Annual Report 2017

E.ON Group Financial Highlights[1]

€ in millions	2017	2016	+/- %
Sales	37,965	38,173	-1
Adjusted EBITDA[2]	4,955	4,939	–
– Regulated business	2,742	2,541	+8
– Quasi-regulated and long-term contracted business	828	842	-2
– Merchant business	1,385	1,556	-11
Adjusted EBIT[2]	3,074	3,112	-1
– Regulated business	1,677	1,482	+13
– Quasi-regulated and long-term contracted business	486	488	–
– Merchant business	911	1,142	-20
Net income/loss	4,180	-16,007	–
Net income/loss attributable to shareholders of E.ON SE	3,925	-8,450	–
Adjusted net income[2]	1,427	904	+58
Investments	3,308	3,169	+4
Cash provided by operating activities of continuing operations	-2,952	2,961	–
Cash provided by operating activities of continuing operations before interest and taxes	-2,235	3,974	–
Economic net debt (at year-end)	19,248	26,320	-27
Debt factor[3]	3.9	5.3	-1.4[4]
Equity	6,708	1,287	+421
Total assets	55,950	63,699	-12
ROCE (%)	10.6	10.4	+0,2[5]
Pretax cost of capital (%)	6.4	5.8	+0,6[5]
After-tax cost of capital (%)	4.7	4.0	+0,7[5]
Value added	1,211	1,370	-12
Employees (at year-end)	42,699	43,138	-1
– Percentage of female employees	32	32	–
– Percentage of female executives and senior managers	19.6	19.6	–
– Average turnover rate (%)	4.6	5.3	-0.7[5]
– Average age	42	42	–
– TRIF[6] (E.ON employees)	2.3	2.5	-8
Earnings per share[7, 8] (€)	1.84	-4.33	–
Equity per share[7, 9] (€)	1.85	-0.54	–
Dividend per share[10] (€)	0.30	0.21	+43
Dividend payout	650	410	+59
Market capitalization[9] (€ in billions)	19.6	13.1	+50

[1]The Uniper Group was deconsolidated effective December 31, 2016; it is shown in 2016 income statement as discontinued operation.
[2]Adjusted for non-operating effects (see Glossary).
[3]Ratio of economic net debt and adjusted EBITDA.
[4]Change in absolute terms.
[5]Change in percentage points.
[6]For E.ON employees; for a definition of TRIF, see the Employees chapter.
[7]Attributable to shareholders of E.ON SE.
[8]Based on shares outstanding (weighted average).
[9]Based on shares outstanding at year-end.
[10]For the respective financial year; the 2017 figure represents management's dividend proposal.

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CEO Letter

Report of the Supervisory Board

Dear Shareholders,

Dr. Johannes Teyssen,
Chairman of the Management Board

2017 was a successful financial year. Our earnings were at the upper end of our forecast range, and we reduced our debt significantly and more than expected and strengthened our balance sheet. This enabled us to put the burdens of the past behind us faster than anticipated.

From this position of strength we're now embarking on E.ON's largest growth initiative in more than ten years: we reached an agreement with RWE under which we'll acquire innogy as part of an extensive asset swap. We'll obtain RWE's 76.8-percent stake in innogy und make a voluntary public offer to innogy's other shareholders. In return, RWE will receive substantially all of E.ON and innogy's renewables business as well as a 16.67-percent stake in E.ON by means of a capital increase against contribution in kind from existing authorized capital.

In the future, the new E.ON will be the only European company to focus on smart grids and innovative customer solutions. One of the most creative transactions in the history of German industry will put E.ON in an even better position to tap the growth potential of the new energy world. And make E.ON even more attractive to you, our shareholders.

We fully achieved our financial and balance-sheet targets for 2017. Our stable sales of €38 billion, our adjusted EBIT of €3.1 billion, and our significantly higher adjusted net income of €1.4 billion were all at the upper end of our forecast range. We substantially strengthened our balance sheet. Steadily, but much faster than planned, we reduced our economic net debt to just €19.5 billion, down by just over a quarter from roughly €26.3 billion at year-end 2016. In addition, in early July we made our payment, on time, into Germany's public fund for financing nuclear-waste disposal. We therefore not only significantly reduced our debt. Since last year we're also free of all future financial risks in conjunction with the intermediate and final storage of nuclear waste. Phoenix, our reorganization program, is nearing completion. It's making our setup much closer to customers, reducing unnecessary bureaucracy, and enabling to us to achieve annual earnings improvements of €400 million from 2018 onward.

E.ON is now working closer to our customers, their needs, and their desires. They're at the center of everything we do. The first signs of success are already apparent: after some declines in the first two quarters of the year, especially in the United Kingdom and Germany, since mid-2017 our customer numbers have been rising again across all regions. Our repositioned brand and a range of innovative products and solutions for all customer segments contributed to this success.

Our solar and battery business in Germany grew by more than 200 percent year on year, making us the country's fastest-growing solar company. In 2017 we launched E.ON SolarCloud, which enables our customers to store their own solar output virtually and use it when they need it, without the need for a battery storage system. In the future, our customers will be able to sell their output directly to other people, like their neighbors or friends. Or give solar energy as a gift.

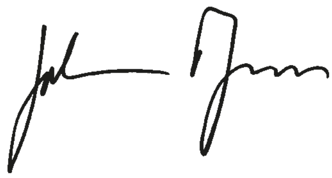
The development of our new e-mobility business has also been dynamic. This fast-growing market is lucrative for E.ON as well. It enables us to leverage our core competencies: using a reliable and intelligent network infrastructure as the backbone for innovative and digital products combined with first-class service. The future E.ON will be even better positioned to grow this business on a European scale.

E.ON's digital renewal is taking great strides forward. We're redesigning customer processes and systematically introducing digital products and services. We're using digital technology to continue to upgrade our regional distribution networks to smart grids. In the future, our expertise in this areas will be in even greater demand. This is because only smart distribution grids can effectively integrate electricity, heat, and mobility. What's more, tomorrow's charging infrastructure for e-mobility will be connected to the distribution grid. The new E.ON will focus entirely on this increasingly converging market, thereby making an important contribution to the success of the energy transition in Germany and Europe.

Our very good operating results, our solid balance sheet, and the positive developments in our core businesses weren't self-evident. They're the result of our employees' hard work in a continued challenging environment. The opportunities of the new energy world will benefit not only our customers and employees but also especially you, our shareholders. We expect our 2018 results to be stable and solid. We forecast that our adjusted EBIT will be between €2.8 and €3 billion and our adjusted net income between €1.3 and €1.5 billion. We will propose to the Annual Shareholders Meeting that E.ON pay out a fixed dividend for the 2017 and 2018 financial years: 30 cents for 2017 and 43 cents for 2018, a year-on-year increase of 40 percent. This is my clear signal to you, our shareholders, that we will be reliable, including during the implementation of the transaction.

We've established a solid starting position from which to make even better use of the opportunities created by the green, distributed, and digital energy world. During the transaction phase, we intend to further strengthen our core business and then take a big step forward in growth by acquiring innogy in mid 2019. Our aim will continue to be to optimally tap the substantial opportunities of the new energy world for our customers and for you, our shareholders.

Best wishes,



Dr. Johannes Teyssen

Dear Shareholders,

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

2017 was a successful year for E.ON. We reduced our debt faster than anticipated and strengthened equity. At the same time, our operating business performed well. This enables E.ON to enter the future as a revitalized company, to invest more, and to achieve sustainable growth. Investors rewarded these achievements. E.ON's stock price (including reinvested dividends) rose by 39 percent in 2017. All of this took a lot of hard work. The Supervisory Board would therefore like to thank the Management Board and all employees for their enormous efforts in 2017.

In the 2017 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 directly 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 four regular and two extraordinary meetings in the 2017 financial year, we addressed in depth all issues relevant to the Company. In particular, we discussed the release from reliability for nuclear-waste disposal in Germany and its funding, the sale of the Company's remaining Uniper stake, the refinement of its corporate strategy, and the implementation of the Phoenix reorganization program. Three Supervisory Board members were unable to attend Supervisory Board meetings in 2017. Apart from that, all members attended all meetings. A table showing attendance by member is on page 78 of this report.

The Management Board regularly provided us with timely and comprehensive information about significant business transactions 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, we voted on them.

In addition, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Management Board during the entire financial year. In the case of particularly pertinent issues, the Chairman of the Supervisory Board was kept informed at all times. He likewise maintained contact with the members of the Supervisory Board outside of board meetings. 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.

Sale of the Remaining Uniper Stake and the Refinement of Corporate Strategy

At our meetings, we discussed the possible sale of E.ON's remaining 46.65-percent Uniper stake to Fortum, a Finnish energy company, and later approved the conclusion of the transaction agreement with Fortum. We are convinced that this is the most financially attractive option for E.ON and at the same time offers good, credible strategic prospects for Uniper and its employees.

In 2017 much of the Supervisory Board's work was again devoted to the refinement of E.ON's corporate strategy. At our September meeting, we discussed scenarios of the future energy world and business strategies focusing on markets and technologies, in particular on the growth opportunities arising from the ongoing electrification of all sectors of the economy. E.ON will continue to be active in its three core businesses—Energy Networks, Customer Solutions, and Renewables—but will give these businesses a sharper focus. E.ON's competitiveness and differentiation will be based on its relevance in the respective business and its ability to achieve a leading position through improved capabilities, products, and resource allocation. The strategy includes a clear performance commitment to customers, puts customers at the center of everything we do, gives employees the opportunity to actively shape the new energy world, and offers investors growth prospects and attractive dividends.

Key Topics of the Supervisory Board's Discussions

The policy developments in countries in which E.ON is active constituted another key topic of our discussions. Alongside the overall- 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 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 2018–2020. 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 foster diversity.

We also thoroughly discussed current developments in E.ON's core businesses. We discussed and passed resolutions regarding wind farm projects in Germany and the United States. The Supervisory Board was informed on an ongoing basis about E.ON's core businesses, such as current price developments in individual countries, new customer solutions, digitization, the business in Turkey, and the Phoenix reorganization program. The Management Board also reported on the progress of E.ON's legal proceedings relating to the nuclear phaseout in Germany and the proposals of the Commission for Organizing and Financing the Nuclear Energy Phaseout. In early June the German Federal Constitutional Court ruled that the nuclear-fuel tax was unconstitutional. The overpaid taxes have already been refunded to the companies. In addition, the Act Reorganizing Responsibility for Nuclear Waste Management took effect on June 16, 2017. On July 3, 2017, E.ON paid in full its resulting contribution to Germany's public fund for financing nuclear-waste disposal. Pursuant to confirmations from the fund, E.ON and its subsidiaries are thus relieved of their liability for nuclear-waste disposal, which was transferred to the Federal Republic of Germany.

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 2017 financial year we again had intensive discussions about the implementation of the recommendations of the German Corporate Governance Code (known by its German abbreviation, "DCGK").

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 February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection 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 and for Consumer Protection in the official section of the Federal Gazette (*Bundesanzeiger*), since the last annual declaration on December 16, 2016, with no exceptions.

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, two education and training sessions on selected issues were conducted for Supervisory Board members in 2017.

The targets for the Supervisory Board's composition, including a competency profile and a diversity concept, with regard to Item 5.4.1 of the German Corporate Governance Code and Section 289f, Paragraph 2, Item 6 of the German Commercial Code and the status of their achievement are described in the Corporate Governance Report on pages 78 to 80.

In 2017 we conducted a regularly scheduled two-stage efficiency review of the Supervisory Board's work. The review consists of a standardized questionnaire and one-on-one discussions between the Chairman of the Supervisory Board and members of the Supervisory Board. The measures derived from the review are designed to further improve the Supervisory Board's work in the future.

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 80 and 81. 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 2017 financial year the Executive Committee met ten times. One member was unable to attend one meeting. Otherwise, all members took part in all of the committee's meetings and processes. In particular, this committee prepared the meetings of the full Supervisory Board. Furthermore, it discussed significant personnel matters (especially those relating to Management Board compensation), the Supervisory Board's competency profile, and the diversity concepts for the Management Board and Supervisory Board 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 2016 and to set the targets for 2017 and was continually informed about the progress toward these targets. Finally, the committee adopted a resolution based on the Management Board's proposal to change its members' respective task areas, adopted a resolution for the capital increase the Company subsequently carried out, and discussed the results of the efficiency review. Furthermore, it discussed the medium-term plan for the period 2018–2020.

The Investment and Innovation Committee (until March 2017: Finance and Investment Committee) met eight times. One member was unable to attend two meetings. Otherwise, all other members attended all meetings. The matters addressed by the committee included the Management Board's planned funding measures, the extension of the syndicated credit facility, the post-completion audits of certain investment projects, and the planned sale of the remaining Uniper stake. 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 innovation topics related to the Energy Networks and Customer Solutions segments.

The Audit and Risk Committee met five times in 2017. One member was unable to attend one meeting. Otherwise, all members took part in 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 2016 Financial Statements of E.ON SE (prepared in accordance with the German Commercial Code), the E.ON Group's 2016 Consolidated Financial Statements (prepared in accordance with International Financial Reporting Standards, or "IFRS"), and the 2017 Interim Reports of E.ON SE. The committee discussed the recommendation for selecting an independent auditor for the 2017 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 them to the Supervisory Board. The committee also discussed in detail market conditions, the long-term changes in markets, and the resulting consequences for the underlying value of E.ON's operations. 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 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 2017 as well as the audit plan and audit priorities for 2018. 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 legal 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, and the proposals of the Commission for Organizing and Financing the Nuclear Energy Phaseout. Other topics included the planned sale of the Company's remaining Uniper stake, the Phoenix reorganization program, the special audit conducted by Germany's Financial Reporting Enforcement Panel, the development of E.ON startups and co-investments, the Company's tax situation, reportable incidents at the E.ON Group, financing and insurance issues, and the separate Combined Non-Financial Report, which the Company was required to publish for the first time.

The Nomination Committee met once in 2017. All members of the committee were present. The purpose of the meeting was to prepare for the elections to the Supervisory Board in 2018.

Examination and Approval of the Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2017

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, 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, 2017. 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 12, 2018, 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 prepared in accordance with the German Commercial Code, 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 €0.30 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.

In addition, we reviewed and approved the separate Combined Non-Financial Report, which the Company was required to publish for the first time.

Personnel Changes on the Management Board

Michael Sen ended 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.

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

In addition, in January 2018 the E.ON SE Supervisory Board extended the contract of Johannes Teyssen as Chairman of the Management Board until December 31, 2021.

Page 224 of this report shows E.ON SE Management Board members' respective task areas as of year-end 2017.

Revisions to, and Personnel Changes on, the Supervisory Board's Committees

The E.ON SE Supervisory Board decided to revise its committees and make personnel changes on them. The Finance and Investment Committee was renamed the Investment and Innovation Committee and, effective April 1, 2017, until the conclusion of the 2018 Annual Shareholders Meeting, was increased from four to six members. As before, the committee continues to decide on investment and financing measures and to prepare the Supervisory Board's resolutions on such measures. In addition, it addresses issues relating to market developments, customers, innovation, and digitization. The medium-term plan is now discussed by the Executive Committee. These revisions to the committees were a consequence of the E.ON Group's new strategic direction, which involves the tapping of new markets.

As a result of the changes to the committees, shareholder representatives Carolina Dybeck Happe and Ewald Woste and employee representative Albert Zettl were elected as new members of the Investment and Innovation Committee effective April 1, 2017. Employee representative Andreas Schmitz was elected as a new member of the Audit and Risk Committee effective the same date. In addition, Karen de Segundo was elected Chairperson of the Investment and Innovation Committee effective April 1, 2017. Karl-Ludwig Kley resigned his membership on the Audit and Risk Committee and the Investment and Innovation Committee effective March 31, 2017.

As of December 31, 2017, Thies Hansen resigned from the E.ON SE Supervisory Board and therefore also from the Audit and Risk Committee. In his place, Elisabeth Wallbaum was newly elected to the committee effective January 1, 2018. The Supervisory Board would like to thank Mr. Hansen for his dedication and fine work on the Supervisory Board.

Essen, March 12, 2018
The Supervisory Board

Best wishes,

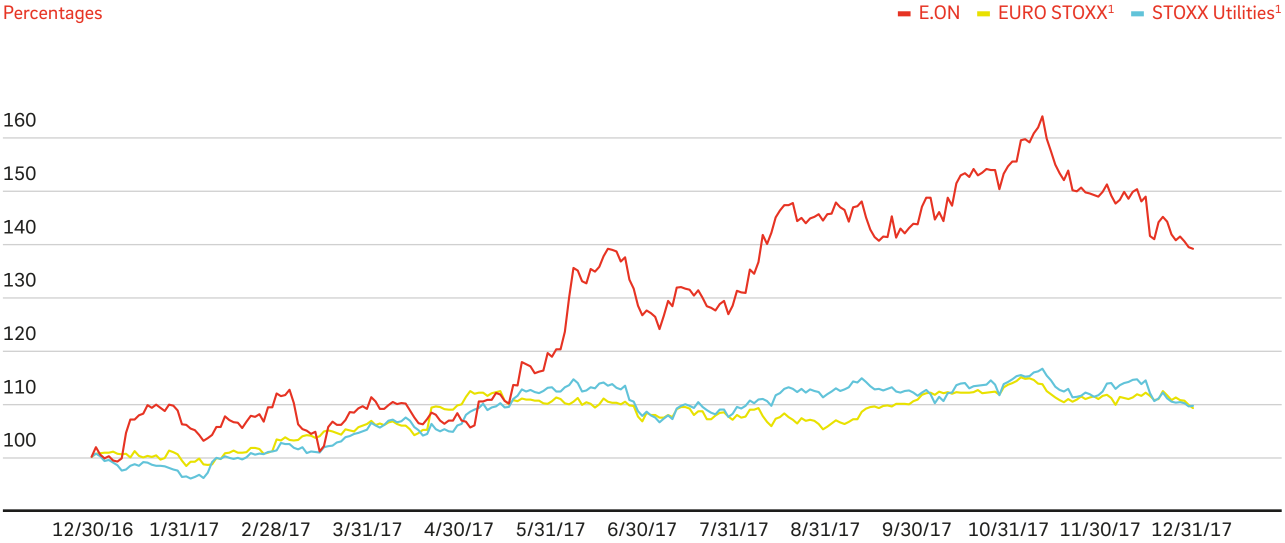
Dr. Karl-Ludwig Kley
Chairman

E.ON Stock

E.ON Stock in 2017

At the end of 2017, E.ON stock (including reinvested dividends) was 39 percent above its year-end closing price for 2016. It thereby considerably outperformed its peer index, the STOXX Utilities (+10 percent), and the broader European stock market as measured by the EURO STOXX 50 index (+9 percent).

E.ON Stock Performance



[1]Based on the performance index.

E.ON Stock Key Figures

Per share (€)	2017	2016
Net income attributable to the shareholders of E.ON SE[1]	1.84	-4.33
Earnings from adjusted net income[1, 2]	0.67	0.46
Dividend[3]	0.30	0.21
Dividend payout (€ in millions)	650	410
Twelve-month high[4]	10.69	8.49
Twelve-month low[4]	6.64	6.04
Year-end closing price[4]	9.06	6.70
Number of shares outstanding (in millions)	2,167	1,952
Market capitalization[5] (€ in billions)	19.6	13.1
E.ON stock trading volume[6] (€ in billions)	26.3	24.5

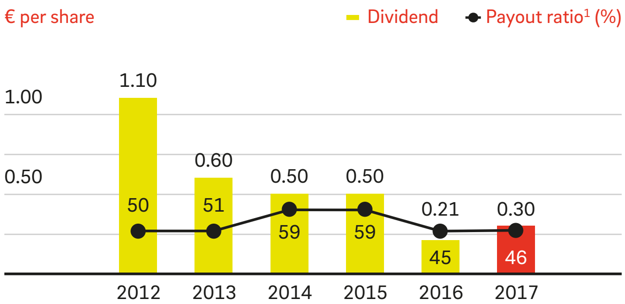
[1]Based on shares outstanding (weighted average).
[2]Adjusted for non-operating effects.
[3]For the respective financial year; the 2017 figure represents management's dividend proposal.
[4]Xetra.
[5]Based on ordinary shares outstanding at year-end.
[6]On all German stock exchanges, including Xetra.

The increase in the number of shares outstanding relative to year-end 2016 is mainly attributable to the capital increase we conducted in March 2017 through a partial utilization of authorized capital. This raised the number of shares outstanding by about 200 million shares. The capital increase yielded E.ON SE gross issuance proceeds of approximately €1.35 billion.

In addition, in 2017 shareholders were given the option of receiving their dividend in cash or exchanging a portion of it for shares of E.ON stock. The acceptance rate was about 33 percent, and E.ON consequently issued just under 15 million treasury shares. This increased the number of shares outstanding at December 31, 2017, to 2,167 million.

Dividend

Dividend per Share



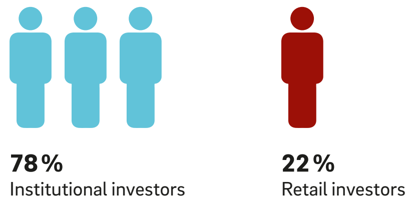
[1]Payout ratio not adjusted for discontinued operations.

At the 2018 Annual Shareholders Meeting, management will propose a cash dividend of €0.30 per share for the 2017 financial year (prior year: €0.21). The payout ratio (as a percentage of adjusted net income) would be 46 percent. Based on E.ON stock's year-end 2017 closing price, the dividend yield is 3.3 percent.

Shareholder Structure

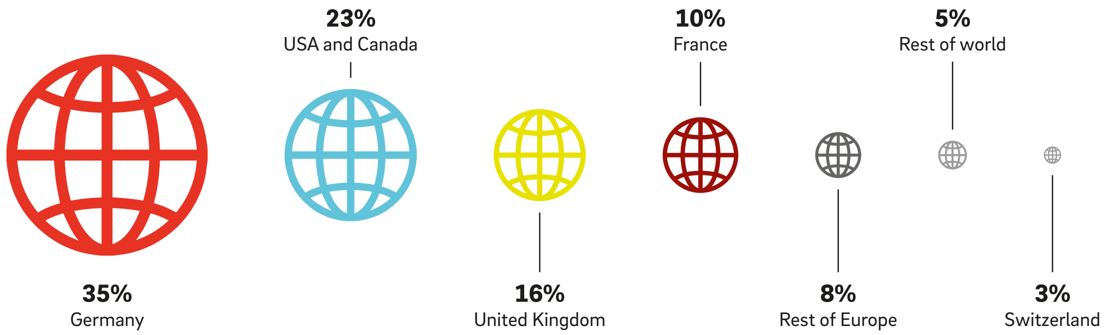
Our most recent survey shows that we have roughly 78 percent institutional investors and 22 percent retail investors. Investors in Germany hold about 35 percent of our stock, those outside Germany about 65 percent. These percentages are based on the total number of investors we were able to identify 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, 2017).

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, 2017).

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.

The main focus in 2017 was the E.ON Group's new financial strategy, which included the debt-reduction plan announced in March. As in the past, we continually informed our shareholders of the steps taken and the progress made toward reducing our debt.

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

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, the increasing electrification of energy consumption, and digital solutions. By seizing the initiative, E.ON can—for the benefit of customers, employees, business partners, shareholders, and society in general—take advantage of the significant opportunities created by the transformation of the energy world. Our strategy reflects three fundamental market developments and corresponding growth businesses: the global trend toward sustainable energy sources (particularly wind and solar), the use of energy networks as a platform for distributed-energy solutions, and customers' changing needs in an increasingly electrified and efficient energy world. We aim to add value in all of our businesses by delivering an outstanding performance in all areas and by putting customers at the center of everything we do. Examples include continual innovation, an unambiguous commitment to sustainability, the expansion of digital architecture across the organization, 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: distribution grids link our customers together and are the backbone of the energy transformation. In Germany, 95 percent of all renewable energy is fed into regional, customer-proximate distribution grids, and about one third of distributed generating capacity subsidized by the Renewable Energy Law is connected to E.ON grids. The energy system is complex and increasingly characterized by distributed generation. It connects the electricity market, heat market, and transport sector. This complex system is not possible without smart distribution grids. This means that grids no longer just distribute power. They are evolving into smart platforms that integrate processes, data, and generating facilities. Physical infrastructure is now supplemented by a new digital layer. E.ON is already a leader in network efficiency and will continue to set new standards in the future.

- Customer Solutions: E.ON wants to become the partner of choice for municipal, public, industrial, commercial, and residential customers and to create added value for them. We intend to achieve this through a consistently convincing customer experience, a 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: wind, solar, and other carbon-neutral technologies are indispensable ingredients in a climate-friendly power mix. E.ON's objective is to make a significant contribution. E.ON's increasingly international renewables business will therefore continue to invest in attractive target regions. Capabilities in project development and execution and in operational excellence already give us a competitive advantage in this business.

Resources and Capabilities

Each of these core businesses has its own viable business logic. But combining them in a single company offers significant advantages. It enables 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. In an increasingly distributed and digital energy world, for example, we expect customer solutions and energy networks to converge going forward. Today, smart meters are already providing the basis for new energy-sales offerings, such as time-based electricity tariffs and energy-efficiency solutions.

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. On July 3, 2017, E.ON transferred the payment amount (including a risk premium) totaling approximately €10.3 billion to Germany's public fund to finance nuclear-waste disposal. This transferred the responsibility for the intermediate and final storage of E.ON's nuclear waste to the Federal Republic of Germany. As the phaseout moves forward, E.ON will continue to ensure that its nuclear assets are decommissioned and dismantled safely and cost-effectively.

The systematic focus on three core businesses 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 5.1 GW of operational capacity (supplemented by an attractive development pipeline and an established service business for wind farms) and our outstanding record of managing a total of roughly 800,000 kilometers of energy networks. In 2017 our customer solutions business reached several milestones in energy storage, e-mobility, and heat supply. For the first time, we enabled owners of solar panels to store their output without a battery by feeding it directly into the E.ON SolarCloud, storing it there, and accessing it from any location. In Denmark, where our 1,300 charging points make us the country's leading operator, we surpassed one million charging transactions. We are expanding our charging infrastructure outside Denmark as well. Examples include a partnership with CLEVER to establish a network of 180 ultra-fast charging points in seven European countries.

Split of Enerjisa Joint Venture

In August 2017 E. ON and its joint-venture partner Sabanci decided to split Enerjisa, which operates in the Turkish market, into two separate entities: Enerjisa Enerji (distribution grids and sales) and Enerjisa Üretim (power generation and trading). The reason for the split was the realization that the two businesses are very different in terms of customer focus, degree of regulation, growth opportunities, and financial challenges. The split enables two independent management teams to focus specifically on the challenges of their respective businesses. On February 5, 2018, E. ON and Sabanci announced that 20 percent of their Enerjisa Enerji stock had been sold to international and Turkish investors. The stock (symbol: ENJSA) began trading on the Istanbul Stock Exchange on February 8, 2018.

Uniper Spinoff

Uniper has been an independent company since the beginning of 2016. In line with its intention to fully divest its Uniper stake over the medium term, E.ON signed an agreement with Fortum on September 26, 2017, to sell its Uniper stock. Under the agreement, Fortum would make a voluntary public takeover offer to Uniper's shareholders, including a cash payment of €22 per share. At the beginning of January 2018, E.ON decided to accept Fortum's voluntary takeover offer and sell its 46.65-percent stake in Uniper. The closure of the transaction is subject to regulatory approvals.

Corporate Initiatives

In 2017, the first year after the split-off of Uniper, E.ON moved forward with key corporate initiatives and launched new ones with the aim of enhancing its competitiveness and customer orientation. These initiatives lay an important foundation for E.ON's lasting success in the years ahead. All of them are designed for rapid results and implementation.

- Our strategic review has ensured that the entire E.ON Group uses its existing strengths to successfully shape the energy transition for the long-term benefit of its employees, customers, and shareholders. This includes focusing systematically on the electric energy world and on customers. The increased use of electricity will play a key role in the sustainable development of the energy world. Since the future energy world will not only be more distributed but also more customer-driven, we can only achieve lasting success if customers perceive E.ON as trustworthy and as their partner of choice. We intend to sharpen the focus of our three segments (Customer Solutions, Energy Networks, and Renewables) to enable them to respond appropriately to the trends in their respective businesses. We will transform our electricity grids into a smart platform for the energy transition, a platform on which a variety of market participants will make transactions in the future. At our renewables business, we intend to significantly enlarge our onshore wind position and to enter new markets. As for customer solutions, we will focus on rapidly expanding our solar and battery solutions for residential customers. In addition, E.ON is investing in e-mobility, including establishing a charging infrastructure in Europe.

- The Phoenix program is making the setup of E.ON's central and support functions closer to customers and reducing unnecessary bureaucracy. For example, we scrutinized company policies and made them much leaner. This gives our customer-proximate functions greater decision-making authority, enabling faster decision-making and implementation. In the future, support functions like IT and procurement will be more closely integrated with our operating business. In addition, the results of the program will improve our bottom line by €400 million from 2018 onward. The discontinuation or outsourcing of tasks is expected to affect up to 1,300 jobs across the Group. E. ON is working with employee representatives to find mutually acceptable solutions for employees whose jobs are being eliminated and in 2017 already implemented such solutions for a majority of the jobs affected.

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 in core business up slightly
- Adjusted net income considerably above prior-year figure
- Economic net debt reduced more significantly than expected, balance sheet strengthened
- €10.3 billion payment into Germany's public fund for financing nuclear-waste disposal completely relieves E.ON of liability
- Uniper stake tendered to Fortum at the start of 2018
- Management to propose dividend of €0.30 per share
- 2018 adjusted EBIT expected to be between €2.8 and €3 billion

Corporate Profile

Business Model

E.ON is an investor-owned energy company with approximately 43,000 employee. 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 E.ON Group. This involves charting E.ON's strategic course and managing and funding its existing business portfolio. Group Management's tasks include optimizing E.ON's overall business across countries and markets from a financial, strategic, and risk perspective and conducting stakeholder management.

In view of our new strategy and the Annual Shareholders Meeting's vote to spin off Uniper, we reported Uniper activities as a discontinued operation in 2016. When the Control Termination Agreement took effect, Uniper was deconsolidated effective December 31, 2016. E.ON's remaining Uniper stake was recorded in our Consolidated Financial Statements as an associated company and accounted for using the equity method. Uniper's earnings were reported under non-operating earnings. In September 2017 E.ON and Finnish energy company Fortum concluded an agreement that gave E.ON the option to sell its 46.65-percent stake in Uniper to Fortum in early 2018 pursuant to a takeover offer (see the commentary in Note 4 to the Consolidated Financial Statements). Effective the end of September 2017, we classify our Uniper stake as an asset held for sale. In January 2018 E.ON decided to tender its 46.65-percent stake in Uniper pursuant to the takeover offer, thereby exercising its option. The closure of the transaction is subject to regulatory approvals.

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 all necessary maintenance and repairs, and expanding its networks, which frequently involves adding customer connections.

Customer Solutions

This segment serves as the platform for working with our customers to actively shape Europe's energy transition. This includes supplying customers in Europe (excluding Turkey) with power, gas, and heat as well as with products and services that enhance their energy efficiency and autonomy and provide other benefits. Our activities are tailored to the individual needs of all types of customers: 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. We established a decentralized procurement organization in all the regions where we operate to procure the power and gas necessary to supply our customers.

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 activities. This applies to the operation of our nuclear power stations in Germany (which is managed by our PreussenElektra unit).

Management System

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

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.

Adjusted earnings before interest and taxes ("adjusted EBIT") is E.ON's most important key figure for purposes of internal management control and as an indicator of its businesses' long-term earnings power. The E.ON Management Board is convinced that adjusted EBIT is the most suitable 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, certain restructuring expenses, impairment charges, and other non-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 operating cash flow before interest and taxes divided by adjusted EBITDA. It indicates whether our operating earnings are generating enough liquidity.

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

Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has 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 33). Debt factor is equal to our economic net debt divided by adjusted EBITDA and is therefore a dynamic debt metric. Economic net debt includes our net financial debt as well as our pension and asset-retirement obligations.

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 is TRIF (which measures reported work-related injuries and illnesses). The Employees chapter contains explanatory information about TRIF. However, this KPI is not the focus of the ongoing management of our businesses.

Innovation

E.ON's innovation activities reflect its strategy of focusing systematically on the new energy world of empowered and proactive customers, renewables and distributed energy, energy efficiency, local energy systems, and digital solutions. E.ON therefore has the following Innovation Hubs:

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

Strategic Co-Investments

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

In 2017 these included Cuculus, a software company based in Ilmenau, Germany. We are partnering with Cuculus to develop solutions for the smart home of the future. The solutions are based on the Internet of Things ("IoT"), in which different devices and systems can communicate with and control each other via the Internet. Homes in the new energy world will typically have solar panels, battery storage systems (including virtual storage solutions like the E. ON SolarCloud), electric vehicles, and charging systems. All these systems have to be continuously automated and coordinated so that energy is used as efficiently as possible. This will make energy customers more independent of their energy supplier and also relieve them of the complex task of optimizing each individual system. Smart meters and IoT technology enable the communication necessary to coordinate the systems.

In 2017 we sold our stake in Greensmith, a battery solutions provider, to Wärtsilä of Finland, a global leader in advanced technologies for the marine and energy markets. E.ON began working with Greensmith in 2015 on a 10-MW energy-storage system in Tucson, Arizona. In September 2016 E.ON increased its stake in Greensmith and also began installing two more energy-storage systems in Texas.

Sample Projects from 2017

Customer Solutions

Since 2015 E.ON customers have been able to use E.ON Smart Check, an app that provides transparency on their energy use. Customers can use the app to compare and analyze their energy consumption on a regular basis and thus, for example, avoid unexpected supplementary payments.

The E.ON Smart Check's features have been enhanced continually since its launch. Consumers who participated in a pilot project in 2017 were able to automatically connect all electrical appliances in their household to the app and receive important information about them. In the project, for example, the app was capable of indicating whether a washing machine was calcified or living-room lighting was inefficient. E.ON Smart Check is already used by more than 120,000 customers.

