €630 million (2015: €373 million) of this was used, of which €412 million (2015: €246 million) relates to nuclear power plants that are being dismantled or are in shutdown mode, on the basis of issues for which retirement and decommissioning costs had been capitalized. Current charges for the provision items that are transferred to the disposal fund amount to €290 million (2015: €89 million). The increase in utilization is due in particular to the prepayment of €80 million of primarily future interim storage in the course of the implementation of the KFK recommendations.

Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations, restructuring and other deferred personnel costs.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for renewable-energy power plants and infrastructure. In addition, the provisions for dismantling conventional plant components in the nuclear power segment, which are based on legally binding civil agreements and public provisions, in the amount of €457 million (2015: €331 million) are taken into account here. Excluding discounting and cost-increase effects, the amounts for these disposal obligations would be €381 million.

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 rebates and on open sales contracts.

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 some of the provisions 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.

(26) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

	December 31, 2016			December 31, 2015		
€ in millions	Current	Non-current	Total	Current	Non-current	Total
Financial liabilities	**3,792**	**10,435**	**14,227**	**2,788**	**14,954**	**17,742**
Trade payables	2,040	–	2,040	2,375	–	2,375
Capital expenditure grants	11	313	324	22	386	408
Construction grants from energy consumers	190	1,750	1,940	232	1,803	2,035
Liabilities from derivatives	382	2,485	2,867	10,779	4,786	15,565
Advance payments	48	2	50	141	203	344
Other operating liabilities	4,217	697	4,914	11,262	1,168	12,430
Trade payables and other operating liabilities	**6,888**	**5,247**	**12,135**	**24,811**	**8,346**	**33,157**
Total	**10,680**	**15,682**	**26,362**	**27,599**	**23,300**	**50,899**

Unless otherwise noted, the changes in liabilities result from the disposal of Uniper. This also applies in particular for the decrease in liabilities from derivative financial instruments from €15,565 million in 2015 to €2,867 million in 2016.

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 SE, E.ON International Finance B.V. ("EIF"), Amsterdam, The Netherlands, and E.ON Beteiligungen GmbH 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

A Debt Issuance Program simplifies the issuance from time to time of debt instruments through public and private placements to investors. The Debt Issuance Program of E.ON SE and EIF was most recently extended for one year in April 2015, with a total amount of €35 billion. The program was not extended after it expired in April 2016 due to the spinoff of the Uniper operations. E.ON SE plans to renew the program in 2017.

At year-end 2016, 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
EUR 900 million	15 years	May 2017	6.375%
EUR 1,769 million[2]	10 years	Oct 2017	5.500%
USD 2,000 million[3]	10 years	Apr 2018	5.800%
GBP 850 million[4]	12 years	Oct 2019	6.000%
EUR 1,400 million[5]	12 years	May 2020	5.750%
GBP 975 million[6]	30 years	June 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[3]	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 two Rule 144A/Regulation S USD bonds, which are unlisted.
[2]After early redemption, the volume of this issue was lowered from originally EUR 2,375 million to approx. EUR 1,769 million.
[3]Rule 144A/Regulation S bond.
[4]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[5]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[6]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2016, were private placements with a total volume of approximately €1 billion (2015: €0.9 billion), as well as promissory notes with a total volume of approximately €0.4 billion (2015: €0.4 billion).

€10 Billion and $10 Billion Commercial Paper Programs

The euro commercial paper program in the amount of €10 billion allows E.ON SE and EIF (under the unconditional guarantee of E.ON SE) 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 SE 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, 2016, no commercial paper was outstanding under either the euro commercial paper program (2015: €0 million) or the U.S. commercial paper program (2015: €0 million).

€3.5 Billion Syndicated Revolving Credit Facility

Effective November 6, 2013, E.ON arranged a syndicated revolving credit facility in the original amount of €5 billion over an original term of five years, with two renewal options for one year each. In 2014, E.ON exercised the first option and extended the term of the credit facility by one year through 2019. In 2015, E.ON, with the consent of the banks, postponed its right to exercise the second term-extension option by one year, to 2016. The second option was not used. Effective September 13, 2016, E.ON reduced the amount of the credit facility from €5 billion to €3.5 billion in connection with the spinoff of Uniper. 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.

The bonds issued by E.ON SE and those issued by EIF and E.ON Beteiligungen GmbH (respectively guaranteed by E.ON SE) have the maturities presented in the table below. Liabilities denominated in foreign currency include the effects of economic hedges, and the amounts shown here may therefore vary from the amounts presented on the balance sheet.

Bonds Issued by E.ON SE, E.ON International Finance B.V. and E.ON Beteiligungen GmbH

€ in millions	Total	Due in 2016	Due in 2017	Due in 2018	Due in 2019	Due in 2020	Due between 2021 and 2027	Due after 2027
December 31, 2016	12,452	–	2,669	1,989	1,238	1,400	539	4,617
December 31, 2015	14,011	1,238	2,669	1,986	1,282	1,400	539	4,897

Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	Energy Networks					
	Germany		Sweden		CEE/Turkey	
€ in millions	2016	2015	2016	2015	2016	2015
Bonds	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Bank loans/Liabilities to banks	46	31	–	–	–	–
Liabilities from finance leases	248	245	–	–	–	–
Other financial liabilities	45	62	–	–	–	–
Financial liabilities	**339**	**338**	**0**	**0**	**0**	**0**

[1]The values of the Uniper Group, which was deconsolidated as of December 31, 2016, are included at approximately €1,959 million in 2015.

Liabilities to financial institutions include, among other items, collateral received, measured at a fair value of €97 million (2015: €115 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 €370 million (2015: €375 million) and financial guarantees totaling €8 million (2015: €8 million). Also included is collateral received in connection with goods and services in the amount of €21 million (2015: €18 million). E.ON can use this collateral without restriction.

Trade Payables and Other Operating Liabilities

Trade payables totaled €2,040 million as of December 31, 2016 (2015: €2,375million). The deviation includes significant changes through Uniper companies that are not offset by E.ON companies.

Capital expenditure grants of €324 million (2015: €408 million) were paid primarily by customers for capital expenditures made on their behalf, while the E.ON Group 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.

Customer Solutions													
Germany		UK		Other		Renewables		Non-Core Business[1]		Corporate Functions/Other		E.ON Group	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
–	–	–	–	–	–	–	–	–	–	11,905	13,750	11,905	13,750
–	–	–	–	–	–	–	–	–	–	–	–	0	0
2	4	–	–	–	–	3	5	–	134	97	115	148	289
1	1	–	–	21	22	–	–	4	471	84	88	358	827
1	1	–	–	58	77	508	372	634	1,761	570	603	1,816	2,876
4	**6**	**0**	**0**	**79**	**99**	**511**	**377**	**638**	**2,366**	**12,656**	**14,556**	**14,227**	**17,742**

Construction grants of €1,940 million (2015: €2,035 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 €2,647 million (2015: €8,389 million) and interest payable in the amount of €499 million (2015: €571 million). The change in accruals is primarily the result of the disposal of Uniper. Also included in other operating liabilities are carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries, in the amount of €398 million (2015: €260 million), as well as non-controlling interests in fully consolidated partnerships with legal structures that give their shareholders a statutory right of withdrawal combined with a compensation claim, in the amount of €95 million (2015: €426 million).

(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 €4 million as of December 31, 2016 (2015: €16 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 may trigger payment obligations based on the occurrence of certain events. These consist primarily of financial guarantees and warranties.

In addition, E.ON has entered into indemnification agreements, which as a rule are incorporated in agreements concerning the disposal of shareholdings and, above all, affect the customary representations and warranties with relation to liability risks for environmental damage and contingent tax risks. 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 SE or its legal predecessors 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, 2016, remained unchanged from 2015 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 and is included within the liquidity plan.

As of December 31, 2016, E.ON SE also issues collateral in the amount of €3.9 billion for former Group companies, which will be repaid or to a great extent assumed by the companies of the Uniper Group in the future. The largest beneficiary on a pro rata basis is Uniper Energy Storage GmbH, with a payment guarantee in the amount of €0.9 billion. This also includes guarantees in connection with Swedish nuclear power activities. The transfer of these guarantees and obligations from E.ON to Uniper requires the approval of the Swedish government, which is expected in 2017.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties, or on the basis of legal requirements.

As of December 31, 2016, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €1.9 billion (2015: €2.7 billion). Of these commitments, €1.3 billion are due within one year. This total mainly includes financial obligations for as yet outstanding investments, in particular in the Renewables, Energy Networks Germany and Sweden units. Investments in the Renewables units are in connection with new power plant construction projects and the expansion and modernization of existing wind power plants. On December 31, 2016, these purchase obligations totaled €1.0 billion.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2016, relate primarily to the purchase of natural gas and electricity. Financial obligations under the gas purchase contracts amount to approximately €3.6 billion on December 31, 2016 (€0.8 billion due within one year). Financial obligations under the electricity purchase contracts amount to approximately €3.6 billion on December 31, 2016 (€2.0 billion due within one year). Additional purchase commitments as of December 31, 2016, amounted to approximately €0.8 billion (€0.1 billion due within one year). This includes long-term contractual commitments to purchase heat and alternative fuels.

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	2016	2015
Due within 1 year	138	259
Due in 1 to 5 years	320	550
Due in more than 5 years	357	697
Total	**815**	**1,506**

The decrease in lease obligations under operating leases in fiscal 2016 resulted predominantly from the deconsolidation of the Uniper business.

The expenses reported in the income statement for these leasing agreements amounted to €138 million (2015: €211 million). They include contingent rents.

In addition, further financial obligations in place as of December 31, 2016, totaled approximately €1.5 billion (€0.9 billion due within one year). They include, among other things, financial obligations from services to be procured and obligations concerning 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, 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 on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the electricity and gas sectors (also as a consequence of the energy transition) concerning price increases and anticompetitive practices. Legal action is also pending in the nuclear power segment, centered on the new Repository Site Selection Act and the nuclear-power moratorium in Germany.

The entire sector is involved in a multitude of court proceedings throughout Germany in the matter of price-adjustment clauses and price adjustments in the retail basic supply business (tariff customers) and non-tariff customers in the electricity, gas and heating sector. These proceedings also include actions for the restitution of amounts collected through price increases imposed using price-adjustment clauses determined to be invalid. In a judgment delivered in October 2014, the European Court of Justice ruled that Germany's Basic Supply Ordinances for Power and Gas do not comply with the relevant European directives. The German Federal Court of Justice has issued numerous rulings on the legal consequences of this violation for German law. Although no companies of the E.ON Group are directly involved in these particular preliminary-ruling proceedings, there is a risk that claims asserted against Group companies for the restitution of amounts collected through such price increases might be successful.

On December 6, 2016, the Federal Constitutional Court ruled that the 13th amendment to the German Nuclear Energy Act (AtG) is fundamentally constitutional. According to the court, there is only a constitutional violation on the marginal areas of the law. The 13th amendment to the Nuclear Energy Act violates the right property to the extent that the introduction of fixed shut-down dates for the nuclear power plants operated in Germany does not ensure inter-company consumption of existing electricity quantities up to the set shutdown dates. In addition, the 13th amendment to the Nuclear Energy Act is incompatible with basic rights in that it does not provide for a scheme to compensate for investments made in justified confidence in the additional electricity production quotas granted in 2010 and subsequently frustrated by the new regulation. The legislature is required to adopt a new regulation by June 30, 2018, in which it grants compensation of some sort for this change. The nuclear-fuel tax remains at its original level after the reversal of the operating-life extensions. E.ON believes that this tax contravenes Germany's constitution and European law and is therefore pursuing administrative proceedings and taking legal action against it. This view was affirmed by both the Hamburg Fiscal Court and the Munich Fiscal Court. After the Federal Fiscal Court overturned the temporary suspension of the tax previously ordered by the lower fiscal courts, the European Court of Justice ruled in June 2015, with regard to the issues brought before it, affirming that the tax is consistent with European law. The Federal Constitutional Court has not yet issued its final ruling.

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.

Legal risks and litigation of the Uniper Group, such as risks for gas volumes from long-term contracts with take-or-pay obligations are not reported after the deconsolidation of the Uniper Group from E.ON.

(29) Supplemental Cash Flow Disclosures

The total consideration received by E.ON in 2016 on the disposal of consolidated equity interests and activities generated cash inflows of €345 million (2015: €3,933 million). Cash and cash equivalents divested in connection with the disposals amounted to €21 million (2015: €187 million). The sale of these activities led to reductions of €741 million (2015: €6,351 million) in assets and €597 million (2015: €5,225 million) in provisions and liabilities.

At €3.0 billion, the E.ON Group's operating cash flow was €1.2 billion lower than the prior-year level (2015: €4.2 billion). This decrease resulted primarily from higher net income tax payments and the sale of the E&P operations. In addition, an increase in the level of working capital was only partially offset by effects such as lower interest payments.