Distributed Networks

E.ON is one of 20 partners in InterFlex, a European smart-grid project that is part of Horizon 2020, an EU framework program for research and innovation. The purpose of InterFlex is to find new ways to make the power supply more flexible and to optimize it at the local level. In 2017 we launched two major InterFlex initiatives in which we are testing a number of state-of-the-art solutions in three demonstration projects in Germany and Sweden. They include:

- islanding: operating and controlling autonomous microgrids in real time, including the integration of distributed generating units and energy-storage devices
- peer-to-peer energy trading: self-generating renewable power and trading it directly with a neighbor or another consumer
- demand response: flexibly managing the demand for power depending on how much of it is available on the market.

InterFlex is planned to run for three years. The E.ON Energy Research Center is also involved in the project.

University Support

Our innovation activities include partnering with universities and research institutes to conduct research projects in a variety of areas. The purpose is to study ways to expand the horizons of energy conservation and sustainable energy and to draw on this research to develop new offerings and solutions for customers. This research is conducted primarily at the E.ON Energy Research Center, which focuses on renewables, technologically advanced electricity networks, and efficient technology for buildings.

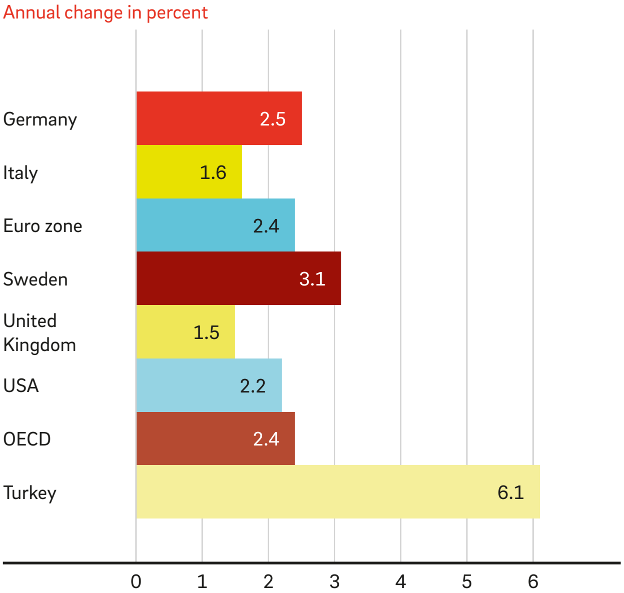
Macroeconomic and Industry Environment

Macroeconomic Environment

The OECD considers global economic activity to be more robust. Monetary and fiscal incentives enabled most countries to achieve improved economic growth. Private investments, however, remain stagnant. The OECD estimates that the global economy grew at a rate of 3.6 percent in 2017.

2017 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2017.

Energy Policy and Regulatory Environment

Global

The 23rd United Nations climate change conference took place in Bonn, Germany, from November 6 to 17, 2017. It too focused on the practical implementation of the Paris Agreement. Based on scenarios developed by the World Energy Council and the International Energy Agency, the Paris Agreement's objective of limiting the increase in global temperatures to under 2 degrees Celsius can only be reached with greater efforts.

Europe

The European Union completed a two-year legislative process to reform the Emissions Trading System for the period 2021 to 2030. The new agreement calls for a steady decline in the oversupply of emission allowances, which should lead to an increase in the total carbon price. The agreement also includes new rules to support the introduction of national carbon prices. It enables member states to voluntarily withdraw allowances from the market in order to implement their own carbon-pricing policies.

The EU intends to enhance its position as the world's leading region for low-emission vehicles. It put forward legislative proposals aimed at reducing the carbon intensity of Europe's vehicle fleet. The proposals center on electrification with the goal of increasing the proportion of electric vehicles in the current fleet to 7 percent by 2025. This would result in a considerable expansion of, and demand for, the charging infrastructure for these vehicles.

The EU continued the process of enacting the proposals contained in the "Clean Energy for All Europeans" package of energy and climate legislation. With a number of proposals about to be enacted, it is clear that the EU will increase its targets for renewables use and energy efficiency. At the end of the legislative process, the EU will focus on ensuring that member states fulfill their obligations in the energy sector.

Germany

On June 30, 2017, the German Bundestag passed the Grid Fee Modernization Act which lays the legal foundation for transmission grid fees to be standardized nationwide and for changes to be made in the compensation for avoided grid fees pursuant to Section 18 of the Electricity Grid Charges Ordinance. The act, which will be implemented gradually, will yield considerable savings for our distribution-grid customers through 2023.

The German Federal Constitutional Court ruled that the nuclear-fuel tax was invalid. This entitled E.ON to a tax refund of approximately €2,850 million. The refund, which was paid in full in June 2017, is recorded as other operating income and as cash provided by operating activities of continuing operations.

Under the amended Combined-Heat-and-Power ("CHP") Act, compensation for CHP units between 1 and 50 MW is determined by competitive tenders conducted by the Federal Network Agency. This has intensified competition, reducing compensation from 7 cents per kWh to about 4 cents per kWh.

CHP plants that entered service after August 1, 2014, had paid 40 percent of the full renewables levy. The European Commission intends to rescind approval of this limitation. An enforcement ban has therefore been in effect since January 1, 2018, and Germany will have to enact new legislation for new CHP plants (Renewable Energy Law self-supply regulation pursuant to Section 61b, Item 2, of the Renewable Energy Law). Until such legislation is enacted and approved, all new CHP plants will have to pay the full renewables levy.

The provisions for "renters' power" introduced in the Renewable Energy Law of 2017 (the subsidization of electricity supplied directly from solar systems on apartment buildings) will enable both renters and property owners to benefit from the expansion of renewables, such as the installation of rooftop solar panels. This will create new growth opportunities for the distributed-energy business.

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

United Kingdom
The U.K. government published draft legislation to cap the standard tariff for residential customers by 2020. It is possible that this deadline could be extended to 2023. Parliament is currently considering the draft, which is expected to become law in 2019. While the political scene remains dominated by the Brexit negotiations, Britain's future stance with regard to EU energy policy and regulation remains uncertain. Nevertheless, Britain intends to fulfill its own commitments and continue its carbon-reduction policies. These include the further expansion of electric cars, renewables, energy efficiency, and new technologies.

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. In November 2017 the Italian government published a national energy strategy for the next ten years. The strategy seeks to promote energy-efficiency measures, expand renewables, enhance supply security, reduce Italy's energy price premium relative to the rest of Europe, promote sustainable mobility and environmentally friendly fuels, and phase out coal-fired generation.

Sweden
Sweden's energy policy is focused on the implementation of the targets and measures contained in the agreement on the country's energy future reached in 2016. The extension of the support scheme for renewables through 2030, the development of strategies for energy efficiency, solar energy, and demand flexibility will all play important roles. In addition, the Swedish government set ambitious climate targets for 2030 for the transport sector and put in place new mechanisms to promote e-mobility and gas-powered vehicles. Sweden's energy regulator presented proposals for new grid regulation starting in 2020 and a new market design for electricity suppliers.

East-Central Europe
In late August 2016, the Czech Republic announced that it will extend the current regulatory period for electricity and gas prices by two years to 2020. The next regulatory period starts in 2021. In it, the country's regulatory agency wants to promote cost efficiency while also stimulating grid investments through a mechanism that provides fair and stable returns on investment. Romania continued its liberalization program. The wholesale gas and power markets were fully liberalized on April 1 and July 1, 2017, respectively. Hungary's new electricity and gas regulatory periods began in 2017 and had a positive impact on the distribution-grid business. They introduced new methodologies for investments in power distribution networks, incentives to invest in renewables, and favorable tax treatment for investments in energy-efficiency projects. The government is also discussing ways to simplify and accelerate grid-connection processes.

Earnings Situation

Business Performance in 2017
In the 2017 financial year our operating business performed well. Our sales of €38 billion were at the prior-year level. Adjusted EBIT in our core business rose by €38 million to €2.6 billion.

Adjusted EBIT for the E.ON Group declined by €38 million to €3.1 billion (if disposals are factored out, adjusted EBIT was €9 million below the prior-year figure). Adjusted net income increased by about €0.5 billion to €1.4 billion. Our adjusted EBIT and adjusted net income were therefore at the upper end of our forecast range of €2.8 to €3.1 billion and €1.2 to €1.45 billion, respectively. In addition, our objective was to record a cash-conversion rate of 80 percent. Cash-conversion rate is equal to operating cash flow before interest and taxes divided by adjusted EBITDA (roughly €5 billion). Operating cash flow before interest and taxes, which was substantially affected by extraordinary items such as our payment into Germany's public fund for nuclear-waste disposal and the refund of nuclear-fuel taxes, amounted to -€2.2 billion in 2017. Adjusted for these effects, our cash-conversion rate surpassed 100 percent. Our ROCE was 10.5 percent, slightly higher than our forecast of 8 to 10 percent.

Our investments of €3.3 billion were slightly above the prior-year figure of €3.2 billion but below the €3.6 billion foreseen for 2017 in our medium-term plan. The deviation is principally attributable to our Renewables segment, which postponed certain payments to 2018.

Our operating cash flow of -€3 billion was substantially below the prior-year figure of €3 billion, primarily because of our payment into Germany's public fund for nuclear-waste disposal in July 2017.

Acquisitions, Disposals, and Discontinued Operations in 2017
We executed the following significant transactions in 2017. Note 4 to the Consolidated Financial Statements contains detailed information about them:

- Uniper stake
- Hamburg Netz
- E.ON Värme Lokala Energilösningar (small and medium-sized district-heating networks in Sweden).

Disposals resulted in cash-effective items totaling €770 million in 2017 (prior year: €836 million). This figure includes the sales price for Hamburg Netz which was paid in 2017.

Sales
Our sales declined by about €0.2 billion to €38 billion in 2017. Energy Networks' sales surpassed the prior-year figure by €1.1 billion, primarily because of higher costs charged by upstream grid operators in Germany that we passed through to customers. Its sales were slightly higher in Sweden and East-Central Europe/Turkey owing to volume and price factors. Customer Solutions' sales declined by €0.8 billion, principally because of lower sales volume and currency-translation effects in the United Kingdom as well as the expiration of supply contracts for the wholesale-customer business in Germany, which was transferred to Uniper. Sales at our Renewables segment were up by about €250 million year on year, primarily because of an increase in owned generation following the commissioning of new wind farms in the United States and favorable wind conditions in Poland, Germany, the United Kingdom, and Sweden. Non-Core Business's sales were at the prior-year level. The prior-year figure for Corporate Functions/Other includes E&P operations in the North Sea that were sold in 2016.

Sales

	Fourth quarter			Full year		
€ in millions	2017	2016	+/- %	2017	2016	+/- %
Energy Networks	4,123	3,685	+12	16,990	15,892	+7
Customer Solutions	6,088	6,289	-3	21,567	22,368	-4
Renewables	474	335	+41	1,604	1,357	+18
Non-Core Business	355	470	-24	1,585	1,538	+3
Corporate Functions/Other	234	279	-16	796	1,124	-29
Consolidation	-1,246	-1,083	–	-4,577	-4,106	–
E.ON Group	**10,028**	**9,975**	**+1**	**37,965**	**38,173**	**-1**

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €524 million was at the prior-year level (€529 million) and predominantly reflects the completion of IT projects and grid investments.

Other operating income increased by 3 percent, from €7,448 million to €7,649 million, mainly because of the refund of nuclear-fuel taxes paid in previous years (€2,850 million). In addition, the sale of securities and the release of provisions resulted in higher income than in the prior year. By contrast, income from currency-translation effects declined from €5,039 million to €1,950 million, and income from derivative financial instruments decreased from €1,141 million to €613 million. Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses.

Costs of materials of €29,788 million were significantly below the prior-year level of €32,325 million. In the prior year this item was adversely affected by the provisions for nuclear-asset-retirement obligations that had to be recorded after Germany's Bundestag and Bundesrat passed the Act Reorganizing Responsibility for Nuclear Waste Management in December 2016.

Personnel costs of €3,162 million were €323 million above the prior-year figure of €2,839 million, mainly because of the costs of our reorganization program, which has been under way since the start of 2017. By contrast, personnel costs were reduced by lower past-service costs for pension plans.

Depreciation charges declined substantially year on year, from €3,823 million to €2,769 million. In particular, depreciation charges on capitalized dismantling costs for nuclear-waste disposal recorded in 2016 pursuant to Germany's Act Reorganizing Responsibility for Nuclear Waste Management did not recur. Impairment charges were higher than in the prior year and were recorded primarily at Renewables and Customer Solutions in the United Kingdom.

Other operating expenses declined by 18 percent, from €7,867 million to €6,475 million. This was principally because expenditures relating to derivative financial instruments decreased substantially, from €4,925 million to €1,663 million. By contrast, expenditures relating to currency-translation effects rose from €231 million to €1,838 million. In addition, other operating expenses increased owing to our obligation to pass on a portion (€327 million) of the refunded nuclear-fuel tax to minority shareholders of our jointly owned power stations.

Income from companies accounted for under the equity method of €716 million was substantially above the prior-year figure of €285 million. The increase in the amount of €431 million resulted primarily from the inclusion of our stake in Uniper SE as a company accounted for using the equity method during the first three quarters of 2017 (+€466 million). Since the end of September 2017, our Uniper SE stake has been recorded as an asset held for sale. Consequently, the book value of this stake was not recorded in equity in the fourth quarter of 2017.

Adjusted EBIT

In 2017 adjusted EBIT in our core business increased by €38 million year on year. Energy Networks' adjusted EBIT rose by €270 million, primarily because of the delayed repayment of personnel costs in Germany due to regulatory reasons along with an improved gross power margin due to higher tariffs in Sweden. Earnings at Energy Networks' East-Central Europe/Turkey unit were above the prior-year level. Adjusted EBIT in the Czech Republic and Hungary was higher in particular due to wider margins; this was partially offset by lower earnings from our stake in Turkey, which is accounted for using the equity method. Customer Solutions' adjusted EBIT declined by about €286 million year on year. The principal reasons were a weather-driven decline in sales volume and higher costs in the United Kingdom along with extraordinary items, lower gas sales prices, and persistently intense competitive and margin pressure in Germany. In addition, earnings were adversely affected by higher power and gas procurement costs (primarily in Romania) and lower sales prices and higher procurement costs in Hungary. Renewables' adjusted EBIT was €24 million higher, principally because of a decline in scheduled depreciation charges at Offshore Wind/Other due to improved asset availability and higher wind yield.

Adjusted EBIT for the E.ON Group declined by €38 million. In addition to the items mentioned above in the commentary on adjusted EBIT in our core businesses, other adverse factors included the unplanned outage of Brokdorf nuclear power station and lower sales prices at PreussenElektra and the absence of earnings streams from E&P operations in the North Sea divested in 2016.

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 2017.

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

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

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

Adjusted EBIT

	Fourth quarter			Full year		
€ in millions	2017	2016	+/- %	2017	2016	+/- %
Energy Networks	524	475	+10	1,941	1,671	+16
Customer Solutions	173	264	-34	526	812	-35
Renewables	206	121	+70	454	430	+6
Corporate Functions/Other	-92	-261	–	-342	-398	–
Consolidation	-3	-6	–	-11	15	–
Adjusted EBIT from core business	**808**	**593**	**+36**	**2,568**	**2,530**	**+2**
Non-Core Business (PreussenElektra)	149	208	-28	506	553	-8
Other (divested operations)	–	–	–	–	29	–
Adjusted EBIT	**957**	**801**	**+19**	**3,074**	**3,112**	**-1**

Net Income/Loss

In 2017 we recorded net income attributable to shareholders of E.ON SE of €3.9 billion and corresponding earnings per share of €1.84. In the prior year we recorded a net loss of €8.5 billion and negative earnings per share of €4.33.

Pursuant to IFRS, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income and, in the prior year, primarily includes our earnings related to Uniper. Note 4 to the Consolidated Financial Statements contains more information.

As in the prior year, we had a tax expense of €0.4 billion. With positive pretax income, our tax rate in 2017 was 10 percent (2016: -25 percent). One-off items relating to the refund of the nuclear-fuel tax and the resulting income tax levied in Germany were the main reasons for the change in our tax rate. The effects relating to the nuclear-fuel tax, which led us to use tax loss carry-forwards, are subject to a minimum tax rate.

Net book gains were significantly above the prior-year figure and resulted in particular from the sale of securities, which were sold in preparation for the payment into Germany's public fund for financing nuclear-waste disposal which was due in July, and from the sale of an equity investment at Customer Solutions in Sweden. In 2016 we recorded book gains on the sale of securities and a book loss on the sale of our U.K. E&P business.

Restructuring and cost-management expenditures rose substantially year on year. As in the prior-year period, they resulted mainly from restructuring programs and the One2two project. The increase is primarily attributable to higher expenditures for restructuring programs, in particular for the Phoenix reorganization program.

Net Income/Loss

	Fourth quarter		Full year	
€ in millions	2017	2016	2017	2016
Net income/loss	277	-6,708	4,180	-16,007
Attributable to shareholders of E.ON SE	*219*	*-4,502*	*3,925*	*-8,450*
Attributable to non-controlling interests	*58*	*-2,206*	*255*	*-7,557*
Income/Loss from discontinued operations, net	–	3,549	–	13,842
Income/Loss from continuing operations	**277**	**-3,159**	**4,180**	**-2,165**
Income taxes	-164	-184	440	440
Financial results	134	123	44	1,314
Income/Loss from continuing operations before financial results and income taxes	**247**	**-3,220**	**4,664**	**-411**
Income/Loss from equity investments	-52	-10	-3	-19
EBIT	**195**	**-3,230**	**4,661**	**-430**
Non-operating adjustments	**762**	**4,031**	**-1,587**	**3,542**
Net book gains (-)/losses (+)	*-87*	*-62*	*-375*	*-63*
Restructuring and cost-management expenses	*368*	*53*	*541*	*274*
Marking to market of derivative financial instruments	*498*	*-164*	*951*	*-932*
Impairments (+)/Reversals (-)	*921*	*350*	*916*	*394*
Other non-operating earnings	*-938*	*3,854*	*-3,620*	*3,869*
Adjusted EBIT	**957**	**801**	**3,074**	**3,112**
Impairments (+)/Reversals (-)	33	44	75	48
Scheduled depreciation and amortization	425	454	1,806	1,779
Adjusted EBITDA	**1,415**	**1,299**	**4,955**	**4,939**

The marking to market of the derivatives we use to shield our operating business from price fluctuations and of other derivatives resulted in a negative effect of €951 million (prior year: +€932 million), mainly at Corporate Functions/Other, Customer Solutions, and Non-Core Business. The positive effect in the prior year was recorded primarily at Customer Solutions.

In 2017 we recorded impairment charges principally at Renewables and Customer Solutions in the United Kingdom. In the prior year we recorded impairment charges at Renewables and Customer Solutions in the United Kingdom and on a gas storage facility in Germany.

The significant increase in other non-operating earnings is attributable to effects resulting from the ruling by Germany's highest court on the invalidity of the nuclear-fuel tax and to the equity earnings on our Uniper stake, which were included in this item until the end of September 2017. In the prior year this line item was adversely affected by items resulting from the Act Reorganizing Responsibility for Nuclear Waste Management, which was passed by Germany's Bundestag and Bundesrat in December 2016. These items, including the concomitant impairment charges, were recorded fully in the prior year.

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, certain 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.

As a rule, the E.ON Management Board uses this figure generally in conjunction with its consistent dividend policy. E.ON will therefore aim for a payout ratio that is on par with its relevant peer companies. E.ON will propose a dividend of €0.30 per share for the 2017 financial year. In conjunction with the planned acquisition of innogy via a wide-ranging exchange of assets with RWE we decided to propose a fix dividend of €0.43 per share for the 2018 fiscal year.

Adjusted Net Income

	Fourth quarter		Full year	
€ in millions	2017	2016	2017	2016
Income/Loss from continuing operations before financial results and income taxes	**247**	**-3,220**	**4,664**	**-411**
Income/Loss from equity investments	-52	-10	-3	-19
EBIT	**195**	**-3,230**	**4,661**	**-430**
Non-operating adjustments	762	4,031	-1,587	3,542
Adjusted EBIT	**957**	**801**	**3,074**	**3,112**
Interest expense shown in the consolidated statements of income	-82	-113	-41	-1,295
Interest expense (+)/income (-) not affecting net income	-87	-221	-703	-157
Operating earnings before interest and taxes	**788**	**467**	**2,330**	**1,660**
Taxes on operating earnings	-227	-91	-613	-478
Operating earnings attributable to non-controlling interests	-99	-113	-290	-278
Adjusted net income	**462**	**263**	**1,427**	**904**

Financial Situation

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

Finance Strategy

Our finance strategy focuses on E.ON's capital structure. Ensuring that E.ON has unrestricted access to capital markets is at the forefront of this strategy.

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

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

The interest-rate environment remained extremely low. In some cases this led to negative real interest rates on asset-retirement obligations. As in the prior year, our provisions therefore exceeded the amount of our asset-retirement obligations as they stood at year-end 2017 without factoring in discounting and cost-escalation effects. This limits the relevance of economic net debt as a key figure. We want economic net debt to serve as a useful key figure that aptly depicts our debt situation. In the case of material provisions affected by negative real interest rates, we therefore used the aforementioned actual amount of the obligation instead of the balance-sheet figure to calculate our economic net debt since the 2016 financial year.

For the medium term, we target a debt factor of 4.

Economic Net Debt

Compared with the figure recorded at December 31, 2016 (€26.3 billion), our economic net debt declined significantly—by €7.1 billion—to €19.2 billion.

The change in our net financial position predominantly reflects the capital increase we conducted in March 2017 and our negative operating cash flow. The latter includes positive effects from the refund of the nuclear-fuel tax and from our continuing operations as well as negative effects from the payment into Germany's public fund for financing nuclear-waste disposal. However, because we removed provisions for nuclear-waste management in the same amount from our balance sheets, the payment into the fund had no effect on our economic net debt.

Economic Net Debt

	December 31	
€ in millions	2017	2016
Liquid funds	5,160	8,573
Non-current securities	2,749	4,327
Financial liabilities	-13,021	-14,227
FX hedging adjustment	114	390
Net financial position	**-4,998**	**-937**
Provisions for pensions	-3,620	-4,009
Asset-retirement obligations[1]	-10,630	-21,374
Economic net debt	**-19,248**	**-26,320**
Adjusted EBITDA	4,955	4,939
Debt factor	**3.9**	**5.3**

[1]These figures are not the same as the asset-retirement obligations shown in our Consolidated Balance Sheet (December 31, 2017: -€11,673; December 31, 2016: -€22,515 million). This is because we calculate our economic net debt in part based on the actual amount of our obligations.

Funding Policy and Initiatives

The key objective of our funding policy is for E.ON to have access to a variety of financing sources at all times. We achieve this objective through different markets and debt instruments to maximize the diversity of our investor base. We issue bonds with tenors that give our debt portfolio a balanced maturity profile. Moreover, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. External funding is generally carried out by E.ON SE, and the funds are subsequently on-lent in the Group. In the past, external funding was also carried out by our Dutch finance subsidiary, E.ON International Finance B.V. ("EIF"), under guarantee of E.ON SE. In May 2017 E.ON SE issued a total of €2 billion in bonds with maturities of 4.25, 7, and 12 years. In 2017 we also paid back in full bonds of €0.9 billion and roughly €1.8 billion that matured in May and October, respectively.

Financial Liabilities

	December 31	
€ in billions	2017	2016
Bonds[1]	10.7	11.9
EUR	*4.0*	*4.7*
GBP	*3.9*	*4.0*
USD	*2.5*	*2.8*
JPY	*0.2*	*0.2*
Other currencies	*0.1*	*0.2*
Promissory notes	0.4	0.4
Commercial paper	–	–
Other liabilities	1.9	1.9
Total	**13.0**	**14.2**

[1]Includes private placements.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and EIF'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. E.ON SE's DIP was last updated in March 2017 with a total volume of €35 billion, of which about €9 billion was utilized at year-end 2017. E.ON SE intends to renew the DIP in 2018.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term notes. As in the prior year, E.ON had no CP outstanding at year-end 2017.

E.ON also has access to a five-year, €2.75 billion syndicated revolving credit facility, which was concluded with 18 banks on November 13, 2017, and which includes two options to extend the facility, in each case for one year. This facility replaced the former €3.5 billion facility. This facility is undrawn on and rather serves as a reliable, ongoing general liquidity reserve for the E.ON Group. The 18 banks that were invited all participate in the credit facility and therefore constitute 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.

E.ON's creditworthiness has been assessed by Standard & Poor's ("S&P") and Moody's with long-term ratings of BBB and Baa2, respectively. In March 2017 both S&P and Moody's downgraded E.ON's rating from BBB+ and Baa1 with a negative outlook, respectively. The outlook on both ratings is now stable. The new ratings reflect both agencies' anticipation that in the near to medium term E.ON will be able to maintain a leverage ratio as required for these ratings. E.ON's short-term ratings have been unchanged with A-2 (S&P) and P-2 (Moody's).

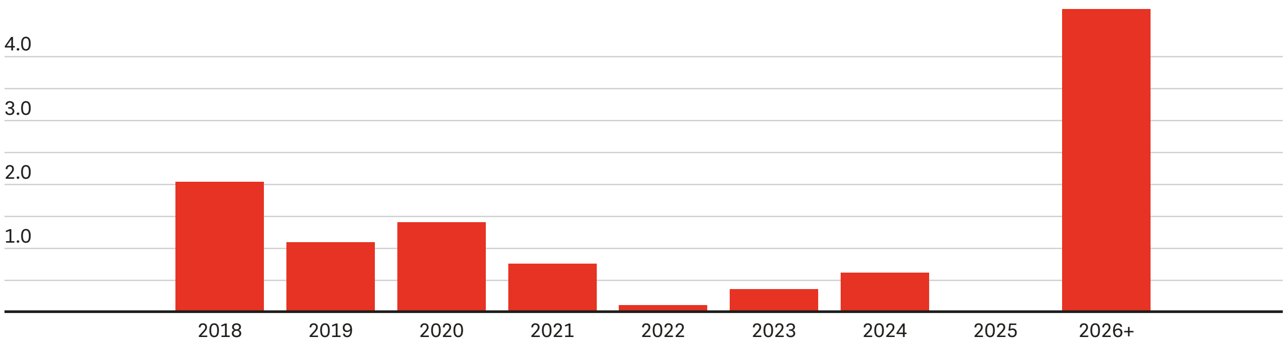
E.ON SE Ratings

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

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

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

€ in billions | December 31, 2017



Investments

Investments in our core business and the E.ON Group's total investments in 2017 were above the prior-year level. We invested €3.1 billion in property, plant, and equipment and intangible assets (prior year: €3 billion). Share investments totaled €232 million versus €134 million in the prior year.

Investments

€ in millions	2017	2016	+/- %
Energy Networks	1,418	1,419	–
Customer Solutions	595	580	+3
Renewables	1,225	1,070	+14
Corporate Functions/Other	53	98	-46
Consolidation	3	-21	–
Investments in core business	**3,294**	**3,146**	**+5**
Non-Core Business (PreussenElektra)	14	15	-7
Other (divested operations)	–	8	–
E.ON Group investments	**3,308**	**3,169**	**+4**

Energy Networks' investments were at the prior-year level. Investments of €345 million to upgrade and maintain networks in Sweden were €54 million above the prior-year figure. Investments at East-Central Europe/Turkey were €89 million higher due principally to the reassignment of investment projects (such as grid maintenance, repair, and connections) in the Czech Republic from Customer Solutions to Energy Networks. By contrast, Energy Networks' investments in Germany of €702 million were significantly lower than in the prior year (€846 million).

Customer Solutions' investments were slightly higher. In Sweden we invested significantly more in the maintenance, upgrade, and expansion of existing assets and in the heat distribution network. By contrast, the already-mentioned reassignment of investment projects in the Czech Republic from this segment to Energy Networks led to a significant decline in this segment's investments. In addition, investments at E.ON Connecting Energies were lower.

Investments at Renewables were €155 million higher. Onshore Wind/Solar's investments increased by €103 million, primarily because of expenditures for two large new-build projects (Radford's Run and Bruenning's Breeze), which entered service at the end of 2017. Offshore Wind/Other's investments increased by a total of €52 million owing to expenditures in line with our stake in the Arkona project.

Investments at Non-Core Business (nuclear energy operations in Germany) were €1 million below the prior-year level.

Cash Flow

Cash provided by operating activities of continuing operations of -€3 billion was €5.9 billion below the prior-year level. The decline resulted primarily from the €10.3 billion payment made in July 2017 into Germany's public fund for financing nuclear-waste disposal. This was partially offset by cash inflow in conjunction with the refund of nuclear-fuel taxes, which, after a portion of the refund was passed on to co-owners, amounts to €3.1 billion. An improvement in working capital was another positive factor.

Cash provided by investing activities of continuing operations of -€0.4 billion was substantially higher than the prior-year figure of -€3 billion. The +€2.6 billion change is mainly attributable to higher net cash inflow from the sale of securities and fixed deposits as well as the repayment of financial liabilities. Cash provided by investing activities of continuing operations was adversely affected by an increase in restricted funds to fulfill insurance obligations of Versorgungskasse Energie VVaG i.L. ("VKE i.L."). Cash-effective investments and disposals of -€2.5 billion were slightly (-€0.2 billion) above the prior-year level of -€2.3 billion. Disposals consisted mainly of the upcoming sale of the operations of Hamburg Netz GmbH at Energy Networks in Germany and the sale of E.ON Värme Lokala Energilösningar AB at Customer Solutions in Sweden.

Cash Flow[1]

€ in millions	2017	2016
Cash provided by (used for) operating activities of continuing operations (operating cash flow)	-2,952	2,961
Operating cash flow before interest and taxes	-2,235	3,974
Cash provided by (used for) investing activities	-391	-3,041
Cash provided by (used for) financing activities	540	-1,152

[1]From continuing operations.

Cash provided by financing activities of continuing operations amounted to +€0.5 billion compared with -€1.2 billion in the prior year. The change of +€1.7 billion is primarily attributable to measures to fund the payment we made in July into Germany's public fund for financing nuclear-waste disposal. The measures consisted mainly of the issuance of €2 billion in bonds, the €1.35 billion capital increase conducted by E.ON SE in March 2017, and a €0.6 billion reduction in the dividend payout to E.ON SE shareholders relative to the prior year. These items were offset by the repayment of bonds in the fourth quarter of 2017 (-€1.9 billion).

Asset Situation

Our total assets and liabilities of €56 billion were about €7.6 billion, or 12 percent, below the figure from year-end 2016, mainly because of developments at our nuclear energy business in Germany which were described above in the commentary on the change in our economic net debt.

Non-current assets of €40.3 billion were €6.1 billion lower relative to year-end 2016. The principal factors were the reclassification of the book value of our Uniper SE stake as an asset held for sale and the sale of non-current securities.

Current assets decreased by 9 percent, from €17.4 billion to €15.8 billion. A roughly €3.4 billion decline in liquid funds and a roughly €1 billion decline in operating receivables and other operating assets were largely offset, primarily by the reclassification of the book value of our Uniper SE stake as an asset held for sale. The decline in liquid funds is chiefly attributable to the payment of €10.3 billion into Germany's public fund for financing nuclear-waste disposal. To finance this payment, E.ON SE conducted a roughly €1.35 billion capital increase in the first quarter of 2017. Furthermore, liquid funds were increased by the €2 billion bond issuance in the second quarter and the refund of nuclear-fuel taxes paid in previous years plus interest.

Our equity ratio (including non-controlling interests) at year-end 2017 was 12 percent, which is about 10 percentage points higher than at year-end 2016. This change reflects the already-mentioned capital increase, the reduction in total assets and liabilities, as well as our positive net income in 2017. In particular, the refund of nuclear-fuel taxes paid in previous years had a positive impact on net income. Equity attributable to shareholders of E.ON SE was about €4 billion at year-end 2017. Equity attributable to non-controlling interests was roughly €2.7 billion.

Non-current liabilities decreased by €4.1 billion, or 10 percent, owing in particular to a reduction in liabilities relating to derivative financial instruments, lower pension obligations, and a decline in nuclear-asset-retirement obligations.

In line with Germany's Act Reorganizing Responsibility for Nuclear Waste Management, existing nuclear-asset-retirement obligations at the end of 2016 were met through payment, resulting in a substantial reduction—€9.1 billion—in current liabilities relative to year-end 2016.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2017	%	Dec. 31, 2016	%
Non-current assets	40,164	72	46,296	73
Current assets	15,786	28	17,403	27
Total assets	**55,950**	**100**	**63,699**	**100**
Equity	6,708	12	1,287	2
Non-current liabilities	35,198	63	39,287	62
Current liabilities	14,044	25	23,125	36
Total equity and liabilities	**55,950**	**100**	**63,699**	**100**

Additional information about our asset situation 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, 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	2017	2016
Intangible assets and property, plant and equipment	12	14
Financial assets	37,358	37,368
Non-current assets	**37,370**	**37,382**
Receivables from affiliated companies	7,697	8,089
Other receivables and assets	1,349	1,734
Liquid funds	2,025	4,664
Current assets	**11,071**	**14,487**
Accrued expenses	36	30
Asset surplus after offsetting of benefit obligations	1	15
Total assets	**48,478**	**51,914**
Equity	9,029	5,384
Provisions	2,127	2,578
Bonds	2,000	–
Liabilities to affiliated companies	34,350	43,102
Other liabilities	970	845
Deferred income	2	5
Total equity and liabilities	**48,478**	**51,914**

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 2017 reflects, in particular, profit transfers of €3,414 million from E.ON Energie AG and €2,118 million from E.ON Beteiligungen GmbH. The main countervailing factors were loss transfers of €752 million from E.ON Finanzanlagen GmbH, €56 million from E.ON Climate & Renewables GmbH, and €47 million from E.ON US Holding GmbH.

The payment into Germany's public fund for financing nuclear-waste disposal in July and the concomitant financing were of central importance to E.ON SE's financial position last year. Two significant items in this context were the capital increase of €1,349 million in March 2017 and the issuance of euro-denominated bonds with a total nominal value of €2,000 million. The reduction of liquid funds in the amount of €2,639 million was another factor related to this matter. On balance, E.ON SE recorded positive income from equity interests of €4,676 million. Profit transfers and loss-transfer obligations yielding this figure led to a decline in liabilities to affiliated companies.