Cash provided by investing activities of continuing operations amounted to roughly -€3.0 billion in 2016 (2015: €1.4 billion). Of this change of -€4.4 billion, -€3.5 billion is attributable to lower cash inflows from disposals, with investments remaining nearly constant. This decline is mainly due to the proceeds of disposals of operations in Spain, of solar, hydro and conventional generating capacity in Italy, of exploration activities in Norway, and of the remaining 49-percent stake in the company formerly called E.ON Energy from Waste. Net ouflows from the sale or acquisition of securities, financial assets and fixed-term deposits in the year under review amounted to -€0.8 billion, compared to net inflows of +€0.2 billion in the previous year.

In 2016, cash provided by financing activities of continuing operations amounted to -€1.2 billion (2015: -€3.9 billion). The change of roughly +€2.7 billion is primarily attributable to the repayment of financial liabilities undertaken in the previous year. A €0.3 billion higher dividend payout to E.ON Group shareholders was almost fully offset by net inflows from changes in capital (change in non-controlling interests in the equity of fully consolidated Group companies).

(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.

At the E.ON Group, hedge accounting in accordance with IAS 39 is employed primarily in connection with hedging long-term liabilities and bonds to be issued in the future via interest-rate derivatives and for hedging long-term foreign currency receivables and payables and foreign investments via currency derivatives. E.ON also hedges net investments in foreign operations.

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.

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, swaptions 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, 2016, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 30 years (2015: up to 35 years) and interest cash flow hedges with maturities of up to 19 years (2015: up to 10 years). Planned commodity positions have maturities of up to 13 years.

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2016, produced a gain of €20 million (2015: €6 million gain).

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—2016

€ in millions	Carrying amount	Expected gains/losses 2017	2018	2019–2021	>2021
OCI—Currency cash flow hedges	212	–	7	13	-232
OCI—Interest cash flow hedges	1,048	-5	-8	-21	-1,014
OCI—Commodity cash flow hedges	-13	–	1	2	10

[1]Other comprehensive income. Figures are pretax.

Timing of Reclassifications from OCI[1] to the Income Statement—2015

€ in millions	Carrying amount	Expected gains/losses 2016	2017	2018–2020	>2020
OCI—Currency cash flow hedges	70	–	32	8	-110
OCI—Interest cash flow hedges	759	-2	-2	-8	-747
OCI—Commodity cash flow hedges	–	–	–	–	–

[1]Other comprehensive income. Figures are pretax.

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 designated derivatives in cash flow hedges totaled -€624 million (2015: -€574 million).

A loss of €673 million (2015: €499 million gain) was posted to other comprehensive income in 2016. In the same period, a gain of €342 million (2015: €348 million loss) 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, 2016, the Company recorded an amount of €568 million (2015: €746 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 2015, no ineffectiveness resulted from net investment hedges in 2016.

Valuation of Derivative Instruments

The fair value of derivative financial 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. The fair value to be determined for each derivative instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). E.ON also takes into account the counterparty credit risk when determining fair value (credit value adjustment). The fair values of derivative instruments are calculated using common market valuation methods with reference to available market data on the measurement 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 and oil 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 10-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 €39 million or an increase of €39 million, respectively.

At the beginning of 2016, a net loss of €47 million from the initial measurement of derivatives was deferred. In the year under review, deferred expenses increased by €11 million to €58 million, which will be recognized in income during subsequent periods as the contracts are settled. In addition to the realization of deferred income of €5 million, the increase resulted primarily from the deferral of the initial measurement of derivatives in the net amount of €49 million. This was offset by the deconsolidation of the Uniper Group, which resulted in a decrease of €43 million.

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

	December 31, 2016		December 31, 2015	
€ in millions	Nominal value	Fair value	Nominal value	Fair value
FX forward transactions	18,848.8	-112.1	21,398.3	38.9
Subtotal	**18,848.8**	**-112.1**	**21,398.3**	**38.9**
Cross-currency swaps	7,931.2	321.7	7,929.2	110.9
Cross-currency interest rate swaps	35.5	36.0	35.5	38.8
Subtotal	**7,966.7**	**357.7**	**7,964.7**	**149.7**
Interest rate swaps	2,042.7	-811.0	1,786.0	-548.6
Fixed-rate payer	*1,792.7*	*-847.2*	*1,536.0*	*-590.1*
Fixed-rate receiver	*250.0*	*36.2*	*250.0*	*41.5*
Interest rate options	1,000.0	-203.1	1,600.0	-248.3
Subtotal	**3,042.7**	**-1,014.1**	**3,386.0**	**-796.9**
Other derivatives	55.1	-27.6	165.0	-0.8
Subtotal	**55.1**	**-27.6**	**165.0**	**-0.8**
Total	**29,913.3**	**-796.1**	**32,914.0**	**-609.1**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

	December 31, 2016		December 31, 2015	
€ in millions	Nominal value	Fair value	Nominal value	Fair value
Electricity forwards	1,645.2	255.9	42,677.4	210.3
Exchange-traded electricity forwards	–	–	17,620.1	411.9
Electricity swaps	1,466.3	175.7	1,694.4	38.4
Electricity options	107.4	-53.5	196.2	-35.1
Gas forwards	433.5	49.7	34,697.1	484.0
Exchange-traded gas forwards	–	–	12,344.1	249.2
Gas swaps	317.5	17.9	4,919.0	22.7
Gas options	–	–	59.2	-15.2
Coal forwards and swaps	–	–	1,190.0	17.5
Exchange-traded coal forwards	–	–	12,953.3	-208.7
Oil derivatives	28.3	-2.8	968.5	-9.0
Exchange-traded oil derivatives	–	–	439.8	-6.1
Emissions-related derivatives	2.7	2.2	20.1	-8.0
Exchange-traded emissions-related derivatives	–	–	651.4	38.0
Other derivatives	24.2	2.0	51.7	21.2
Other exchange-traded derivatives	–	–	112.7	43.3
Total	**4,025.1**	**447.1**	**130,595.0**	**1,254.4**

(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, 2016

€ 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	821	821	AfS	821	66	206
Financial receivables and other financial assets	1,016	1,016				
Receivables from finance leases	*372*	*372*	*n/a*			
Other financial receivables and financial assets	*644*	*644*	*LaR*	*644*	–	–
Trade receivables and other operating assets	8,480	7,737				
Trade receivables	*3,999*	*3,999*	*LaR*			
Derivatives with no hedging relationships	*1,647*	*1,647*	*HfT*	*1,647*	*29*	*1,413*
Derivatives with hedging relationships	*871*	*871*	*n/a*	*871*	–	*871*
Other operating assets	*1,963*	*1,220*	*LaR*	*1,220*	–	–
Securities and fixed-term deposits	6,474	6,474	AfS	6,474	6,091	383
Cash and cash equivalents	5,574	5,574	LaR			
Restricted cash	852	852	LaR			
Assets held for sale	12	–	AfS	–	–	–
Total assets	**23,229**	**22,474**				
Financial liabilities	14,227	13,690				
Bonds	*11,905*	*11,905*	*AmC*	*16,930*	*16,930*	–
Bank loans/Liabilities to banks	*148*	*148*	*AmC*	*148*	*97*	*51*
Liabilities from finance leases	*358*	*358*	*n/a*			
Other financial liabilities	*1,816*	*1,279*	*AmC*	*1,317*	*506*	*811*
Trade payables and other operating liabilities	12,135	8,721				
Trade payables	*2,040*	*2,040*	*AmC*			
Derivatives with no hedging relationships	*1,295*	*1,295*	*HfT*	*1,295*	*43*	*1,152*
Derivatives with hedging relationships	*1,572*	*1,572*	*n/a*	*1,572*	–	*1,572*
Put option liabilities under IAS 32[2]	*493*	*493*	*AmC*	*493*	–	–
Other operating liabilities	*6,735*	*3,321*	*AmC*	*3,321*	–	–
Total liabilities	**26,362**	**22,411**				

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

The carrying amounts of cash and cash equivalents and of trade receivables and trade payables 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, 2015

€ 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	1,202	1,202	AfS	1,202	145	408
Financial receivables and other financial assets	5,064	5,044				
Receivables from finance leases	*609*	*609*	*n/a*			
Other financial receivables and financial assets	*4,455*	*4,435*	*LaR*	*4,435*	*–*	*–*
Trade receivables and other operating assets	30,865	28,938				
Trade receivables	*11,213*	*11,213*	*LaR*			
Derivatives with no hedging relationships	*15,600*	*15,600*	*HfT*	*15,600*	*6,521*	*8,686*
Derivatives with hedging relationships	*610*	*610*	*n/a*	*610*	*–*	*610*
Other operating assets	*3,442*	*1,515*	*LaR*	*1,515*	*–*	*–*
Securities and fixed-term deposits	6,802	6,802	AfS	6,802	6,268	463
Cash and cash equivalents	5,189	5,189	LaR			
Restricted cash	923	923	LaR			
Assets held for sale	1,191	203	AfS	203	–	93
Total assets	**51,236**	**48,301**				
Financial liabilities	17,742	16,837				
Bonds	*13,750*	*13,750*	*AmC*	*16,655*	*16,655*	*–*
Bank loans/Liabilities to banks	*289*	*289*	*AmC*	*289*	*–*	*289*
Liabilities from finance leases	*827*	*827*	*n/a*			
Other financial liabilities	*2,876*	*1,971*	*AmC*	*1,971*	*544*	*–*
Trade payables and other operating liabilities	33,157	28,317				
Trade payables	*2,375*	*2,375*	*AmC*			
Derivatives with no hedging relationships	*14,384*	*14,384*	*HfT*	*14,384*	*5,985*	*8,367*
Derivatives with hedging relationships	*1,181*	*1,181*	*n/a*	*1,181*	*–*	*1,181*
Put option liabilities under IAS 32[2]	*686*	*686*	*AmC*	*686*	*–*	*–*
Other operating liabilities	*14,531*	*9,691*	*AmC*	*9,691*	*–*	*–*
Total liabilities	**50,899**	**45,154**				

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

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 €56 million (2015: €62 million) as cash flows could not be determined reliably for them. The shareholdings are not material by comparison with the overall position of the Group.

The determination of the fair value of derivative financial instruments is discussed in Note 30.

In 2016, there were no material reclassifications between Levels 1 and 2 of the fair value hierarchy. At the end of each reporting period, E.ON assesses whether there might be grounds for reclassification between hierarchy levels.

The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data (see also Note 1). In 2016, equity investments were reclassified into Level 3 in the amount of €60 million, and out of Level 3 in the amount of €19 million. 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, 2016	Purchases (including additions)	Sales (including disposals)	Settle-ments	Gains/ Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	Dec. 31, 2016
Equity investments	649	47	-162	–	-14	60	-19	-12	549
Derivative financial instruments	361	141	-359	-14	-34	–	-4	14	105
Total	**1,010**	**188**	**-521**	**-14**	**-48**	**60**	**-23**	**2**	**654**

Within sales (including disposals), €509 million results from the deconsolidation of the Uniper Group. Within derivative financial instruments, the purchases (including additions) essentially result from the fact that the deconsolidation of Uniper has generated external derivatives relationships between E.ON and the Uniper Group for the first time.

The extent to which the offsetting of financial assets is covered by netting agreements is presented in the following table:

Netting Agreements for Financial Assets and Liabilities as of December 31, 2016

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	3,999	–	3,999	41	–	3,958
Interest-rate and currency derivatives	1,858	–	1,858	–	97	1,761
Commodity derivatives	660	–	660	15	–	645
Total	**6,517**	**0**	**6,517**	**56**	**97**	**6,364**
Financial liabilities						
Interest-rate and currency derivatives	2,654	–	2,654	–	800	1,854
Commodity derivatives	213	–	213	15	–	198
Trade payables	2,040	–	2,040	41	–	1,999
Total	**4,907**	**0**	**4,907**	**56**	**800**	**4,051**

Netting Agreements for Financial Assets and Liabilities as of December 31, 2015

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	11,213	–	11,213	3,982	–	7,231
Interest-rate and currency derivatives	1,436	–	1,436	–	115	1,321
Commodity derivatives	14,774	–	14,774	6,213	478	8,083
Total	**27,423**	**0**	**27,423**	**10,195**	**593**	**16,635**
Financial liabilities						
Interest-rate and currency derivatives	2,047	–	2,047	–	848	1,199
Commodity derivatives	13,518	–	13,518	6,213	426	6,879
Other operating liabilities	14,531	–	14,531	3,982	–	10,549
Total	**30,096**	**0**	**30,096**	**10,195**	**1,274**	**18,627**

Transactions and business relationships resulting in the derivative financial receivables and liabilities presented are generally concluded on the basis of standard contracts that permit the netting of open transactions in the event that a counterparty becomes insolvent.