Equity, which most recently had been significantly reduced by the Uniper spinoff, was strengthened in the 2017 financial year. In addition to the aforementioned capital increase decided on by the Management Board and approved by the Supervisory Board on March 16, 2017, positive net income of €2,640 million contributed to this significant increase. The scrip dividend for the 2016 financial year enabled E.ON SE to meet €107 million of its dividend obligations through the issuance of treasury shares.

This increased equity by the same amount. By contrast, equity was reduced by the use of prior-year net income available for distribution in the amount of €452 million.

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

Income Statement of E.ON SE (Summary)

€ in millions	2017	2016
Income from equity interests	4,676	2,134
Interest income	-1,368	-546
Other expenditures and income	-497	-551
Taxes	-171	-160
Net income	**2,640**	**877**
Withdrawal from capital reserve	–	3,357
Withdrawals from retained earnings	–	3,612
Income reduction from spinoff	–	-6,969
Net income transferred to retained earnings	-1,320	-425
Net income available for distribution	**1,320**	**452**

The decline in interest income is primarily attributable to the payment of €754 million to compensate for market-value differences relating to the transfer of loans to E.ON Finanzholding SE & Co. KG for the purpose of restructuring liabilities within the Group.

The negative figure recorded under other expenditures and income results primarily from expenditures of €291 million for third-party services, personnel expenditures of €163 million, expenditures of €157 million for consulting and auditing services, and income of €88 million from a necessary adjustment for certain environmental remediation obligations of predecessor entities.

Tax expenses consist primarily of income taxes. Applying the minimum tax rate resulted in corporate taxes of €147 million, a solidarity surcharge of €8 million, and trade taxes of €167 million in 2017. Tax income for previous years amounted to €165 million. This item also includes an expense of €15 million for other taxes.

At the Annual Shareholders Meeting on May 9, 2018, management will propose that net income available for distribution be used to pay a cash dividend of €0.30 per ordinary share and remaining income available for distribution of €670 million to 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 12, 2018, the date the Financial Statements of E.ON SE were prepared.

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

Other Financial and Non-Financial Performance Indicators

ROCE and Value Added

Cost of Capital

The cost of capital is determined by calculating the 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 2017 led us to increase our after-tax cost of capital from 4 percent to 4.7 percent, mainly because of a higher risk-free interest rate which reflected the development of the overall interest-rate environment. By contrast, the accompanying decline in the market-risk premium reduced the cost of equity. The table below shows the derivation of cost of capital before and after taxes.

Cost of Capital

	2017	2016
Risk-free interest rate	1.25%	0.50%
Market premium[1]	6.25%	6.75%
Debt-free beta factor	0.50	0.50
Indebted beta factor[2]	1.01	0.92
Cost of equity after taxes	**7.50%**	**6.70%**
Average tax rate	27%	31%
Cost of equity before taxes	10.3%	9.7%
Cost of debt before taxes	2.4%	2.6%
Marginal tax rate	27%	31%
Cost of debt after taxes	**1.80%**	**1.80%**
Share of equity	50%	45%
Share of debt	50%	55%
Cost of capital after taxes	**4.70%**	**4.00%**
Cost of capital before taxes	**6.40%**	**5.80%**

[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

ROCE is a pretax total return on capital and is defined as the ratio of our adjusted EBIT to annual average capital employed.

Annual average capital employed represents the interest-bearing capital invested in our operating business. It is calculated by subtracting non-interest-bearing available capital from non-current and current operating assets. 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 2017

ROCE increased from 10.4 percent in 2016 to 10.6 percent in 2017, primarily because of lower average capital employed. This resulted mainly from a reduction in the book value of property, plant, and equipment, in particular at Renewables, and the favorable development of working capital at our network business in Germany.

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

ROCE

€ in millions	2017	2016
Goodwill, intangible assets, and property, plant, and equipment[1]	30,345	31,034
Shares in affiliated and associated companies and other share investments	4,339	4,486
Non-current assets	**34,684**	**35,520**
Inventories	794	785
Other non-interest-bearing assets/liabilities, including deferred income and deferred tax assets[2]	-5,688	-4,929
Current assets	**-4,893**	**-4,144**
Non-interest-bearing provisions[3]	-1,541	-1,402
Capital employed in continuing operations (at year-end)	**28,250**	**29,974**
Capital employed in continuing operations (annual average)[4]	29,112	29,546
Adjusted EBIT[5]	**3,074**	**3,083**
ROCE[6]	**10.6%**	**10.4%**
Cost of capital before taxes	**6.4%**	**5.8%**
Value added[7]	**1,211**	**1,370**

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

Corporate Sustainability

Many and diverse stakeholders—customers and suppliers, policymakers and government agencies, employees and trade unions, non-governmental organizations and regional interest groups, equity analysts and investors—have high expectations of us and the entire energy industry. We have therefore conducted a systematic process 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 most recent Sustainability Reporting Standards ("GRI SRS") from 2016.

In addition, this year we are disclosing, for the first time, a separate Combined Non-Financial Report ("CNFR"), which will be published as a separate document on our website. It too is based on the GRI SRS and describes how we address environmental, employee, and social matters as well as human rights and anti-corruption. The CNFR complies with the reporting requirements of the German CSR Directive Implementation Act (Sections 289b–e, Section 315b-c of the German Commercial Code).

Sustainability Ratings and Rankings

Our commitment to transparency includes subjecting our sustainability performance to independent, detailed assessments by specialized agencies and capital-market analysts. The results of these assessments provide important guidance to investors and to us. They help us identify our strengths and weaknesses and further improve our performance.

In 2017 we were again included in the RobecoSAM Sustainability Yearbook and, as a leading company, received a silver rating. In addition, CDP (formerly the Carbon Disclosure Project) awarded E.ON a high grade of A- for the quality, processes, and transparency of our reporting on our carbon emissions and climate change. The CDP is one of the world's largest international 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 both the European "Euronext Vigeo 120" indices.

Highlights in 2017

We conduct our sustainability activities to address environmental, social, and governance issues in a balanced way. Our objective is to achieve continual improvement, thereby becoming a leading sustainability company in our industry. We have defined five material areas that are the focus of our Group-wide sustainability activities:

- We listen to our customers and treat them fairly.
- We help customers optimize their energy usage.
- We build and integrate renewable generating capacity.
- We protect the health and safety of our customers and colleagues.
- We foster diversity and inclusion in our workforce.

These activities also support the achievement of the United Nations' Sustainable Development Goals. In particular, we help give access to affordable, reliable, sustainable, and clean energy and help protect the earth's climate.

Information about our sustainability approach, programs, and progress as well as detailed information about our emissions and climate-protection efforts can be found in our 2017 Sustainability Report and the CNFR, which were published online at eon.com/sustainabilityreport at the same time as this Annual Report.[1] The Sustainability Report and CNFR are not part of the Combined Group Management Report.

[1]Direct link to the separate Combined Non-Financial Report 2017: www.eon.com/content/dam/eon/eon-com/Documents/en/sustainability-report/nonfinancialreport2017.pdf.

Employees

People Strategy

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

The three focus areas of our People Strategy are: Preparing Our People for the Future, Providing Opportunities, and Recognizing Performance. In 2017 we continued to bring these focus areas to life. The initiatives we implemented during the year included:

- implementing grow@E.ON, a Group-wide framework for the personal and professional development of our employees and managers (Preparing for the Future)
- expanding our existing talent programs and establishing talent boards to ensure that the personal development plans of our employees and managers are optimally tailored to E.ON's needs (Providing Opportunities)
- introducing the YES! Awards, a way we recognize outstanding achievements as they happen and further motivate employees (Recognizing Performance).

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

In 2017 the HR team and the E.ON SE Management Board developed and approved People Commitments to adopt an appropriate approach to decentralization, which is a basic principle of the Phoenix program. The People Commitments establish twelve principles that articulate our values and how we treat our employees. These principles are binding for the entire E.ON Group. At the same time, we provide support to E.ON units so that they can adopt these principles in a way that reflects their particular legal, cultural, and business environment. The goal of the People Commitments is to create a workplace:

- where E. ON's values and leadership principles are put into practice
- where employees can achieve outstanding results and realize their potential
- where employees can develop their skills and talents
- that promotes a fair, diverse, and equitable work culture
- that systematically ensures that we comply with the law and meet our customers' needs.

Completion of Employee Assignments under One2two

As planned, the assignment of employees under the One2two program was completed in 2016. To ensure the continuity of IT support, however, E.ON Business Services was not divided until after the Uniper split. All employees of E.ON Business Services were assigned to E.ON or Uniper. In line with the rules worked out for One2two and by mutual agreement between management and local employee representatives, employees were transferred in two stages, on January 1 and July 1, 2017, respectively.

The employees assigned to E.ON remained at the same legal entities; those assigned to Uniper were transferred to the respective Uniper companies.

Phoenix and the Involvement of Employee Representatives
E.ON designed the Phoenix program in 2016 to make itself fit for the future in the wake of the Uniper spinoff. The program aims to optimize E.ON's organizational setup and processes, to reduce bureaucracy and complexity, to delegate authority, and to make us faster, more agile, and closer to our customers. This will give more decision-making authority to customer-proximate functions and integrate support functions like IT and Procurement more closely with our operating business. This restructuring is aimed at eliminating tasks and thus up to 1,300 jobs across E.ON, including up to 1,000 in Germany. In 2017 we negotiated about 700 staff reductions with employee representatives. To achieve these staff reductions we concluded individual, mutually acceptable agreements with employees. Negotiations for IT (outsourcing) and Procurement will be concluded in 2018. In the interest of all employees, new hiring will be actively limited during Phoenix.

Phoenix too has been conducted in keeping with our well-established tradition of working 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 agreed on in November 2016 and thus at a very 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 high-ranking employee representatives from the European SE Works Council of E.ON SE and the German Group Works Council of E.ON SE met periodically, was informed in advance of implementation measures, and was thus actively involved in the project. If the Project Council had suggestions about a measure, management discussed these suggestion with the council and evaluated and considered them before the measure was implemented.

In addition, the Company and the Group Works Council of E.ON SE concluded a Supplementary Agreement to the above-mentioned 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. The Supplementary Agreement affects E.ON employees in Germany. It named the negotiators for the negotiation of reconciliations of interests, created a mechanism for early voluntary termination, established measures to ensure business continuity for Group companies affected by Phoenix, and defined principles for filling vacancies.

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

At a European level, E.ON management works closely with the SE Works Council of E.ON SE, which consists of representatives from all European countries in which E.ON operates. Under the SE Agreement, the SE Works Council of E.ON SE is informed and consulted about issues that transcend national borders. A special emphasis is placed on early and open discussion of employee matters.

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 social partnership at E.ON's operations in Germany, manifests a shared responsibility for the Company and its employees. It has proven its worth and remains to this day the foundation for a successful social partnership at E.ON.

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

Talent Management

In 2017 E.ON again took a variety of successful steps to hire highly qualified people and to foster our employees' ongoing personal and professional development.

E.ON's status as a top employer was again confirmed by "Top Employer" and other 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 a very compelling offer for graduates to join 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.

The foundation of our strategic, needs-oriented talent management is the Management Review Process, which we conducted again in 2017. 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 2017 we also introduced grow@E.ON, our new Group-wide competency model, and embedded it into our processes. Feedback is an important part of our corporate culture and is now provided through grow@E.ON, which includes solutions to support our employees' development. Grow@E.ON also plays a role in filling vacancies, helping to ensure that the values of our vision continue to be translated into specific behaviors. In addition, we completely revised our talent landscape in order to give all parts of E.ON the flexibility to individually plan professional and career development and to provide them with tools to identify talented employees.

Professional Development

Following the announcement of the Phoenix reorganization program in March 2017, professional development at E.ON was also largely decentralized. Group HR supported the program with accompanying measures. For example, we adjusted the HR Online Learning App, our learning platform launched in 2016, and all its processes and data to meet the requirements of decentralization. We also introduced CrossKnowledge, a new Group-wide digital platform that makes selected e-Learning programs available to E.ON employees. Furthermore, HR supported the Phoenix change process by making an online change support package available to managers and employees. The package contains tools that help them deal with the special challenges of restructuring. Leadership 2020, a program launched in 2016 to systematically prepare our leaders for the new leadership requirements in the digital age, continued in 2017, as did a streamlined version of our Learning Take-Away Days.

Our central Learning Management System recorded 119,893 enrollments (prior year: 109,036) in formal learning offerings in 2017. This equals 91,503 days (prior year: 72,805 days) of classroom training, which accounted for 60 percent (prior year: 70 percent) of our total training offerings. On average, each employee received 2.1 days of training in 2017 (prior year: 1.7 days). We do not record the duration of use of our online learning programs.

Diversity

Diversity is a key element of E.ON's competitiveness. Diversity and an appreciative corporate culture promote creativity and innovation. This is a central aspect of the E.ON vision as well. E.ON brings together a diverse team of people who differ by nationality, age, gender, disability, religion, and/or cultural and social background. We foster and utilize diversity in specific ways and create an inclusive work environment. Diversity is a key success factor. 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. In 2006 we issued a Group Policy on Equal Opportunity and Diversity. In 2016 E.ON along with the SE Works Council of E.ON SE renewed this commitment to diversity. In 2008 E.ON publicly affirmed its commitment to fairness and respect by signing the German Diversity Charter, which now has about 2,700 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect.

Our approach to promoting diversity is holistic, encompassing all dimensions of diversity. It ensures equal opportunity for all employees and fosters and harnesses diversity in an individual way. However, we prioritize three dimensions: gender, age, and internationality.

In 2017 we again implemented numerous measures to promote diversity at E.ON. An important purpose of these measures is to foster the career development of female managers. We set new, ambitious targets to increase the proportion of women in management positions. By year-end 2026, we want the proportion of women in management positions to be the same—32 percent—as the proportion of women in our overall workforce was at year-end 2016. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We also have Group-wide recruiting and hiring guidelines for management positions. These guidelines require that least one male and one female must be on the short list for a vacant management position. Through these measures, the proportion of women in management positions rose from just over 11 percent in 2010 to 19.6 percent at year-end 2017 for the Group as a whole and from 9 percent to 15.3 percent for Germany. Our units have had support mechanisms for female managers in place for a number of years. These mechanisms include mentoring programs for female next-generation managers, coaching, unconscious-bias training, the provision of daycare, and flexible work schedules. Increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions.

We conducted activities and initiatives throughout 2017 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 2017 the E.ON Group had 42,699 employees worldwide, slightly less (-1 percent) than at year-end 2016. E.ON also had 942 apprentices in Germany and 129 board members and managing directors worldwide.

Employees[1]

	December 31		
Headcount	2017	2016	+/- %
Energy Networks	17,281	16,814	+3
Customer Solutions	19,222	19,106	+1
Renewables	1,206	1,082	+11
Corporate Functions/Other[2]	3,078	4,102	-25
Core business	**40,787**	**41,104**	**-1**
Non-Core Business (PreussenElektra)	1,912	2,034	-6
E.ON Group	**42,699**	**43,138**	**-1**

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

Energy Networks' headcount increased principally because of the transfer of employees from Customer Solutions in the Czech Republic and the filling of vacancies (in Germany, predominantly with apprentices who had completed their training).

The number of employees at Customer Solutions increased slightly. Although the transfer of employees to Uniper, to non-consolidated companies, and to Energy Networks in the Czech Republic reduced Customer Solutions' headcount, this was more than offset by the filling of vacancies in Hungary and Romania and the hiring of staff for our service business in the United Kingdom and for our sales business in Italy.

The expansion of Renewables' business in the United States led to a slight increase in its headcount.

In particular, the transfer of E.ON Business Services employees to Uniper led to the significant decline in the number of employees at Corporate Functions/Other.

Non-Core Business consists of our nuclear energy business in Germany. Its headcount decreased mainly because of retirements and the expiration of temporary employment contracts. This was partially counteracted by the hiring of apprentices who had completed their training.

Geographic Profile
At year-end 2017, 26,561 employees, or 62 percent of all staff, were working outside Germany, slightly more than the 60 percent at year-end 2016.

Employees by Country[1]

	Headcount		FTE[3]	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Germany	16,138	17,239	15,635	16,695
United Kingdom	9,975	9,850	9,504	9,363
Romania	5,711	5,464	5,648	5,415
Hungary	5,081	5,000	5,073	4,992
Czechia	2,563	2,401	2,549	2,387
Sweden	1,990	1,999	1,968	1,967
USA	585	475	585	475
Other[2]	656	710	647	702

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

Gender and Age Profile, Part-Time Staff
As at the end of 2016, 32 percent of our employees were women at the end of 2017.

Proportion of Female Employees

Percentages	2017	2016
Energy Networks	20	20
Customer Solutions	43	43
Renewables	21	21
Corporate Functions/Other[1]	45	45
Core business	**32**	**33**
Non-Core Business (PreussenElektra)	13	13
E.ON Group	**32**	**32**

[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	2017	2016
30 and younger	18	18
31 to 50	54	55
51 and older	28	27

A total of 3,395 employees, or 8 percent of all E.ON Group employees, were on a part-time schedule. Of these, 2,794, or 82 percent, were women.

Part-Time Rate

Percentages	2017	2016
Energy Networks	5	4
Customer Solutions	11	11
Renewables	3	3
Corporate Functions/Other[1]	12	12
Core business	**8**	**8**
Non-Core Business (PreussenElektra)	6	5
E.ON Group	**8**	**8**

[1]Includes E.ON Business Services.

The turnover rate resulting from voluntary terminations averaged 4.6 percent across the organization, lower than in the prior year (5.3 percent).

Turnover Rate

Percentages	2017	2016
Energy Networks	1.7	4.1
Customer Solutions	6.7	6.0
Renewables	9.3	8.1
Corporate Functions/Other[1]	8.6	7.7
Core business	**4.8**	**5.5**
Non-Core Business (PreussenElektra)	2.1	1.7
E.ON Group	**4.6**	**5.3**

[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 2017 was 2.3, the same low level as in the prior year (2.5).

Unfortunately, three E.ON employees, one of whom was an apprentice, died on the job in 2017, and another suffered fatal injuries in a traffic accident. In addition, a contractor employee died while working for us. The accidents occurred in Germany, the United Kingdom, and Romania; regrettably, two employees died in Turkey.

To continually improve their safety performance, our units have in place certified health, safety, and environment ("HSE") management systems in accordance with international standards. They also develop HSE improvement plans based on a management review. In addition, all units were required to participate in a specially designed HSE leadership training module developed in the prior year and to review risks posed by new customer solutions.

The healthcare systems of the countries we operate in differ considerably in terms of their delivery of medical care, their health-insurance and pension systems, and their legal requirements for occupational health and safety. Nevertheless, the most common illnesses resulting in an inability to work are the same in all countries: musculoskeletal disorders, psychological problems, and respiratory infections. The leading causes of death are the same as well: heart disease and cancer. E.ON's health management focuses on preventing these diseases. We strive to prevent psychological problems by providing mental-health training and by conducting employee-assistance programs. Check-ups and preventive care (fit-for-work examinations) by our company doctors help to reduce general and workplace-specific risks. We also conduct campaigns to raise awareness of diseases such as skin and bowel cancer and the importance of early cancer detection. Flu vaccination programs help to prevent dangerous respiratory illnesses. Together, these programs address the increasingly important issue of maintaining our employees' health and their ability 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 942 apprentices and work-study students in Germany at year-end 2017. This represented 5.5 percent of E.ON's total workforce in Germany, slightly higher than at the end of the prior year (5.3 percent).

E.ON provides vocational training in more than 20 careers and work-study programs in order to meet its own needs for skilled workers and to take targeted action to address the consequences of demographic change. In 2017 the E.ON training initiative to combat youth unemployment helped 250 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 460 in 2016, owing mainly to the Uniper spinoff.

Apprentices in Germany

	Headcount		Percentage of workforce	
At year-end	2017	2016	2017	2016
Energy Networks	846	821	8.5	8.4
Customer Solutions	20	17	0.8	0.6
Renewables	–	–	–	–
Corporate Functions/Other	29	63	1.3	2.0
Core business	**895**	**901**	**5.9**	**5.6**
Non-Core Business (PreussenElektra)	47	70	2.4	3.3
E.ON Group	**942**	**971**	**5.5**	**5.3**

Forecast Report

Business Environment

Macroeconomic Situation

The OECD forecasts a further increase in global economic growth in 2018 and 2019. It expects the global economy to grow by 3.7 percent in 2018 and by 3.6 percent in 2019. The corresponding figures for the United States are 2.5 percent and 2.1 percent, whereas slightly weaker growth (2.1 percent and 1.9 percent) is forecast for the euro zone.

Employees

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

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecasts for the 2018 financial year continue to be influenced by the business environment in the energy industry. Examples include regulatory intervention in Germany and the United Kingdom. The current low-interest-rate environment and increasingly fierce competition in our core markets continue to put downward pressure on achievable returns.

We continue to aim for our core businesses to actively shape tomorrow's energy world. At the beginning of 2018, we therefore made a number of reclassifications that are already factored into our earnings forecast for 2018. The generation business in Turkey is now reported under Non-Core Business. Customer Solutions' heat business in Germany is now reported at its Other unit. In addition, costs for the ongoing expansion of our business of providing new digital products and services as well as innovative projects, which were previously allocated to Corporate Functions/Other, are now allocated to the appropriate operating units at Customer Solutions. We adjusted the prior-year figures accordingly.

We expect the E.ON Group's 2018 adjusted EBIT to be between €2.8 and €3 billion and its 2018 adjusted net income to be between €1.3 and €1.5 billion. In addition, we expect to achieve a cash-conversion rate of at least 80 percent and ROCE of 8 to 10 percent.

Indications relating to possible future effects resulting from the acquisition of innogy via a wide-ranging exchange of assets with RWE are currently not included, since the transaction is also subject to customary antitrust clearances.

Our forecast by segment:

Adjusted EBIT[1]

€ in billions	2018 (forecast)	2017 pro forma
Energy Networks	Below prior year	2.0
Customer Solutions	Below prior year	0.5
Renewables	Above prior year	0.5
Corporate Functions/Other	Significantly above prior year	-0.3
Non-Core Business	Significantly below prior year	0.4
E.ON Group	**2.8 to 3**	**3.1**

[1]Adjusted for non-operating effects.

We expect Energy Networks' 2018 adjusted EBIT to be below the prior-year figure. Operating earnings in Germany will be stable. On balance, however, the positive regulatory one-off item recorded in 2017 relating to the delayed repayment of personnel costs and the deconsolidation of Hamburg Netz will lead to a substantial decline in earnings. The next regulatory period for gas networks in Romania will have an adverse impact as well. By contrast, improved power and gas tariffs in Sweden will have a positive impact.

We anticipate that Customer Solutions' adjusted EBIT will be below the prior-year level. Earnings in the United Kingdom will be lower, primarily because of the intervention of the U.K. Competition and Markets Authority and restructuring expenditures. Earnings in Germany will be higher amid keen competition in the power and gas retail market owing to the non-recurrence of adverse items recorded in the prior year.

We expect Renewables' adjusted EBIT to be above the prior-year level. In particular, Rampion offshore wind farm will contribute to earnings after it enters service.

We anticipate that adjusted EBIT at Corporate Functions/Other will improve and thus significantly exceed the previous year's level, primarily because of cost savings delivered by the Phoenix reorganization program as well as the restructuring of the pension scheme in Germany.

At Non-Core Business we expect PreussenElektra's adjusted EBIT to be significantly lower than the prior-year level due to declining sales prices.

Anticipated Financial Situation

Planned Funding Measures

In addition to our investments planned for 2018 and the dividend for 2017, in 2018 we will make payments for bonds that have matured. Over the course of the year, these payments will be funded primarily with available liquid funds, the anticipated sale of Uniper SE stock, and the sale of securities.

Dividend

E.ON will propose a dividend of €0.30 per share for the 2017 financial year. In conjunction with the planned acquisition of innogy via a wide-ranging exchange of assets with RWE we decided to propose a fix dividend of €0.43 per share for the 2018 fiscal year.

Planned Investments

Our medium-term plan calls for investments of €3.8 billion in 2018. 2017 was a successful year for us. We reduced our debt faster than planned and strengthened our equity. E.ON can therefore invest more and achieve lasting growth. Our capital allocation will of course continue to be selective and disciplined.

Cash-Effective Investments: 2018 Plan

	€ in billions	Percentages
Energy Networks	1.7	45
Customer Solutions	1.0	26
Renewables	1.1	29
Corporate Functions/Other	–	–
Non-Core Business	–	–
Total	**3.8**	**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.

Investments at Customer Solutions will go toward metering, upgrade, and efficiency projects. We will also invest in our heat business in Sweden, the United Kingdom, and Germany.

The main focus of Renewables' investments will be on offshore wind farms in Europe (such as Rampion and Arkona) and onshore wind farms in the United States (such as Stella). Other investments will go toward solar projects.

General Statement on E.ON's Future Development

The business environment in the energy industry—regulatory interventions in Germany and the United Kingdom, the low-interest-rate environment, and increasingly fierce competition in our core markets, to name some examples—will continue to adversely affect our operating business. But E.ON can look into the future with optimism, even though we have forecast a decline in the E.ON Group's 2018 adjusted EBIT. We're on the right track. 2017 demonstrated this. We significantly reduced our debt and strengthened our equity. We can invest more. We can do so because we not only achieved our various financial targets, we surpassed them by a wide margin. These are our priorities in 2018:

A tangible improvement in our safety performance will help us prevent serious accidents and, especially, fatalities among our employees and contractors. We will therefore conduct safety initiatives across E.ON. For example, all managers will receive special HSE training. Managers bear a great deal of responsibility for the health and safety of their employees.

"Let's create a better tomorrow" and "Improve people's lives" are our promises for a better future. We want our customers to feel that they are in better hands with us than with our competitors. In addition, E.ON needs to be perceived as an even more attractive employer by current and future employees. To get there, we will continue to work together closely, including with our employee representatives.

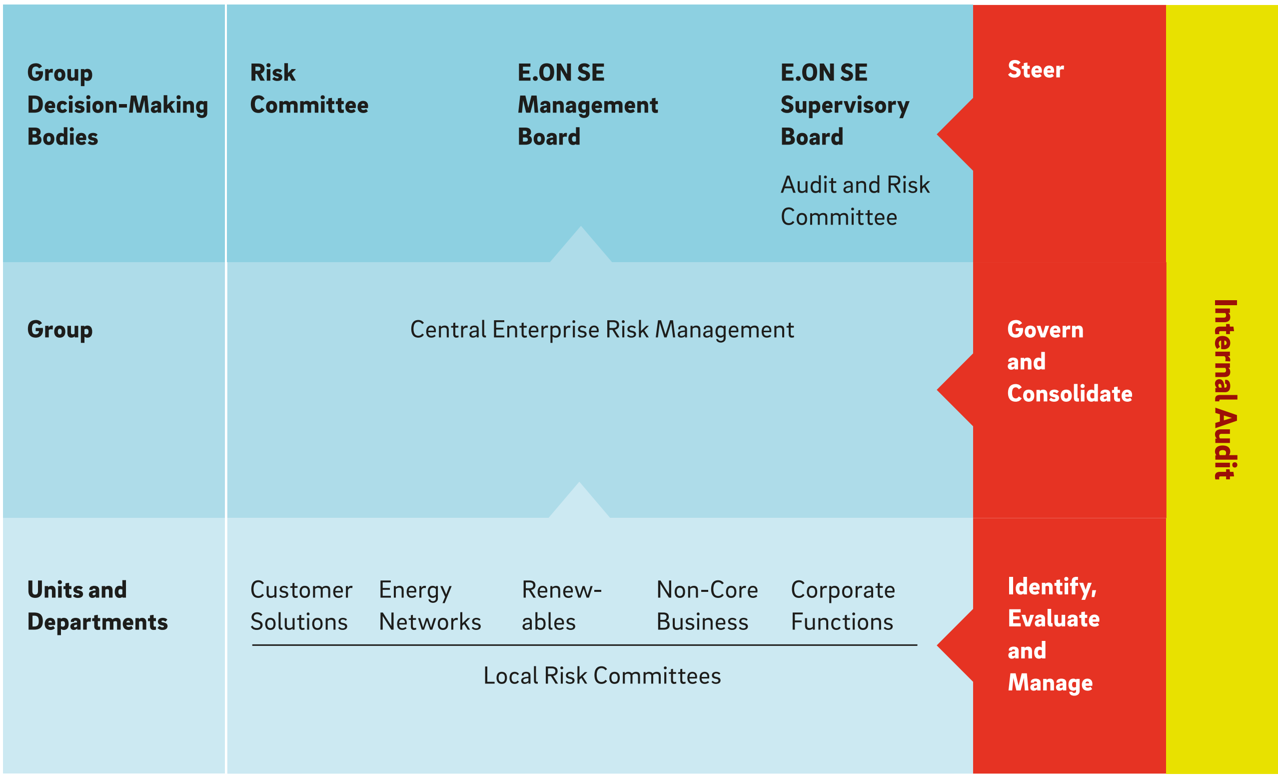
The planned sale of our Uniper stake is another important step in the consolidation of our balance sheet. We now see an opportunity to surpass our debt-reduction target and invest in growth.

Our growth targets for E.ON and our strategy for achieving them will enable our core businesses to continue to actively shape tomorrow's energy world: by making electricity grids smarter, by designing individually tailored energy solutions for our customers, and by adding more renewables. Each of these businesses has a lot of potential. As we move forward, we intend to make clearer what E.ON will stand for in the future.

Indications relating to possible future effects resulting from the acquisition of innogy via a wide-ranging exchange of assets with RWE are currently not included, since the transaction is also subject to customary antitrust clearances.

This Combined Group Management Report contains certain forward-looking statements based on E.ON management's current assumptions and forecasts and other currently available information. Various known and unknown risks, uncertainties, and other factors could lead to material differences between E.ON's actual future results, financial situation, development, or performance and the estimates given here. E.ON assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Enterprise Risk Management System in the Narrow Sense



Objective

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

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

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

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

Scope

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

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

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

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

General Measures to Limit Risks

We take the following general preventive measures to limit risks.

Managing Legal and Regulatory Risks

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

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

Managing Operational and IT Risks

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

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

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

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

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

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

Enterprise Risk Management ("ERM")

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

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

As required by law, our ERM's effectiveness is reviewed regularly by Internal Audit. In compliance with the provisions of Section 91, Paragraph 2, of the German Stock Corporation Act relating to the establishment of a risk-monitoring and early warning system, E.ON has a Risk Committee for the E.ON Group and for each of its 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.

To promote uniform financial reporting Group-wide, in 2017 we put in place a central, standardized system that enables effective and automated risk reporting. Company data are systematically collected, transparently processed, and made available for analysis both centrally and decentrally at the units.

Risks and Chances

Methodology

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

Risk Category

Risk Category	Examples
Legal and regulatory risks	Policy and legal risks and chances, regulatory risks, risks from public consents processes
Operational and IT risks	IT and process risks and chances, risks and chances relating to the operation of generation assets, networks, and other facilities, new-build risks
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, interest-rate, foreign-currency, tax, and asset-management risks and chances

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

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

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

We use the 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 financial key figure, adjusted EBIT:

Risk Category

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

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

Risks and Chances by Category

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

Legal and Regulatory Risks

The policy, 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. As a result 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. There may also be final but major risks from obligations arising from regulatory requirements following the Uniper split. Besides these 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 moderate 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 the further operation of a nuclear power plant ("NPP") or trigger liabilities and significant payment obligations stemming from the solidarity obligation agreed on among German NPP operators. Furthermore, new regulatory requirements, such as additional mandatory safety measures, could lead to production outages and higher costs. In addition, there may be lawsuits that fundamentally challenge the operation of NPPs. Regulation can also require an increase in provisions for dismantling. This could pose major risks for E.ON.

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

On December 6, 2016, Germany's Federal Constitutional Court in Karlsruhe ruled that the thirteenth amended version of 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. In addition, NPPs need to have production rights, also known as a residual electricity allotment, in order to operate until their closure dates prescribed by law. These matters could yield a major chance and a major risk.

Customer Solutions
The E.ON Group's operations subject it to certain risks relating to legal proceedings, ongoing planning processes, and regulatory changes. For example, the current discussion about price caps in the United Kingdom is causing additional uncertainty in the marketplace. But these risks also relate in particular to legal actions and proceedings concerning contract and price adjustments to reflect market dislocations or (including as a consequence of the transformation of Germany's energy system) an altered business climate in the power and gas business, price increases, alleged market-sharing agreements, and anticompetitive practices. This could pose a major and a high risk.

Energy Networks
The operation of energy networks in Germany, in Sweden, but also in other countries is subject to a large degree of regulation. New laws and regulatory periods cause uncertainty in this business. For example, matters related to Germany's Renewable Energy Law, such as issues regarding solar energy, can cause temporary fluctuations in our cash flow and adjusted EBIT. This could create major chances and pose major risks.

Renewables
Regulatory and legal risks attend our renewables business as well. For example, legal proceedings and approvals could pose a major risk.

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. 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 medium risk position and a moderate chance position in this category.

General project risks can include a delay in projects and increased capital requirements. For our Renewables segment, a project delay could lead to the loss of government subsidies and cause potential partners to exit the project, which could, 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 reputational risks and garner public support so that we can continue to operate our business successfully. These matters do not result in a major risk or chance position.

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

Market Risk

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

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

E.ON's portfolio of physical assets, long-term contracts, and end-customer sales is exposed to uncertainty resulting from fluctuations in commodity prices. This yields a major risk and a major chance, although only for PreussenElektra. After the Uniper spinoff, E.ON established procurement capabilities for its sales business and thus ensured market access for its remaining energy production in order to manage the remaining commodity risks accordingly.