The netting agreements are derived from netting clauses contained in master agreements including those of the International Swaps and Derivatives Association (ISDA) and the European Federation of Energy Traders (EFET), as well as the German Master Agreement for Financial Derivatives Transactions (“DRV”) and the Financial Energy Master Agreement (“FEMA”). Collateral pledged to and received from financial institutions in relation to these liabilities and assets limits the utilization of credit lines in the fair value measurement of interest-rate and currency derivatives, and is shown in the table. For commodity derivatives in the energy trading business, the netting option is not presented in the accounting because the legal enforceability of netting agreements varies by country. The E.ON Group did not net interest-rate and currency derivatives and non-derivative financial instruments.

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, 2016

€ in millions	Cash outflows 2017	Cash outflows 2018	Cash outflows 2019–2021	Cash outflows from 2022
Bonds	3,277	2,358	3,358	7,937
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	108	11	10	23
Liabilities from finance leases	55	111	103	246
Other financial liabilities	918	399	–	–
Financial guarantees	97	–	–	–
Cash outflows for financial liabilities	**4,455**	**2,879**	**3,471**	**8,206**
Trade payables	2,040	–	–	–
Derivatives (with/without hedging relationships)	9,349	761	1,284	2,030
Put option liabilities under IAS 32	33	97	66	335
Other operating liabilities	3,313	5	5	2
Cash outflows for trade payables and other operating liabilities	**14,735**	**863**	**1,355**	**2,367**
Cash outflows for liabilities within the scope of IFRS 7	**19,190**	**3,742**	**4,826**	**10,573**

Cash Flow Analysis as of December 31, 2015

€ in millions	Cash outflows 2016	Cash outflows 2017	Cash outflows 2018–2020	Cash outflows from 2021
Bonds	2,088	3,347	5,837	9,830
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	161	35	77	49
Liabilities from finance leases	103	166	231	1,357
Other financial liabilities	1,362	34	469	1,068
Financial guarantees	26	–	–	–
Cash outflows for financial liabilities	**3,740**	**3,582**	**6,614**	**12,304**
Trade payables	2,329	–	–	–
Derivatives (with/without hedging relationships)	43,506	11,370	7,869	2,725
Put option liabilities under IAS 32	162	5	109	410
Other operating liabilities	9,611	2	6	2
Cash outflows for trade payables and other operating liabilities	**55,608**	**11,377**	**7,984**	**3,137**
Cash outflows for liabilities within the scope of IFRS 7	**59,348**	**14,959**	**14,598**	**15,441**

Financial guarantees with a total nominal volume of €97 million (2015: €26 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. E.ON has recognized a liability for this in the amount of €8 million (2015: €8 million).

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 2016.

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	2016	2015
Loans and receivables	-210	-94
Available for sale	1,715	662
Held for trading	745	33
Amortized cost	-529	-861
Total	**1,721**	**-260**

[1]The categories are described in detail in Note 1.

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, reduced by 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 changes in market value were primarily influenced by the fair value measurement of commodity derivatives and of realized gains on currency derivatives.

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. Credit risks are monitored and controlled on a Group-wide basis by Financial Controlling, with the support of a standard software package.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Management Board of E.ON SE 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 SE and certain financing companies. Funds are provided to the other Group companies as needed on the basis of an "in-house banking" solution.

E.ON SE 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 the planned liquidity requirement or surplus. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, divestments, margin payments and the maturity of bonds and commercial paper.

2. Price Risks

In the normal course of business, the E.ON Group is exposed to risks arising from price changes in foreign exchange, interest rates, commodities and 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, among others.

3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. 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. For example, E.ON faces certain risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk, regulatory risk and legal risk, which are not represented in the following analyses.

Foreign Exchange Risk Management

E.ON SE 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. Translation risks are hedged through borrowing in the corresponding local currency, which may also include shareholder loans in foreign currency. In addition, derivative and primary 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, net assets 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 attributable to foreign currency transactions. The subsidiaries are responsible for controlling their operating currency risks. E.ON SE 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 €113 million as of December 31, 2016 (2015: €181 million) and resulted primarily from the positions in British pounds, US dollars and Swedish kronor.

Interest Risk Management

E.ON is exposed to profit risks arising from floating-rate financial liabilities and from interest rate derivatives. 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 medium-term planning period. This also involves the use of interest rate derivatives.

With interest rate derivatives included, the share of financial liabilities with floating interest rates was 0 percent as of December 31, 2016 (2015: 0 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €10.7 billion at year-end 2016, would decline to €9.6 billion in 2017 and €9.1 billion in 2018. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 9.9 years as of December 31, 2016 (2015: 9.6 years). The volume-weighted average interest rate of the financial liabilities, including interest rate derivatives, was 5.6 percent as of December 31, 2016 (2015: 5.9 percent).

As of December 31, 2016, the E.ON Group held interest rate derivatives with a nominal value of €3,043 million (2015: €3,386 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 raise interest charges by €43.7 million or lower them (2015: ±0) in the subsequent fiscal year.

Commodity Price Risk Management

The E.ON portfolio of physical assets, long-term contracts and end-customer sales is exposed to substantial risks from fluctuations in commodity prices. The principal commodity prices to which E.ON is exposed relate to electricity, gas and emission certificates.

The objective of commodity risk management is to transact through physical and financial contracts to optimize the value of the portfolio while reducing the potential negative deviation from target EBIT.

Until December 31, 2016, the maximum permissible risk was determined centrally by the Management Board and allocated over a three-year planning horizon into a decentralized limit structure in coordination with the units. For that there has been a clear system of internal controls in place that follows best-practice industry standards of risk management.

Within the framework of the spinoff of Uniper, E.ON is establishing procurement capabilities for its sales business and ensuring market access for E.ON's remaining energy production. In the normal course of business of the underlying energy production and retail sales activities, E.ON's individual management units are exposed to uncertain commodity market prices, which impacts operating gains and costs. All external trading on commodity markets must be related to reducing open commodity positions and be undertaken in strict accordance with approved commodity hedging strategies. As it is further expanding these capabilities, E.ON was still in a transitional phase at the end of the year.

Until December 31, 2016, from a forward-looking perspective, risks were assessed using a profit-at-risk metric that quantifies the risk by taking into account the size of the open position, price levels and price volatilities, as well as the underlying market liquidity in each market. Profit-at-risk reflects the potential negative change in the market value of the open position if it is closed as quickly as market liquidity allows with a 5-percent chance of being exceeded.

The profit-at-risk for the financial and physical commodity positions covering the planning horizon of up to three years amounted to €241 million as of December 31, 2016 (2015: €1,042 million).

As of December 31, 2016, the E.ON Group has entered, in particular, into electricity and gas derivatives with a nominal value of €4,025 million (2015: €130,595 million).

A key foundation of the risk management system is the Group-wide Commodity Risk Policy and the corresponding internal policies of the units. These specify the control principles for commodity risk management, minimum required standards and clear management and operational responsibilities.

Commodity exposures and risks are aggregated across the Group on a monthly basis and reported to the members of the Risk Committee. As part of the transitional phase mentioned above, the reporting and the reporting methodology are currently being reviewed to more appropriately reflect the changed risk profile of E.ON.

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 risk, 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 €481 million.

The levels and details 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. 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 had an aggregate nominal value of €0 million as of December 31, 2016, (2015: €44,121 million). In this respect, there was no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

At E.ON, liquid funds are normally invested at banks with good credit ratings, in money market funds with first-class ratings 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 €5.3 billion (2015: €5.4 billion) were held predominantly by German E.ON Group companies as of December 31, 2016.

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 SE, 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 was €175 million (2015: €189 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG (“VKE”) manages financial assets that are almost exclusively dedicated to the coverage of benefit obligations at E.ON Group companies in Germany; these assets totaled €1.0 billion at year-end 2016 (2015: €1.1 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 €49 million (2015: €58 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 and their subsidiaries. In 2016, receivables and payables to associates include relationships with the fully consolidated subsidiaries of the Uniper Group; in contrast, the income and expenses were still consolidated in the reporting year. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries. Transactions with related parties are summarized as follows:

Related-Party Transactions

€ in millions	2016	2015
Income	**554**	**1,502**
Associated companies	*349*	*1,232*
Joint ventures	*61*	*58*
Other related parties	*144*	*212*
Expenses	**626**	**1,244**
Associated companies	*279*	*945*
Joint ventures	*29*	*21*
Other related parties	*318*	*278*
Receivables	**1,499**	**1,317**
Associated companies	*1,294*	*667*
Joint ventures	*7*	*457*
Other related parties	*198*	*193*
Liabilities	**2,166**	**1,581**
Associated companies	*1,771*	*1,169*
Joint ventures	*54*	*31*
Other related parties	*341*	*381*
Provision	**55**	**–**
Associated companies	*55*	*–*

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 electricity deliveries.

The decrease in income and expenses from transactions with associates compared to 2015 results from the fact that the associated companies of the Uniper Group are no longer related companies after the deconsolidation, according to IAS 24.

As of December 31, 2016, receivables from companies of the Uniper Group totaling €1,136 million and liabilities of €908 million consist primarily of electricity and gas transactions and the measurement of commodity derivatives.

Liabilities of E.ON payable to related companies as of December 31, 2016, include €281 million (2015: €311 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 (2015: 1.0 percent or one-month EURIBOR less 0.05 percent per annum) 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.

E.ON has issued collateral for the benefit of the Uniper Group. These contingencies are presented in Note 27.

Under IAS 24, compensation paid to key management personnel (members of the Management Board and of the Supervisory Board of E.ON SE) must be disclosed.

The total expense for 2016 for members of the Management Board amounted to €9.7 million (2015: €10.8 million) in short-term benefits and €2.3 million (2015: €3.0 million) in post-employment benefits. The cost of post-employment benefits is equal to the service and interest cost of the provisions for pensions. Additionally taken into account in 2016 were actuarial losses of €1.9 million (2015: actuarial gains of €9.3 million).

The expense determined in accordance with IFRS 2 for the tranches of the E.ON Share Performance Plan and the E.ON Share Matching Plan in existence in 2016 was €2.6 million (2015: €0.6 million).

Provisions for the E.ON Share Performance Plan and the E.ON Share Matching Plan amounted to €9.5 million as of December 31, 2016 (2015: €9.5 million).

The members of the Supervisory Board received a total of €3.7 million for their activity in 2016 (2015: €3.2 million). Employee representatives on the Supervisory Board were paid compensation under the existing employment contracts with subsidiaries totaling €0.5 million (2015: €0.5 million).

Detailed, individualized information on compensation can be found in the Compensation Report on pages 82 through 97.

(33) Segment Information

Led by its Group Management in Essen, Germany, the E.ON Group comprises the seven new reporting segments described below, as well as a segment for its Non-Core Business and Corporate Functions/Other, all of which are reported here in accordance with IFRS 8. The combined segments, which are not separately reportable, in the East-Central Europe/Turkey Energy Networks business and the Customer Solutions Other business are of subordinate importance and have similar economic characteristics with respect to customer structure, products and distribution channels. Information regarding Uniper SE, which was reported as a discontinued operation until its deconsolidation as of December 31, 2016, is provided in Note 4.

Energy Networks

Germany
This segment combines the electricity and gas distribution networks and all related activities in Germany.

Sweden
The segment comprises the electricity and gas networks businesses in Sweden.

East-Central Europe/Turkey
This segment combines the distribution network activities in the Czech Republic, Hungary, Romania, Slovakia and Turkey.

Customer Solutions

Germany
This segment consists of activities that supply our customers in Germany with electricity, gas and heating and the distribution of specific products and services in areas for improving energy efficiency and energy independence.

UK
The segment comprises sales activities and customer solutions in the UK.

Other
This segment combines the corresponding Customer Solutions in Sweden, Italy, the Czech Republic, Hungary and Romania, as well as E.ON Connecting Energies.

Renewables

The Renewables segment combines the Group’s activities for production from wind power plants (onshore and offshore) as well as solar farms.

Non-Core Business

Held in the Non-Core Business segment are the non-strategic activities of the E.ON Group. This includes in particular the operation of the German nuclear power plants, which are managed by the PreussenElektra operating unit, as well as the Uniper Group, which since December 31, 2016, has been accounted for in the consolidated financial statements using the equity method. The earnings of Uniper are reported under non-operating earnings.

Corporate Functions/Other

The Corporate Functions/Other segment contains E.ON SE itself, the equity investments held directly within this segment and, for the previous year and part of 2016, some remaining contributions from the E&P activities in the North Sea and the generation activities in Italy and Spain, all of which have since been sold.