Strategic Risks

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance, on acceptable terms, our energy business. In order to obtain the necessary approvals for acquisitions, we may be required to divest other parts of our business or to make concessions or undertakings that affect our business. In addition, there can be no assurance that we will be able to achieve the returns we expect from any acquisition or investment. It is also possible that we will not be able to realize our strategic ambition of enlarging our investment pipeline and that significant amounts of capital could be used for other opportunities. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and to address the attending business risks.

In the case of planned disposals, E.ON faces the risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In addition, after transactions close we could face 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. For example, E.ON's historical connection with Uniper continues to pose major, albeit unlikely, risks. In addition, in unlikely cases joint and several liability for jointly operated power plants could lead to a high risk.

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

E.ON faces earnings risks from financial liabilities and interest-rate derivatives that are based on variable interest rates and from asset-retirement obligations.

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

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

In principle, E.ON could also encounter tax risks and chances; in individual cases, the chances could be high.

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

Management Board's Evaluation of the Risk Situation

The overall risk situation of the E.ON Group's operating business at year-end 2017 remained nearly unchanged relative to year-end 2016. Although the average annual risk for the E.ON Group's adjusted EBIT is classified as major, from today's perspective we do not perceive any risk position that could threaten the existence of the E.ON Group or individual segments.

Energy Networks

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

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Fourth quarter								
Power	35.6	35.1	9.6	9.8	9.7	9.5	54.9	54.4
Line loss, station use, etc.	1.1	1.1	0.3	0.4	0.7	0.8	2.1	2.3
Gas	35.1	31.8	0.8	1.0	15.2	16.7	51.1	49.5
Full year								
Power	119.2	117.2	36.9	37.3	37.3	36.3	193.4	190.8
Line loss, station use, etc.	3.8	3.7	1.1	1.1	2.8	2.8	7.7	7.6
Gas	110.6	106.8	3.9	4.9	45.2	44.3	159.7	156.0

Power and Gas Passthrough

Power passthrough in 2017 was about 2.6 billion kWh above the prior-year level. Unlike in the prior year, power passthrough in 2017 includes the 110 kV level of the network. This also applies to system losses and station use. We adjusted the prior-year figures accordingly. Gas passthrough rose by 3.7 billion kW.

Power passthrough and system losses in Germany of 119.2 billion kWh and 3.8 billion kWh, respectively, were at the prior-year level. Gas passthrough was also at the prior-year level.

Power passthrough in Sweden was at the prior-year level, whereas gas passthrough declined owing to the closure of a power station in Malmö and the transfer of a company to Customer Solutions.

At East-Central Europe/Turkey, power passthrough in the Czech Republic, Romania, and Hungary was at the prior-year level.

System Length and Connections

System length in Germany—about 350,000 kilometers for power and about 60,000 kilometers for gas—was roughly at the prior-year level. At year-end we had about 5.7 million connection points for power and about 0.9 million for gas.

The length of our power system in Sweden was roughly 136,900 kilometers, slightly higher than the prior-year figure of 136,400 kilometers. The length of the gas distribution system was 1,900 kilometers, less than the prior-year figure of 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 45,000 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
Energy Networks' sales and adjusted EBIT rose by €1,098 million and €270 million, respectively.

Sales in Germany were above the prior-year level, primarily because of higher costs charged by upstream power grid operators that we passed through to customers. These passthrough costs do not affect earnings. By contrast, the amount of electricity delivered onto our network in conjunction with the Renewable Energy Law (including generation management) was slightly lower. Sales in the gas business were roughly at the prior-year level. Adjusted EBIT of €1,050 million was significantly above the prior-year figure, primarily because of the delayed repayment of personnel costs due to regulatory reasons.

Sales in Sweden were slightly higher due to price factors. Adjusted EBIT was significantly higher thanks to an improved gross margin in the power business, which resulted from tariff increases.

Sales at East-Central Europe/Turkey were €61 million above the prior-year level due to volume and price effects in the Czech Republic as well as higher sales volume in Hungary. Adjusted EBIT was €38 million higher. Wider margins and lower costs for services provided by our Customer Solutions segment led to higher earnings in the Czech Republic. Improved margins along with higher sales volume and a regulation-driven increase in prices led to higher earnings in Hungary as well. These positive developments were partially offset by lower earnings on our equity stake in Turkey, which principally reflect a book loss on the sale of a hydroelectric station and adverse currency-translation effects. The earnings decline was partially counteracted by higher regulated prices.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2017	2016	2017	2016	2017	2016	2017	2016
Fourth quarter								
Sales	3,402	2,917	241	293	480	475	4,123	3,685
Adjusted EBITDA	424	423	165	151	203	182	792	756
Adjusted EBIT	262	256	129	110	133	109	524	475
Full year								
Sales	14,199	13,205	1,072	1,029	1,719	1,658	16,990	15,892
Adjusted EBITDA	1,641	1,507	632	562	654	610	2,927	2,679
Adjusted EBIT	1,050	894	474	398	417	379	1,941	1,671

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 2017	Germany 2016	United Kingdom 2017	United Kingdom 2016	Other[1] 2017	Other[1] 2016	Total 2017	Total 2016
Fourth quarter								
Residential and SME	4.7	5.1	5.2	5.7	5.9	5.9	15.8	16.7
I&C	1.6	2.4	3.7	3.8	6.9	7.0	12.2	13.2
Sales partners	0.1	0.1	–	–	0.5	0.6	0.6	0.7
Customer groups	**6.4**	**7.6**	**8.9**	**9.5**	**13.3**	**13.5**	**28.6**	**30.6**
Wholesale market	4.5	4.7	0.5	0.4	2.8	1.9	7.8	7.0
Total	**10.9**	**12.3**	**9.4**	**9.9**	**16.1**	**15.4**	**36.4**	**37.6**
Full year								
Residential and SME	17.0	18.0	18.9	21.2	21.7	21.0	57.6	60.2
I&C	8.3	9.4	14.8	15.1	26.4	27.6	49.5	52.1
Sales partners	0.4	0.9	–	–	2.2	2.3	2.6	3.2
Customer groups	**25.7**	**28.3**	**33.7**	**36.3**	**50.3**	**50.9**	**109.7**	**115.5**
Wholesale market	14.2	18.0	1.1	1.1	9.5	7.2	24.8	26.3
Total	**39.9**	**46.3**	**34.8**	**37.4**	**59.8**	**58.1**	**134.5**	**141.8**

[1]Excludes E.ON Connecting Energies.

Gas Sales

Billion kWh	Germany 2017	Germany 2016	United Kingdom 2017	United Kingdom 2016	Other[1] 2017	Other[1] 2016	Total 2017	Total 2016
Fourth quarter								
Residential and SME	7.0	8.2	11.8	12.8	9.8	10.9	28.6	31.9
I&C	1.6	1.4	2.1	2.4	6.4	6.9	10.1	10.7
Sales partners	–	–	–	–	1.5	0.5	1.5	0.5
Customer groups	**8.6**	**9.6**	**13.9**	**15.2**	**17.7**	**18.3**	**40.2**	**43.1**
Wholesale market	3.5	3.5	–	–	1.2	0.5	4.7	4.0
Total	**12.1**	**13.1**	**13.9**	**15.2**	**18.9**	**18.8**	**44.9**	**47.1**
Full year								
Residential and SME	21.9	23.9	34.8	39.8	28.9	28.0	85.6	91.7
I&C	5.0	5.0	7.7	8.6	20.9	20.2	33.6	33.8
Sales partners	–	–	–	–	2.2	1.3	2.2	1.3
Customer groups	**26.9**	**28.9**	**42.5**	**48.4**	**52.0**	**49.5**	**121.4**	**126.8**
Wholesale market	17.0	12.0	–	–	2.7	4.0	19.7	16.0
Total	**43.9**	**40.9**	**42.5**	**48.4**	**54.7**	**53.5**	**141.1**	**142.8**

[1]Excludes E.ON Connecting Energies.

Power and Gas Sales Volume
In 2017 this segment's power and gas sales declined by 7.3 billion kWh and 1.7 billion kWh, respectively.

Power sales in Germany of 39.9 billion kWh were 14 percent below the prior-year level. Power sales to residential and small and medium enterprise ("SME") customers were lower due to keener competition. The decline in power sales to industrial and commercial ("I&C") customers resulted mainly from the transfer of the remaining wholesale customers to Uniper. Power sales to sales partners were lower, chiefly because of the end of deliveries to a municipal utility and changes in reporting. Power sales to the wholesale market were below the prior-year level due to the expiration of procurement contracts for wholesale customers, which were reassigned from E.ON to Uniper. Gas sales volume of 43.9 billion kWh increased by 7 percent. Gas sales to residential and SME customers were lower due to keener competition. Gas sales to the wholesale market were higher due to a change in how we classify resales to Uniper, which in 2016 were included on the procurement side.

Power sales in the United Kingdom decreased by 2.6 billion kWh. Declining customer numbers led to lower power sales to residential and SME customers. A reduction in sales volume and in the number of customer facilities served was the reason for the decline in power sales to I&C customers. Gas sales decreased by 5.9 billion kWh. Lower customer numbers and, in part, a weather-driven decline in demand 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.

Power sales at the Other unit (Sweden, Hungary, the Czech Republic, Romania, and Italy) rose by 1.7 billion kWh, primarily because of the acquisition of new customers in Romania and Hungary. By contrast, power sales in Italy declined owing to lower demand. Gas sales were 1.2 billion kWh higher. This is chiefly attributable to a weather-driven increase in sales volume to residential and SME and I&C customers in Romania and slightly higher demand from I&C and sales-partner customers in Italy. By contrast, gas sales were lower in Sweden due to the end of deliveries to a large customer.

Customer Numbers
This segment had about 21.1 million customers at year-end 2017, fewer than the prior-year figure of 21.4 million. The number of customers in the United Kingdom declined from 7 to 6.8 million; power customers accounted most of the customer losses. In Germany they decreased from 6.1 million in 2016 to 5.9 million in 2017; of these, 5.1 million were power customers and 0.8 million gas customers (2016: 5.3 million power customers, 0.8 million gas customers). The positive trend in customer acquisition limited customer losses in an increasingly competitive marketplace.

Sales and Adjusted EBIT

Customer Solutions' sales and adjusted EBIT decreased by €801 million and €286 million, respectively.

Sales in Germany declined, primarily because of the expiration of procurement contracts of wholesale customers who were reassigned to Uniper. Lower power sales volume to residential customers and lower gas sales volume to residential and SME customers also had an adverse impact on sales. Adjusted EBIT was below the prior-year level, primarily because of extraordinary items. Earnings were also adversely affected by a reduction in gas sales prices in November 2016 and by persistently intense competitive and margin pressure.

Lower sales volume due to regulatory intervention, declining customer numbers, reduced demand, unfavorable weather conditions, and currency-translation effects caused sales in the United Kingdom to decline by €586 million. Adjusted EBIT decreased owing to a weather-driven decline in sales volume and higher costs in conjunction with regulatory energy-efficiency obligations.

Other's sales rose by €114 million, primarily because of a weather-driven increase in sales volume in Romania and the taking on of a company from Energy Networks in Sweden. Sales declined in Italy on lower price. Adjusted EBIT decreased by €57 million, principally because of higher power and gas procurement costs, primarily in Romania. In addition, lower sales prices and higher procurement costs adversely affected earnings in Hungary.

Customer Solutions

	Germany		United Kingdom		Other		Total	
€ in millions	2017	2016	2017	2016	2017	2016	2017	2016
Fourth quarter								
Sales	2,028	2,255	2,122	2,115	1,938	1,919	6,088	6,289
Adjusted EBITDA	45	107	135	163	83	77	263	347
Adjusted EBIT	25	88	106	138	42	38	173	264
Full year								
Sales	7,452	7,781	7,205	7,791	6,910	6,796	21,567	22,368
Adjusted EBITDA	192	299	353	460	302	351	847	1,110
Adjusted EBIT	118	232	250	365	158	215	526	812

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.

Fully Consolidated and Attributable Generating Capacity

December 31 MW	Fully Consolidated 2017	Fully Consolidated 2016	Attributable 2017	Attributable 2016
Wind	522	510	479	471
Solar	–	–	–	–
Germany	**522**	**510**	**479**	**471**
Wind	4,179	3,647	4,625	4,084
Solar	15	19	27	19
Outside Germany	**4,194**	**3,666**	**4,652**	**4,103**
Generating capacity	**4,716**	**4,176**	**5,131**	**4,574**

Generating Capacity

At year-end 2017 this segment's fully consolidated generating capacity rose by 13 percent to 4,716 MW (2016: 4,176 MW); its attributable generating capacity rose by 12 percent to 5,131 MW (2016: 4,574 MW). The principal reason for the increase was the commissioning of Bruenning's Breeze and Radford's Run wind farms at the end of 2017.

Power Generation and Sales Volume

This segment's owned generation rose by 0.9 billion kWh. Onshore Wind/Solar's owned generation was 0.7 billion kWh higher. The principal factors in the United States were the commissioning of Bruenning's Breeze and Radford's Run wind farms and the fact that in 2017 Colbeck's Corner wind farm was, for the first time, operational for the entire year. Output in Europe was higher due to favorable wind conditions, particularly in the United Kingdom, Sweden, Germany, and Poland. This unit's fourth-quarter owned generation rose year on year owing to favorable wind conditions in Poland and the United Kingdom and the addition of new wind farms in the United States. At 94.6 percent, asset availability in 2017 was at the prior-year level of 94.2 percent.

Offshore Wind/Other's owned generation increased compared with the prior year, mainly because of more favorable wind conditions and higher asset availability in the United Kingdom. Asset availability of 97.6 percent in 2017 surpassed the prior-year figure of 96.7 percent, in particular because of an improved performance by Amrumbank, Humber, and Robin Rigg.

Power Generation

	Onshore Wind/Solar		Offshore Wind/Other		Total	
Billion kWh	2017	2016	2017	2016	2017	2016
Fourth quarter						
Owned generation	2.6	2.2	1.2	0.9	3.8	3.1
Purchases	0.5	0.4	0.3	0.2	0.8	0.6
Jointly owned power plants	*–*	*–*	*0.3*	*0.2*	*0.3*	*0.2*
Third parties	*0.5*	*0.4*	*–*	*–*	*0.5*	*0.4*
Power sales	**3.1**	**2.6**	**1.5**	**1.1**	**4.6**	**3.7**
Full year						
Owned generation	8.9	8.2	3.6	3.4	12.5	11.6
Purchases	1.5	1.4	0.9	0.7	2.4	2.1
Jointly owned power plants	*–*	*–*	*0.9*	*0.7*	*0.9*	*0.7*
Third parties	*1.5*	*1.4*	*–*	*–*	*1.5*	*1.4*
Power sales	**10.4**	**9.6**	**4.5**	**4.1**	**14.9**	**13.7**

Sales and Adjusted EBIT

Renewables' sales and adjusted EBIT were up by €247 million and €24 million, respectively.

Onshore Wind/Solar's sales increased owing primarily to higher owned generation resulting from the commissioning of new wind farms and to favorable wind conditions in Poland, Germany, the United Kingdom, and Sweden. Its adjusted EBIT was significantly higher year on year.

Offshore Wind/Other's sales decreased by €48 million. Adjusted EBIT was at the prior-year level. The positive effect of favorable wind conditions in the United Kingdom was offset by the non-recurrence of a book gain recorded in the prior year.

Renewables

	Onshore Wind/Solar		Offshore Wind/Other		Total	
€ in millions	2017	2016	2017	2016	2017	2016
Fourth quarter						
Sales	236	161	238	174	474	335
Adjusted EBITDA	90	79	187	133	277	212
Adjusted EBIT	55	26	151	95	206	121
Full year						
Sales	927	728	677	629	1,604	1,357
Adjusted EBITDA	299	308	486	488	785	796
Adjusted EBIT	117	92	337	338	454	430

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
PreussenElektra's fully consolidated generating capacity declined to 4,150 MW from the prior year owing to the scheduled decommissioning of Gundremmingen B nuclear power station on December 31, 2017, as stipulated by Germany's Atomic Energy Act. Its attributable generating capacity declined to 3,808 MW for the same reason.

Power Generation and Sales Volume
This segment's power procured (owned generation and purchases) of 37.4 billion kWh was at the prior-year level. The reduction in owned generation is principally attributable to the unplanned extension of the overhaul at Brokdorf nuclear power station due to a thicker oxide layer on some fuel elements. The increase in power procured reflects the purchase of power to meet delivery obligations. Fourth-quarter power procured was also at the prior-year level. Power sales in 2017 and in the fourth quarter of 2017 were at the prior-year level as well.

Power Generation

	PreussenElektra	
Billion kWh	2017	2016
Fourth quarter		
Owned generation	8.6	9.3
Purchases	1.4	0.8
Jointly owned power plants	*0.3*	*0.3*
Third parties	*1.1*	*0.5*
Total power procurement	**10.0**	**10.1**
Station use, line loss, etc.	-0.1	–
Power sales	**9.9**	**10.1**
Full year		
Owned generation	27.5	32.4
Purchases	9.9	4.3
Jointly owned power plants	*1.3*	*1.3*
Third parties	*8.6*	*3.0*
Total power procurement	**37.4**	**36.7**
Station use, line loss, etc.	-0.2	-0.1
Power sales	**37.2**	**36.6**

Sales and Adjusted EBIT
This segment's sales were up €47 million year on year. The adverse impact of lower sales prices and the expiration of supply contracts was more than offset by higher sales volume to Uniper and one-off items, in particular in conjunction with a legal proceeding. The decline in fourth-quarter sales is attributable to lower sales prices.

Adjusted EBIT of €506 million was below the prior-year figure of €553 million. The adverse impact of the unplanned outage at Brokdorf, lower sales prices, and higher depreciation charges on fixed assets was partially offset by the expiration of the nuclear-fuel tax at the end of 2016 and by one-off items. The decline in fourth-quarter adjusted EBIT is attributable to lower sales prices.

Non-Core Business

	PreussenElektra	
€ in millions	2017	2016
Fourth quarter		
Sales	355	470
Adjusted EBITDA	157	234
Adjusted EBIT	149	208
Full year		
Sales	1,585	1,538
Adjusted EBITDA	654	644
Adjusted EBIT	506	553

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

General Principles

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

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

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

Accounting Process

All companies included in the Consolidated Financial Statements must comply with our uniform Accounting and Reporting Guidelines for the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. These guidelines describe applicable IFRS accounting and valuation principles. They also explain accounting principles typical in the E.ON Group, such as those for 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. Group Accounting is responsible for conducting the consolidation and for monitoring adherence to guidelines for scheduling, processes, and contents. Monitoring of system-based automated controls is supplemented by manual checks.

In conjunction with the year-end closing process, additional qualitative and quantitative information 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 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 another key component of our internal control system, defining the minimum requirements for the system to function. These principles encompass overarching principles for matters such as authorization, segregation of duties, and master data management as well as specific requirements for managing risks in a range of issue areas and processes, such as contractor management, project management, audit, and transactions.

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

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

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

Tests Performed by Internal Audit
The management of E.ON units relies on the assessment performed by the process owners and on 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 IT-related access-control mechanisms of systems and applications, of daily IT operations (such as emergency measures), of the program change process.

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

Composition of Share Capital

The share capital totals €2,201,099,000.00 and consists of 2,201,099,000 registered shares without nominal value. In the 2017 financial year, the share capital was increased by €200,099,000.00, from 2,001,000,000.00 to €2,201,099,000.00, through partial use of Authorized Capital 2012. Information about the capital increase can be found in Note 19 to the Consolidated Financial Statements. 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 treasury shares give it no rights, including no voting rights.

Legal Provisions and Rules of the Company's Articles of Association Regarding the Appointment and 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 10, 2017, the Company is authorized, until May 9, 2022, to acquire treasury shares. The shares acquired and other treasury shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

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

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

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

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

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, separately or collectively, including with respect to treasury shares acquired by affiliated companies or companies majority-owned by the Company or by third parties for their account or the Company's account.

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

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

By shareholder resolution adopted at the Annual Shareholders Meeting of May 10, 2017, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 9, 2022, the Company's share capital by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (authorized capital pursuant to Sections 202 et seq. AktG, Authorized Capital 2017). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights. Authorized Capital 2017 was not utilized.

At the Annual Shareholders Meeting of May 10, 2017, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 9, 2022. The conditional capital increase will be implemented only to the extent that holders of option or conversion rights or persons obliged to conversion under option or convertible bonds, profit-participation rights or profit-participating bonds issued or guaranteed by the Company or a Group company of the Company as defined in Section 18 AktG exercise their option or conversion rights or, if they are obliged to conversion or exercise of the option, fulfill their conversion obligation or, as the case may be, their obligation to exercise the option. The conditional capital increase was not utilized.

Scrip Dividend in 2017

In 2017 E.ON SE shareholders were again given the option of exchanging a portion of their €0.21 dividend for shares of E.ON SE stock. Shareholders could exchange €0.15 of their per share dividend. The remaining €0.06 was paid out in cash or, if necessary, withheld to cover tax obligations. Shareholders' formal subscription rights were excluded. The acceptance rate was about 33 percent. A total of 14,653,833 shares of stock were used for the scrip dividend and issued to shareholders.

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 SE and E.ON International Finance B.V. and guaranteed by E.ON SE, promissory notes issued by E.ON SE, and other instruments such as credit contracts. Granting change-of-control rights to creditors is considered good corporate governance and has become standard market practice. 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 and the E.ON Performance Plan.

Corporate Governance Declaration in Accordance with Section 289f and Section 315d of the German Commercial Code

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

The Board of Management and the Supervisory Board hereby declare that E.ON SE will comply in full with the recommendations of the "Government Commission German Corporate Governance Code," dated February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger).

The Board of Management and the Supervisory Board furthermore declare that E.ON SE has been in compliance in full with the recommendations of the "Government Commission German Corporate Governance Code," dated May 5, 2015, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) since the last declaration on December 16, 2016.

Essen, December 18, 2017

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

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

This declaration and those of the previous five years are continuously available to the public on the Company's Internet page at www.eon.com.

Relevant Information about Management Practices

Corporate Governance

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

In the past financial year the Management Board and Supervisory Board paid close attention to E.ON's compliance with the German Corporate Governance Code's recommendations and suggestions. They determined that E.ON SE fully complies with all of the Code's recommendations and with nearly all of its suggestions.

Transparent Management

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

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

- Interim Reports
- Annual Reports
- 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.

Managers' Transactions
Persons with executive responsibilities, in particular members of E.ON SE's Management Board and Supervisory Board, and persons closely related to them, must disclose specific dealings in E.ON stock or bonds, related derivatives, or other related financial instruments pursuant to Article 19 of the EU Market Abuse Regulation in conjunction with Section 26, Paragraph 2, of the German Securities Trading Act. Such dealings that took place in 2017 have been disclosed on the Internet at www.eon.com.

Integrity
Our actions are grounded in integrity and a respect for the law. The basis for this is the Code of Conduct established by the Management Board. It emphasizes that all employees must comply with laws and regulations and with Company policies. These relate to dealing with business partners, third parties, and government institutions, particularly with regard to antitrust law, the granting and accepting of benefits, 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 2017 the Management Board consisted of five members initially and, after the end of Mr. Sen's service, effective April 1, 2017, of four members. It had one Chairman. No Management Board member has more than three supervisory board memberships in listed non-Group companies or on the supervisory bodies of non-Group companies that require a similar commitment. Someone who has reached the general retirement age should not be a member of the Management Board. The Management Board has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

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

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

Members of the Management Board are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Management Board. Members of the Management Board may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the E.ON SE Management Board in 2017. Any material transactions between the Company and members of the Management Board, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in the reporting period.

The Management Board has no board committees but has established a number of committees that support it in the fulfillment of its tasks. The members of these committees are senior representatives of various departments of E.ON SE whose experience, responsibilities, and expertise make them particularly suited for their committee's tasks. Among these committees are the following:

The Management Board has established a Disclosure Committee and an Ad Hoc Committee for issues relating to financial disclosures. These committees ensure that such information is disclosed in a correct and timely fashion.

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

Supervisory Board

The E.ON SE Supervisory Board had eighteen members in the 2017 financial year. Pursuant to E.ON SE's Articles of Association, it is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. As a rule, the Annual Shareholders Meeting decides on the elections by individual vote. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other currently nine members of the Supervisory Board are appointed by the SE Works Council, with the provision that at least three different countries are represented and one member is selected by a trade union that is represented at E.ON SE or one of its subsidiaries in Germany. Persons are not eligible as Supervisory Board members if they:

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

The members of the E.ON SE Supervisory Board fulfill these requirements. Pursuant to the AktG, at least one member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board believes that, in particular, Dr. Theo Siegert and Andreas Schmitz meet 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 and the separate Non-Financial Report and the separate Combined Non-Financial Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

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

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

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

Supervisory Board member	Supervisory Board Meetings	Executive Committee	Audit and Risk Committee	Investment and Innovation Committee[1]	Nomination Committee
Kley, Dr. Karl-Ludwig	6/6	10/10	1/5[3]	1/8[3]	1/1
Lehner, Prof. Dr. Ulrich	5/6	10/10	–	–	1/1
Clementi, Erich	6/6	–	–	3/8 (guest)	–
Dybeck Happe, Carolina	6/6	–	–	7/8[4]	–
Kingsmill, Baroness Denise	3/6	–	–	–	–
Schmitz, Andreas	6/6	–	4/5[2,4]	–	–
Segundo, Dr. Karen de	5/6	2/10 (guest)	–	8/8	1/1
Siegert, Dr. Theo	6/6	1/10 (guest)	5/5	–	–
Woste, Ewald	6/6	–	–	7/8[4]	–
Scheidt, Andreas	6/6	10/10	–	–	–
Broutta, Clive	6/6	–	–	6/8	–
Gila, Tibor	6/6	–	–	–	–
Hansen, Thies	6/6	–	5/5	–	–
Luha, Eugen-Gheorghe	6/6	–	–	8/8	–
Schulz, Fred	6/6	9/10	5/5	–	–
Šmátralová, Silvia	6/6	–	–	–	–
Wallbaum, Elisabeth	6/6	–	–	–	–
Zettl, Albert	6/6	1/10 (guest)	–	7/8[4]	–

[1]Until March 31, 2017: Finance and Investment Committee
[2]Thereof once as a guest.
[3]Member until March 31, 2017.
[4]Member since April 1, 2017.

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

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

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

- *The Supervisory Board shall include a reasonable number of independent members. Members shall be deemed to be independent if they have no personal or business relationship with the Company, its corporate bodies, a major shareholder or any company affiliated with the latter, where such relationship may give rise to a material and not merely temporary conflict of interests. If the total number of Supervisory Board members is 12, a reasonable number of independent members will be eight. In this context, employee representatives will always be regarded as independent members.*
- *The Supervisory Board shall not include more than two former members of the Board of Management.*
- *Members of the Supervisory Board must not have seats on the boards of, or act as consultants for, any of the Company's major competitors.*
- *Supervisory Board membership shall usually be limited to no more than three full terms of office (15 years).*

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

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

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

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

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

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

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

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

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

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

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

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

b) In its current composition the Supervisory Board meets the objectives of its diversity concept. The Supervisory Board's composition of women and men complies with the legal requirements for minimum percentages, although separate compliance with the statutory gender quota is not expected to occur until the Annual Shareholders Meeting in 2018. The age range of the Supervisory Board is currently between 42 and 71 years, with an average age of 59. At least four members have international experience.

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

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

At the close of the 2018 Annual Shareholders Meeting, the Supervisory Board will be reduced to twelve members in accordance with Sections 8 and 8a of E.ON SE's Articles of Association. The Management Board and the Supervisory Board intend to propose to the Annual Shareholders Meeting that the number of Supervisory Board members be increased by two persons so that in the future the Supervisory Board can continue to fully meet the objectives for its composition, including the diversity concept and the competency profile, despite the end of service of long-standing members. In view of continually changing business requirements, the Supervisory Board will continue to identify necessary competencies early to ensure that it has them.

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

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

The Audit and Risk Committee consists of four members. The Supervisory Board believes that, in their entirety, the members of the Audit and Risk Committee are familiar with the sector in which the Company operates. According to the AktG, the Audit and Risk Committee must include one Supervisory Board member who has expertise in accounting and/or auditing. The Supervisory Board believes that Dr. Theo Siegert and Andreas Schmitz fulfill these requirements. 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 deals with accounting issues (including the accounting process), risk management, compliance, the necessary independence of the independent auditor, the issuance of the audit mandate to the independent auditor, the definition of the audit priorities, the agreement regarding the independent auditor's fees, and any additional services performed by the independent auditor. The committee's monitoring of risk management encompasses reviewing the effectiveness of the internal control system, internal risk management, and the internal audit system. The committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and the Consolidated Financial Statements. It is responsible for the preliminary review of the Financial Statements of E.ON SE, the Management Report, the Consolidated Financial Statements, the Combined Group Management Report and the proposal for profit appropriation of profits as well as—if these are not already part of the (Combined Group) Management Report—the separate Non-Financial Report and the separate Combined Non-Financial Report. It discusses the half-yearly reports and quarterly notifications or financial reports with the Management Board prior to their publication. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and its units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. The Audit and Risk Committee may commission an external review of the contents of the Non-Financial Statement or the separate Non-Financial Report or the Combined Non-Financial Statement or the separate Combined Non-Financial Report. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditor detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

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

- promptly inform the Chairperson of the Audit and Risk Committee should any such facts arise during the course of the audit unless such facts are resolved in a satisfactory manner
- promptly inform the Supervisory Board of anything it becomes aware of during the course of the audit that is of relevance to the Supervisory Board's duties
- inform the Chairperson of the Audit and Risk Committee, or to note in the audit report, if the audit has led to findings that contradict the Declaration of Compliance with the German Corporate Governance Code by the Management Board or Supervisory Board.

The Investment and Innovation Committee (until March 31, 2017: the Finance and Investment Committee) generally consists of four members; from April 1, 2017, to the end of the 2018 Annual Shareholders Meeting it consists of six members. It advises the Management Board on all issues of Group financing and investment planning as well as issues relating to market developments and innovation. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies whose value exceeds €300 million but does not exceed €600 million. In addition, it decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds €1 billion but not €2.5 billion if such measures are not covered by the Supervisory Board's resolutions regarding finance plans. If the value of any such transactions or measures exceeds the above-mentioned thresholds, the committee prepares the Supervisory Board's decision.

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

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 8 to 9) contains information about the activities of the Supervisory Board and its committees in 2017. 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 convening of the Annual Shareholders Meeting and the reports and documents required by law for the Annual Shareholders Meeting, including the Annual Report, are published on the Company's Internet page together with the agenda and the explanation of the conditions of participation, shareholders' rights, and any countermotions and election proposals submitted by shareholders. The Company's financial calendar, which is published in the Annual Report, in the quarterly notifications or financial reports, and on the Internet at www.eon.com, regularly informs shareholders about important Company dates.

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

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

At the Annual Shareholders Meeting on May 10, 2017, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2017 financial year and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Report for the 2017 financial year and the first quarter of 2018. The independent auditors with signing authority for the Annual Financial Statements of E.ON SE and the Consolidated Financial Statements are Markus Dittmann (since the 2014 financial year) and Aissata Touré (since the 2015 financial year).

Women and Men in Leadership Positions Pursuant to Section 76, Paragraph 4, and Section 111, Paragraph 5, of the German Stock Corporation Act
In the reporting period, the Management Board consisted initially of five and subsequently of four men. In December 2016 the Supervisory Board set a new target of 20 percent for the proportion of women on the Management Board and a deadline of December 31, 2021, for implementation.

In 2015, 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 was June 30, 2017. At the time of the deadline, the proportion of women in first and second levels of management below the Management Board was 19 percent and 27 percent, respectively. During the implementation period, E.ON took specific steps to increase the proportion of women in management positions. However, turnover in management was lower than in previous years. Despite the positive trend, not yet all targets were achieved.

In May 2017 the Management Board set new targets of 30 percent for the proportion of women in the first level of management below the Management Board and a target of 35 percent for the second level of management below the Management Board. The deadline for achieving both targets is June 30, 2022.

For all other E.ON Group companies concerned, targets and deadlines pursuant to the Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector were set for the proportion of women on these companies' supervisory board and management board or team of managing directors as well as in the next two levels of management. The deadline for achieving these targets is June 30, 2022.

Diversity Concept for the Management Board

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

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

Appointment Objectives

- When appointing members of the Management Board, the candidates' outstanding professional qualifications, long-term leadership experience and past performance, as well as value-driven management shall be of paramount importance. Members shall be capable of taking forward-looking strategic decisions. In particular, they shall be capable of managing businesses sustainably and of ensuring that they are consistently focused on customer needs.
- The Management Board as a whole must have expertise and experience in the energy sector as well as in the fields of finance and digitization.
- The members of the Management Board shall be leaders and as such shall act as role models for the employees through their own performance and conduct.
- Attention shall be paid to diversity when appointing members of the Management Board. For the Supervisory Board, diversity means, in particular, different complementary academic profiles, professional and personal experience, personalities, as well as internationality and a reasonable age and gender structure. The Supervisory Board has therefore adopted a target quota of 20 percent for the share of women on the Management Board; this target shall be achieved by December 31, 2021.
- The appointment period of a member of the Management Board shall generally end at the end of the month on which the Management Board member reaches the general retirement age but at the close of the subsequent Annual Shareholders Meeting at the latest.

Achievement of Objectives

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

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

This compensation report describes the basic features of the compensation plans for members of the E.ON SE Management Board and Supervisory Board and provides information about the compensation granted and paid in 2017. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code, German Accounting Standards, and International Financial Reporting Standards) and the recommendations of the German Corporate Governance Code dated February 7, 2017.

Basic Features of the Management Board Compensation Plan

The Management Board's compensation plan was revised in 2016 in light of the E.ON Group's new direction. The purpose of the revision was to make the plan simpler and to reflect the Company's new strategy. The Management Board compensation plan that took effect on January 1, 2017, is supposed to create an incentive for successful and sustainable corporate governance and to link the compensation of Management Board members with the Company's short-term and long-term performance while also factoring in their individual performance. The new plan's parameters are therefore transparent, performance-based, and aligned with the Company's business success; variable compensation is based predominantly on multi-year metrics. In order to align management's and shareholders' interests and objectives, long-term variable compensation is based not only on the development of E.ON's stock price in absolute terms but also on a comparison with competitors. The introduction of share-ownership guidelines further strengthens E.ON's capital-market orientation and shareholder culture.