Financial Information by Business Segment

	Energy Networks						Customer Solutions					
	Germany		Sweden		CEE/Turkey		Germany		UK		Other	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales	11,622	10,719	1,014	973	698	681	7,707	8,386	7,689	9,557	6,552	7,159
Intersegment sales	1,583	1,593	15	11	960	1,012	74	153	102	102	244	257
Sales	**13,205**	**12,312**	**1,029**	**984**	**1,658**	**1,693**	**7,781**	**8,539**	**7,791**	**9,659**	**6,796**	**7,416**
Depreciation and amortization[1]	**-613**	**-557**	**-164**	**-161**	**-231**	**-204**	**-67**	**-55**	**-95**	**-124**	**-136**	**-127**
Adjusted EBIT	**894**	**1,129**	**398**	**328**	**379**	**354**	**232**	**397**	**365**	**278**	**215**	**131**
Equity-method earnings[2]	*66*	*86*	*–*	*–*	*63*	*35*	*–*	*20*	*–*	*–*	*10*	*10*
Operating cash flow before interest and taxes[3]	**1,588**	**564**	**575**	**543**	**605**	**530**	**351**	**487**	**435**	**729**	**381**	**365**
Investments	**846**	**795**	**291**	**283**	**282**	**443**	**73**	**90**	**220**	**193**	**287**	**248**

[1]Adjusted for non-operating effects.
[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 adjusted EBIT.
[3]Operating cash flow from continuing operations.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow[1]

€ in millions	2016	2015	Difference
Operating cash flow before interest and taxes	**3,974**	**4,749**	**-775**
Interest payments	-537	-619	82
Tax payments	-476	61	-537
Operating cash flow	**2,961**	**4,191**	**-1,230**

[1]Operating cash flow from continuing operations.

The investments presented in the financial information by business segment tables are the purchases of investments reported in the Consolidated Statements of Cash Flows.

Adjusted EBIT

Adjusted EBIT, a measure of earnings before interest and taxes (“EBIT”) adjusted to exclude non-operating effects, replaces the EBITDA figure reported in the past as the most important key figure at E.ON for purposes of internal management control and as an indicator of a business’s sustainable earnings power.

The E.ON Management Board is convinced that adjusted EBIT is the most suitable key figure for assessing operating performance because it presents a business’s operating earnings independently of non-operating factors, interest, and taxes.

Unadjusted EBIT represents the Group’s income/loss reported in accordance with IFRS before financial results and income taxes, taking into account the net income/expense from equity investments. To improve its meaningfulness as an indicator of the sustainable earnings power of the E.ON Group’s business, unadjusted EBIT is adjusted for certain non-operating effects.

Operating earnings also include income from investment subsidies for which liabilities are recognized.

The non-operating earnings effects for which EBIT is adjusted include, in particular, non-operating interest expense/income, income and expenses from the marking to market of derivative financial instruments used for hedging and, where material, book gains/losses, cost-management and restructuring expenses, impairment charges and reversals recognized in the context of impairment tests on non-current assets, on equity investments in affiliated or associated companies and on goodwill, and other contributions to non-operating earnings.

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

Renewables		Non-Core Business		Corporate Functions/Other		Consolidation		E.ON Group	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
890	701	1,538	2,290	439	2,190	24	–	38,173	42,656
467	780	–	–	685	566	-4,130	-4,474	0	0
1,357	**1,481**	**1,538**	**2,290**	**1,124**	**2,756**	**-4,106**	**-4,474**	**38,173**	**42,656**
-366	**-359**	**-91**	**-197**	**-65**	**-497**	**1**	**–**	**-1,827**	**-2,281**
430	**391**	**553**	**563**	**-369**	**-16**	**15**	**8**	**3,112**	**3,563**
15	*16*	*63*	*63*	*65*	*57*	*–*	*–*	*282*	*287*
699	**563**	**93**	**391**	**-527**	**212**	**-226**	**365**	**3,974**	**4,749**
1,070	**1,010**	**15**	**16**	**106**	**187**	**-21**	**-38**	**3,169**	**3,227**

Restructuring and cost-management expenses decreased by €100 million in comparison with the previous year. As in 2015, the expenses were primarily attributable to the internal cost-reduction programs and the One2two project.

Marking to market of derivatives used to protect our operating business from price fluctuations resulted in a positive effect of €932 million (prior year: -€134 million) as of December 31, 2016. About €1.1 billion of this change is due to the Customer Solutions segment.

In 2016, impairments affected, in particular, activities in the USA and Poland in the Renewables segment, plants in the UK in the Customer Solutions segment and gas storage capacity in the Energy Networks segment in Germany. In 2015, we recorded impairment charges primarily at our nuclear energy business in Germany, at Renewables, and at E&P operations in the North Sea and generation operations in Italy that have since been sold.

In 2016, other non-operating income and expenses was significantly influenced by the effects of the Act on the Reorganization of Responsibility in Nuclear Waste Disposal, passed in December 2016 in the Bundestag and Federal Council; these items, along with the related impairment charges, are fully included here. In 2015, other non-operating income and expenses included a large number of minor negative and positive effects, such as impairments of securities.

The following table shows the reconciliation of earnings before interest and taxes to adjusted EBIT:

Reconciliation of Income before Financial Results and Income Taxes

€ in millions	2016	2015
Income/Loss from continuing operations before financial results and income taxes	**-411**	**-12**
Income/Loss from equity investments	-19	1
EBIT	**-430**	**-11**
Non-operating adjustments	**3,542**	**3,574**
Net book gains/losses	*-63*	*-421*
Restructuring/Cost-management expenses	*274*	*374*
Market valuation derivatives	*-932*	*134*
Impairments (+)/Reversals (-)	*394*	*3,356*
Other non-operating earnings	*3,869*	*131*
Adjusted EBIT	**3,112**	**3,563**

Pages 37 and 38 of the Combined Group Management Report provide a more detailed explanation of the reconciliation of adjusted EBIT to the net income/loss reported in the Consolidated Financial Statements.

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2016	2015
Electricity	29,847	32,194
Gas	6,378	8,224
Other	1,948	2,238
Total	**38,173**	**42,656**

The “Other” item consists in particular of revenues generated from services and from other trading activities.

The following table breaks down external sales (by customer and seller location), intangible assets and property, plant and equipment, as well as companies accounted for under the equity method, by geographic area:

Geographic Segment Information

	Germany		United Kingdom		Sweden		Europe (other)		Other		Total	
€ in millions	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales by location of customer[1]	21,803	23,825	7,824	9,675	2,139	1,995	6,218	6,953	189	208	38,173	42,656
External sales by location of seller[1]	21,547	21,978	8,184	10,169	2,085	2,017	6,169	8,285	188	207	38,173	42,656
Intangible assets	574	1,566	380	394	133	187	1,039	2,089	203	229	2,329	4,465
Property, plant and equipment	11,076	15,492	3,570	5,480	4,674	7,716	3,388	7,814	2,534	2,495	25,242	38,997
Companies accounted for under the equity method	3,593	1,330	–	–	110	185	2,306	2,706	343	315	6,352	4,536

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).

E.ON’s customer structure resulted in a focus on the Germany region. Aside from that, there was no 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.

(34) Compensation of Supervisory Board and Management Board

Supervisory Board

Total remuneration to members of the Supervisory Board in 2016 amounted to €3.6 million (2015: €3.2 million).

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

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on page 96 and 97 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on pages 222 and 223.

Management Board

Total compensation of the Management Board in 2016 amounted to €13.8 million (2015: €15.6 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

Total payments to former members of the Management Board and their beneficiaries amounted to €11.6 million (2015: €15.8 million). Provisions of €172.8 million (2015: €154.6 million) have been established for the pension obligations to former members of the Management Board and their beneficiaries.

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

The Management Board's compensation structure and the amounts for each member of the Management Board are presented on pages 82 through 96 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 224.

(35) Subsequent Events

On March 8, 2017, E.ON announced that it intends to build a thermal waste-incineration power plant in northwest Stockholm. The plant in Sweden's capital will produce electricity, heat, and biogas and have an installed electric capacity of 25 megawatts. It will consist of a biogas production unit and a combined heat and power ("CHP") plant. The biogas unit is expected to enter service in 2018, the CHP plant in 2019. Investments in the project will total approximately €250 million.

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

Declaration of the Management Board

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 that the Group Management Report, which is combined with the management report of E.ON SE, 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.

Essen, March 13, 2017

The Management Board

Teyssen

Birnbaum

Sen

Spieker

Wildberger

(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, 2016)

Name, location	Stake (%)
:agile accelerator GmbH, DE, Düsseldorf[2]	100.0
:agile accelerator limited, GB, Coventry[2]	100.0
1. Beteiligungsgesellschaft NG mbH, DE, Quickborn[2]	100.0
Abens-Donau Netz GmbH & Co. KG, DE, Mainburg[2]	100.0
Abens-Donau Netz Verwaltung GmbH, DE, Mainburg[2]	100.0
Abfallwirtschaft Dithmarschen GmbH, DE, Heide[6]	49.0
Abfallwirtschaft Schleswig-Flensburg GmbH, DE, Schleswig[6]	49.0
Abfallwirtschaft Südholstein GmbH (AWSH), DE, Elmenhorst[6]	49.0
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[6]	49.0
Abwasser und Service Burg, Hochdonn GmbH, DE, Burg[6]	39.0
Abwasser und Service Mittelangeln GmbH, DE, Satrup[6]	33.3
Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[6]	49.0
Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[6]	49.0
Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[6]	49.0
Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[6]	27.0
Abwasserentsorgung Bleckede GmbH, DE, Bleckede[6]	49.0
Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[6]	49.0
Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[6]	49.0
Abwasserentsorgung Kappeln GmbH, DE, Kappeln[6]	25.0
Abwasserentsorgung Kropp GmbH, DE, Kropp[6]	25.0
Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[6]	49.0
Abwasserentsorgung Schladen GmbH, DE, Schladen[6]	49.0
Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[6]	49.0
Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[6]	25.1
Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[6]	25.0
Abwasserentsorgung Uetersen GmbH, DE, Uetersen[6]	49.0
Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[6]	49.0
Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[6]	49.0
Abwassergesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Abwassergesellschaft Ilmenau mbH, DE, Melbeck[6]	49.0
Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[6]	25.0
Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[6]	30.0
Åliden Vind AB, SE, Malmö[2]	100.0
Amrum-Offshore West GmbH, DE, Düsseldorf[1]	100.0
Anacacho Wind Farm, LLC, US, Wilmington[1]	100.0
ANCO Sp. z o.o., PL, Jarocin[2]	100.0
AV Packaging GmbH, DE, Munich[1]	0.0
Avacon AG, DE, Helmstedt[1]	61.5
Avacon Beteiligungen GmbH, DE, Helmstedt[1]	100.0
Avacon Hochdrucknetz GmbH, DE, Helmstedt[1]	100.0
Avacon Natur GmbH, DE, Sarstedt[1]	100.0
Avon Energy Partners Holdings, GB, Coventry[2]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Hamburg[4]	50.0
BAG 2. Netzpacht GmbH, DE, Regensburg[2]	100.0
BAG Port 1 GmbH, DE, Regensburg[2]	100.0
Bayernwerk AG, DE, Regensburg[1]	100.0
Bayernwerk Energiedienstleistungen Licht GmbH, DE, Regensburg[2]	100.0
Bayernwerk Energietechnik GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur 1. Beteiligungs-GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur GmbH, DE, Unterschleißheim[1]	100.0
Bayernwerk Netz GmbH, DE, Regensburg[2]	100.0
Bayernwerk Portfolio GmbH & Co. KG, DE, Regensburg[2]	100.0
Bayernwerk Portfolio Verwaltungs GmbH, DE, Regensburg[1]	100.0
Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Eggenstein-Leopoldshofen[6]	47.4
Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2]	100.0
BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[6]	25.1
BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[6]	40.7
BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[6]	46.5
Bioenergie Merzig GmbH, DE, Merzig[2]	51.0
Bioerdgas Hallertau GmbH, DE, Wolnzach[2]	90.0
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Steyerberg GmbH, DE, Steyerberg[2]	100.0
Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[6]	40.0
Blackbeard Solar, LLC, US, Wilmington[2]	100.0
Blackbriar Battery, LLC, US, Wilmington[2]	100.0
Blackjack Creek Wind Farm, LLC, US, Wilmington[2]	100.0
BMV Energie Beteiligungs GmbH, DE, Fürstenwalde/Spree[2]	100.0
BMV Energie GmbH & Co. KG, DE, Fürstenwalde/Spree[6]	25.6
BO Baltic Offshore GmbH, DE, Hamburg[2]	98.0
Boiling Springs Wind Farm, LLC, US, Wilmington[2]	100.0
Braila Power S.A., RO, Chiscani village[2]	69.8
Brattmyrliden Vind AB, SE, Malmö[2]	100.0
Broken Spoke Solar, LLC, US, Wilmington[2]	100.0
Bruenning's Breeze Holdco, LLC, US, Wilmington[2]	100.0
Bruenning's Breeze Wind Farm, LLC, US, Wilmington[1]	100.0
Brunnshög Energi AB, SE, Malmö[2]	100.0
BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[6]	33.3
Bursjöliden Vind AB, SE, Malmö[2]	100.0
Bützower Wärme GmbH, DE, Bützow[6]	20.0
Cameleon B.V., NL, Rotterdam[2]	100.0
Camellia Solar LLC, US, Wilmington[2]	100.0
Camellia Solar Member LLC, US, Wilmington[2]	100.0
Cardinal Wind Farm, LLC, US, Wilmington[2]	100.0
Carnell Wind Farm, LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm II, LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm, LLC, US, Wilmington[2]	100.0
Celle-Uelzen Netz GmbH, DE, Celle[1]	97.5
Celsium Serwis Sp. z o.o., PL, Skarżysko-Kamienna[2]	100.0
Celsium Sp. z o.o., PL, Skarżysko-Kamienna[2]	87.8
Champion WF Holdco, LLC, US, Wilmington[1]	100.0
Champion Wind Farm, LLC, US, Wilmington[1]	100.0
CHN Contractors Limited, GB, Coventry[2]	100.0
CHN Electrical Services Limited, GB, Coventry[2]	100.0
CHN Group Ltd, GB, Coventry[2]	100.0
CHN Special Projects Limited, GB, Coventry[2]	100.0
Citigen (London) Limited, GB, Coventry[1]	100.0
Colbeck's Corner, LLC, US, Wilmington[1]	100.0
Colbeck's Corner Holdco, LLC, US, Wilmington[2]	100.0
Colonia-Cluj-Napoca-Energie S.R.L., RO, Cluj-Napoca[6]	33.3
Cordova Wind Farm, LLC, US, Wilmington[2]	100.0
Cremlinger Energie GmbH, DE, Cremlingen[6]	49.0
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[6]	50.0
DD Turkey Holdings S.à r.l., LU, Luxembourg[1]	100.0
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[6]	42.5
digimondo GmbH, DE, Essen[2]	100.0
DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[5]	26.3
DOTI Management GmbH, DE, Oldenburg[6]	26.3
DOTTO MORCONE S.r.l., IT, Milan[2]	100.0
Drivango GmbH, DE, Düsseldorf[2]	100.0
Dutch Energy Projects C.V., NL, Amsterdam[6]	50.0
Dutchdelta Finance S.à r.l., LU, Luxembourg[1]	100.0
E WIE EINFACH GmbH, DE, Cologne[1]	100.0
e.dialog Netz GmbH, DE, Potsdam[2]	100.0
E.DIS AG, DE, Fürstenwalde/Spree[1]	67.0
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.kundenservice Netz GmbH, DE, Hamburg[1]	100.0
E.ON (Cross-Border) Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON 10. Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON 3. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 4. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON Agile Nordic AB, SE, Malmö[2]	100.0
E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8]	100.0
E.ON Bayern Verwaltungs AG, DE, Munich[2]	100.0
E.ON Beteiligungen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Bioerdgas GmbH, DE, Essen[1]	100.0
E.ON Biofor Sverige AB, SE, Malmö[1]	100.0
E.ON Business Services (UK) Limited, GB, Coventry[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
E.ON Business Services Berlin GmbH, DE, Berlin[2]	100.0
E.ON Business Services Cluj S.R.L., RO, Cluj-Napoca[2]	100.0
E.ON Business Services Czech Republic s.r.o., CZ, České Budějovice[2]	100.0
E.ON Business Services GmbH, DE, Hanover[1]	100.0
E.ON Business Services Hannover GmbH, DE, Hanover[2]	100.0
E.ON Business Services Hungary Kft., HU, Budapest[2]	100.0
E.ON Business Services Iași S.R.L., RO, Iași[2]	100.0
E.ON Business Services Italia S.r.l., IT, Milan[2]	100.0
E.ON Business Services Regensburg GmbH, DE, Regensburg[2]	100.0
E.ON Business Services Slovakia spol. s.r.o., SK, Bratislava[2]	51.0
E.ON Business Services Sverige AB, SE, Malmö[2]	100.0
E.ON Carbon Sourcing North America LLC, US, Wilmington[2]	100.0
E.ON Česká republika, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Climate & Renewables Canada Ltd., CA, Saint John[1]	100.0
E.ON Climate & Renewables Carbon Sourcing Limited, GB, Coventry[2]	100.0
E.ON Climate & Renewables GmbH, DE, Essen[1]	100.0
E.ON Climate & Renewables Italia S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables Netherlands B.V., NL, Amsterdam[2]	100.0
E.ON Climate & Renewables North America, LLC, US, Wilmington[1]	100.0
E.ON Climate & Renewables Services GmbH, DE, Essen[2]	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 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
E.ON Climate & Renewables UK Zone Six Limited, GB, Coventry[1]	100.0
E.ON Connecting Energies GmbH, DE, Essen[1, 8]	100.0
E.ON Connecting Energies Italia S.r.l., IT, Milan[1]	100.0
E.ON Connecting Energies Limited, GB, Coventry[1]	100.0
E.ON Connecting Energies SAS, FR, Levallois-Perret[2]	100.0
E.ON Czech Holding AG, DE, Munich[1, 8]	100.0
E.ON Danmark A/S, DK, Frederiksberg[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 Distribuce, a.s., CZ, České Budějovice[1]	100.0
E.ON Distribuţie România S.A., RO, Târgu Mureş[1]	56.5
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 Elektrárne s.r.o., SK, Trakovice[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 Energetikai Tanácsadó Kft., HU, Budapest[2]	100.0
E.ON Energia S.p.A., IT, Milan[1]	100.0
E.ON Energiakereskedelmi Kft., HU, Budapest[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. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie AG, DE, Düsseldorf[1, 8]	100.0
E.ON Energie Deutschland GmbH, DE, Munich[1]	100.0
E.ON Energie Deutschland Holding GmbH, DE, Munich[1]	99.8
E.ON Energie Dialog GmbH, DE, Potsdam[2]	100.0
E.ON Energie Kundenservice GmbH, DE, Landshut[1]	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]	68.2
E.ON Energie, a.s., CZ, České Budějovice[1]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
E.ON Energy Gas (Eastern) Limited, GB, Coventry[2]	100.0
E.ON Energy Gas (Northwest) Limited, GB, Coventry[2]	100.0
E.ON Energy Installation Services Limited, GB, Coventry[1]	100.0
E.ON Energy Projects GmbH, DE, Munich[1]	100.0
E.ON Energy Projects Netherlands B.V., NL, Amsterdam[2]	100.0
E.ON Energy Services, LLC, US, Wilmington[1]	100.0
E.ON Energy Solutions GmbH, DE, Unterschleißheim[2]	100.0
E.ON Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON Energy Trading S.p.A., IT, Milan[1]	100.0
E.ON Észak-dunántúli Áramhálózati Zrt., HU, Győr[1]	100.0
E.ON Fastigheter 1 AB, SE, Malmö[2]	100.0
E.ON Fastigheter 2 AB, SE, Malmö[2]	100.0
E.ON Fastigheter 3 AB, SE, Malmö[2]	100.0
E.ON Fastigheter 4 AB, SE, Malmö[2]	100.0
E.ON Fastigheter Sverige AB, SE, Malmö[1]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[2]	100.0
E.ON Försäljning Sverige AB, SE, Malmö[1]	100.0
E.ON Fünfundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[1]	100.0
E.ON Gas Mobil GmbH, DE, Essen[2]	100.0
E.ON Gas Sverige AB, SE, Malmö[1]	100.0
E.ON Gashandel Sverige AB, SE, Malmö[1]	100.0
E.ON Gazdasági Szolgáltató Kft., HU, Győr[1]	100.0
E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[1]	100.0
E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Essen[1, 8]	100.0
E.ON Hálózati Szolgáltató Kft. „v.a.", HU, Pécs[2]	100.0
E.ON Human Resources International GmbH, DE, Hanover[1, 8]	100.0
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság, HU, Budapest[1]	100.0
E.ON Iberia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Inhouse Consulting GmbH, DE, Essen[2]	100.0
E.ON Innovation Co-Investments Inc., US, Wilmington[1]	100.0
E.ON Innovation Hub S.A., RO, Târgu Mureş[2]	100.0
E.ON Insurance Services GmbH, DE, Essen[2]	100.0
E.ON INTERNATIONAL FINANCE B.V., NL, Amsterdam[1]	100.0
E.ON Invest GmbH, DE, Grünwald[2]	100.0
E.ON IT UK Limited, GB, Coventry[2]	100.0
E.ON Italia S.p.A., IT, Milan[1]	100.0
E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1]	99.8
E.ON Kundsupport Sverige AB, SE, Malmö[1]	100.0
E.ON Mälarkraft Värme AB, SE, Örebro[1]	99.8
E.ON Metering GmbH, DE, Unterschleißheim[2]	100.0
E.ON NA Capital LLC, US, Wilmington[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 Finance, LLC, US, Wilmington[1]	100.0
E.ON Off Grid Solutions GmbH, DE, Düsseldorf[2]	100.0
E.ON Perspekt GmbH, DE, Düsseldorf[2]	70.0
E.ON Power Innovation Pty Ltd, AU, Brisbane[2]	100.0
E.ON Power Plants Belgium BVBA, BE, Vilvoorde[2]	100.0
E.ON Produktion Danmark A/S, DK, Frederiksberg[1]	100.0
E.ON Produzione S.p.A., IT, Milan[1]	100.0
E.ON Project Earth Limited, GB, Coventry[1]	100.0
E.ON RAG Beteiligungsgesellschaft mbH, DE, Düsseldorf[1]	100.0
E.ON RE Investments LLC, US, Wilmington[1]	100.0
E.ON Real Estate GmbH, DE, Essen[2]	100.0
E.ON Regenerabile România S.R.L., RO, Iași[2]	100.0
E.ON Rhein-Ruhr Ausbildungs-GmbH, DE, Essen[2]	100.0
E.ON România S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Portfolio GmbH, DE, Essen[1, 8]	100.0
E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Service GmbH, DE, Essen[2]	100.0
E.ON Servicii Clienţi S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii Tehnice S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servisní, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Slovensko, a.s., SK, Bratislava[1]	100.0
E.ON Smart Living AB, SE, Malmö[1]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[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 Directors Limited, GB, Coventry[2]	100.0
E.ON UK Energy Lincoln Limited, GB, Coventry[2]	100.0
E.ON UK Energy Markets Limited, GB, Coventry[1]	100.0
E.ON UK Energy Services Limited, GB, Coventry[2]	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 Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON UK plc, GB, Coventry[1]	100.0
E.ON UK Property Services Limited, GB, Coventry[2]	100.0
E.ON UK PS Limited, GB, Coventry[2]	100.0
E.ON UK Secretaries Limited, GB, Coventry[2]	100.0
E.ON UK Technical Services Limited, GB, Edinburgh[2]	100.0
E.ON UK Trustees Limited, GB, Coventry[2]	100.0
E.ON US Corporation, US, Wilmington[1]	100.0
E.ON US Energy LLC, US, Wilmington[1]	100.0
E.ON US Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Varme Danmark ApS, DK, Frederiksberg[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 Verwaltungs AG Nr. 1, DE, Munich[2]	100.0
E.ON Verwaltungs SE, DE, Düsseldorf[2]	100.0
E.ON Wind Denmark 2 AB, SE, Malmö[2]	100.0
E.ON Wind Denmark 3 AB, SE, Malmö[2]	100.0
E.ON Wind Denmark AB, SE, Malmö[2]	100.0
E.ON Wind Kårehamn AB, SE, Malmö[1]	100.0
E.ON Wind Norway AB, SE, Malmö[2]	100.0
E.ON Wind Service GmbH, DE, Neubukow[2]	100.0
E.ON Wind Services A/S, DK, Rødby[1]	100.0
E.ON Wind Sweden AB, SE, Malmö[1]	100.0
E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
East Midlands Electricity Distribution Holdings, GB, Coventry[2]	100.0
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EBY Immobilien GmbH & Co. KG, DE, Regensburg[2]	100.0
EBY Port 1 GmbH, DE, Munich[1]	100.0
EBY Port 3 GmbH, DE, Regensburg[1]	100.0
EC&R Asset Management, LLC, US, Wilmington[1]	100.0
EC&R Canada Ltd., CA, Saint John[1]	100.0
EC&R Development, LLC, US, Wilmington[1]	100.0
EC&R Energy Marketing, LLC, US, Wilmington[1]	100.0
EC&R Ft. Huachuca Solar, LLC, US, Wilmington[2]	100.0
EC&R Grandview Holdco, LLC, US, Wilmington[2]	100.0
EC&R Investco EPC Mgmt, 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 Magicat Holdco, LLC, US, Wilmington[1]	100.0
EC&R NA Solar PV, LLC, US, Wilmington[1]	100.0
EC&R O&M, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm III, 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
EC&R Solar Development, LLC, US, Wilmington[1]	100.0
Economy Power Limited, GB, Coventry[1]	100.0
EDT Energie Werder GmbH, DE, Werder (Havel)[2]	100.0
EEP 2. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EFG Erdgas Forchheim GmbH, DE, Forchheim[6]	24.9
EFR CEE Szolgáltató Kft., HU, Budapest[6]	25.0
EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[6]	39.9
El Algodon Alto Wind Farm, LLC, US, Wilmington[2]	100.0
Elektrizitätsnetzgesellschaft Grünwald mbH & Co. KG, DE, Grünwald[6]	49.0
Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2]	100.0
Elevate Wind Holdco, LLC, US, Wilmington[4]	50.0
ELICA S.r.l., IT, Milan[2]	100.0
Elmregia GmbH, DE, Schöningen[6]	49.0
Elverket Vallentuna AB, SE, Vallentuna[5]	43.4