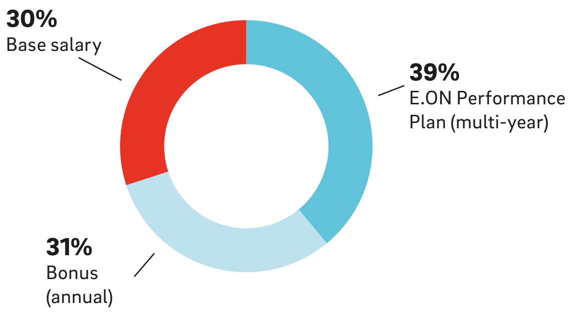
Old Plan	New Plan		Reasons for Adjustment
			General: • Reduce complexity • Reflect new business model
Long-term compensation (LTI), stock-based (~ 30%) **Depends on:** **4-year average of ROCE**	**Long-term compensation (LTI), stock-based (~ 39%)** **Depends on:** **TSR performance relative to peer companies**	Bonus to LTI: 45:55	• Enhance capital-market perspective • Introduce relative total shareholder return (TSR), an accepted, proven performance indicator from investors' viewpoint • Factor in performance relative to competitors
Bonus (~ 40%) **Depends on:** **Adjusted EBITDA vs. budget** **Individual performance** 1/3: LTI components (virtual shares) 2/3: STI components	**Bonus (~ 31%)** **Depends on:** **Actual EPS vs. budget** **Individual performance**		• Introduce earnings per share (EPS) as key performance indicator for management purposes • Reflect corporate strategy • Serve as an indicator of profitability
Base salary (~ 30%)	**Base salary (~ 30%)**		• No adjustment
	Share-ownership guidelines		• Strengthening of shareholder culture and capital-market orientation

The Supervisory Board approves the Executive Committee's proposal for the Management Board's compensation plan. It reviews the plan and the appropriateness of the Management Board's total compensation as well as the individual components on a regular basis and, if necessary, makes adjustments. It considers the provisions of the German Stock Corporation Act and follows the German Corporate Governance Code's recommendations and suggestions. In its review of the compensation plan's market conformity and the appropriateness of compensation levels, the Supervisory Board was supported by an external compensation expert.

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

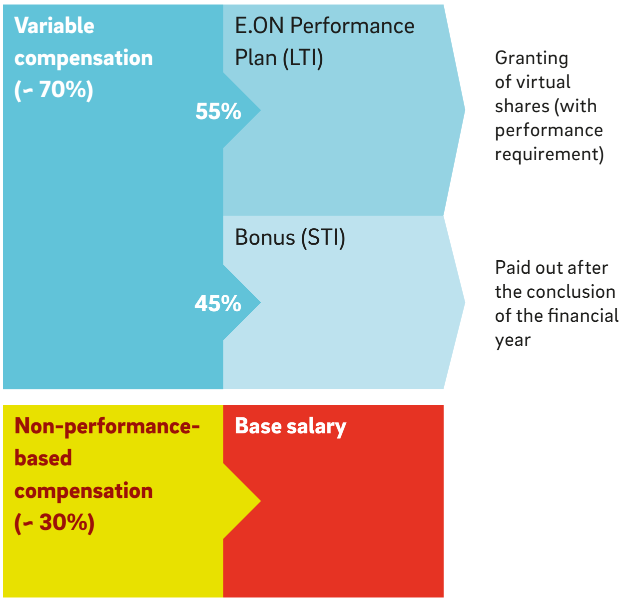
The compensation of Management Board members consists of a fixed base salary, an annual bonus, and long-term variable remuneration. The revision of the compensation plan left the sum of these components unchanged from the previous plan. The components account for the following percentages of total compensation:

Compensation Structure[1]



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

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



In addition, a graphic on page 97 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

No revisions were made to non-performance-based compensation.

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

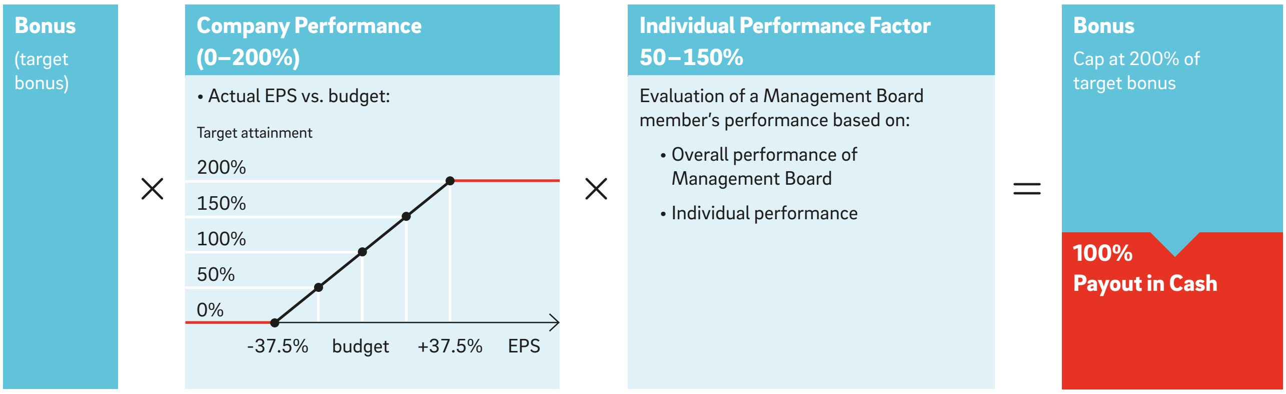
Management Board members receive a number of contractual fringe benefits, including the use of a chauffeur-driven company car. The Company also provides them with the necessary telecommunications equipment, covers costs that include those for a periodic medical examination, and pays the premium for an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

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

Annual Bonus
Under the revised compensation plan, Management Board members' annual bonus (45 percent of the performance-based compensation) consists only of a cash payment made after the end of the financial year.

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

Unlike the compensation plan that was in effect until December 31, 2016, the revised plan dispenses with the Supervisory Board's additional discretionary power in the assessment of the Company's performance.



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

The Supervisory Board determines the degree to which Management Board members have attained the targets of their individual performance factors, giving adequate consideration to their individual and collective contributions. The factors range between 50 and 150 percent. In addition, the Supervisory Board may, as part of the annual bonus, grant Management Board members special compensation for outstanding achievements. In assigning Management Board members their individual performance factors and in granting special compensation, the Supervisory Board pays attention to the criteria of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code.

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

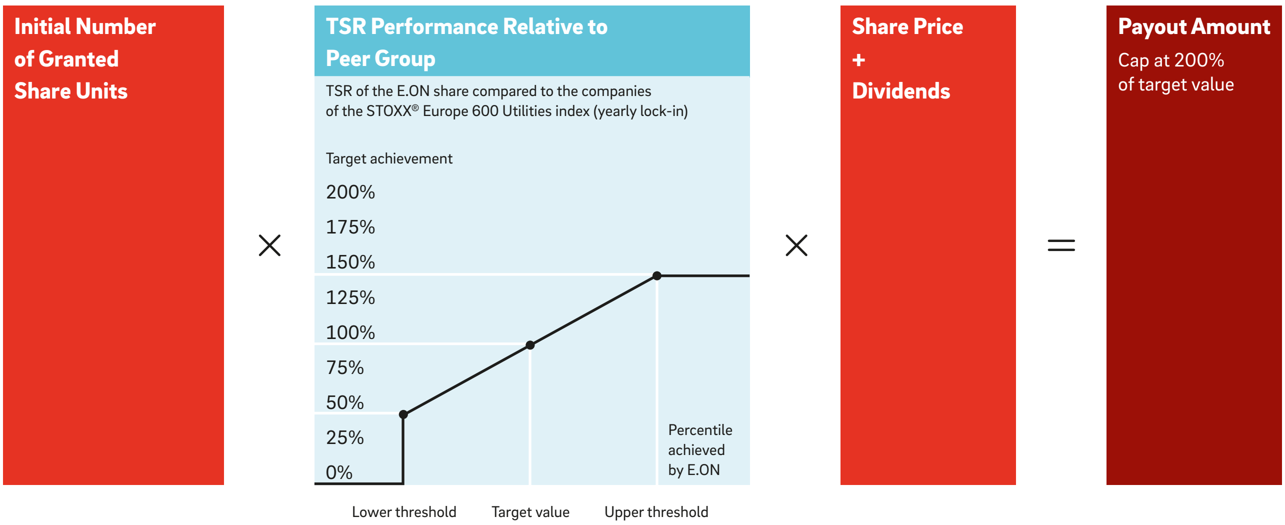
Long-Term Variable Compensation
The long-term variable compensation currently consists of tranches from several financial years granted under two different plans. First, the first tranche of the new E.ON Performance Plan—Performance Plan, first tranche (2017–2020)—was granted. It will be paid out in April 2021 on the basis of target attainment and E.ON's stock price. Second, there are still tranches of the E.ON Share Matching Plans outstanding. The last tranche of the E.ON Share Matching Plan—Share Matching Plan, fourth tranche (2016–2020) and the LTI components of the bonus from 2016 (Share Matching Plan, fifth tranche (2017–2021)—was granted in 2016.

E.ON's Performance Plan (Granted from 2017)
Management Board members receive stock-based, long-term variable compensation under the E.ON Performance Plan, which replaced the E.ON Share Matching Plan as the Company's new long-term compensation plan effective January 1, 2017. Each tranche of the E.ON Performance Plan has a vesting period of four years to serve as a long-term incentive for sustainable business performance. Vesting periods start on January 1.

The Supervisory Board grants virtual shares to each member of the Management Board in the amount of the contractually agreed-on target. The conversion into virtual shares is based on the fair market value on the date when the shares are granted. The fair market value is determined by applying methods accepted in financial mathematics, taking into account the expected future payout, and hence, the volatility and risk associated with the E.ON Performance Plan. The number of granted virtual shares may change in the course of the four-year vesting period depending on the total shareholder return ("TSR") of E.ON stock compared with the TSR of the companies in a peer group ("relative TSR").

TSR is the yield of E.ON stock. It takes into account the stock price, including the assumption that dividends are reinvested, and is adjusted to exclude changes in capital. The peer group used for relative TSR will be the other companies in E.ON's peer index, the STOXX® Europe 600 Utilities.

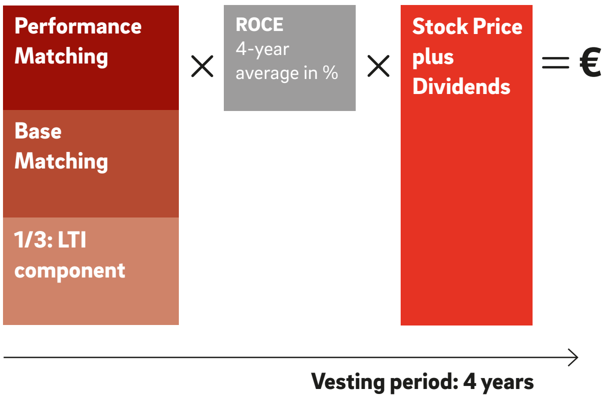
During a tranche's vesting period, E.ON's TSR performance is measured once a year in comparison with the companies in the peer group and set for that year. E.ON SE's TSR performance in a given year determines the final number of one fourth of the virtual shares granted at the beginning of the vesting period. For this purpose, the TSRs of all companies are ranked, and E.ON SE's relative position is determined based on the percentile reached. If target attainment in a year is below the threshold defined by the Supervisory Board at the time of granting, the number of virtual shares granted is reduced by one quarter. If E.ON's performance is at the upper cap or above, the quarter of virtual shares granted for that particular year increases to a maximum of 150 percent. Linear interpolation is used to translate intermediate figures into percentage.



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

E.ON Share Matching Plan (Granted until 2016)

Until the introduction of the new compensation plan on January 1, 2017, Management Board members received stock-based compensation under the E.ON Share Matching Plan. At the beginning of each financial year, the Supervisory Board decided, based on the Executive Committee's recommendation, on the allocation of a new tranche, including the respective targets and the number of virtual shares granted to individual members of the Management Board. To serve as a long-term incentive for sustainable business performance, each tranche had a vesting period of four years. The tranche started on April 1 of each year.



Following the Supervisory Board's decision to allocate a new tranche, Management Board members initially received vested virtual shares equivalent to the amount of the LTI component of their bonus. The determination of the LTI component took into consideration the overall target attainment of the old compensation plan's bonus for the preceding financial year. The number of virtual shares was calculated on the basis of the amount of 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 could receive, on the basis of annual Supervisory Board decisions, a base matching of additional non-vested virtual shares in addition to the virtual shares that resulted from their LTI component. In addition, Management Board members could, depending on the company's performance during the vesting period, receive performance matching of up to two additional non-vested virtual shares per share that resulted from base matching. The arithmetical total target value allocated at the start of the vesting period, which began on April 1 of the year in which a tranche was allocated, was therefore the sum of the value of the LTI component, base matching, and performance matching (depending on the degree of attainment of a predefined company performance target).

For the purpose of performance matching, the company performance metric for tranches granted from 2013 to 2015 was initially E.ON's average ROACE during the four-year vesting period compared with a target ROACE set in advance by the Supervisory Board for the entire four-year period at the time it allocated a new tranche. Pursuant to a Supervisory Board resolution, from the 2016 financial year onward these performance targets were based on ROCE. In view of the Uniper spinoff, this adjustment was necessary because the ROACE targets were based on old planning figures that did not foresee the Uniper spinoff. Furthermore, from the start of 2016, the Company no longer used ROACE as a key performance indicator and it was therefore no longer available. In addition, the anticipated reduction in E.ON's stock price resulting from the Uniper spinoff had to be factored in by means of a conversion method.

Extraordinary events are not factored into the determination of target attainment for company performance. Depending on the degree of target attainment for the company performance metric, each virtual share resulting from base matching may be matched by 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.

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

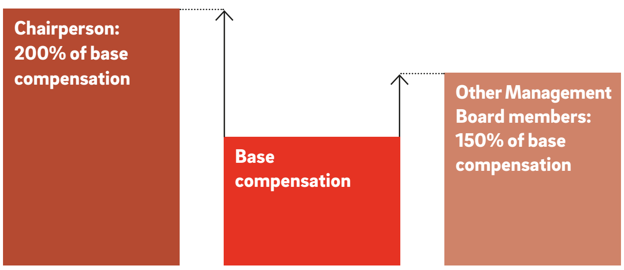
Overall Cap

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

Share-Ownership Guidelines

To 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.

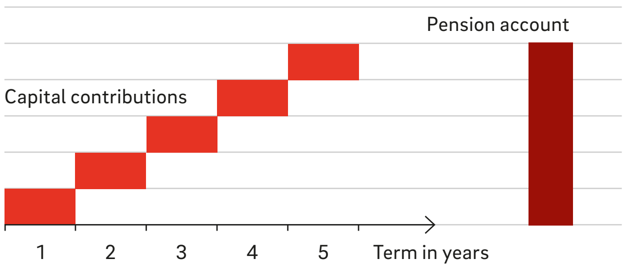
Until the required investment is reached, Management Board members are obligated to invest amounts equivalent to the net payouts from their long-term compensation in actual E.ON stock.



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 in an amount equal to a percentage of their pensionable income (base salary and annual bonus). In April 2016 the Supervisory Board passed a resolution to increase the percentages of the virtual contributions under the contribution-based plan starting in 2017 in order to offset the reduction in the sum of base compensation and annual bonus under the new compensation plan that took effect in 2017 and to leave the amount of contributions essentially unchanged in absolute terms. Effective the 2017 financial year, the contribution percentage is at most 21 percent (formerly 18 percent). The annual contribution consists of a fixed base percentage (16 percent; formerly 14 percent) and a matching contribution (5 percent; formerly 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 member, Dr. Johannes Teyssen, who was appointed to the Management Board before 2010. Following the end of his service for the Company, Dr. Johannes Teyssen is entitled to receive lifelong monthly pension payments in three cases: reaching the age of 60, permanent incapacitation, and a so-called third pension situation. The criteria for this situation are met if the termination or non-extension of Dr. Johannes Teyssen's service agreement is not due to his misconduct or rejection of an offer of extension that is at least on a par with his existing service agreement. In the third pension situation, Dr. Johannes Teyssen would receive an early pension as a transitional arrangement until he reaches the age of 60.

Dr. Johannes Teyssen's pension entitlements provide for annual pension payments equal to 75 percent of his annual base salary. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, 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 a non-affiliated company. Management Board members are entitled to a settlement payment if, within 12 months of the change of control, their service agreement is terminated by mutual consent, expires, or is terminated by them (in the latter case, however, only if their position on the Management Board is materially affected by the change in control). Management Board members' settlement payment consists of their base salary and target bonus plus fringe benefits for two years. 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 2017

The Supervisory Board reviewed the Management Board's compensation plan and the components of individual members' compensation. It determined that the Management Board's compensation is appropriate from both a horizontal and vertical perspective and passed a resolution on the performance-based compensation described below. It made its determination of customariness from a horizontal perspective by comparing the compensation with that of companies of a similar size. Its review of appropriateness included a vertical comparison of the Management Board's compensation with that of the Company's top management and the rest of its workforce. In the Supervisory Board's view, in the 2017 financial year there was no reason to adjust the Management Board's compensation.

Performance-Based Compensation in 2017

The annual bonuses of Management Board members for 2017 totaled €5.8 million (2016: €4.3 million). In determining the performance factor, the Supervisory Board discussed and assessed the Management Board's overall performance.

The Supervisory Board issued the first tranche of the E.ON Performance Plan (2017–2020) for the 2017 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—€5.84 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, per-share dividends, and E.ON stock's TSR relative to the TSR of the companies in its peer index, the STOXX® 600, for the years 2017 through 2020. The actual payments made to Management Board members in 2021 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 2017:

Stock-based Compensation

	Value of virtual shares at time of granting		Number of virtual shares granted		Cumulative expense (+)/income (-)[2]	
€	2017	2016[1]	2017	2016	2017	2016
Dr. Johannes Teyssen	1,732,500	1,827,516	296,661	138,762	3,423,608	1,008,670
Dr.-Ing. Leonhard Birnbaum	1,008,333	1,063,643	172,660	80,762	1,860,899	580,199
Michael Sen (until March 31, 2017)	–	300,000[3]	–	–	323,469	181,636
Dr. Marc Spieker (since January 1, 2017)	825,000	–	141,268	–	276,179	–
Dr. Karsten Wildberger	825,000	675,000	141,268	52,144	641,804	265,966
Total	**4,390,833**	**3,866,159**	**751,857**	**271,668**	**6,525,959**	**2,036,471**

[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 2017 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 2017 financial year totaled €4.4 million. Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Management Board Pensions in 2017

The following table provides an overview of the current pension obligations to Management Board members, the additions to provisions for pensions, and the cash value of pension obligations for the 2017 financial year. The cash value of pension obligations is calculated pursuant to IFRS and the German Commercial Code. An actuarial interest rate of 2.1 percent (prior year: 2.1 percent) was used for discounting; the actuarial interest rate pursuant to the German Commercial Code was 3.68 percent (prior year: 4.01 percent).

Pensions of Management Board Members Pursuant to IFRS

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Johannes Teyssen	75	75	930,000	930,000	1,369,019	1,338,260	504,248	558,800	24,767,846	24,011,814
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	398,343	407,044	26,775	26,455	1,329,403	1,275,012
Michael Sen (until March 31, 2017)[1, 3]	–	–	–	–	–	275,898	–	4,909	–	523,074
Dr. Marc Spieker (since January 1, 2017)[1, 2]	–	–	–	–	50,303	–	16,367	–	830,032	–
Dr. Karsten Wildberger[1]	–	–	–	–	356,636	292,555	6,144	–	518,162	292,555

[1]Contribution Plan E.ON Management Board.
[2]Dr. Spieker joined the E.ON SE Management Board effective January 1, 2017, but had been employed by the Company prior to that. Due to his previous years of service, the cash value of his pension entitlement was €779,388 at December 31, 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 (€)		(€)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Johannes Teyssen	75	75	930,000	930,000	1,823,372	478,740	686,225	647,067	18,936,224	17,112,854
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	95,578	161,367	39,868	32,398	1,089,787	994,209
Michael Sen (until March 31, 2017)[1, 3]	–	–	–	–	–	249,034	–	6,039	–	404,266
Dr. Marc Spieker (since January 1, 2017)[1, 2]	–	–	–	–	148,005	–	19,481	–	633,809	–
Dr. Karsten Wildberger[1]	–	–	–	–	188,871	226,291	9,074	–	415,162	226,291

[1]Contribution Plan E.ON Management Board.
[2]Dr. Spieker joined the E.ON SE Management Board effective January 1, 2017, but had been employed by the Company prior to that. Due to his previous years of service, the cash value of his pension entitlement was €485,804 at December 31, 2016.
[3]Under the termination agreement concluded with Mr. Sen, the benefit amount shown here expires at the conclusion of March 31, 2017.

Pursuant to IFRS and the German Commercial Code, the cash values of Management Board pensions for which provisions are required increased slightly relative to year-end 2016. This resulted in part from increases in the number of years of service. In the case of the figures pursuant to the German Commercial Code, another reason is that the actuarial interest rate E.ON uses for discounting was significantly below the prior-year figure.

Total Compensation in 2017

The total compensation of the members of the Management Board in the 2017 financial year amounted to €14.0 million, about 1.5 percent above the prior-year figure of €13.8 million based on the Management Board's total compensation disclosed in the 2016 Annual Report.

Under a termination agreement concluded in December 2016, Mr. Sen's service agreement ended by mutual consent effective March 31, 2017, without payment of contractual claims for the remaining period of his agreement, because Mr. Sen ended 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 forfeited the company-funded entitlement to a company pension. He also forfeited 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. No bonus and no tranche under the E.ON Performance Plan were granted. The non-compete clause was waived without compensation.

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

Total Compensation of the Management Board

	Fixed annual compensation		Bonus		Other compensation		Value of stock-based compensation granted[1]		Total	
€	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Johannes Teyssen	1,240,000	1,240,000	2,296,350	1,638,000	40,845	42,409	1,732,500	1,827,516	5,309,695	4,747,925
Dr.-Ing. Leonhard Birnbaum	800,000	800,000	1,336,500	953,333	27,117	25,138	1,008,333	1,063,643	3,171,950	2,842,114
Michael Sen (until March 31, 2017)	175,000	700,000	–	780,000	17,100	181,065	–	300,000	192,100	1,961,065
Dr. Marc Spieker (since January 1, 2017)	700,000	–	1,093,500	–	35,695	–	825,000	–	2,654,195	–
Dr. Karsten Wildberger	700,000	525,000	1,093,500	585,000	67,346	1,442,153	825,000	675,000	2,685,846	3,227,153
Total	**3,615,000**	**3,265,000**	**5,819,850**	**3,956,333**	**188,103**	**1,690,765**	**4,390,833**	**3,866,159**	**14,013,786**	**12,778,257**

[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 €5.84 per share.

The following table shows the compensation granted and allocated in 2017 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	
	2016	2017	2017 (min.)	2017 (max.)[1, 2]	2016	2017
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
Fringe benefits	42,409	40,845	40,845	40,845	42,409	40,845
Total	**1,282,409**	**1,280,845**	**1,280,845**	**1,280,845**	**1,282,409**	**1,280,845**
One-year variable compensation	**1,260,000**	**1,417,500**	**–**	**2,835,000**	**1,638,000**	**2,296,350**
Multi-year variable compensation	**1,827,516**	**1,732,500**	**–**	**3,465,000**	**758,278**	**1,635,221**
– Share Performance Plan, seventh tranche (2012–2015)	–	–	–	–	*758,278*	–
– Share Matching Plan, first tranche (2013–2017)	–	–	–	–	–	*1,635,221*
– Share Matching Plan, fourth tranche (2016–2020)	*1,197,516*	–	–	–	–	–
– Share Matching Plan, fifth tranche (2017–2021)	*630,000*	–	–	–	–	–
– Performance Plan, first tranche (2017–2020)	–	*1,732,500*	–	*3,465,000*	–	–
Total	**4,369,925**	**4,430,845**	**1,280,845**	**7,580,845**	**3,678,687**	**5,212,416**
Service cost	779,460	864,771	864,771	864,771	779,460	864,771
Total	**5,149,385**	**5,295,616**	**2,145,616**	**8,445,616**	**4,458,147**	**6,077,187**

[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 89, applies as well.

Table of Compensation Granted and Allocated

	Dr.-Ing. Leonhard Birnbaum (member of the Management Board)					
			Compensation granted		Compensation allocated	
€	2016	2017	2017 (min.)	2017 (max.)[1, 2]	2016	2017
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits	25,138	27,117	27,117	27,117	25,138	27,117
Total	**825,138**	**827,117**	**827,117**	**827,117**	**825,138**	**827,117**
One-year variable compensation	**733,333**	**825,000**	**–**	**1,650,000**	**953,333**	**1,336,500**
Multi-year variable compensation	**1,063,643**	**1,008,333**	**–**	**2,016,666**	**–**	**332,994**
– Share Performance Plan, seventh tranche (2012–2015)	–	–	–	–	–	–
– Share Matching Plan, first tranche (2013–2017)	–	–	–	–	–	*332,994*
– Share Matching Plan, fourth tranche (2016–2020)	*696,976*	–	–	–	–	–
– Share Matching Plan, fifth tranche (2017–2021)	*366,667*	–	–	–	–	–
– Performance Plan, first tranche (2017–2020)	–	*1,008,333*	–	*2,016,666*	–	–
Total	**2,622,114**	**2,660,450**	**827,117**	**4,493,783**	**1,778,471**	**2,496,611**
Service cost	380,589	371,568	371,568	371,568	380,589	371,568
Total	**3,002,703**	**3,032,018**	**1,198,685**	**4,865,351**	**2,159,060**	**2,868,179**

[1, 2]See footnotes on page 94.

Table of Compensation Granted and Allocated

	Michael Sen (member of the Management Board until March 31, 2017)					
			Compensation granted		Compensation allocated	
in €	2016	2017	2017 (min.)	2017 (max.)[1, 2]	2016	2017
Fixed compensation	700,000	175,000	175,000	175,000	700,000	175,000
Fringe benefits	181,065	17,100	17,100	17,100	181,065	17,100
Total	**881,065**	**192,100**	**192,100**	**192,100**	**881,065**	**192,100**
One-year variable compensation	**600,000**	**–**	**–**	**–**	**780,000**	**–**
Multi-year variable compensation	**300,000**	**–**	**–**	**–**	**–**	**–**
– Share Performance Plan, seventh tranche (2012–2015)	–	–	–	–	–	–
– Share Matching Plan, first tranche (2013–2017)	–	–	–	–	–	–
– Share Matching Plan, fourth tranche (2016–2020)	–	–	–	–	–	–
– Share Matching Plan, fifth tranche (2017–2021)	*300,000*	–	–	–	–	–
– Performance Plan, first tranche (2017–2020)	–	–	–	–	–	–
Total	**1,781,065**	**192,100**	**192,100**	**192,100**	**1,661,065**	**192,100**
Service cost	270,989	–	–	–	270,989	–
Total	**2,052,054**	**192,100**	**192,100**	**192,100**	**1,932,054**	**192,100**

[1, 2]See footnotes on page 94.

Table of Compensation Granted and Allocated

	Dr. Marc Spieker (member of the Management Board since January 1, 2017)					
			Compensation granted		Compensation allocated	
€	2016	2017	2017 (min.)	2017 (max.)[1,2]	2016	2017
Fixed compensation	–	700,000	700,000	700,000	–	700,000
Fringe benefits	–	35,695	35,695	35,695	–	35,695
Total	**–**	**735,695**	**735,695**	**735,695**	**–**	**735,695**
One-year variable compensation	**–**	**675,000**	**–**	**1,350,000**	**–**	**1,093,500**
Multi-year variable compensation	**–**	**825,000**	**–**	**1,650,000**	**–**	**–**
– *Share Performance Plan, seventh tranche (2012–2015)*	–	–	–	–	–	–
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	–	–	–	–	–	–
– *Share Matching Plan, fifth tranche (2017–2021)*	–	–	–	–	–	–
– *Performance Plan, first tranche (2017–2020)*	–	*825,000*	–	*1,650,000*	–	–
Total	**–**	**2,235,695**	**735,695**	**3,735,695**	**–**	**1,829,195**
Service cost	–	33,936	33,936	33,936	–	33,936
Total	**–**	**2,269,631**	**769,631**	**3,769,631**	**–**	**1,863,131**

[1, 2]See footnotes on page 94.

Table of Compensation Granted and Allocated

	Dr. Karsten Wildberger (member of the Management Board)					
			Compensation granted		Compensation allocated	
€	2016	2017	2017 (min.)	2017 (max.)[1,2]	2016	2017
Fixed compensation	525,000	700,000	700,000	700,000	525,000	700,000
Fringe benefits	1,442,153	67,346	67,346	67,346	1,442,153	67,346
Total	**1,967,153**	**767,346**	**767,346**	**767,346**	**1,967,153**	**767,346**
One-year variable compensation	**450,000**	**675,000**	**–**	**1,350,000**	**585,000**	**1,093,500**
Multi-year variable compensation	**675,000**	**825,000**	**–**	**1,650,000**	**–**	**–**
– *Share Performance Plan, seventh tranche (2012–2015)*	–	–	–	–	–	–
– *Share Matching Plan, first tranche (2013–2017)*	–	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	*450,000*	–	–	–	–	–
– *Share Matching Plan, fifth tranche (2017–2021)*	*225,000*	–	–	–	–	–
– *Performance Plan, first tranche (2017–2020)*	–	*825,000*	–	*1,650,000*	–	–
Total	**3,092,153**	**2,267,346**	**767,346**	**3,767,346**	**2,552,153**	**1,860,846**
Service cost	292,555	350,492	350,492	350,492	292,555	350,492
Total	**3,384,708**	**2,617,838**	**1,117,838**	**4,117,838**	**2,844,708**	**2,211,338**

[1, 2]See footnotes on page 94.

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 2017 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: €1,417,500 – Target bonus for Management Board members: €675,000–€825,000 • Cap: 200 percent of target bonus • Amount of bonus depends on – Company performance: actual EPS vs. budget – Individual performance factor: collective performance and individual performance • Annual bonus corresponds to 45 percent of performance-based compensation
Possibility of special compensation	May be awarded, at the Supervisory Board's discretion, for outstanding achievements as part of the annual bonus as long as the total bonus remains under the cap.
Long-term variable compensation: Share Matching Plan (granted until 2016)	• Granting of virtual shares of E.ON stock with a four-year vesting period: – Target value for Management Board Chairman: €1,260,000 (excluding LTI components from annual bonuses) – Target value for Management Board members: €600,000–€733,333 (excluding LTI components from annual bonuses) • Cap: 200 percent of the target value • Number of virtual shares: 1/3 from the annual bonus (LTI component) + base matching (1:1) + performance matching (1:0 to 1:2) depending on ROACE during vesting period • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period
Long-term variable compensation: E.ON Performance Plan (granted from 2017)	• Granting of virtual shares of E.ON stock with a four-year vesting period: – Target value for Management Board Chairman: €1,732,500 – Target value for Management Board members: €825,000–€1,008,333 • Final number of virtual shares depends on E.ON stock's TSR relative to the TSR of companies in the STOXX® Europe 600 Utilities index; ¼ of TSR performance is locked in annually • Allocation limit; that is, the maximum number of virtual shares: 150 percent • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period • Cap: 200 percent of the target value • Annual target allocation corresponds to 55 percent of performance-based compensation
Pension benefits	
Final-salary-based benefits[1]	• Lifelong pension payment equaling a maximum of 75 percent of fixed compensation from age of 60 • Pension payments for widows and children equaling 60 percent and 15 percent, respectively, of pension entitlement
Contribution-based benefits	• Virtual contributions equaling a maximum of 21 percent of fixed compensation and target bonus • Virtual contributions capitalized using interest rate based on long-term German treasury notes • Payment of pension account balance from age 62 as a lifelong pension, in installments, or in a lump sum
Other compensation provisions	
Share-ownership guidelines	• Obligation to buy and hold E.ON stock until the end of service on the Management Board • Investment in E.ON stock equaling a percentage of base compensation: – 200 percent (Management Board Chairperson) – 150 percent (other Management Board members) • Until the required investment is reached, obligation to invest net payouts from long-term compensation in E.ON stock
Settlement cap	Maximum of two years' total compensation or the total compensation for the remainder of the service agreement
Settlement for change-of-control	Settlement equal to two target salaries (base salary, target bonus, and fringe benefits), reduced by up to 20 percent.
Non-compete clause	For six months after termination of service agreement, prorated compensation equal to fixed compensation and target bonus, at a minimum 60 percent of most recently received compensation

[1]Only applies to Dr. Johannes Teyssen.

Payments Made to Former Members of the Management Board

Total payments made to former Management Board members and to their beneficiaries amounted to €12.4 million in 2017 (prior year: €11.6 million). Provisions of €159.0 million (prior year: €172.8 million)—pursuant to IFRS—have been provided for pension obligations to former Management Board members and their beneficiaries.

Compensation Plan for the Supervisory Board

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

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

Supervisory Board Compensation in 2017

The total compensation of the members of the Supervisory Board amounted to €4.5 million (prior year: €3.6 million pursuant to the total compensation of the Supervisory Board reported in the 2016 Annual Report). As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2017 financial year.

Supervisory Board Compensation

	Supervisory Board compensation		Compensation for committee duties		Attendance fees		Supervisory Board compensation from affiliated companies		Total	
€	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Karl-Ludwig Kley	440,000	256,667	–	–	13,000	7,000	–	–	453,000	263,667
Prof. Dr. Ulrich Lehner	320,000	320,000	–	–	12,000	10,000	–	–	332,000	330,000
Andreas Scheidt	320,000	320,000	–	–	13,000	10,000	170,853	–	503,853	330,000
Clive Broutta	140,000	140,000	70,000	70,000	8,000	8,000	–	–	218,000	218,000
Erich Clementi	140,000	70,000	–	–	7,000	2,000	–	–	147,000	72,000
Tibor Gila	140,000	70,000	–	–	6,000	2,000	–	2,705	146,000	74,705
Thies Hansen	140,000	140,000	110,000	110,000	10,000	10,000	17,700	17,700	277,700	277,700
Carolina Dybeck Happe	140,000	81,667	52,500	–	10,000	2,000	–	–	202,500	83,667
Baroness Denise Kingsmill CBE	140,000	140,000	–	–	3,000	6,000	–	–	143,000	146,000
Eugen-Gheorghe Luha	140,000	140,000	70,000	70,000	10,000	8,000	13,114	13,483	233,114	231,483
Andreas Schmitz	140,000	70,000	82,500	–	9,000	3,000	–	–	231,500	73,000
Fred Schulz	140,000	140,000	110,000	110,000	15,000	13,000	22,243	13,500	287,243	276,500
Silvia Šmátralová	140,000	70,000	–	–	6,000	2,000	24,367	32,452	170,367	104,452
Dr. Karen de Segundo	140,000	140,000	122,500	70,000	11,000	8,000	–	–	273,500	218,000
Dr. Theo Siegert	140,000	140,000	180,000	180,000	11,000	10,000	–	–	331,000	330,000
Elisabeth Wallbaum	140,000	140,000	–	–	6,000	6,000	–	–	146,000	146,000
Ewald Woste	140,000	70,000	52,500	–	10,000	2,000	8,000	–	210,500	72,000
Albert Zettl	140,000	70,000	52,500	–	11,000	2,000	20,000	20,000	223,500	92,000
Total	**3,180,000**	**2,518,333**	**902,500**	**610,000**	**171,000**	**111,000**	**276,277**	**99,841**	**4,529,777**	**3,339,174**

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, Essen

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of E.ON SE, Essen, and its subsidiaries (the Group), which comprise the consolidated balance sheet, as at 31 December 2017, consolidated statement of income, consolidated statement of recognized income and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of E.ON SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. 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; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill, property, plant and equipment an intangible assets
2. Planned disposal of the investment in Uniper SE
3. Financing activities
4. Non-current provisions

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

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

Hereinafter we present the key audit matters:

1. Recoverability of goodwill, property, plant and equipment and intangible assets

a. In the consolidated financial statements of E.ON SE as of 31 December 2017, an amount of EUR 3.3 billion is reported under the “goodwill” balance sheet line item and an amount of EUR 24.8 billion under the “property, plant and equipment” line item and EUR 2.2 billion under the “intangible assets” line item. In the financial year 2017, impairment losses of EUR 1.0 billion were recognized in this regard, with EUR 0.7 billion of this amount attributable to wind farms in the United States of America. 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 whenever there are indications of impairment. In the case of property, plant and equipment and definite life intangible assets, impairment tests are only performed based on the relevant cash-generating units if there are indications of impairment. The carrying amount of the relevant cash-generating units - in cases involving the assessment of the recoverability of goodwill, including goodwill - is compared with the corresponding recoverable amount in the context of the impairment test. The present value of the future cash flows from the respective cash-generating unit serves as the basis of valuation in the context of an impairment test. The cash flows are based on the E.ON Group’s medium-term planning for the years 2018 to 2020. For the purposes of measuring property, plant and equipment and definite life intangible assets, this planning period is extrapolated over the lifetime of the asset in question. For the purposes of assessing the recoverability of goodwill, the three-year detailed planning period is generally extended by another two years – or more, if required – and is then extrapolated on the basis of assumptions about long-term growth rates in perpetual annuity. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit in each case. The result of this measurement depends to a large extent on management’s estimates of the amount 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, as well as the amount of impairment losses recognized, this matter was of particular significance during our audit.

b. As part of our audit, we assessed, among other things, whether the measurement model for performing impairment tests properly reflects the conceptual requirements of the relevant standards and whether the calculations in the models were correctly performed. The critical assessment of the key assumptions underlying the measurements was the focal point of our audit. We evaluated the appropriateness of the future cash flows used for the measurement by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment, finance and HR plan for 2018 prepared by management and approved by the supervisory board on 18 December 2017 as well as the planning for the years 2019 and 2020 prepared by the executive directors and approved by the supervisory board. Among other things, we assessed how the long-term growth rates used for perpetual annuities were derived from the market expectations. We also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. We also compared the assumptions about long-term price development and the relevant regulatory influencing factors against sector-specific expectations. Within the context of our assessment of the recoverability of goodwill, we also evaluated whether the costs for Corporate Overheads were properly ascertained, allocated, and included in the impairment tests of the respective cash-generating units. Finally, we assessed the calculation of the carrying amounts of the cash-generating units, which were compared against the corresponding recoverable amount, as well as the calculation and recognition of the impairment losses.

Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations. We were able to verify the inclusion in the measurement models and the calculation of the impairment losses that had been identified.

c. The Company's disclosures relating to the recoverability of goodwill, property, plant and equipment and intangible assets are contained in note 14 of the notes to the consolidated financial statements.

2. Planned disposal of the investment in Uniper SE

a. In the consolidated financial statements of E.ON SE as of 31 December 2017, an amount of EUR 3.3 billion is reported under the "Assets held for sale" balance sheet line item. In particular, EUR 3.0 billion of this amount is attributable to the investment in Uniper SE. At the end of September 2017, E.ON concluded an agreement with the Fortum Group subjecting the latter to the obligation to make a public takeover offer of EUR 22 (including the expected dividend of EUR 0.69 per share in Uniper for the financial year 2017) for one share in Uniper and entitling E.ON to accept this offer for its 46.65% stake in Uniper SE in January 2018 (tender option). If this option is not exercised, E.ON will have to make a compensation payment to the Fortum Group. The executive directors consider the sale of the shares in the financial year 2018 to be highly probable and therefore discloses the investment in Uniper SE as disposal group according to IFRS 5 since then. With this background, and given the considerable complexity associated with the accounting treatment of the agreement with the Fortum Group and the significant effect on consolidated net income, the presentation as a disposal group and the accounting treatment of the agreement with the Fortum Group, in particular, were of particular significance for our audit.

b. As part of our audit, we assessed, in particular, the presentation of the investment in Uniper SE as a disposal group and the accounting treatment of the agreement with the Fortum Group. Within this context, we first of all obtained an understanding of the underlying contractual agreements and their impact on the presentation of Uniper SE and the accounting treatment. Regarding the classification of the sale as a transaction that is highly probable, we also performed inquiries with the responsible individuals involved in the transaction. Our audit then focused on the measurement of the tender option including the compensation payment if the option is not exercised. Within this context, we evaluated the measurement model and the parameters used for measurement purposes, as well as the specific calculation. We were able to satisfy ourselves that the investment in Uniper SE was presented appropriately and that the assumptions and measurement parameters underlying the valuation were sufficiently documented and supported overall.

c. The Company's disclosures on the planned sale of Uniper SE are contained in note 4 of the notes to the consolidated financial statements.

3. Financing activities

a. Due to the payment made to the fund for financing the nuclear waste disposal in the amount of around EUR 10.3 billion in the financial year 2017, E.ON SE had additional financing requirements. These requirements were partly covered using own funds, but in particular also using the inflow of EUR 3.0 billion from the refund of nuclear fuel tax. In addition, the Company increased the share capital within the context of the authorized capital by around EUR 0.2 billion, resulting in an increase in equity of EUR 1.34 billion in total taking the agreed premium into account. In addition, three euro bonds with a total volume of EUR 2.0 billion were placed. The bonds are fixed-rate bonds and have a term running up to 2021, 2024 and 2029.

The issuance of these bonds meant that, partially, there was no longer any hedged item for the previously designated interest rate hedging relationship for bonds to be issued in the future, to which hedge accounting (cash flow hedge) was applied. As a result, hedge accounting for this part of the hedging relationship was not continued at the time at which the bonds were issued. New derivatives were concluded within this context in order to reflect the changed interest rate risk. These derivatives were included in the hedging relationship together with the derivatives concluded in previous years.

As of 31 December 2017, the hedging instruments have a negative fair value of EUR 0.8 billion in total. As of 31 December 2017, the "accumulated other comprehensive income" includes EUR 0.4 billion for the bonds issued which will be reversed as an expense in subsequent periods. In the financial year 2017, EUR 33 million were reclassified as an expense.

From our point of view, these matters were of particular significance for our audit due to the volume of the financing activities, the complexity of the hedging relationships, the potential impact on profit or loss and the long term of the transactions.

b. As part of our audit, we assessed the accounting treatment of the capital increase, in particular the inclusion of transaction costs, as well as the bonds issued, in particular with regard to their measurement and hedge accounting. Within this context, we first of all obtained an understanding of the contractual law, company law and financial bases and assessed these in terms of their accounting treatment. We also obtained and evaluated supporting documentation from the banks involved and excerpts from the commercial register. We assessed the continuation of hedge accounting regarding compliance with the requirements of international accounting standards. In detail, this involved assessing whether the requirements for the application of hedge accounting had been met, including the existence of corresponding effectiveness tests and hedge documentation. In addition, we verified the accounting entries to recognize relevant balance sheet items (market values of the hedging instruments, other comprehensive income and reclassification of other comprehensive income, etc.) and their reporting in the balance sheet and income statement of the E.ON Group, and assessed their compliance with the applicable accounting requirements. In doing so, we were able to satisfy ourselves that the capital increase and the bonds issued were presented appropriately in the financial statements and that the conditions for the application of hedge accounting are sufficiently reasonable and documented.

c. The Company's disclosures relating to equity, financial liabilities, derivative financial instruments and the application of hedge accounting are contained, in particular, in notes 19 and 20 and 26, 30 and 31 of the notes to the consolidated financial statements.

4. Non-current provisions

a. In the consolidated financial statements of E.ON SE as of 31 December 2017, an amount of EUR 14.4 billion is reported under the "Other provisions" balance sheet line item. EUR 10.5 billion of this amount is attributable to provisions for the decommissioning of nuclear plants and EUR 0.6 billion is attributable to provisions for environmental remediation obligations of predecessor entities. Both the recognition and the subsequent measurement of provisions, like the determination of the underlying assumptions used in this regard, including the discount rate used, are highly dependent on estimates and assumptions by the executive directors. As a result, and due to the reassessment of central assumptions regarding the abovementioned provisions and material partial reversals in the financial year 2017, we considered these matters to be of particular significance for our audit.

b. With the knowledge that the measurement of the provision is primarily based on the executive directors' assessments 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 assessment of the provisions for the decommissioning of nuclear plants, we looked, among other things, at the external expert opinions on which the measurement was based. We focused on the evaluation of the technical decommissioning concepts and the underlying cost assumptions, particularly with regard to HR costs. We evaluated the environmental remediation obligations of predecessor entities in particular with regard to the external legal assessments underlying the accounting treatment, the internal legal assessments and the technical concepts underlying the measurement. Furthermore, we evaluated whether the interest rates with matching terms were properly derived from market data.

We assessed the entire calculations (including discounting) for the respective provisions using the applicable measurement parameters and scrutinized the planned timetable for utilizing the provisions. We were able to satisfy ourselves that the assessments and assumptions made by the executive directors were sufficiently substantiated to justify the recognition and measurement of the non-current provisions. We consider the measurement parameters and assumptions used by the executive directors to be reproducible as a whole, and we were able to satisfy ourselves that they were properly included in the calculation of the provisions.

c. The Company's disclosures relating to the non-current provisions are contained in note 25 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Report" of the group management report.
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information –, with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined 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, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

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

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

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

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 10 May 2017. We were engaged by the supervisory board on 23 May 2017. We have been the group auditor of the E.ON SE, Essen, without interruption since the Company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 1965.

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

Emphasis of Matter—Supplementary Audit

We issue this auditor's report on the amended consolidated financial statements and the amended group management report on the basis of our audit, duly completed as of 6 March 2018, and our supplementary audit completed as of 12 March 2018 related to the addition of disclosures regarding a matter that has become known subsequent to the preparation of the consolidated financial statements and the group management report. We refer to the presentation of the amendments by the executive directors in the section "Subsequent Events" in the amended notes to the consolidated financial statements as well as in the section "Earnings Situation" and in the chapter "Forecast Report" in the amended group management report.

German Public Auditor Responsible for the Engagement

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

Düsseldorf, 6 March 2018/limited to the above mentioned adjustments: 12 March 2018

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	2017	2016
Sales including electricity and energy taxes		38,958	39,175
Electricity and energy taxes		-993	-1,002
Sales	(5)	**37,965**	**38,173**
Changes in inventories (finished goods and work in progress)		4	8
Own work capitalized	(6)	524	529
Other operating income	(7)	7,649	7,448
Cost of materials	(8)	-29,788	-32,325
Personnel costs	(11)	-3,162	-2,839
Depreciation, amortization and impairment charges	(14)	-2,769	-3,823
Other operating expenses	(7)	-6,475	-7,867
Income/Loss from companies accounted for under the equity method		716	285
Income/Loss from continuing operations before financial results and income taxes		**4,664**	**-411**
Financial results	(9)	-44	-1,314
Income/Loss from equity investments		*-3*	*-19*
Income from other securities, interest and similar income		*1,299*	*343*
Interest and similar expenses		*-1,340*	*-1,638*
Income taxes	(10)	-440	-440
Income/Loss from continuing operations		**4,180**	**-2,165**
Income/Loss from discontinued operations, net	(4)	–	-13,842
Net income/loss		**4,180**	**-16,007**
Attributable to shareholders of E.ON SE		*3,925*	*-8,450*
Attributable to non-controlling interests		*255*	*-7,557*
in €			
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[1]	(13)		
from continuing operations		1.84	-1.22
from discontinued operations		0.00	-3.11
from net income/loss		**1.84**	**-4.33**

[1]Based on weighted-average number of shares outstanding.

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

€ in millions	2017	2016
Net income/loss	**4,180**	**-16,007**
Remeasurements of defined benefit plans	317	-1,401
Remeasurements of defined benefit plans of companies accounted for under the equity method	40	-2
Income taxes	165	-202
Items that will not be reclassified subsequently to the income statement	**522**	**-1,605**
Cash flow hedges	198	-331
Unrealized changes	*135*	*-673*
Reclassification adjustments recognized in income	*63*	*342*
Available-for-sale securities	-125	-106
Unrealized changes	*-61*	*295*
Reclassification adjustments recognized in income	*-64*	*-401*
Currency translation adjustments	-25	4,865
Unrealized changes	*-25*	*926*
Reclassification adjustments recognized in income	*–*	*3,939*
Companies accounted for under the equity method	-477	-87
Unrealized changes	*-474*	*-229*
Reclassification adjustments recognized in income	*-3*	*142*
Income taxes	57	-27
Items that might be reclassified subsequently to the income statement	**-372**	**4,314**
Total income and expenses recognized directly in equity	**150**	**2,709**
Total recognized income and expenses (total comprehensive income)	**4,330**	**-13,298**
Attributable to shareholders of E.ON SE	*4,055*	*-7,867*
Continuing operations	*4,055*	*-3,816*
Discontinued operations	*–*	*-4,051*
Attributable to non-controlling interests	*275*	*-5,431*

E.ON SE and Subsidiaries Consolidated Balance Sheets—Assets

€ in millions	Note	December 31, 2017	2016
Goodwill	(14)	3,337	3,463
Intangible assets	(14)	2,243	2,329
Property, plant and equipment	(14)	24,766	25,242
Companies accounted for under the equity method	(15)	3,547	6,352
Other financial assets	(15)	3,541	5,148
Equity investments		*792*	*821*
Non-current securities		*2,749*	*4,327*
Financial receivables and other financial assets	(17)	452	553
Operating receivables and other operating assets	(17)	1,371	1,761
Income tax assets	(10)	–	7
Deferred tax assets	(10)	907	1,441
Non-current assets		**40,164**	**46,296**
Inventories	(16)	794	785
Financial receivables and other financial assets	(17)	236	463
Trade receivables and other operating assets	(17)	5,781	6,719
Income tax assets	(10)	514	851
Liquid funds	(18)	5,160	8,573
Securities and fixed-term deposits		*670*	*2,147*
Restricted cash and cash equivalents		*1,782*	*852*
Cash and cash equivalents		*2,708*	*5,574*
Assets held for sale	(4)	3,301	12
Current assets		**15,786**	**17,403**
Total assets		**55,950**	**63,699**

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

		December 31,	
€ in millions	Note	2017	2016
Capital stock	(19)	2,201	2,001
Additional paid-in capital	(20)	9,862	9,201
Retained earnings	(21)	-4,552	-8,495
Accumulated other comprehensive income	(22)	-2,378	-2,048
Treasury shares	(19)	-1,126	-1,714
Equity attributable to shareholders of E.ON SE		**4,007**	**-1,055**
Non-controlling interests (before reclassification)		3,195	2,896
Reclassification related to put options		-494	-554
Non-controlling interests	(23)	**2,701**	**2,342**
Equity		**6,708**	**1,287**
Financial liabilities	(26)	9,922	10,435
Operating liabilities	(26)	4,690	5,247
Income tax liabilities	(10)	969	1,433
Provisions for pensions and similar obligations	(24)	3,620	4,009
Miscellaneous provisions	(25)	14,381	15,609
Deferred tax liabilities	(10)	1,616	2,554
Non-current liabilities		**35,198**	**39,287**
Financial liabilities	(26)	3,099	3,792
Trade payables and other operating liabilities	(26)	8,099	6,888
Income tax liabilities	(10)	673	434
Miscellaneous provisions	(25)	2,041	12,008
Liabilities associated with assets held for sale	(4)	132	3
Current liabilities		**14,044**	**23,125**
Total equity and liabilities		**55,950**	**63,699**

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2017	2016
Net income/loss	**4,180**	**-16,007**
Income/Loss from discontinued operations, net	–	13,842
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	2,769	3,823
Changes in provisions	-516	3,142
Changes in deferred taxes	-153	-66
Other non-cash income and expenses	-124	-276
Gain/Loss on disposal of	-482	-203
Intangible assets and property, plant and equipment	*-50*	*-42*
Equity investments	*-176*	*-45*
Securities (> 3 months)	*-256*	*-116*
Changes in operating assets and liabilities and in income taxes	1,663	-1,294
Inventories and carbon allowances	*-46*	*63*
Trade receivables	*107*	*381*
Other operating receivables and income tax assets	*1,064*	*-775*
Trade payables	*-180*	*-102*
Other operating liabilities and income taxes	*718*	*-861*
Payment to the fund for nuclear-waste management	-10,289	–
Cash provided by (used for) operating activities of continuing operations (operating cash flow)[1]	**-2,952**	**2,961**
Cash provided by (used for) operating activities of discontinued operations	–	2,332
Cash provided by (used for) operating activities	**-2,952**	**5,293**
Proceeds from disposal of	770	836
Intangible assets and property, plant and equipment	*150*	*363*
Equity investments	*620*	*473*
Purchases of investments in	-3,308	-3,169
Intangible assets and property, plant and equipment	*-3,076*	*-3,035*
Equity investments	*-232*	*-134*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	6,382	2,470
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-3,295	-3,272
Changes in restricted cash and cash equivalents	-940	94
Cash provided by (used for) investing activities of continuing operations	**-391**	**-3,041**
Cash provided by (used for) investing activities of discontinued operations	–	-1,325
Cash provided by (used for) investing activities	**-391**	**-4,366**
Payments received/made from changes in capital[2]	1,588	429
Cash dividends paid to shareholders of E.ON SE	-345	-976
Cash dividends paid to non-controlling interests	-205	-113
Proceeds from financial liabilities	4,260	1,537
Repayments of financial liabilities	-4,758	-2,029
Cash provided by (used for) financing activities of continuing operations	**540**	**-1,152**
Cash provided by (used for) financing activities of discontinued operations	–	864
Cash provided by (used for) financing activities	**540**	**-288**

[1]Additional information on operating cash flow is provided in Notes 29 and 33.
[2]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	2017	2016
Net increase/decrease in cash and cash equivalents	**-2,803**	**639**
Effect of foreign exchange rates on cash and cash equivalents	-8	-87
Cash and cash equivalents at the beginning of the year[3]	5,574	5,190
Cash and cash equivalents from the deconsolidation of discontinued operations	–	-168
Cash and cash equivalents at the end of the year[4]	**2,763**	**5,574**
Supplementary information on cash flows from operating activities		
Income taxes paid (less refunds)	-483	-483
Interest paid	-979	-1,005
Interest received	745	445
Dividends received	364	263

[3]Cash and cash equivalents at the beginning of the prior year also include holdings in Uniper, which is reported as discontinued operations.
[4]Cash and cash equivalents at year-end also include holdings of €55 million in Hamburg Netz GmbH, 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, 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						
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			*-1,454*	*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**
Balance as of January 1, 2017	**2,001**	**9,201**	**-8,495**	**-1,150**	**353**	**-1,251**
Change in scope of consolidation						
Treasury shares repurchased/sold		-478	-3			
Capital increase	200	1,139				
Dividends			-452			
Share additions/reductions			13			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			4,385	-505	-60	235
Net income/loss			*3,925*			
Other comprehensive income			*460*	*-505*	*-60*	*235*
Remeasurements of defined benefit plans			*460*			
Changes in accumulated other comprehensive income				*-505*	*-60*	*235*
Balance as of December 31, 2017	**2,201**	**9,862**	**-4,552**	**-1,655**	**293**	**-1,016**

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-1,714	**16,429**	**3,209**	**-561**	**2,648**	**19,077**
	-8,645	4,978		4,978	-3,667
					0
		246		246	246
	-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**
-1,714	**-1,055**	**2,896**	**-554**	**2,342**	**1,287**
					0
588	107				107
	1,339	228		228	1,567
	-452	-225		-225	-677
	13	21		21	34
			60	60	60
	4,055	275		275	4,330
	3,925	*255*		*255*	*4,180*
	130	*20*		*20*	*150*
	460	*62*		*62*	*522*
	-330	*-42*		*-42*	*-372*
-1,126	**4,007**	**3,195**	**-494**	**2,701**	**6,708**

(1) Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements of E.ON SE, Essen, registered in the Commercial Register of Essen District Court under number HRB 28196, have been prepared in accordance with Section 315e (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, 2017.

Principles

The Consolidated Financial Statements of the E.ON Group ("E.ON" or the "Group") are generally prepared at 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 influence the performance and the related variable 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 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 pro rata 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 they 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 they 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 through 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 net 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 net 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 net 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	
		2017	2016	2017	2016
British pound	GBP	0.89	0.86	0.88	0.82
Danish krone	DKK	7.44	7.43	7.44	7.35
Romanian leu	RON	4.66	4.54	4.57	4.49
Swedish krona	SEK	9.84	9.55	9.64	9.47
Czech crown	CZK	25.54	27.02	26.33	27.03
Turkish lira	TRY	4.55	3.71	4.12	3.34
Hungarian forint	HUF	310.33	309.83	309.19	311.44
U.S. dollar	USD	1.20	1.05	1.13	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 and heat 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. 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 2017 fiscal years, E.ON primarily 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.

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.

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 5.47 percent was applied for 2017 (2016: 5.58 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 noncurrent 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 primarily include physically and financially settled forwards and options related to electricity, gas and oil.

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 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. 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 remaining 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 is 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"). From 2013 to 2016, share-based payments were based on the E.ON Share Matching Plan. Under this plan, the number of allocated rights was governed by the development of the financial measure ROCE (ROACE until 2015).

In 2015 and 2016, virtual shares were granted exclusively to members of the Management Board of E.ON SE in the framework of base and performance matching in accordance with the share matching plan. Executives who in previous years had participated in the share matching plan were 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, instead of base and performance matching. The members of the Management Board of E.ON SE were granted virtual shares under the E.ON Share Matching Plan for the last time in 2017.

In fiscal year 2017, virtual shares were granted for the first time to members of the Management Board of E.ON SE and certain E.ON Group executives under the new E.ON Performance Plan. The E.ON Performance Plan uses a fair value determined by an external service provider using a Monte Carlo simulation.

In all cases, these are commitments of the Company which provide for cash compensation based on the share price performance at the end of the term. The compensation expense is recognized in the income statement pro rata over the vesting period.

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 derived from 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 cannot 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 net 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 2017

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, 2017, through December 31, 2017:

Amendments to IAS 7—Statement of Cash Flows
In January 2016, the IASB published amendments to IAS 7. This pronouncement amends IAS 7 in respect of the disclosures relating to changes in liabilities arising from financing activities. The following changes must be recognized: changes due to cash flows from financing activities; changes due to the assumption or loss of control of subsidiaries or other business units; the impact of changes in exchange rates; changes in fair values; and other changes. E.ON complies with its new disclosure requirement by presenting a reconciliation of the opening balance sheet amounts to the closing balance sheet amounts for liabilities from financing activities in Note 26 to the consolidated financial statements for 2017.

Amendments to IAS 12—Recognition of Deferred Tax Assets for Unrealized Losses
In January 2016, the IASB published amendments to IAS 12. The amendments to the recognition of deferred tax assets for unrealized losses clarify the following issues: Unrealized losses on debt instruments measured at fair value but whose tax basis is acquisition cost result in deductible temporary differences. This applies regardless of whether the holder expects to recover the asset's carrying amount by holding it to maturity and collecting all contractual payments or whether the holder intends to sell the asset. The amendment has no material impact on E.ON's 2017 Consolidated Financial Statements.

Amendments to IFRS 12—Disclosure of Interests in Other Entities, from the Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle)
In the context of its Annual Improvements Process, the IAS revises existing standards. In December 2016, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect standards IFRS 1, IFRS 12 and IAS 28. The EU has adopted these amendments into European law. The amendments to IFRS 12 are to be applied retrospectively for fiscal years beginning on or after January 1, 2017. They will result in no material changes for E.ON affecting its Consolidated Financial Statements. Consequently, the amendments for IFRS 1 and IAS 28 shall be applied for fiscal years beginning on or after January 1, 2018.

Standards and Interpretations Not Yet Applicable in 2017

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 2017 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 July 2014, the IASB published the new standard IFRS 9, "Financial Instruments," which must be applied for fiscal years beginning on or after January 1, 2018. The changes to the new standard can be divided into three phases. E.ON expects higher income volatility from the future amendments in phase I "Classification of Financial Instruments" since equity instruments and debt instruments whose contractual cash flows do not consist exclusively of interest and payments will be classified as at fair value through profit or loss. The resulting conversion effect at the time of initial application amounts to approximately €0.1 to 0.2 billion and is recognized as retained earnings in equity and not in profit or loss. Phase II of the project addresses impairment of financial assets. The new impairment model, which, in contrast to the rules under IAS 39, takes account not only of losses that have already been incurred but also expected losses (expected loss model), will make more use of forward-looking information and take losses into account at an earlier stage. The new model results in the subsequent recognition of an impairment of financial assets that is expected to amount to approximately €0.1 billion, which is recognized on the 2018 balance sheet as retained earnings. The third phase of the project addresses rules for hedge accounting. 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.

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, which has already been adopted into European law, must be applied for fiscal years beginning on or after January 1, 2018. The E.ON Group has opted for modified retrospective initial application. Within the framework of the project for the implementation of IFRS 15, the following significant effect was determined in comparison with the previous revenue recognition:

- The amended revision criteria for principal/agent relationships will result in a material change in the income statement for certain pass-throughs for the promotion of Renewable Energies. These pass-throughs are no longer recognized as sales revenue with an offsetting entry in cost of materials. This means that sales and cost of materials will decrease without resulting in any earnings effects. The cumulative effect is estimated at €4 billion to €6 billion.

Other conversion effects from IFRS 15, the cumulative effects of which are immaterial, also apply:

- The divergence of cash flows and revenue recognition that results in the recognition of contractual assets or of contractual liabilities.

- The mandatory capitalization of directly attributable costs of obtaining a contract that are expected to be recovered over the term of the contract.

IFRS 16, "Leases"
In January 2016, the IASB published accounting standard IFRS 16 "Leases" which replaces the previous IAS 17 and IFRIC 4 (determining whether an arrangement contains a lease). In particular, the new standard amends the accounting treatment of leases with the lessee. In the future, the lessee will regularly be required to capitalize an asset for the right of use in connection with the leasing arrangement and recognize a corresponding leasing liability as a liability. Excluded from this standard are low-value assets and leasing arrangements with a term of less than twelve months if the corresponding options are exercised. The lessor will continue to differentiate between finance leases and operating leases. 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. It has been adopted by the EU into European law.

E.ON has set up a Group-wide project for the implementation of IFRS 16. Within the scope of this project, existing leasing arrangements of all business units are currently being analyzed with regard to IFRS 16 criteria.

The qualitative effects of the introduction of IFRS 16 on the individual components of the consolidated financial statements and the presentation of the net assets, financial position and results of operations of the Group can be described as follows:

- The initial application of the standard will lead to a significant increase in both property, plant and equipment (accounting for the rights of use) and financial liabilities (recognition of the corresponding lease liabilities) in the balance sheet, particularly taking into account the financial obligations arising from operating leases reported under Note 27. As a result of this change in the balance sheet, the equity ratio of the Group will decline and net financial debt will increase accordingly.

- In the income statement, depreciation on rights of use and interest expenses arising from accrued interest on leasing liabilities will in the future be recorded in the income statement instead of other operating expenses (including expenses for rentals and leases). This will lead to improved earnings before interest and taxes (EBIT).

- The revised presentation of leasing expenses arising from operating leases will result in improved cash flows from operating activities and a deterioration in cash flows from financing activities.

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 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 completed, first-time application for 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
- IFRS 17 "Insurance Contracts," published in May 2017, not yet transposed into European law, expected first-time application in fiscal year 2021
- IFRIC 23 "Uncertainty over Income Tax Treatments" published in June 2017, not yet transposed into European law, expected first-time application in fiscal year 2019
- Amendments to IAS 28 "Investments in associates" published in October 2017, not yet transposed into European law, expected first-time application in fiscal year 2019
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" published in January 2017, not yet transposed into European law, expected first-time application in fiscal year 2019
- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2015–2017 Cycle), published in December 2017, not yet transposed into European law, expected first-time application for the amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23 in fiscal year 2019

(3) Scope of Consolidation

The number of consolidated companies changed as follows in 2017:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2016	**107**	**190**	**297**
Additions	1	8	9
Disposals/Mergers	31	49	80
Consolidated companies as of December 31, 2016	**77**	**149**	**226**
Additions	8	5	13
Disposals/Mergers	1	6	7
Consolidated companies as of December 31, 2017	**84**	**148**	**232**

The disposals/mergers in the 2016 fiscal year primarily relate to the deconsolidation of the Uniper business.

In 2017, a total of 18 domestic and 12 foreign associated companies were consolidated under the equity method (2016: 18 domestic companies and 12 foreign companies). In 2017, one domestic company reported as joint operations was presented pro rata on the consolidated financial statements (2016: 1 domestic company).

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2017

Hamburg Netz
In July 2017, the Hamburg Senate approved the exercise of a call option agreed in 2014 (following a corresponding referendum) with the Free and Hanseatic City of Hamburg on the previous E.ON majority stake in Hamburg Netz GmbH (74.9 percent, HHNG). E.ON held this stake in the energy networks sector through HanseWerk AG (E.ON's ownership interest: 66.5 percent). After the exercise of this option on October 20, 2017, the corresponding HHNG shares were transferred effective January 1, 2018, to the buyer, which now holds 100 percent of the company's shares (operating as Gasnetz Hamburg GmbH since January 2018). As of December 31, 2017, the balance sheet items related to HHNG were classified as a disposal group in accordance with IFRS 5. The cash inflow generated by this transaction in 2017 is recorded in the consolidated cash flow statement for 2017 under disposals and does not have an effect on economic net debt as of December 31, 2017. HHNG will be deconsolidated in the first quarter of 2018.

E.ON Värme Lokala Energilösningar
On December 19, 2017, E.ON Värme Lokala Energilösningar AB, including eleven small and medium-sized district heating networks in nine Swedish municipalities, were sold to Adven Sweden AB. Adven is a leading supplier of energy solutions and district heating in Finland, Sweden and Estonia. The parties agreed not to disclose the purchase price. As the contract was concluded retroactively to October 1, 2017, all transactions starting from that date have been transferred to Adven Sweden AB. E.ON Värme Lokala Energilösningar AB was deconsolidated in the Customer Solutions Sweden segment in the fourth quarter of 2017. This resulted in the derecognition of approximately €100 million on the consolidated balance sheet.

Enerjisa
As of September 30, 2017, Enerjisa Enerji A.Ş., a major Turkish joint venture accounted for under the equity method, with E.ON and Sabanci each holding a 50-percent stake, was split into two at equity joint ventures (E.ON's interest is 50 percent in each), Enerjisa Enerji A.Ş. and Enerjisa Üretim Santralleri A.Ş. Because they continued to be carried at book value, there was no impact on earnings. On February 8, 2018, a 20-percent stake (10 percent E.ON stake) in Enerjisa Enerji A.Ş. was floated on the stock exchange. The issue price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. continues to retain the status of a joint venture between E.ON and Sabanci (40 percent each). As of the reporting date of December 31, 2017, there were no accounting consequences under IFRS.

Uniper
E.ON and Finnish energy company Fortum Corporation, Espoo, Finland, entered into an agreement in September 2017 that enabled E.ON to decide to sell its 46.65-percent stake in Uniper to Fortum at a total value of €22 per share—less any interim dividend payment—at the beginning of 2018. In this connection Fortum published a takeover offer for all of the shares of Uniper on November 7, 2017. In January 2018, E.ON decided to exercise its right to sell its 46.65-percent shareholding in Uniper in the framework of the takeover offer. The total proceeds received by E.ON from the transaction will be approximately €3.76 billion. The completion of the takeover offer is subject to regulatory approvals, which are expected by mid-2018.

The shares in Uniper are recognized as a disposal group with a book value of approximately €3.0 billion. The reciprocal contractual rights and obligations result in derivative financial instruments with a market value of -€0.7 billion as of the reporting date. This amount was recognized in the income statement in 2017. The fair value of the 46.65-percent shareholding in Uniper totaled €4.4 billion as of December 31, 2017 (December 31, 2016: €2.7 billion).