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
EMSZET Első Magyar Szélerőmű Korlátolt Felelősségű Társaság, HU, Kulcs[2]	74.7
ENACO Energieanlagen- und Kommunikationstechnik GmbH, DE, Maisach[6]	26.0
Energetika Malenovice, a.s., CZ, Zlín - Malenovice[2]	100.0
Energetyka Cieplna Opolszczyzny S.A., PL, Opole[6]	46.7
Energie und Wasser Potsdam GmbH, DE, Potsdam[5]	35.0
Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[6]	50.1
Energie Vorpommern GmbH, DE, Trassenheide[6]	49.0
Energie-Agentur Weyhe GmbH, DE, Weyhe[6]	50.0
Energieerzeugungswerke Geesthacht GmbH, DE, Geesthacht[6]	33.4
energielösung.bayern GmbH, DE, Regensburg[2]	100.0
Energienetz Neufahrn/Eching GmbH & Co. KG, DE, Neufahrn bei Freising[2]	100.0
Energienetze Bayern GmbH, DE, Regensburg[1]	100.0
Energienetze Schaafheim GmbH, DE, Regensburg[2]	100.0
Energie-Pensions-Management GmbH, DE, Hanover[2]	70.0
Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[6]	69.5
Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[6]	50.0
Energieversorgung Pfaffenhofen GmbH & Co. KG, DE, Pfaffenhofen[2]	100.0
Energieversorgung Pfaffenhofen Verwaltungs GmbH, DE, Pfaffenhofen[2]	100.0
Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[6]	50.0
Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[6]	50.0
Energieversorgung Sehnde GmbH, DE, Sehnde[6]	30.0
Energieversorgung Vechelde GmbH & Co KG, DE, Vechelde[6]	49.0
Energie-Wende-Garching GmbH & Co. KG, DE, Garching[6]	50.0
Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching[6]	50.0
Energiewerke Isernhagen GmbH, DE, Isernhagen[6]	49.0
Energiewerke Osterburg GmbH, DE, Osterburg (Altmark)[6]	49.0
Energy Collection Services Limited, GB, Coventry[2]	100.0
Enerjisa Enerji A.Ş., TR, Istanbul[4]	50.0
EPS Polska Holding Sp. z o.o., PL, Warsaw[1]	100.0
Ergon Energia S.r.l. in liquidazione, IT, Brescia[6]	50.0

Name, location	Stake (%)
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[2]	55.0
etatherm GmbH, DE, Potsdam[6]	25.5
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[6]	49.0
EVU Services GmbH, DE, Neumünster[2]	100.0
ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[6]	50.2
ewyso GmbH, DE, Essen[2]	100.0
EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[6]	28.9
EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[6]	28.8
Falkenbergs Biogas AB, SE, Malmö[2]	65.0
Farma Wiatrowa Barzowice Sp. z o.o., PL, Warsaw[1]	100.0
Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[6]	50.0
FIDELIA Holding LLC, US, Wilmington[1]	100.0
Fifth Standard Solar PV, LLC, US, Wilmington[2]	100.0
Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach im Isartal[2]	90.0
FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach im Isartal[2]	90.0
Flatlands Wind Farm, LLC, US, Wilmington[2]	100.0
Florida Solar and Power Group LLC, US, Wilmington[2]	100.0
Forest Creek Investco, Inc., US, Wilmington[1]	100.0
Forest Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Forest Creek Wind Farm, LLC, US, Wilmington[1]	100.0
Fortuna Solar, LLC, US, Wilmington[2]	100.0
Gasag Berliner Gaswerke Aktiengesellschaft, DE, Berlin[5]	36.9
Gasnetzgesellschaft Laatzen-Süd mbH, DE, Laatzen[6]	49.0
Gasspeicher Lehrte GmbH, DE, Helmstedt[2]	100.0
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[6]	50.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[6]	50.0
Gasversorgung im Landkreis Gifhorn GmbH (GLG), DE, Wolfsburg[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[5]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[6]	49.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[6]	50.0
Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1, 8]	100.0
Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
Gelsenwasser Beteiligungs-GmbH, DE, Munich[2]	100.0
Gem. Ges. zur Förderung des E.ON Energy Research Center mbH, DE, Aachen[6]	50.0
Gemeindewerke Gräfelfing GmbH & Co. KG, DE, Gräfelfing[6]	49.0
Gemeindewerke Gräfelfing Verwaltungs GmbH, DE, Gräfelfing[6]	49.0
Gemeindewerke Leck GmbH, DE, Leck[6]	49.9
Gemeindewerke Uetze GmbH, DE, Uetze[6]	49.0
Gemeindewerke Wedemark GmbH, DE, Wedemark[6]	49.0
Gemeindewerke Wietze GmbH, DE, Wietze[6]	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 Weser GmbH & Co. oHG, DE, Emmerthal[1]	66.7
Geothermie-Wärmegesellschaft Braunau-Simbach mbH, AT, Braunau am Inn[6]	20.0
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH, DE, Kiel[6]	33.3
GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[6]	41.7
GHD Bayernwerk Natur GmbH & Co. KG, DE, Dingolfing[2]	75.0
GLG Netz GmbH, DE, Gifhorn[1]	100.0
GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[6]	48.0
GOLLIPP Bioerdgas GmbH & Co KG, DE, Gollhofen[6]	50.0
GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Gollhofen[6]	50.0
Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2]	100.0
Grandview Wind Farm III, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm IV, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm V, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm, LLC, US, Wilmington[4]	50.0
Green Sky Energy Limited, GB, Coventry[1]	100.0
greenXmoney.com GmbH, DE, Neu-Ulm[6]	25.1
GrönGas Partner A/S, DK, Hirtshals[6]	50.0
Hamburg Netz GmbH, DE, Hamburg[1]	74.9
Hams Hall Management Company Limited, GB, Coventry[6]	46.6
HanseGas GmbH, DE, Quickborn[2]	100.0
HanseWerk AG, DE, Quickborn[1]	66.5
HanseWerk Natur GmbH, DE, Hamburg[1]	100.0
Harzwasserwerke GmbH, DE, Hildesheim[5]	20.8
Havelstrom Zehdenick GmbH, DE, Zehdenick[6]	49.0
Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[6]	50.0
HGC Hamburg Gas Consult GmbH, DE, Hamburg[2]	100.0
Hochtemperatur-Kernkraftwerk GmbH (HKG), Gemeinsames europäisches Unternehmen, DE, Hamm[6]	26.0
Högbytorp Kraftvärme AB, SE, Malmö[2]	100.0
Holsteiner Wasser GmbH, DE, Neumünster[6]	50.0
Improbed AB, SE, Malmö[2]	100.0
Inadale Wind Farm, LLC, US, Wilmington[1]	100.0
Induboden GmbH, DE, Düsseldorf[2]	100.0
Induboden GmbH & Co. Grundstücksgesellschaft OHG, DE, Essen[2]	100.0
Industriekraftwerk Greifswald GmbH, DE, Kassel[6]	49.0
Industry Development Services Limited, GB, Coventry[2]	100.0
InfraServ-Bayernwerk Gendorf GmbH, DE, Burgkirchen a.d.Alz[6]	50.0
Infrastrukturgesellschaft Stadt Nienburg/Weser mbH, DE, Nienburg/Weser[6]	49.9
Intelligent Maintenance Systems Limited, GB, Milton Keynes[6]	25.0
Iron Horse Battery Storage, LLC, US, Wilmington[2]	100.0
Jihočeská plynárenská, a.s., CZ, České Budějovice[2]	100.0
Kalmar Energi Försäljning AB, SE, Kalmar[6]	40.0
Kalmar Energi Holding AB, SE, Kalmar[4]	50.0
Kasson Manteca Solar, LLC, US, Wilmington[2]	100.0
Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1]	80.0
Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[5]	33.3
Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[5]	25.0
Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[3]	50.0
Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1]	66.7
Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1]	100.0
KGW - Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Kinneil CHP Limited, GB, Coventry[2]	100.0
Kite Power Systems Limited, GB, Chelmsford[6]	25.0
Komáromi Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
KommEnergie Erzeugungs GmbH, DE, Eichenau[6]	57.0
KommEnergie GmbH, DE, Eichenau[6]	61.0
Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[6]	49.0
Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[6]	25.0
Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[6]	25.0
Kraftwerk Burghausen GmbH, DE, Munich[1]	100.0
Kraftwerk Hattorf GmbH, DE, Munich[1]	100.0
Kraftwerk Marl GmbH, DE, Munich[1]	100.0
Kraftwerk Plattling GmbH, DE, Munich[1]	100.0
Kriegers Flak Offshore Wind I/S, DK, Kalundborg[6]	50.0
KSG Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[6]	41.7
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald[1]	90.0
LandE GmbH, DE, Wolfsburg[1]	69.6
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, Brussels[6]	50.0
Limfjordens Bioenergi ApS, DK, Frederiksberg[2]	78.0
Limited Liability Company E.ON IT, RU, Moscow[2]	100.0
London Array Limited, GB, Coventry[6]	30.0
LSW Energie Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
LSW Holding GmbH & Co. KG, DE, Wolfsburg[5]	57.0
LSW Holding Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
LSW Netz Verwaltungs-GmbH, DE, Wolfsburg[6]	100.0
Luna Lüneburg GmbH, DE, Lüneburg[6]	49.0
Magicat Holdco, LLC, US, Wilmington[5]	20.0
Major Wind Farm, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV 2, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV, LLC, US, Wilmington[2]	100.0
Maricopa Land Holding, LLC, US, Wilmington[2]	100.0

Name, location	Stake (%)
Maricopa West Solar PV 2, LLC, US, Wilmington[2]	100.0
Matrix Control Solutions Limited, GB, Coventry[1]	100.0
MEON Pensions GmbH & Co. KG, DE, Grünwald[1, 8]	100.0
MEON Verwaltungs GmbH, DE, Grünwald[2]	100.0
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG i.L., DE, Grünwald[2]	90.0
Midlands Electricity Limited, GB, Coventry[2]	100.0
Mosoni-Duna Menti Szélerőmű Kft., HU, Győr[2]	100.0
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
Nahwärme Ascha GmbH, DE, Ascha[2]	90.0
Naranjo Battery, LLC, US, Wilmington[2]	100.0
Netz- und Windservice (NWS) GmbH, DE, Schwerin[2]	100.0
Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[6]	34.8
Netzgesellschaft Bad Münder GmbH & Co. KG, DE, Bad Münder[6]	49.0
Netzgesellschaft Barsinghausen GmbH & Co. KG, DE, Barsinghausen[6]	49.0
Netzgesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Netzgesellschaft Hemmingen mbH, DE, Hemmingen[6]	49.0
Netzgesellschaft Hennigsdorf Strom mbH, DE, Hennigsdorf[2]	100.0
Netzgesellschaft Hildesheimer Land GmbH & Co. KG, DE, Giesen[6]	49.0
Netzgesellschaft Hildesheimer Land Verwaltung GmbH, DE, Giesen[6]	49.0
Netzgesellschaft Hohen Neuendorf Strom GmbH & Co. KG, DE, Hohen Neuendorf[6]	49.0
Netzgesellschaft Ronnenberg GmbH & Co. KG, DE, Ronnenberg[6]	49.0
Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[6]	40.0
Netzgesellschaft Stuhr/Weyhe mbH i. L., DE, Weyhe[2]	100.0
Netzgesellschaft Syke GmbH, DE, Syke[6]	49.0
Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1]	50.1
New Cogen Sp. z o.o., PL, Warsaw[2]	100.0
Nord Stream AG, CH, Zug[5]	15.5
NORD-direkt GmbH, DE, Neumünster[2]	100.0
Northern Orchard Solar PV 2, LLC, US, Wilmington[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Northern Orchard Solar PV, LLC, US, Wilmington[2]	100.0
Novo Innovations Limited, GB, Coventry[2]	100.0
Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[6]	49.0
Offshore Trassenplanungs GmbH i. L., DE, Hanover[2]	50.0
Offshore-Windpark Delta Nordsee GmbH, DE, Hamburg[2]	100.0
OOO E.ON Connecting Energies, RU, Moscow[4]	50.0
Oskarshamns Energi AB, SE, Oskarshamn[4]	50.0
Owen Prairie Wind Farm, LLC, US, Wilmington[2]	100.0
OWN1 First Offshore Wind Netherlands B.V., NL, Amsterdam[2]	100.0
OWN2 Second Offshore Wind Netherlands B.V., NL, Amsterdam[2]	100.0
OWN3 Third Offshore Wind Netherlands B.V., NL, Amsterdam[2]	100.0
PannonWatt Energetikai Megoldások Zrt., HU, Győr[6]	49.9
Panther Creek Solar, LLC, US, Wilmington[2]	100.0
Panther Creek Wind Farm I&II, LLC, US, Wilmington[1]	100.0
Paradise Cut Battery, LLC, US, Wilmington[2]	100.0
Pawnee Spirit Wind Farm, LLC, US, Wilmington[2]	100.0
PEG Infrastruktur AG, CH, Zug[1]	100.0
Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg[2]	100.0
Peißenberger Wärmegesellschaft mbH, DE, Peißenberg[6]	50.0
Perstorps Fjärrvärme AB, SE, Perstorp[6]	50.0
Peyton Creek Wind Farm, LLC, US, Wilmington[2]	100.0
Pinckard Solar LLC, US, Wilmington[2]	100.0
Pinckard Solar Member LLC, US, Wilmington[2]	100.0
Pioneer Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Pipkin Ranch Wind Farm, LLC, US, Wilmington[2]	100.0
Portfolio EDL GmbH, DE, Helmstedt[1, 8]	100.0
Powergen (East Midlands) Loan Notes, GB, Coventry[2]	100.0
Powergen Ergon, GB, Coventry[1]	100.0
Powergen Holdings B.V., NL, Amsterdam[1]	100.0
Powergen Holdings S.à r.l., LU, Luxembourg[2]	100.0
Powergen International Limited, GB, Coventry[1]	100.0
Powergen Limited, GB, Coventry[1]	100.0
Powergen Luxembourg Holdings S.À R.L., LU, Luxembourg[1]	100.0
Powergen Power No. 1 Limited, GB, Coventry[2]	100.0
Powergen Power No. 2 Limited, GB, Coventry[2]	100.0
Powergen Serang Limited, GB, Coventry[2]	100.0
Powergen UK Investments, GB, Coventry[1]	100.0
Powergen US Holdings, GB, Coventry[1]	100.0
Powergen US Investments, GB, Coventry[1]	100.0
Powergen US Securities, GB, Coventry[1]	100.0
Powergen Weather Limited, GB, Coventry[2]	100.0
PreussenElektra GmbH, DE, Hanover[1]	100.0
Purena Consult GmbH, DE, Wolfenbüttel[2]	100.0
Purena GmbH, DE, Wolfenbüttel[1]	94.1
Pyron Wind Farm, LLC, US, Wilmington[1]	100.0
Radford's Run Holdco, LLC, US, Wilmington[1]	100.0
Radford's Run Wind Farm, LLC, US, Wilmington[1]	100.0
Rampion Offshore Wind Limited, GB, Coventry[1]	50.1
Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	77.4
Raymond Wind Farm, LLC, US, Wilmington[2]	100.0
RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Würzburg[2]	100.0
RDE Verwaltungs-GmbH, DE, Würzburg[2]	100.0
REGAS GmbH & Co KG, DE, Regensburg[6]	50.0
REGAS Verwaltungs-GmbH, DE, Regensburg[6]	50.0
REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[6]	35.5
regiolicht GmbH, DE, Helmstedt[2]	89.8
Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[6]	33.3
Renewables Power Netherlands B.V., NL, Amsterdam[6]	50.0
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG, DE, Regensburg[5]	35.5
R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[6]	20.0
R-KOM Regensburger Telekommunikationsverwaltungs-gesellschaft mbH, DE, Regensburg[6]	20.0
Rødsand 2 Offshore Wind Farm AB, SE, Malmö[5]	20.0
Roscoe WF Holdco, LLC, US, Wilmington[1]	100.0
Roscoe Wind Farm, LLC, US, Wilmington[1]	100.0
Rose Rock Wind Farm, LLC, US, Wilmington[2]	100.0
Rosengård Invest AB, SE, Malmö[6]	25.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
S.C. Salgaz S.A., RO, Salonta[2]	60.1
Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2]	100.0
Sand Bluff WF Holdco, LLC, US, Wilmington[1]	100.0
Sand Bluff Wind Farm, LLC, US, Wilmington[1]	100.0
SBI Jordberga AB, SE, Linköping[6]	20.0
Scarweather Sands Limited, GB, Coventry[6]	50.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	83.5
Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1]	100.0
SEC A Sp. z o.o., PL, Szczecin[2]	100.0
SEC B Sp. z o.o., PL, Szczecin[2]	100.0
SEC Barlinek Sp. z o.o., PL, Barlinek[2]	100.0
SEC C Sp. z o.o., PL, Szczecin[2]	100.0
SEC D Sp. z o.o., PL, Szczecin[2]	100.0
SEC Dębno Sp. z.o.o., PL, Debno[2]	100.0
SEC E Sp. z o.o., PL, Szczecin[2]	100.0
SEC Energia Sp. z o.o., PL, Szczecin[2]	100.0
SEC F Sp. z o.o., PL, Szczecin[2]	100.0
SEC G Sp. z o.o., PL, Szczecin[2]	100.0
SEC HR Sp. z o.o., PL, Szczecin[2]	100.0
SEC Łobez Sp. z o.o., PL, Łobez[2]	100.0
SEC Myślibórz Sp. z o.o., PL, Myślibórz[2]	89.9
SEC Połczyn-Zdrój Sp. z o.o., PL, Połczyn-Zdrój[2]	100.0
SEC Serwis Sp. z o.o., PL, Szczecin[2]	100.0
SEC Słubice Sp. z o.o., PL, Słubice[2]	100.0
SEC Strzelce Krajeńskie Sp. z o.o., PL, Strzelce Krajeńskie[2]	100.0
SERVICE plus GmbH, DE, Neumünster[2]	100.0
Service Plus Recycling GmbH, DE, Neumünster[2]	100.0
Servicii Energetice pentru Acasa - SEA Complet S.A., RO, Târgu Mureş[6]	48.0
Settlers Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Sjöbygden Skog AB, SE, Malmö[2]	100.0
Skive GreenLab Biogas ApS, DK, Frederiksberg[2]	100.0
ŠKO ENERGO, s.r.o., CZ, Mladá Boleslav[6]	21.0
ŠKO-ENERGO FIN, s.r.o., CZ, Mladá Boleslav[5]	42.5
Snow Shoe Wind Farm, LLC, US, Wilmington[2]	100.0

Name, location	Stake (%)
Söderåsens Bioenergi AB, SE, Malmö[2]	63.3
Sönderjysk Biogas Bevtoft A/S, DK, Vojens[6]	50.0
Sønderjysk Biogasproduktion I/S, DK, Vojens[6]	50.0
SPIE Energy Solutions Harburg GmbH, DE, Hamburg[6]	35.0
Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[6]	29.0
Städtische Werke Magdeburg GmbH & Co. KG, DE, Magdeburg[5]	26.7
Städtische Werke Magdeburg Verwaltungs-GmbH, DE, Magdeburg[6]	26.7
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[6]	24.9
Stadtnetze Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[6]	24.9
Stadtversorgung Pattensen GmbH & Co. KG, DE, Pattensen[6]	49.0
Stadtversorgung Pattensen Verwaltung GmbH, DE, Pattensen[6]	49.0
Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[6]	36.0
Stadtwerke Barth GmbH, DE, Barth[6]	49.0
Stadtwerke Bayreuth Energie und Wasser GmbH, DE, Bayreuth[5]	24.9
Stadtwerke Bergen GmbH, DE, Bergen[6]	49.0
Stadtwerke Blankenburg GmbH, DE, Blankenburg[6]	30.0
Stadtwerke Bogen GmbH, DE, Bogen[6]	41.0
Stadtwerke Bredstedt GmbH, DE, Bredstedt[6]	49.9
Stadtwerke Burgdorf GmbH, DE, Burgdorf[6]	49.0
Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[6]	25.0
Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[6]	49.0
Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt (Oder)[5]	39.0
Stadtwerke Garbsen GmbH, DE, Garbsen[6]	24.9
Stadtwerke Geesthacht GmbH, DE, Geesthacht[6]	24.9
Stadtwerke Husum GmbH, DE, Husum[6]	49.9
Stadtwerke Lübz GmbH, DE, Lübz[6]	25.0
Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[6]	29.0
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[6]	24.9
Stadtwerke Niebüll GmbH, DE, Niebüll[6]	49.9
Stadtwerke Parchim GmbH, DE, Parchim[6]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[6]	35.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[6]	49.0
Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[6]	39.0
Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[6]	37.8
Stadtwerke Tornesch GmbH, DE, Tornesch[6]	49.0
Stadtwerke Vilshofen GmbH, DE, Vilshofen[6]	41.0
Stadtwerke Wismar GmbH, DE, Wismar[5]	49.0
Stadtwerke Wittenberge GmbH, DE, Wittenberge[6]	22.7
Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[6]	26.0
Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[6]	49.4
Stella Wind Farm II, LLC, US, Wilmington[2]	100.0
Stella Wind Farm, LLC, US, Wilmington[2]	100.0
Stockton Solar I, LLC, US, Wilmington[2]	100.0
Stockton Solar II, LLC, US, Wilmington[2]	100.0
Strom Germering GmbH, DE, Germering[2]	90.0
Strombewegung GmbH, DE, Düsseldorf[2]	100.0
Stromnetz Kulmbach GmbH & Co. KG, DE, Kulmbach[2]	100.0
Stromnetz Kulmbach Verwaltungs GmbH, DE, Kulmbach[2]	100.0
Stromnetz Weiden i.d.OPf. GmbH & Co. KG, DE, Weiden i.d.OPf.[6]	49.0
Stromnetz Würmtal GmbH & Co. KG, DE, Munich[2]	100.0
Stromnetz Würmtal Verwaltungs GmbH, DE, Munich[2]	100.0
Stromnetze Peiner Land GmbH, DE, Ilsede[6]	49.0
Stromnetzgesellschaft Bad Salzdetfurth - Diekholzen mbH & Co. KG, DE, Bad Salzdetfurth[6]	49.0
Stromnetzgesellschaft Barsinghausen GmbH & Co. KG, DE, Barsinghausen[6]	49.0
Stromnetzgesellschaft Wunstorf GmbH & Co. KG, DE, Wunstorf[6]	49.0
Stromversorgung Angermünde GmbH, DE, Angermünde[6]	49.0
Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	100.0
Stromversorgung Unterschleißheim GmbH & Co. KG, DE, Unterschleißheim[6]	49.0
Stromversorgung Unterschleißheim Verwaltungs GmbH, DE, Unterschleißheim[6]	49.0
strotög GmbH Strom für Töging, DE, Töging am Inn[6]	50.0
StWB Stadtwerke Brandenburg an der Havel GmbH & Co. KG, DE, Brandenburg an der Havel[5]	36.8
StWB Verwaltungs GmbH, DE, Brandenburg an der Havel[6]	36.8
SüdWasser GmbH, DE, Erlangen[2]	100.0
SVH Stromversorgung Haar GmbH, DE, Haar[6]	50.0
SVI-Stromversorgung Ismaning GmbH, DE, Ismaning[6]	25.1
SVO Holding GmbH, DE, Celle[1]	50.1
SVO Vertrieb GmbH, DE, Celle[1]	100.0
SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[6]	25.1
SWS Energie GmbH, DE, Stralsund[5]	49.0
Szczecińska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1]	66.5
Szombathelyi Erőmű Zrt., HU, Győr[2]	55.0
Szombathelyi Távhőszolgáltató Kft., HU, Szombathely[6]	25.0
Tech Park Solar, LLC, US, Wilmington[1]	100.0
The Power Generation Company Limited, GB, Coventry[2]	100.0
Thermondo GmbH, DE, Berlin[6]	23.4
Three Rocks Solar, LLC, US, Wilmington[2]	100.0
Tierra Blanca Wind Farm, LLC, US, Wilmington[2]	100.0
Tipton Wind, LLC, US, Wilmington[2]	100.0
Tishman Speyer Real Estate Venture VI Parallel (ON), L.P., US, New York[2]	99.0
TPG Wind Limited, GB, Coventry[6]	50.0
TXU Europe (AHST) Limited, GB, Coventry[2]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[6]	48.0
Umspannwerk Miltzow-Mannhagen GbR, DE, Sundhagen[6]	22.2
Umwelt- und Wärmeenergiegesellschaft Strasburg mbH, DE, Fürstenwalde/Spree[2]	100.0
Union Grid s.r.o., CZ, Prague[6]	34.0
Uniper SE, DE, Düsseldorf[5]	46.7
Uranit GmbH, DE, Jülich[4]	50.0
Utility Debt Services Limited, GB, Coventry[2]	100.0
Valencia Solar, LLC, US, Tucson[1]	100.0
Valverde Wind Farm, LLC, US, Wilmington[2]	100.0
VEBA Electronics LLC, US, Wilmington[1]	100.0
VEBACOM Holdings LLC, US, Wilmington[2]	100.0
Venado Wind Farm, LLC, US, Wilmington[2]	100.0
Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[6]	49.0
Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[6]	49.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Versorgungskasse Energie (VVaG), DE, Hanover[1]	73.4
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[6]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Győr[2]	100.0
Vici Wind Farm II, LLC, US, Wilmington[2]	100.0
Vici Wind Farm III, LLC, US, Wilmington[2]	100.0
Vici Wind Farm, LLC, US, Wilmington[2]	100.0
Visioncash, GB, Coventry[1]	100.0
Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[6]	40.0
Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2]	50.1
Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Vienenburg[6]	49.0
Wasserkraft Baierbrunn GmbH, DE, Unterschleißheim[6]	50.0
Wasserkraft Farchet GmbH, DE, Bad Tölz[2]	60.0
Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[6]	50.0
Wasserversorgung Sarstedt GmbH, DE, Sarstedt[6]	49.0
Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[6]	49.8
Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[6]	49.8
Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[6]	49.0
WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2]	70.0
Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Bad Berneck[2]	93.5