Discontinued Operations and Assets Held for Sale in 2016

Uniper
In implementation of the December 2014 decision by the Management Board of E.ON SE, the spinoff of the conventional power generation, global energy trading, Russia and exploration and production activities into a separate entity called the Uniper Group was organizationally and legally completed in 2016.

The spinoff was legally completed with the approval of the spinoff of 53.35 percent of the shares of Uniper by the Annual Shareholders Meeting on June 8, 2016, and with entry in the commercial register on September 9, 2016. E.ON shareholders received one Uniper share for every ten E.ON shares. Uniper SE shares were admitted for official trading on the regulated market of the Frankfurt Stock Exchange on September 9, 2016. Trading commenced on September 12, 2016.

From the time at which the Annual Shareholders Meeting granted its consent to the spinoff and until deconsolidation on December 31, 2016, Uniper met the requirements for being reported as a discontinued operation.

Pursuant to IFRS 5, the carrying amounts of all of Uniper's assets and liabilities were required to 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. Furthermore, provisions were established for anticipated losses in the amount of €0.9 billion.

When trading of Uniper SE shares on the Frankfurt Stock Exchange commenced in the third quarter of 2016, the fair value of Uniper was calculated on the basis of the share price, taking into account a market-rate premium for presentation of ownership. This resulted in the recognition of an additional impairment of €6.1 billion, including deferred taxes, in results from discontinued operations.

On December 31, 2016, the fair value (again taking into account a market-rate premium for presentation of ownership) was once again to be compared with the carrying amount of the Uniper Group. Although the market price had risen compared to the price on September 30, 2016, a further impairment of approximately €0.9 billion resulted from the increase in net assets at Uniper.

As of December 31, 2016, E.ON and Uniper entered into the agreement on the non-exercise of control that was included in the spinoff agreement. Under this agreement, E.ON undertakes to abstain over the long term from exercising voting rights relating to the election of a certain number of supervisory board members of Uniper. With the finalization of the agreement, E.ON lost control over Uniper despite the 46.65-percent stake retained in Uniper, which in principle would provide actual control at the Annual Shareholders Meeting due to E.ON's expected majority presence there.

The remaining 46.65-percent stake in Uniper has been reclassified as an associate since control was lost, and was accounted for in the consolidated financial statements using the equity method until reclassification at the end of September 2017.

In 2016, E.ON generated revenues of €2,982 million, interest income of €184 million and interest expenses of €11 million, as well as other income of €1,579 million and other expenses of €8,327 million, with companies of the Uniper Group.

The following table shows selected financial information for the Uniper Group, which is reported as discontinued operations for fiscal year 2016:

Selected Financial Information—Uniper (Summary)[1]

€ in millions	2016
Sales	56,661
Other income	4,152
Other expense	-72,190
Income/Loss from continuing operations before income taxes	**-11,377**
Income taxes	929
Income/Loss from discontinued operations, net	**-10,448**

[1]This does not include the deconsolidation loss amounting to -€3.6 billion.

The deconsolidation of Uniper as of December 31, 2016, resulted in a loss on disposal of €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. 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 conclusion of the transaction on December 22, 2016, E.ON retains 56.5 percent of the shares of E.ON Distribuţie România, and another 13.5 percent of the shares are held by the Romanian Ministry of Energy. The parties agreed to not disclose the purchase price. Since this is a sale of shares without loss of control, no profit or loss was realized.

E.ON in Spain

In late November 2014, E.ON entered into contracts with a consortium made up of Macquarie European Infrastructure Fund 4 (MEIF4) and Wren House Infrastructure (WHI) on the sale of its Spanish and Portuguese activities. The transaction closed on March 25, 2015, with a minimal loss on disposal.

As part of the framework agreement and a contractual agreement building on that framework 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.

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 retained liquid funds that existed in the company as of the effective date, and also received 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.

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 also sold 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 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 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 in 2016 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.

(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 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 billion, revenues in 2017 were roughly 1 percent lower than in the previous year. Sales in Customer Solutions Germany declined due to the transfer of wholesale customers to Uniper. Sales in the UK also declined due to lower volumes resulting from declining customer numbers and negative currency translation effects. By contrast, sales in the Energy Networks Germany segment increased, primarily because of higher costs charged by upstream grid operators in Germany that we passed through to our customers.

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

(6) Own Work Capitalized

Own work capitalized amounted to €524 million in 2017 (2016: €529 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	2017	2016
Income from exchange rate differences	1,950	5,039
Gain on derivative financial instruments	613	1,141
Gain on disposal of non-current assets and securities	679	309
Refund of nuclear-fuel tax	2,850	–
Gain on the reversal of provisions	450	40
Reversal of valuation allowances on loans and receivables	103	94
Miscellaneous	1,004	825
Total	**7,649**	**7,448**

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 €1,339 million (2016: €3,407 million) and from receivables and payables denominated in foreign currency in the amount of €120 million (2016: €622 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €491 million (2016: €1,010 million).

Gains and losses on derivative financial instruments relate to gains from fair value measurement from derivatives under IAS 39. Material impacts on the reporting date resulted from the market valuation of derivatives that are used to hedge operations against price fluctuations and from other derivatives. In the prior year there was an impact primarily from the change in the market value of gas and electricity derivatives.

Income from the reversal of provisions resulted primarily from a reassessment of expert opinions on the firming commitment for long-term environmental remediation obligations.

The gain on the disposal of equity investments and securities consisted primarily of gains on the disposal of E.ON Värme Lokale Energilösningar AB. In the previous year, there were gains on the disposal of shares in ENOVOS and shares in AWE Arkona-Windpark Entwicklungs GmbH.

Gains were realized on the sale of securities in the amount of €424 million (2016: €141 million).

Miscellaneous other operating income in 2017 included reversals of impairment charges in property, plant and equipment, the proceeds of passing on charges for the provision of personnel and services, reimbursements, and rental and lease interest.

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

Other Operating Expenses

€ in millions	2017	2016
Loss from exchange rate differences	1,663	4,925
Loss on derivative financial instruments	1,838	231
Taxes other than income taxes	113	96
Loss on disposal of non-current assets and securities	193	105
Miscellaneous	2,668	2,510
Total	**6,475**	**7,867**

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €1,166 million (2016: €3,523 million) and from receivables and payables denominated in foreign currency in the amount of €124 million (2016: €190 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €373 million (2016: €1,212 million).

Miscellaneous other operating expenses included expenses for external consulting, audit and non-audit services in the amount of €225 million (2016: €246 million), advertising and marketing expenses in the amount of €153 million (2016: €117 million), write-downs of trade receivables in the amount of €200 million (2016: €236 million), rents and leases in the amount of €154 million (2016: €151 million) and other services rendered by third parties in the amount of €457 million (2016: €459 million). Additionally reported in this item, among other things, are IT expenditures, insurance premiums and travel expenses. This also includes the obligations to pass on a portion (€327 million) of the refunded nuclear-fuel tax to minority shareholders of our jointly-owned power stations.

(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.

E.ON posted a decrease in the cost of materials by €2.5 billion to €29.8 billion (2016: €32.3 billion). The reason for this was lower expenses for power and gas procurement in Customer Solutions primarily due to the transfer of the wholesale business to Uniper (-€0.3 billion) and lower customer numbers in the UK (-€0.5 billion). The slight increase in power procurement costs at PreussenElektra (+€0.2 billion) is due to higher electricity procurement to cover Uniper's supply obligations, which are mainly attributable to decommissioning. By contrast, expenses from nuclear fuel fell due to a lawsuit won and the discontinuation of the nuclear-fuel tax (-€0.1 billion).

Cost of Materials

€ in millions	2017	2016
Expenses for raw materials and supplies and for purchased goods	27,923	27,924
Expenses for purchased services	1,865	4,401
Total	**29,788**	**32,325**

The elimination of the additional provision for waste management obligations at PreussenElektra (-€2.2 billion), which was recognized in 2016, led to a significant reduction in nuclear energy costs compared with the prior year. In addition, the optimization of the dismantling activities at PreussenElektra made it possible to reverse the related provisions in the amount of €0.3 billion. In the Energy Networks Germany segment, the cost of materials also increased (+€0.9 billion), which is primarily the result of an increase in passthroughs 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	2017	2016
Income/Loss from companies in which equity investments are held	59	76
Impairment charges/reversals on other financial assets	-62	-95
Income/Loss from equity investments	**-3**	**-19**
Income/Loss from securities, interest and similar income[1]	1,299	343
Available for sale	*120*	*183*
Loans and receivables	*28*	*53*
Held for trading	*8*	*2*
Other interest income	*1,143*	*105*
Interest and similar expenses[1]	-1,340	-1,638
Amortized cost	*-711*	*-529*
Held for trading	*-33*	*-51*
Other interest expenses	*-596*	*-1,058*
Net interest income/loss	**-41**	**-1,295**
Financial results	**-44**	**-1,314**

[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 lower interest expenses for the accretion of nuclear-waste management and dismantling obligations and to interest from judicial proceedings in connection with the refund of the nuclear-fuel tax.

Other interest income consists primarily of income from the above-mentioned interest relating to judicial proceedings. Other interest expenses include the accretion of provisions for asset retirement obligations in the amount of €64 million (2016: €770 million). Also contained in this item is the net interest cost from provisions for pensions in the amount of €82 million (2016: €84 million).

Interest expenses also include €29 million (2016: €230 million) of lower positive earnings effects from non-controlling interests in fully consolidated partnerships, which are to be recognized as liabilities in accordance with IAS 32, and with legal structures that give their shareholders a statutory right of withdrawal combined with an entitlement to a settlement payment.

Interest expense was reduced by capitalized interest on debt totaling €43 million (2016: €37 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	2017	2016
Domestic income taxes	507	281
Foreign income taxes	86	225
Current taxes	**593**	**506**
Domestic	-58	-224
Foreign	-95	158
Deferred taxes	**-153**	**-66**
Total income taxes	**440**	**440**

The tax expense in 2017 amounted to €440 million, as in the prior year. In 2017, positive earnings before taxes will result in a tax rate of 10 percent (2016: -25 percent). Significant changes in the tax rate compared with the previous year are due to the one-off effects of the nuclear-fuel tax refund and the resulting income tax burden in Germany. The nuclear-fuel tax effects lead to the use of tax loss carryforwards and are subject to the so-called minimum taxation.

Of the amount reported as current taxes, -€42 million is attributable to previous years (2016: €173 million).

Deferred taxes reported for 2017 resulted from changes in temporary differences, which totaled -€480 million (2016: -€84 million), loss carryforwards of €332 million (2016: €13 million) and tax credits amounting to -€5 million (2016: €5 million).

Income tax assets amounted to €514 million (previous year: €858 million), of which €514 million was short-term (previous year: €851 million), while income tax liabilities amounted to €1,642 million (previous year: €1,867 million), of which €673 million was short-term (previous year: €434 million). These items 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, 2017, €5 million (2016: €5 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (outside basis differences). Accordingly, deferred tax liabilities were not recognized for temporary differences of €717 million (2016: €483 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 €41 million in total (2016: €78 million).

Income taxes relating to discontinued operations (see also Note 4) are reported in the income statement under “Income from discontinued operations.” In the prior year they amounted to tax income of €929 million. There are no tax effects for the current year.

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

	2017		2016	
	€ in millions	%	€ in millions	%
Income/Loss from continuing operations before taxes	**4,620**	**100.0**	**-1,725**	**100.0**
Expected income taxes	1.386	30.0	-518	30.0
Foreign tax rate differentials	-75	-1.6	-311	18.0
Changes in tax rate/tax law	-41	-0.9	-78	4.5
Tax effects on tax-free income	-292	-6.3	-42	2.4
Tax effects of non-deductible expenses and permanent differences	418	9.0	-167	9.8
Tax effects on income from companies accounted for under the equity method	71	1.5	-71	4.1
Tax effects of goodwill impairment and elimination of negative goodwill	–	0.0	–	0.0
Tax effects of changes in value and non-recognition of deferred taxes	-972	-21.0	1,437	-83.3
Tax effects of other taxes on income	30	0.6	186	-10.8
Tax effects of income taxes related to other periods	-125	-2.7	18	-1.0
Other	40	0.9	-14	0.8
Effective income taxes/tax rate	**440**	**9.5**	**440**	**-25.5**

Deferred tax assets and liabilities as of December 31, 2017, and December 31, 2016, break down as shown in the following table:

Deferred Tax Assets and Liabilities

	December 31, 2017		December 31, 2016	
€ in millions	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Intangible assets	179	393	210	446
Property, plant and equipment	206	2,036	172	2,453
Financial assets	162	185	164	260
Inventories	9	–	7	–
Receivables	362	764	396	972
Provisions	2,572	119	2,906	467
Liabilities	1,368	646	1,602	630
Loss carryforwards	1,020	–	1,414	–
Tax credits	16	–	12	–
Other	471	249	654	361
Subtotal	**6,365**	**4,392**	**7,537**	**5,589**
Changes in value	-2,682	–	-3,061	–
Deferred taxes (gross)	**3,683**	**4,392**	**4,476**	**5,589**
Netting	-2,776	-2,776	-3,035	-3,035
Deferred taxes (net)	**907**	**1,616**	**1,441**	**2,554**
Current	*272*	*178*	*609*	*559*

Of the deferred taxes reported, a total of -€575 million was charged directly to equity in 2017 (2016: -€425 million charge). A further €49 million in current taxes (2016: €49 million) was also recognized directly in equity. Currency translation differences with an impact on income tax within this item were reclassified to other comprehensive income in 2017.

Income taxes recognized in other comprehensive income for the years 2017 and 2016 break down as follows:

Income Taxes on Components of Other Comprehensive Income

	2017			2016		
€ in millions	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Cash flow hedges	198	3	201	-331	-10	-341
Available-for-sale securities	-125	56	-69	-106	45	-61
Currency translation adjustments	-25	–	-25	4,865	-54	4,811
Remeasurements of defined benefit plans	317	165	482	-1,401	-202	-1,603
Companies accounted for under the equity method	-437	-2	-439	-89	-8	-97
Total	**-72**	**222**	**150**	**2,938**	**-229**	**2,709**

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

Tax Loss Carryforwards

	December 31,	
€ in millions	2017	2016
Domestic tax loss carryforwards	4,113	7,923
Foreign tax loss carryforwards	5,141	6,800
Total	**9,254**	**14,723**

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 €1,323 million (2016: €3,115 million) and trade tax loss carryforwards amounting to €2,790 million (2016: €4,808 million). Material changes compared with the previous year are due to the one-off effects from the refund of the nuclear-fuel tax and the resulting use of tax loss carryforwards.

The foreign tax loss carryforwards consist of corporate tax loss carryforwards amounting to €4,791 million (2016: €4,806 million) and tax loss carryforwards from local income taxes amounting to €350 million (2016: €1,994 million). Of the foreign tax loss carryforwards, a significant portion relates to previous years. The decline in foreign tax loss carryforwards compared with the previous year is mainly due to the discontinuation of tax loss carryforwards due to the deconsolidation of a foreign company.

Deferred taxes were not recognized, or no longer recognized, on a total of €3,568 million (2016: €5,109 million) in tax loss carryforwards that for the most part do not expire. Deferred tax assets were not recognized, or no longer recognized, on non-expiring domestic corporate tax loss carryforwards of €1,299 million (2016: €3,089 million) or on domestic trade tax loss carryforwards of €2,756 million (2016: €4,769 million).

Deferred tax assets were not recognized, or are no longer recognized, in the amount of €9,980 million (2016: €10,133 million) for temporary differences which are recognized in income and equity.

As of December 31, 2017, and December 31, 2016, 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 €9 million and €31 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	2017	2016
Wages and salaries	2,518	2,231
Social security contributions	338	340
Pension costs and other employee benefits	306	268
Pension costs	*301*	*263*
Total	**3,162**	**2,839**

Personnel costs of €3,162 million were €323 million above the prior-year figure of €2,839 million, mainly because of the costs of our restructuring program, which has been under way since the start of the year. By contrast, personnel costs were reduced by lower past-service costs for pension plans.

Share-Based Payment

The expenses for share-based payment in 2017 (employee stock purchase programs in the United Kingdom, the E.ON Share Matching Plan, the multi-year bonus and the E.ON Share Performance Plan) amounted to €53.1 million (2016: €14.1 million).

Employee Stock Purchase Program

The voluntary employee stock purchase program, which through 2015 provided employees of German Group companies the opportunity to purchase E.ON shares at preferential terms, was again suspended in 2017, as it had been in 2016, against the backdrop of the spinoff of Uniper.

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 €0.5 million in 2017 (2016: €1.4 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, on the multi-year bonus granted in 2015 and 2016 and on the E.ON Performance Plan introduced in 2017.

E.ON Share Matching Plan

From 2013 to 2016, E.ON granted virtual shares to members of the Management Board of E.ON SE and certain executives of the E.ON Group 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 were 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 was determined at the discretion of the Supervisory Board; for all other beneficiaries it was 2:1. The performance-matching target value at allocation was 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 granted a multi-year bonus, the terms of which are described further below, instead of the base and performance matching.

In 2017 virtual shares were granted for the last time under the E.ON Share Matching Plan, only to members of the Management Board of E.ON SE and only to the extent of the "equity deferral." The total of these allocations is shown below as the fifth tranche of the E.ON Share Matching Plan. Additional information can be found on pages 88 and 89 of the compensation report.

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 starting from 2017 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 2017:

E.ON Share Matching Virtual Shares

	5th tranche	4th tranche	3rd tranche	2nd tranche
Date of issuance	Apr. 1, 2017	Apr. 1, 2016	Apr. 1, 2015	Apr. 1, 2014
Term	4 years	4 years	4 years	4 years
Target value at issuance	€7.17	€8.63	€13.63	€13.65

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 second, third, fourth and fifth tranches of the E.ON Share Matching Plan as of the balance sheet date is €48.0 million (2016: €45.5 million). The expense for the second, third, fourth and fifth tranches amounted to €22.1 million in the 2017 fiscal year (2016: €3.6 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 €36.4 million (2016: €13.7 million). The expense amounted to €23.9 million in the 2017 fiscal year (2016: €9.1 million).

E.ON Performance Plan (EPP)

In 2017, E.ON granted the members of the Management Board of E.ON SE and certain executives of the E.ON Group virtual shares for the first time under the E.ON Share Performance Plan. The vesting period of each tranche is four years. Vesting periods start on January 1 of each year.

The beneficiary will receive virtual shares in the amount of the agreed 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 consequently the volatility and risk associated with the EPP. The number of virtual shares allocated may change during the four-year vesting period, depending on the total shareholder return ("TSR") of E.ON stock compared with the TSR of the companies in a peer group ("relative TSR").

The TSR is the return on E.ON stock, which takes into account the stock price plus the assumption of 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 in a year is below the threshold defined by the Supervisory Board upon allocation, the number of virtual shares is reduced by one fourth. If E.ON's performance is at the upper cap or above, the fourth of the virtual shares allocated for the year in question will increase, but to a maximum of 150 percent. Linear interpolation is used to translate intermediate figures into percentage.

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

The virtual shares are canceled if the employment relationship of the beneficiary ends before the end of the term for reasons within the control of the beneficiary. This shall apply in particular in the event of termination by the beneficiary and in the event of extraordinary termination for good cause by the Company. If the employment relationship of the beneficiary is terminated before retirement, through the end of a limited term or for operational reasons before the end of the term, the virtual shares do not expire but are settled at maturity.

If the employment relationship ends before maturity due to death or permanent invalidity, the virtual shares are settled before maturity, whereby in this case the average TSR performance of the fiscal years that have already completely ended is used to calculate the payment amount. The same shall apply in the case of a change in control related to E.ON SE and also if the allocating company leaves the E.ON Group before maturity.

The following are the base parameters of the tranche of the E.ON Performance Plan active in 2017:

E.ON Performance Plan Virtual Shares

	1st tranche
Date of issuance	Jan. 1, 2017
Term	4 years
Target value at issuance	€5.84

The provision for the first tranche of the E.ON Performance Plan as of the balance sheet date is €6.5 million. The expense for the first tranche amounted to €6.6 million in the 2017 fiscal year.

Employees

During 2017, E.ON employed an average of 42,657 persons (2016: 42,595), not including an average of 876 apprentices (2016: 884).

The breakdown by segment is shown in the following table:

Employees[1]

Headcount	2017	2016
Energy Networks	17,222	16,690
Customer Solutions	19,091	18,785
Renewables	1,142	1,012
Corporate Functions & Other[2]	3,260	4,036
Employees, core business	**40,715**	**40,523**
Non-Core business (PreussenElektra)	1,942	2,038
Other (activities disposed of)	–	34
Total employees, E.ON Group	**42,657**	**42,595**

[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 18, 2017, 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 2017 and 2016, 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	2017	2016[1]	2016
Financial statement audits	19	30	21
Domestic	*14*	*24*	*15*
Other attestation services	4	9	18
Domestic	*3*	*7*	*16*
Tax advisory services	1	1	1
Domestic	–	–	–
Other services	1	2	2
Domestic	*1*	*2*	*2*
Total	**25**	**42**	**42**
Domestic	*18*	*33*	*33*

[1]Tentative implementation of revised IDW RS HFA 36.

The significant reduction in auditors’ fees in 2017 is mainly due to the disposal of Uniper SE from the E.ON Group in 2016.

With the revision of IDW RS HFA 36 in 2017, there will be a change in the disclosure requirements for auditors’ fees pursuant to Section 314 (1) No. 9 of the German Commercial Code (HGB). In addition to the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates, the auditor’s fees now also include fees for auditing reviews of the IFRS interim financial statements and other tests directly required by the audit. To ensure comparability, this adjustment in the auditors’ fees is also shown for the prior-year figures for 2016.

The fees for other auditing services now include all attestation services that are not auditing services and are not used in connection with the audit. In 2017, about half of these costs will be for the legally required attestation services (e.g. as a result of the Renewable Energy Act (EEG), the Act on Combined Heat and Power Generation (KWKG)) and the other half of the costs will be for other voluntary attestation services (primarily in connection with new IT systems). The fees for tax consulting services mainly relate to services in the area of tax compliance and tax consulting in connection with transfer pricing systems.

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

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	2017	2016
Income/Loss from continuing operations	4,180	-2,165
Less: Non-controlling interests	-255	-217
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**3,925**	**-2,382**
Income/Loss from discontinued operations, net	–	-13,842
Less: Non-controlling interests	–	7,774
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**0**	**-6,068**
Net income/loss attributable to shareholders of E.ON SE	**3,925**	**-8,450**
in €		
Earnings per share (attributable to shareholders of E.ON SE)		
from continuing operations	1.84	-1.22
from discontinued operations	0.00	-3.11
from net income/loss	**1.84**	**-4.33**
Weighted-average number of shares outstanding (in millions)	2,129	1,952

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

€ in millions	Acquisition and production costs						
	Jan. 1, 2017	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	Dec. 31, 2017
Goodwill	**5,289**	**-94**	**-24**	**0**	**0**	**0**	**5,171**
Marketing-related intangible assets	2	–	–	–	–	–	2
Customer-related intangible assets	597	-6	–	–	–	–	591
Contract-based intangible assets	1,835	-81	-1	62	-34	28	1,809
Technology-based intangible assets	626	-5	–	44	-86	15	594
Internally generated intangible assets	217	-5	–	55	-57	118	328
Intangible assets subject to amortization	**3,277**	**-97**	**-1**	**161**	**-177**	**161**	**3,324**
Intangible assets not subject to amortization	439	-13	–	712	-684	1	455
Advance payments on intangible assets	401	-18	-2	160	-18	-155	368
Intangible assets	**4,117**	**-128**	**-3**	**1,033**	**-879**	**7**	**4,147**
Real estate and leasehold rights	614	-5	-12	2	-14	4	589
Buildings	3,169	6	-38	30	-107	–	3,060
Technical equipment, plant and machinery	49,892	-681	-1,081	1,539	-1,208	697	49,158
Other equipment, fixtures, furniture and office equipment	1,017	3	-10	87	-156	10	951
Advance payments and construction in progress	2,115	-58	-9	1,407	-20	-761	2,674
Property, plant and equipment	**56,807**	**-735**	**-1,150**	**3,065**	**-1,505**	**-50**	**56,432**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2017

€ in millions	Energy Networks			Customer Solutions						
	Germany	Sweden	ECE/ Turkey	Germany	UK	Other	Renewables	Non-Core Business	Corporate Functions/ Other[1]	E.ON Group
Net carrying amount of goodwill as of January 1, 2017	**613**	**100**	**60**	**183**	**875**	**103**	**1,350**	**0**	**179**	**3,463**
Changes resulting from acquisitions and disposals	–	–	–	–	–	–	–	–	–	0
Impairment charges	–	–	-6	–	–	–	–	–	–	-6
Other changes[2]	-24	-3	2	–	-30	-1	-64	–	–	-120
Net carrying amount of goodwill as of December 31, 2017	**589**	**97**	**56**	**183**	**845**	**102**	**1,286**	**0**	**179**	**3,337**
Growth rate (in %)[3, 4]	n.a.	–	–	–	1.5	–	n.a.	–	–	–
Cost of capital (in %)[3, 4]	n.a.	–	–	–	8.0	–	4.6	–	–	–
Other non-current assets[5]										
Impairment	-10	–	-13	-2	-161	-6	-751	–	-9	-952
Reversals	–	–	7	–	–	–	10	–	–	17

[1]Recognized goodwill expected to be eliminated from the scope of consolidation soon.
[2]Other changes include effects from intragroup restructuring, transfers, exchange-rate differences and reclassifications to assets held for sale. This item also includes impairments on goodwill from disposal groups (see also page 154).
[3]Presented here are the growth rates and cost of capital for selected cash-generating units whose respective goodwill is material when compared with the carrying amount of all goodwill.
[4]Energy Networks Germany was valued on the basis of the regulatory asset base, taking into account the upcoming regulatory period for gas in 2018 and for electricity in 2019.
[5]Other non-current assets consist of intangible assets and of property, plant and equipment.

Accumulated depreciation									Net carrying amounts
Jan. 1, 2017	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	Dec. 31, 2017	Dec. 31, 2017
-1,826	**-2**	**0**	**0**	**0**	**0**	**-6**	**0**	**-1,834**	**3,337**
-2	–	–	–	–	–	–	–	-2	0
-405	4	–	-32	–	–	-4	–	-437	154
-741	46	1	-41	34	5	-115	–	-811	998
-502	4	–	-48	74	-12	-1	–	-485	109
-78	2	–	-53	44	–	-29	–	-114	214
-1,728	**56**	**1**	**-174**	**152**	**-7**	**-149**	**0**	**-1,849**	**1,475**
-2	–	–	–	–	–	–	–	-2	453
-58	7	–	–	2	–	-7	3	-53	315
-1,788	**63**	**1**	**-174**	**154**	**-7**	**-156**	**3**	**-1,904**	**2,243**
-68	1	1	-2	2	–	-6	–	-72	517
-1,919	-2	28	-76	99	39	-11	–	-1,842	1,218
-28,811	256	800	-1,477	955	-6	-751	13	-29,021	20,137
-720	-3	8	-83	143	–	-4	1	-658	293
-47	–	–	–	–	-2	-24	–	-73	2,601
-31,565	**252**	**837**	**-1,638**	**1,199**	**31**	**-796**	**14**	**-31,666**	**24,766**

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	Acquisition and production costs						
	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

€ in millions	Energy Networks			Customer Solutions						
	Germany	Sweden	ECE/ 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 consolidation	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 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. Because there were no binding sales transactions or market prices for the respective cash-generating units in 2017, fair values were 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 2017, the inflation rate used for the euro area was 1.5 percent (2016: 1.5 percent). The recoverable amount for Renewables has been determined since 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, 2017, ranged between 3.5 and 8.7 percent after taxes (2016: 2.7 and 8.0 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.

The goodwill impairment testing performed in 2017 resulted in the recognition of an impairment charge of €6 million for the Energy Networks Romania cash-generating unit on the recoverable amount of €418 million (after-tax interest rate 5.68 percent; 2016: €3.0 billion in connection with Uniper on the goodwill included in the discontinued operations).

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 2017, a total of €796 million in impairments was charged to property, plant and equipment. Of this amount, €628 million was attributable to property, plant and equipment at Renewables. Of this amount, around €40 million related to the offshore sector. The impairment recognized in the onshore segment amounted to €589 million. Wind farms in the United States (€553 million) suffered the greatest impact. Property, plant and equipment in the Customer Solutions UK segment was written down by €133 million, mainly due to technological developments and the significant increase in capital costs.

Impairments on intangible assets amounted to approximately €156 million in 2017. Of this, around €123 million was attributable to wind farms in the onshore wind/solar energy segment in Renewables.

These impairments of property, plant and equipment and of intangible assets at wind farms in the United States relate to several individual assets with recoverable amounts totaling €1,186 million. The main reason for this was significantly lower price expectations, in particular because of the revised assessment of CO_2 reduction efforts in the US.

Reversals of impairments on property, plant and equipment and intangible assets recognized in previous years amounted to €17 million in 2017, significantly influenced by developments in Hungary and in Renewables.

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 €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 €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 €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 €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 Shareholders 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.

Intangible Assets

In 2017, the Company recorded an amortization expense of €174 million (2016: €191 million). Impairment charges on intangible assets amounted to €156 million in 2017 (2016: €147 million).

Reversals of impairments on intangible assets in the amount of €3 million (2016: €0 million) were recognized in the reporting year.

Intangible assets include emission rights and green certificates from different trading systems with a carrying amount of €146 million (2016: €130 million).

€5 million in research and development costs as defined by IAS 38 were expensed in 2017 (2016: €14 million).

Property, Plant and Equipment

Borrowing costs in the amount of €43 million were capitalized in 2017 (2016: €37 million) as part of the historical cost of property, plant and equipment.

Depreciation amounted to €1,638 million in 2017 (2016: €3,494 million). The change between the two reporting years is mainly due to the write-down of capitalized disposal costs of €1,568 million in 2016. This is related to the legislative implementation of the Commission for Organizing and Financing the Nuclear Energy Phaseout (KFK).

In addition, write-downs on property, plant and equipment in the amount of €796 million (2016: €3,187 million) were made in the year under review. Reversals of impairments on property, plant and equipment in the amount of €14 million (2016: €57 million) were recognized in the reporting year.

In 2017 there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €2,858 million (2016: €2,415 million).

The property, plant and equipment capitalized in the framework of finance leases had the following carrying amounts as of December 31, 2017:

E.ON as Lessee—Carrying Amounts of Capitalized Lease Assets

	December 31,	
€ in millions	2017	2016
Land	4	4
Buildings	24	27
Technical equipment, plant and machinery	271	256
Other equipment, fixtures, furniture and office equipment	55	65
Net carrying amount of capitalized lease assets	**354**	**352**

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	2017	2016	2017	2016	2017	2016
Due within 1 year	56	55	19	18	37	37
Due in 1 to 5 years	202	214	67	67	135	147
Due in more than 5 years	246	246	61	72	185	174
Total	**504**	**515**	**147**	**157**	**357**	**358**

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 €28 million in 2017 (2016: €29 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	2017	2016
Nominal value of outstanding lease installments		
Due within 1 year	20	22
Due in 1 to 5 years	45	49
Due in more than 5 years	39	42
Total	**104**	**113**

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, 2017			December 31, 2016		
€ 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	3,547	1,469	2,078	6,352	4,096	2,256
Equity investments	792	256	5	821	254	3
Non-current securities	2,749	–	–	4,327	–	–
Total	**7,088**	**1,725**	**2,083**	**11,500**	**4,350**	**2,259**

[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 2017, impairment charges on companies accounted for under the equity method amounted to €8 million (2016: €18 million).

Impairments on other financial assets amounted to €63 million (2016: €48 million). The carrying amount of other financial assets with impairment losses was €133 million as of the end of the fiscal year (2016: €299 million).

€0 (2016: €744 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of Versorgungskasse Energie i.L. ("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 €458 million (2016: €480 million), and those of the joint ventures totaled €637 million (2016: €497 million).

Investment income generated from companies accounted for under the equity method amounted to €294 million in 2017 (2016: €223 million). The increase resulted primarily from the Uniper SE dividend (€94 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	2017	2016	2017	2016	2017	2016
Proportional share of net income from continuing operations	79	51	50	91	129	142
Proportional share of other comprehensive income	-11	5	-33	4	-44	9
Proportional share of total comprehensive income	**68**	**56**	**17**	**95**	**85**	**151**

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 Nord Stream AG, Gasag Berliner Gaswerke AG, Západoslovenská energetika a.s. and, until the end of September 2017, Uniper SE. Since the end of September 2017, Uniper SE has been reported as an investment held for sale and no longer as a company accounted for at equity, so that income from the equity method of accounting only accrued in the first nine months of the financial year 2017. The tables below present a reconciliation to the pro rata equity result or the carrying amount of the investment in Uniper SE on the basis of the data published by Uniper as of September 30, 2017.

The Group adjustments shown in the table mainly relate to goodwill determined as part of initial recognition, temporary differences and effects from the elimination of intragroup profits.

In contrast to the presentation in the 2016 Annual Report, hidden reserves from purchase price allocations and currency translation effects have been allocated directly to the company data in the tables below. This also applies to prior-year values.

Material Associates—Balance Sheet Data as of December 31

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2017[1]	2016	2017	2016	2017	2016	2017	2016
Non-current assets[2]	18,767	20,740	6,100	6,421	1,774	1,781	837	797
Current assets	18,353	21,672	696	589	242	293	214	194
Current liabilities (including provisions)	16,395	20,796	374	548	304	316	520	208
Non-current liabilities (including provisions)	13,744	15,272	3,705	4,040	921	1,001	452	751
Equity	6,981	6,344	2,717	2,422	791	757	79	32
Non-controlling interests	627	582	–	–	67	64	–	–
Ownership interest (in %)	46.65	46.65	15.50	15.50	36.85	36.85	49.00	49.00
Proportional share of equity	2,964	2,688	421	375	267	255	39	16
Consolidation adjustments	-10	–	10	9	81	81	193	192
Carrying amount of equity investment	**2,954**	**2,688**	**431**	**384**	**348**	**336**	**232**	**208**

[1]Uniper value as of September 30, 2017. Since September 30, 2017, Uniper has been recognized as an investment held for sale and is no longer valued under the equity method.
[2]Undisclosed accruals/provisions from acquisitions are recognized in assets.