Name, location	Stake (%)
werkkraft GmbH, DE, Unterschleißheim[6]	50.0
West of the Pecos Solar, LLC, US, Wilmington[2]	100.0
WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1]	50.2
WEVG Verwaltungs GmbH, DE, Salzgitter[2]	50.2
Wildcat Wind Farm II, LLC, US, Wilmington[2]	100.0
Wildcat Wind Farm III, LLC, US, Wilmington[2]	100.0
Windenergie Leinetal 2 Verwaltungs GmbH, DE, Freden[2]	100.0
Windenergie Leinetal GmbH & Co. KG, DE, Freden[6]	26.2
Windenergie Leinetal Verwaltungs GmbH, DE, Freden[6]	24.9
Windenergie Osterburg GmbH & Co. KG, DE, Osterburg (Altmark)[2]	100.0
Windenergie Osterburg Verwaltungs GmbH, DE, Osterburg (Altmark)[2]	100.0
WINDENERGIEPARK WESTKÜSTE GmbH, DE, Kaiser-Wilhelm-Koog[2]	80.0
Windkraft Gerolsbach GmbH & Co. KG, DE, Gerolsbach[6]	23.2
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
WIT Ranch Wind Farm, LLC, US, Wilmington[2]	100.0
WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[6]	22.2
Yorkshire Windpower Limited, GB, Coventry[6]	50.0
Západoslovenská energetika a.s. (ZSE), SK, Bratislava[5]	49.0
Zenit-SIS GmbH, DE, Düsseldorf[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2016)

Name, location	Stake (%)
Consolidated investment funds	
ASF, DE, Düsseldorf[1]	100.0
HANSEFONDS, DE, Düsseldorf[1]	100.0
OB 2, DE, Düsseldorf[1]	100.0
OB 4, DE, Düsseldorf[1]	100.0
OB 5, DE, Düsseldorf[1]	100.0
VKE-FONDS, DE, Düsseldorf[1]	100.0

Name, location	Stake (%)	Equity € in millions	Earnings € in millions
Other companies in which share investments are held			
e-werk Sachsenwald GmbH, DE, Reinbek[7]	16.0	27.2	3.8
Herzo Werke GmbH, DE, Herzogenaurach[7]	19.9	12.8	0.0
HEW HofEnergie+Wasser GmbH, DE, Hof[7]	19.9	22.1	0.0
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH, DE, Bamberg[7]	10.0	30.1	0.0
Stadtwerke Wertheim GmbH, DE, Wertheim[7]	10.0	20.5	0.0
infra fürth gmbh, DE, Fürth[7]	19.9	68.4	0.0
Stadtwerke Straubing Strom und Gas GmbH, DE, Straubing[7]	19.9	7.2	0.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Supervisory Board (and Information on Other Directorships)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supervisory Board Committees

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

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

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

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

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

Management Board (and Information on Other Directorships)

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

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

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

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

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

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

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

Summary of Financial Highlights and Explanations

Explanatory Report of the Management Board 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 Management Board 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, 2016, and issues the following declaration regarding these disclosures:

The disclosures on takeover barriers contained in the Company's Combined Group Management Report are correct and conform with the Management Board's knowledge. The Management Board 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 Management Board 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 Management Board members in the case of a change of control, the purpose of such agreements is to preserve the independence of Management Board members.

The Management Board 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.

Essen, March 13, 2017

E.ON SE
Management Board

Teyssen Birnbaum

Sen Wildberger

Spieker

Summary of Financial Highlights[1, 2]

€ in millions	2012	2013	2014	2015	2016
Sales and earnings					
Sales	132,093	119,615	113,095	42,656	38,173
Adjusted EBITDA[3]	10,771	9,191	8,376	5,844	4,939
Adjusted EBIT[3]	7,012	5,642	4,695	3,563	3,112
Net income/Net loss	2,613	2,459	-3,130	-6,377	-16,007
Net income/Net loss attributable to shareholders of E.ON SE	2,189	2,091	-3,160	-6,999	-8,450
Adjusted net income[3]	4,170	2,126	1,646	1,076	904
Value measures					
ROACE/effective 2015 ROCE (%)	11.1	9.2	8.6	10.9	10.4
Pretax cost of capital (%)	7.7	7.5	7.4	6.7	5.8
Value added[4]	2,139	1,031	640	1,217	1,370
Asset and capital structure					
Non-current assets	96,563	95,580	83,065	73,612	46,296
Current assets	43,863	36,750	42,625	40,081	17,403
Total assets	140,426	132,330	125,690	113,693	63,699
Equity	38,820	36,638	26,713	19,077	1,287
Capital stock	*2,001*	*2,001*	*2,001*	*2,001*	*2,001*
Minority interests without controlling influence	*3,862*	*2,915*	*2,128*	*2,648*	*2,896*
Non-current liabilities	65,027	63,179	63,335	61,172	39,287
Provisions	*28,601*	*28,153*	*31,376*	*30,655*	*19,618*
Financial liabilities	*21,937*	*18,051*	*15,784*	*14,954*	*10,435*
Other liabilities and other	*14,489*	*16,975*	*16,175*	*15,563*	*9,234*
Current liabilities	36,579	32,513	35,642	33,444	23,125
Provisions	*4,049*	*4,353*	*4,120*	*4,280*	*12,008*
Financial liabilities	*4,007*	*4,673*	*3,883*	*2,788*	*3,792*
Other liabilities and other	*28,523*	*23,487*	*27,639*	*26,376*	*7,325*
Total assets and liabilities	140,426	132,330	125,690	113,693	63,699
Cash flow, investments and financial ratios					
Cash provided by operating activities of continuing operations	8,808	6,260	6,354	4,191	2,961
Cash-effective investments	6,997	7,992	4,637	3,227	3,169
Equity ratio (%)	28	28	21	17	2
Economic net debt (at year-end)	35,845	32,218	33,394	27,714	26,320
Debt factor[5]	3.3	3.5	4.0	3.7	5.3
Cash provided by operating activities of continuing operations as a percentage of sales	6.7	5.2	5.6	9.8	7.8
Stock and E.ON SE long-term ratings					
Earnings per share attributable to shareholders of E.ON SE (€)	1.15	1.1	-1.64	-3.6	-4.33
Equity[7] per share (€)	18.33	17.68	12.72	8.42	-0.5
Twelve-month high per share[7] (€)	19.52	14.71	15.46	12.98	8.49
Twelve-month low per share[7] (€)	13.8	11.94	12.56	6.28	6.04
Year-end closing price per share[7, 8] (€)	14.09	13.42	14.2	7.87	6.70
Dividend per share[9] (€)	1.1	0.6	0.5	0.5	0.21
Dividend payout	2,097	1,145	966	976	410
Market capitalization[8, 10] (€ in billions)	26.9	25.6	27.4	17.4	13.1
Moody's	A3	A3	A3	Baa1	Baa1
Standard & Poor's	A-	A-	A-	BBB+	BBB+
Employees					
Employees at year-end	72,083	61,327	58,811	43,162	43,138

[1]Starting in 2013, adjusted for discontinued operations and for the application of IFRS 10 and 11 and IAS 32. · [2]Line items from the Consolidated Statements of Income for 2016 and 2015 were adjusted to exclude Uniper; they include Uniper prior to 2015. Line items from the Consolidated Balance Sheets for 2016 were adjusted to exclude Uniper; they include Uniper prior to 2016. [3]Adjusted for non-operating effects. · [4]As of the balance-sheet date. · [5]Ratio between economic net debt and adjusted EBITDA; 2015 not adjusted for Uniper. · [6]Attributable to shareholders of E.ON SE. [7]Xetra, 2015 and 2016 were adjusted for the Uniper spinoff. · [8]At the end of December. · [9]For the respective financial year; the 2016 figure is management's proposed dividend. · [10]Based on shares outstanding.

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.

Adjusted EBIT
Adjusted earnings before interest and taxes. The EBIT figure used by E.ON is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude material non-operating income and expenses (see Other non-operating earnings). It is our key earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power.

Adjusted EBITDA
Earnings before interest, taxes, depreciation, and amortization. It equals the EBIT figure used by E.ON before depreciation and amortization.

Adjusted 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 non-controlling interests). Adjusted net income also excludes income/loss from discontinued operations, net.

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 non-current and current operating assets less the amount of non-interest-bearing available capital. Other equity interests 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-conversion rate
Operating cash flow before interest and taxes divided by adjusted EBITDA. It indicates whether our operating earnings are generating enough liquidity.

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. CP is 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.

Controllable costs
Our key figure for monitoring operational costs that management can meaningfully influence: the controllable portions of the cost of materials (in particular, maintenance costs and the costs of goods and services), certain portions of other operating income and expenses, and most personnel costs.

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 adjusted 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.

Economic net debt
Key figure that supplements net financial position with pension obligations and asset-retirement obligations. In the case of material provisions affected by negative real interest rates, we use the actual amount of the obligation instead of the balance-sheet figure to calculate our economic net debt.

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 derivatives
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.

Investments
Cash-effective investments shown in the Consolidated Statements of Cash Flows.

Net financial position
Difference between total financial assets (cash and non-current securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies, including effects from currency translation).

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 adjusted EBIT).

Profit at Risk ("PaR")
Risk measure that indicates, with a certain degree of confidence (for example, 95 percent), that changes in market prices will not cause a profit margin to fall below expectations during the holding period, depending on market liquidity. For E.ON's business, the main market prices are those for power, gas, coal, and carbon.

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 adjusted EBIT and average capital employed. Average capital employed represents the average interest-bearing capital tied up in the E.ON Group.

ROCE
Acronym for return on capital employed. ROCE is the ratio between adjusted EBIT and capital employed. Capital employed represents the interest-bearing capital tied up in the E.ON Group.

Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

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 (ROACE minus the cost of capital) multiplied by capital employed, which represents the average 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 operating assets and current operating liabilities.

Further information

E.ON SE
Brüsseler Platz 1
45131 Essen
Germany

T +49 (0)201-184-0
info@eon.com
eon.com

Journalists
T +49 (0)201-184-4236
presse@eon.com

Analysts and shareholders
T +49 (0)201-184-2806
investorrelations@eon.com

Bond investors
T +49 (0)201-184-6526
creditorrelations@eon.com

Only the German version of this Annual Report is legally binding.

Production, Typesetting & Printing: Jung Produktion, Düsseldorf

Picture Credit: Foto Merck KGaA (page 6)

carbon neutral
natureOffice.com | DE-197-558016
print production

MIX
Paper from responsible sources
FSC www.fsc.org
FSC® C004599

This Annual Report was printed on paper produced from fiber that comes from a responsibly managed forest certified by the Forest Stewardship Council.

Financial Calendar

May 9, 2017	Interim Report: January – March 2017
May 10, 2017	2017 Annual Shareholders Meeting
August 9, 2017	Interim Report: January – June 2017
November 8, 2017	Interim Report: January – September 2017
March 14, 2018	Release of the 2017 Annual Report
May 7, 2018	Interim Report: January – March 2018
May 8, 2018	2018 Annual Shareholders Meeting
August 8, 2018	Interim Report: January – June 2018
November 14, 2018	Interim Report: January – September 2018

E.ON SE

Brüsseler Platz 1
45131 Essen
Germany
T +49 201-184-00
info@eon.com

eon.com