Material Associates—Earnings Data

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2017[1]	2016	2017	2016	2017	2016	2017	2016
Sales	52,938	67,285	1,076	1,079	1,105	1,167	1,065	1,001
Net income/loss from continuing operations	1,119	-3,234	426	396	88	119	91	87
Non-controlling interests in the net income/loss from continuing operations	99	-17	–	–	10	10	–	–
Net income from discontinued operations	–	–	–	–	-52	-62	–	–
Dividend paid out	201	–	265	303	8	36	51	58
Other comprehensive income	-263	804	134	49	14	47	–	1
Total comprehensive income	856	-2,430	560	445	50	104	91	88
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	370	-1,060	87	69	18	38	45	43
Proportional share of net income after taxes	476	–	66	61	9	17	45	43
Consolidation adjustments	-10	–	1	4	–	-2	3	–
Equity-method earnings	**466**	**0**	**67**	**65**	**9**	**15**	**48**	**43**

[1]Uniper value as of September 30, 2017. Since September 30, 2017, Uniper has been recognized as an investment held for sale and is no longer valued under the equity method.

Presented in the tables below are significant line items of the aggregated balance sheets and of the aggregated income statements of the joint ventures accounted for under the equity method, Enerjisa Enerji A.Ş. and Enerjisa Üretim Santralleri A.Ş.

Enerjisa Üretim Santralleri A.Ş. was spun off from Enerjisa Enerji A.Ş. in September 2017, so that no comparative figures for the prior year are available. Note 4 provides additional information.

Material Joint Ventures—Balance Sheet Data as of December 31

	Enerjisa Enerji A.Ş.		Enerjisa Üretim Santralleri A.Ş.	
€ in millions	2017	2016	2017	2016
Non-current assets	3,279	7,581	3,076	–
Current assets	903	1,099	194	–
Current liabilities (including provisions)	1,063	1,857	602	–
Non-current liabilities (including provisions)	1,732	3,525	1,314	–
Cash and cash equivalents	38	28	8	–
Current financial liabilities	433	1,225	455	–
Non-current financial liabilities	1,221	2,464	1,219	–
Equity	1,387	3,298	1,354	–
Ownership interest (in %)	50.00	50.00	50.00	–
Proportional share of equity	694	1,649	677	–
Consolidation adjustments	11	110	59	–
Carrying amount of equity investment	**705**	**1,759**	**736**	**–**

Material Joint Ventures—Earnings Data

	Enerjisa Enerji A.Ş.		Enerjisa Üretim Santralleri A.Ş.	
€ in millions	2017	2016	2017	2016
Sales	2,715	3,389	915	–
Net income/loss from continuing operations	181	31	-181	–
Write-downs	-88	-190	-106	–
Interest income/expense	-210	-235	-78	–
Income taxes	-65	-65	47	–
Dividend paid out	–	–	–	–
Other comprehensive income	-438	-665	-188	–
Total comprehensive income	-257	-634	-369	–
Ownership interest (in %)	50.00	50.00	50.00	–
Proportional share of total comprehensive income after taxes	-128	-317	-184	–
Proportional share of net income after taxes	91	16	-90	–
Consolidation adjustments	-67	4	62	–
Equity-method earnings	**24**	**20**	**-28**	**–**

The material associates and the material joint ventures 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).

As of December 31, 2017, no company accounted for under the equity method is marketable. The figures reported in the previous year (carrying amounts 2016: €2,703 million; fair values 2016: €2,707 million) relate mainly to the investment in Uniper SE, which is reported as an asset held for sale as of December 31, 2017.

Of investments in associates, the shareholding in Nord Stream AG (carrying amount in 2017: €431 million; 2016: €384 million) was restricted because it was 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

€ in millions	December 31, 2017	2016
Raw materials and supplies	617	677
Goods purchased for resale	130	62
Work in progress and finished products	47	46
Total	**794**	**785**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Write-downs totaled €8 million in 2017 (2016: €7 million). Reversals of write-downs amounted to €11 million in 2017 (2016: €3 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

The following table lists receivables and other assets by remaining time to maturity as of the dates indicated:

Receivables and Other Assets

	December 31, 2017		December 31, 2016	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	37	292	54	318
Other financial receivables and financial assets	199	160	409	235
Financial receivables and other financial assets	**236**	**452**	**463**	**553**
Trade receivables	3,879	–	3,999	–
Receivables from derivative financial instruments	452	1,228	965	1,553
Other operating assets	1,450	143	1,755	208
Trade receivables and other operating assets	**5,781**	**1,371**	**6,719**	**1,761**
Total	**6,017**	**1,823**	**7,182**	**2,314**

In 2017, there were unguaranteed residual values of €9 million (2016: €12 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, 2017, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €50 million (2016: €297 million). The decline is mainly due to the implementation of the Act on the Reorganization of Responsibility in Nuclear Waste Disposal.

The aging schedule of trade receivables is presented in the table below:

Aging Schedule of Trade Receivables

€ in millions	2017	2016
Not impaired and not past-due	3,183	3,294
Not impaired and past-due by	584	614
up to 60 days	*388*	*420*
61 to 90 days	*38*	*37*
91 to 180 days	*66*	*63*
181 to 360 days	*54*	*61*
more than 360 days	*38*	*33*
Net value of impaired receivables	112	91
Total trade receivables	**3,879**	**3,999**

Valuation allowances for trade receivables have changed as shown in the following table:

Valuation Allowances for Trade Receivables

€ in millions	2017	2016
Balance as of January 1	**-794**	**-978**
Change in scope of consolidation	–	129
Write-downs	-200	-236
Reversals of write-downs	63	87
Disposals	187	188
Other[1]	7	16
Balance as of December 31	**-737**	**-794**

[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	2017	2016	2017	2016	2017	2016
Due within 1 year	69	89	33	35	36	54
Due in 1 to 5 years	236	241	103	109	133	132
Due in more than 5 years	188	233	28	47	160	186
Total	**493**	**563**	**164**	**191**	**329**	**372**

The present value of the outstanding lease payments is reported under receivables from finance leases.

In addition, the E.ON Group's contingent assets as of December 31, 2017, amount to €87 million (prior year: €17 million). These mainly result from the transfer of responsibility for the search, construction and operation of final storage to the German state. This releases E.ON from the regulatory scope of 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"); in the years 1982 to 2003, excessive advance payments for final storage facilities were initially made in this connection. However, the refund received since then did not cover the interest claims in this connection. E.ON expects to receive compensation of €84 million.

(18) Liquid Funds

The following table provides a breakdown of liquid funds by original maturity as of the dates indicated:

Liquid Funds

€ in millions	December 31, 2017	2016
Securities and fixed-term deposits	670	2,147
Current securities with an original maturity greater than 3 months	*647*	*2,146*
Fixed-term deposits with an original maturity greater than 3 months	*23*	*1*
Restricted cash and cash equivalents	1,782	852
Cash and cash equivalents	2,708	5,574
Total	**5,160**	**8,573**

In 2017, there was €17 million in restricted cash (2016: €27 million) with a maturity greater than three months. In addition, cash and cash equivalents with a maturity of less than three months in the amount of €1,033 million (2016: €0) are earmarked for the fulfillment of insurance obligations of Versorgungskasse Energie VVaG i.L. (VKE i.L.).

VKE i.L. was already in liquidation at the end of 2017. The shares of the guarantee fund assets of VKE i.L. attributable to the E.ON Group will be transferred to the CTA (see Note 24) as a follow-on solution in the first half of 2018 and will be treated as plan assets in the future. Non-consolidated shares of the guarantee fund assets of VKE i.L. will be correspondingly transferred to the respective follow-on solutions of the member companies concerned and thus deconsolidated in the future.

In the prior year, VKE i.L. had earmarked short-term securities with an original maturity of more than three months amounting to €275 million for the fulfillment of legal insurance obligations, which were fully liquidated in the year under review (see Note 31).

Cash and cash equivalents include €1,869 million (2016: €4,668 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 2,201,099,000 registered shares with no par value (no-par-value shares) and amounts to €2,201,099,000 (2016: €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) and through a capital increase carried out on March 20, 2017, partially using the Authorized Capital 2012, which expired on May 2, 2017.

The authorization of the Company to acquire treasury shares by resolution of the Annual Shareholders Meeting of May 3, 2012, expired on May 2, 2017. Pursuant to a resolution by the Annual Shareholders Meeting of May 10, 2017, the Company is authorized to purchase own shares until May 9, 2022. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 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, 2017, was 2,167,149,433 (December 31, 2016: 1,952,396,600). As of December 31, 2017, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2016: 48,603,400) having a book value of €1,126 million (equivalent to 1.54 percent or €33,949,567 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 with a financial institution or a company operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or 7 of the German Banking Act (KWG) or at market terms on the stock exchange. No shares were acquired in 2017 using this purchase model.

As part of the scrip dividend for the 2016 fiscal year, shareholder cash dividend entitlements totaling €107 million were settled through the issue and distribution of 14,653,833 treasury shares. The issue of treasury shares reduced by €588 million the valuation allowance for treasury shares, which is measured at cost. This amount represents the difference between the cost and the subscription price of the shares. The discount of €3 million granted on the current share price is charged to retained earnings. No scrip dividend was offered in the prior year.

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 (authorized capital pursuant to Sections 202 et seq. AktG, Authorized Capital 2012). One of the components of the Authorized Capital 2012 was an authorization of the Management Board, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in accordance with Section 186 (3)(4) AktG in the case of capital increases against cash contributions, if the issue price of the new shares is not significantly lower than the stock exchange price and the shares issued in connection with this authorization to exclude subscription rights do not exceed a total of 10 percent of the share capital, either at the time the authorization becomes effective or at the time it is exercised.

On March 16, 2017, the Management Board decided, with the approval of the Supervisory Board, to make partial use of the Authorized Capital 2012 and to increase the Company's capital stock, excluding shareholder subscription rights, in accordance with Sections 203 (2) and 186 (3)(4) of the German Stock Corporation Act (AktG), from €2,001,000,000 by €200,099,000 to €2,201,099,000 through the issue of 200,099,000 new registered shares with no-par value with profit participation rights as of January 1, 2016, against cash contributions. This corresponds to an increase in the Company's existing capital stock of slightly less than 10 percent both at the time the Authorized Capital 2012 becomes effective and at the time the Authorized Capital 2012 is used. The exclusion of subscription rights was necessary in order to be able to take advantage of the favorable market situation for such a capital measure in the short term at the time of the partial use of the Authorized Capital 2012 from the point of view of administration and to achieve the highest possible issue proceeds by fixing prices in line with the market.

The capital increase became effective on March 20, 2017, when its implementation was entered in the Company's commercial register. Apart from that, the Authorized Capital 2012 has not been used.

In accordance with the resolution passed by the Annual Shareholders Meeting on May 10, 2017, the Management Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital by up to €460 million by issuing new registered no-par value shares against contributions in cash and/or in kind on one or more occasions until May 9, 2022 (authorized capital in accordance with Sections 202 et seq. of the German Stock Corporation Act, Authorized Capital 2017).

The Management Board is authorized, subject to the Supervisory Board's approval, to exclude shareholders' subscription rights. The Authorized Capital 2017 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 was authorized until May 2, 2017 (Conditional Capital 2012). The Conditional Capital 2012 was not used.

At the Annual Shareholders Meeting of May 10, 2017, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of up to €175 million.

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 or profit participating 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 under the authorization approved by the Annual Shareholders meeting of May 10, 2017, under agenda item 9, and to the extent that no cash settlement has been granted in lieu of conversion or exercise of an option.

The Conditional Capital 2017 was not used.

Voting Rights

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

Information on Stockholders of E.ON SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights Percentages	Voting rights Absolute
BlackRock Inc., Wilmington, U.S.	Sep. 5, 2017	5%	Aug. 31, 2017	indirect	7.21	158,672,779

(20) Additional Paid-in Capital

Additional paid-in capital increased by €661 million during 2017, to €9,862 million (2016: €9,201 million). The change in additional paid-in capital resulted from the capital increase on March 16, 2017. In this connection, additional paid-in capital was increased by €1,139 million. By contrast, additional paid-in capital decreased by €478 million primarily due to the issue of treasury shares as part of the scrip dividend. This amount represents the difference between the cost and the subscription price of the shares.

(21) Retained Earnings

The following table breaks down the E.ON Group's retained earnings as of the dates indicated:

Retained Earnings

€ in millions	December 31, 2017	2016
Legal reserves	45	45
Other retained earnings	-4,597	-8,540
Total	**-4,552**	**-8,495**

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, 2017, these German-GAAP retained earnings totaled €1,884 million (2016: €472 million). Of this amount, legal reserves of €45 million (2016: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG. Other retained earnings decreased by €3 million because of the discount granted on the current share price in the framework of the scrip dividend.

The amount of retained earnings available for distribution is €1,839 million (2016: €345 million).

A proposal to distribute a cash dividend for 2017 of €0.30 per share will be submitted to the Annual Shareholders Meeting. For 2016, shareholders at the May 10, 2017, Annual Shareholders Meeting voted to distribute a dividend of €0.21 for each dividend-paying ordinary share. Based on a €0.30 dividend, the total profit distribution is €650 million (2016: €410 million).

In 2017 shareholders were given the option of receiving their dividend in cash or exchanging a portion of it for shares of E.ON stock. Accounting for a participation rate of roughly 33 percent, 14,653,833 treasury shares were issued for distribution. This reduced the cash distribution to €345 million.

(22) Changes in Other Comprehensive Income

The change in other comprehensive income is primarily the result of exchange-rate differences recognized on the balance sheet. The change in the prior year was 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 related 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 111 and the Statement of Changes in Equity on pages 116 and 117.

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	2017	2016
Balance as of December 31 (before taxes)	**-1,401**	**-964**
Taxes	-3	-1
Balance as of December 31 (after taxes)	**-1,404**	**-965**

The change in OCI attributable to companies accounted for using the equity method primarily results from disadvantageous exchange rate differences, in particular from shareholdings in Turkey.

(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, 2017	2016
Energy Networks	1,677	1,513
Germany	*1,306*	*1,135*
Sweden	*–*	*–*
ECE/Turkey	*371*	*378*
Customer Solutions	163	166
Germany	*90*	*79*
UK	*1*	*1*
Other	*72*	*86*
Renewables	580	376
Non-Core Business	1	-1
Corporate Functions/Other	280	288
E.ON Group	**2,701**	**2,342**

The increase in non-controlling interests in the non-core business resulted primarily from capital increases in the Renewables segment and changes in shareholdings in the Energy Networks Germany 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, 2016	**6**	**5**	**-631**	**-146**
Changes	2	4	534	-116
Balance as of December 31, 2016	**8**	**9**	**-97**	**-262**
Changes	-8	-10	-25	61
Balance as of December 31, 2017	**–**	**-1**	**-122**	**-201**

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	2017	2016	2017	2016	2017	2016
Non-controlling interests in equity	442	463	495	463	743	707
Non-controlling interests in equity (in %)[1]	29.6	28.0	33.0	33.0	38.5	38.5
Dividends paid out to non-controlling interests	47	–	35	23	90	58
Operating cash flow	38	151	376	254	504	374
Non-current assets	1,077	1,031	2,255	2,054	2,978	2,905
Current assets	523	772	381	357	690	334
Non-current liabilities	260	246	526	522	1,434	1,429
Current liabilities	307	356	580	443	804	449

[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	2017	2016	2017	2016	2017	2016
Share of earnings attributable to non-controlling interests	38	39	58	48	98	83
Sales	1,300	1,201	2,760	2,785	3,765	3,326
Net income/loss	89	123	175	146	231	203
Comprehensive income	59	132	205	84	301	59

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 €15.7 billion, were covered by plan assets having a fair value of €12.1 billion as of December 31, 2017. This corresponds to a funded status of 77 percent.

In addition to the reported plan assets, Versorgungskasse Energie VVaG i.L. (VKE), which is included in the Consolidated Financial Statements, administers another fund holding assets of €1.1 billion (2016: €1.0 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 reinsurance of pension obligations via VKE was terminated in the year under review. At the end of the reporting year, VKE was in liquidation after the meeting of the fund's members decided to wind it up and the closure was approved by the Federal Financial Supervisory Authority (BaFin).

The present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) compared to the prior year are presented below:

Provisions for Pensions and Similar Obligations

	December 31,	
€ in millions	2017	2016
Present value of all defined benefit obligations		
Germany	9,979	10,412
United Kingdom	5,690	5,933
Other countries	44	47
Total	**15,713**	**16,392**
Fair value of plan assets		
Germany	6,945	7,073
United Kingdom	5,137	5,299
Other countries	11	11
Total	**12,093**	**12,383**
Net defined benefit liability/asset (-)		
Germany	3,034	3,339
United Kingdom	553	634
Other countries	33	36
Total	**3,620**	**4,009**

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 developments 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 48,000 retirees and their beneficiaries (2016: 50,000), about 14,000 former employees with vested entitlements (2016: 14,000) and about 27,000 active employees (2016: 28,000). The corresponding present value of the defined benefit obligations is attributable to retirees and their beneficiaries in the amount of €9.3 billion (2016: €9.8 billion), to former employees with vested entitlements in the amount of €2.5 billion (2016: €2.5 billion) and to active employees in the amount of €3.9 billion (2016: €4.1 billion).

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. Through December 31, 2016, the cash balance plans contained different interest rate assumptions for the pension and capital units. Since January 1, 2017, a standardized interest rate model has been used for the BAS Plan, the “Zukunftssicherung” plan and the IQ plan, in which the interest rate is adjusted to market developments and hedged via minimum interest rates. The pension units for previous years 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 or capital units. 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.

Only at the pension funds and at VKE, which is now in liquidation, do regulatory provisions exist in relation to capital investment or funding requirements. Against the backdrop of ongoing liquidation, VKE's assets are being held in current, liquid form until they are transferred to appropriate follow-up solutions–at E.ON in the form of the CTAs–and reported as restricted cash at the end of 2017. Additional plan assets will be created upon transfer of the funds into the CTA in 2018.

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.

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. In the framework of the agreed deficit repair plan, annual payments of £65 million will be made 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

				2017				2016
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Defined benefit obligation as of January 1	**16,392**	**10,412**	**5,933**	**47**	**17,920**	**11,453**	**6,280**	**187**
Employer service cost	150	89	60	1	237	169	63	5
Past service cost	46	36	10	–	10	4	6	–
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Interest cost on the present value of the defined benefit obligations	379	213	165	1	486	276	206	4
Remeasurements	-48	-61	11	2	2,650	1,608	1,007	35
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*-122*	–	*-121*	*-1*	–	–	–	–
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*205*	–	*202*	*3*	*2,630*	*1,525*	*1,069*	*36*
Actuarial gains (-)/losses (+) arising from experience adjustments	*-131*	*-61*	*-70*	–	*20*	*83*	*-62*	*-1*
Employee contributions	–	–	–	–	–	–	–	–
Benefit payments	-684	-420	-259	-5	-702	-449	-251	-2
Changes in scope of consolidation	2	2	–	–	-3,290	-2,660	-449	-181
Exchange rate differences	-209	–	-207	-2	-928	–	-929	1
Other	-315	-292	-23	–	9	11	–	-2
Defined benefit obligation as of December 31	**15,713**	**9,979**	**5,690**	**44**	**16,392**	**10,412**	**5,933**	**47**

Net actuarial gains in 2017 are the result of changes in demographic assumptions in the U.K. and experience adjustments. The reduction of the discount rate used in the U.K. partially offset this effect.

Other changes in Germany include in particular the reclassification of the defined benefit obligations of Hamburg Netz GmbH to the "Liabilities associated with assets held for sale" line item (see Note 4).

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	2017	2016	2015
Discount rate			
Germany	2.10	2.10	2.70
United Kingdom	2.70	2.90	3.80
Wage and salary growth rate			
Germany	2.50	2.50	2.50
United Kingdom	3.40	3.40	3.20
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.20	3.20	3.00

[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 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.

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	"00" series base mortality tables with the CMI 2016 projection model for future improvements

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, 2017		December 31, 2016	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-7.77*	*8.69*	*-8.04*	*9.12*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.33*	*-0.32*	*0.43*	*-0.41*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.89*	*-1.85*	*2.08*	*-2.03*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-3.14*	*3.51*	*-3.02*	*3.38*

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, 2017, 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

	2017				2016			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Fair value of plan assets as of January 1	**12,383**	**7,073**	**5,299**	**11**	**13,712**	**8,133**	**5,554**	**25**
Interest income on plan assets	297	148	149	–	389	205	184	–
Remeasurements	268	247	20	1	938	352	588	-2
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*268*	*247*	*20*	*1*	*938*	*352*	*588*	*-2*
Employee contributions	–	–	–	–	–	–	–	–
Employer contributions	195	61	134	–	871	437	433	1
Benefit payments	-668	-408	-259	-1	-672	-420	-251	-1
Changes in scope of consolidation	–	–	–	–	-2,037	-1,639	-387	-11
Exchange rate differences	-186	–	-186	–	-823	–	-822	-1
Other	-196	-176	-20	–	5	5	–	–
Fair value of plan assets as of December 31	**12,093**	**6,945**	**5,137**	**11**	**12,383**	**7,073**	**5,299**	**11**

Other changes in Germany include in particular the reclassification of the plan assets of Hamburg Netz GmbH to the “Liabilities associated with assets held for sale” line item (see Note 4).

The plan assets in 2017 no longer consist of financial instruments of E.ON (2016: €0.1 billion). 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

	December 31, 2017				December 31, 2016			
Percentages	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	18	22	13	–	18	22	12	–
Debt securities[1]	51	47	55	–	50	49	52	–
Government bonds	*35*	*27*	*46*	–	*38*	*31*	*46*	–
Corporate bonds	*11*	*13*	*9*	–	*10*	*13*	*6*	–
Other investment funds	16	6	30	–	18	6	34	–
Total listed plan assets	**85**	**75**	**98**	**0**	**86**	**77**	**98**	**0**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	4	6	2	–	4	5	2	–
Debt securities	1	2	–	–	2	3	–	–
Real estate	4	6	–	–	3	6	–	–
Qualifying insurance policies	2	4	–	100	2	3	–	100
Cash and cash equivalents	2	3	–	–	1	2	–	–
Other	2	4	–	–	2	4	–	–
Total unlisted plan assets	**15**	**25**	**2**	**100**	**14**	**23**	**2**	**100**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]In Germany, 7 percent (2016: 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 is shown in the table below:

Net Periodic Pension Cost

	2017				2016			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Employer service cost	150	89	60	1	195	142	52	1
Past service cost	46	36	10	–	12	4	8	–
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Net interest on the net defined benefit liability/asset	82	65	16	1	84	62	21	1
Total	**278**	**190**	**86**	**2**	**291**	**208**	**81**	**2**

The past service cost consists mostly of the expenses incurred in the context of restructuring measures.

In addition to the total net periodic pension cost for defined benefit plans, an amount of €59 million in fixed contributions to external insurers or similar institutions was paid in 2017 (2016: €56 million) for pure defined contribution plans.

Contributions to state plans totaled €0.2 billion (2016: €0.2 billion).

Description of Contributions and Benefit Payments

In 2017, E.ON made employer contributions to plan assets totaling €195 million (2016: €871 million) to fund existing defined benefit obligations.

For the following fiscal year, it is expected that Group-wide employer contributions to plan assets will amount to a total of €908 million. Of this amount, €782 million is attributable to Germany and €126 million to the U.K. The expected employer contribution payments for Germany already include the transfer of the assets of VKE to the CTA for the Group companies concerned.

Benefit payments to cover defined benefit obligations totaled €684 million in 2017 (2016: €702 million); of this amount, €16 million (2016: €30 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2017, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2018	645	420	223	2
2019	651	426	223	2
2020	666	435	229	2
2021	674	444	228	2
2022	678	443	233	2
2023–2027	3,509	2,283	1,212	14
Total	**6,823**	**4,451**	**2,348**	**24**

The weighted-average duration of the defined benefit obligations measured within the E.ON Group was 19.7 years as of December 31, 2017 (2016: 19.8 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

€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
	2017				2016			
Net liability as of January 1	**4,009**	**3,339**	**634**	**36**	**4,208**	**3,320**	**726**	**162**
Net periodic pension cost	278	190	86	2	344	244	91	9
Changes from remeasurements	-316	-308	-9	1	1,712	1,256	419	37
Employer contributions to plan assets	-195	-61	-134	–	-871	-437	-433	-1
Net benefit payments	-16	-12	–	-4	-30	-29	–	-1
Changes in scope of consolidation	2	2	–	–	-1,253	-1,021	-62	-170
Exchange rate differences	-23	–	-21	-2	-105	–	-107	2
Other	-119	-116	-3	–	4	6	–	-2
Net liability as of December 31	**3,620**	**3,034**	**553**	**33**	**4,009**	**3,339**	**634**	**36**

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

€ in millions	Current	Non-current	Current	Non-current
	December 31, 2017		December 31, 2016	
Nuclear-waste management obligations	408	10,047	10,530	10,848
Personnel obligations	135	950	63	760
Other asset retirement obligations	28	1,190	17	1,120
Supplier-related obligations	7	30	3	25
Customer-related obligations	203	58	220	43
Environmental remediation and similar obligations	29	478	23	446
Other	1,231	1,628	1,152	2,367
Total	**2,041**	**14,381**	**12,008**	**15,609**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2017	Exchange rate differences	Changes in scope of consolidation	Unwinding of discounts	Additions	Utilization	Reclassifications[1]	Reversals	Changes in estimates	Dec. 31, 2017
Nuclear-waste management obligations	21,378	–	–	52	44	-237	-10,289	–	-493	10,455
Personnel obligations	823	–	-8	–	485	-175	-3	-37	–	1,085
Other asset retirement obligations	1,137	-23	–	12	10	-8	–	–	90	1,218
Supplier-related obligations	28	–	–	–	13	-3	–	-1	–	37
Customer-related obligations	263	–	–	–	70	-29	–	-43	–	261
Environmental remediation and similar obligations	469	–	–	–	78	-27	–	-13	–	507
Other	3,519	-26	-7	4	1,445	-825	2	-1,133	-120	2,859
Total	**27,617**	**-49**	**-15**	**68**	**2,145**	**-1,304**	**-10,290**	**-1,227**	**-523**	**16,422**

[1]Reclassification of the provisions for interim and final storage costs into corresponding liabilities as a result of the passing of the Act on the Reorganization of Responsibility in Nuclear Waste Disposal.

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 2.69 percent.

As of December 31, 2017, 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 December 31, 2017, in the amount of €10.5 billion exclusively relate to nuclear-power activities in Germany.

The provisions for nuclear-waste management 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, as well as the supplementary provisions of the German Act Transferring Responsibility for Nuclear Waste Storage and the German Disposal Fund Act.

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 to interim storage, as well as costs incurred for expert handling, including the necessary interim storage containers and transport to interim storage.

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 provisions were measured taking into account 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 in December 2016 in the Bundestag and Federal Council. The Act entered into force on June 16, 2017, following the EU Commission's positive decision on state aid. The key provisions of the law are that E.ON, including the shares of its equity interests attributable to it, is to transfer financial responsibility for interim and final disposal to the state in return for payment of a base amount of about €7.6 billion. Final release of liability occurs against payment of an optional risk premium of approximately €2.6 billion. Taking into account the advantages and disadvantages, E.ON decided to pay the base amount and the risk premium as of July 3, 2017, as the earliest possible payment date. E.ON is as a result ultimately exempted from financial responsibility for interim and final storage. Consequently, E.ON no longer recognizes any provisions for the costs of interim and final storage.

In the following, the provision items after deduction of advance payments are classified based on technical criteria:

Nuclear Waste Management Obligations in Germany (Less Advance Payments)

	December 31,	
€ in millions	2017	2016
Remaining with E.ON		
Retirement and decommissioning	8,872	9,550
Containers, transports, operational waste, other	1,583	1,649
Subtotal	**10,455**	**11,199**
Transferred to disposal fund		
Containers, transports, operational waste, other	–	1,477
Interim storage	–	2,210
Schacht Konrad final-storage facility	–	1,347
Final-storage facilities for high active waste	–	2,731
Subtotal	**0**	**7,765**
Risk surcharge before transfer to minority shareholders	–	2,245
Further development of the payment amount from December 31, 2016 to June 30, 2017	–	169
Total	**10,455**	**21,378**

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 0.6 percent applies to E.ON's remaining disposal obligations (previous year: 0.5 percent). Correspondingly, an applicable cost increase rate of 1.5 percent p.a. was applied to E.ON's remaining disposal obligations (previous year: 1.4 percent), corresponding to a net interest rate of -0.9 percent (previous year: -0.9 percent). A change in the net interest rate of 0.1 percent would change the amount of the provision recognized on the balance sheet by approximately €0.1 billion.

Excluding the effects of discounting and cost increases, the amounts for E.ON's remaining disposal obligations would be €9,486 million with average credit terms of approximately 9 years.

There were changes in estimates for the remaining nuclear power business in 2017 in the amount of -€603 million (2016: €4,243 million). This mainly includes the effects of the implementation of the optimization of decommissioning and disposal of nuclear power plants. €237 million (2016: €630 million) of this was used, of which €166 million (2016: €412 million) related to decommissioning and non-operating nuclear power plants based on circumstances for which decommissioning and dismantling costs were recognized.

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 €437 million (2016: €457 million) are taken into account here. Excluding discounting and cost-increase effects, the amounts for these disposal obligations would be €363 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.

Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. These include provisions for Renewables Obligation Certificates (ROCs) in the amount of €0.4 billion, which represent an important mechanism for promoting renewable energies in the Customer Solutions UK segment. The ROCs represent a fixed share of renewable energies in power sales and can be acquired either from renewable sources or on the market. During a twelve-month ROC period, the obligations accrued for this purpose are offset against the acquired certificates and used. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes, as well as certain environmental remediation obligations of predecessor companies (€0.6 billion).

(26) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

	December 31, 2017			December 31, 2016		
€ in millions	Current	Non-current	Total	Current	Non-current	Total
Financial liabilities	**3,099**	**9,922**	**13,021**	**3,792**	**10,435**	**14,227**
Trade payables	1,800	–	1,800	2,040	–	2,040
Capital expenditure grants	17	230	247	11	313	324
Construction grants from energy consumers	194	1,705	1,899	190	1,750	1,940
Liabilities from derivatives	817	2,139	2,956	382	2,485	2,867
Advance payments	50	1	51	48	2	50
Other operating liabilities	5,221	615	5,836	4,217	697	4,914
Trade payables and other operating liabilities	**8,099**	**4,690**	**12,789**	**6,888**	**5,247**	**12,135**
Total	**11,198**	**14,612**	**25,810**	**10,680**	**15,682**	**26,362**

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 involve the use of covenants (contractual obligations) consisting primarily of change-of-control clauses (right of cancellation upon change of ownership), 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 was most recently renewed in March 2017, with a total amount of €35 billion. E.ON SE plans to renew the program in 2018.

At year-end 2017, the following E.ON SE and EIF bonds were outstanding:

Major Bond Issues of E.ON SE and E.ON International Finance B.V.[1]

Volume in the respective currency	Initial term	Repayment	Coupon
USD 2,000 million[2]	10 years	Apr 2018	5.800%
GBP 850 million[3]	12 years	Oct 2019	6.000%
EUR 1,400 million[4]	12 years	May 2020	5.750%
EUR 750 million	4 years	Aug 2021	0.375%
EUR 500 million	7 years	May 2024	0.875%
EUR 750 million	12 years	May 2029	1.625%
GBP 975 million[5]	30 years	June 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[2]	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]Rule 144A/Regulation S bond.
[3]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[4]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[5]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2017, were private placements with a total volume of approximately €0.9 billion (2016: €1.0 billion), as well as promissory notes with a total volume of approximately €0.4 billion (2016: €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 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, 2017, no commercial paper was outstanding under either the euro commercial paper program (2016: €0 million) or the U.S. commercial paper program (2016: €0 million).

€2.75 Billion Syndicated Revolving Credit Facility
Effective November 13, 2017, E.ON arranged a syndicated revolving credit facility with 18 banks in the amount of €2.75 billion over an original term of five years, with two renewal options for one year each. This replaced the previous facility in the amount of €3.5 billion. All 18 invited banks participated in the facility, and as a result they make up E.ON's core banking group. The facility has not been drawn on; rather, it serves as the Group's reliable, 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 2017	Due in 2018	Due in 2019	Due in 2020	Due in 2021	Due between 2022 and 2028	Due after 2028
December 31, 2017	11,298	–	1,703	1,221	1,400	750	1,789	4,435
December 31, 2016	12,452	2,669	1,989	1,238	1,400	–	539	4,617

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		ECE/Turkey	
€ in millions	2017	2016	2017	2016	2017	2016
Bonds	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Bank loans/Liabilities to banks	49	46	–	–	–	–
Liabilities from finance leases	270	248	–	–	–	–
Other financial liabilities	367	45	–	–	–	–
Financial liabilities	**686**	**339**	**0**	**0**	**0**	**0**

Liabilities to financial institutions include, among other items, collateral received, measured at a fair value of €56 million (2016: €97 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 (2016: €370 million) and financial guarantees totaling €8 million (2016: €8 million). Also included is collateral received in connection with goods and services in the amount of €21 million (2016: €21 million). E.ON can use this collateral without restriction.

Trade Payables and Other Operating Liabilities

Trade payables totaled €1,800 million as of December 31, 2017 (2016: €2,040 million).

Capital expenditure grants of €247 million (2016: €324 million) have not yet been recognized as revenue. 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.

Financial Liabilities

€ in millions	Jan. 1, 2017	Cash flows	Exchange rate differences	Other	Dec. 31, 2017
Bonds	11,905	-478	-729	-57	10,641
Commercial paper	–	–	–	–	0
Bank loans/Liabilities to banks	148	-32	–	–	116
Liabilities from finance leases	358	-64	–	63	357
Other financial liabilities	1,816	76	-68	83	1,907
Financial liabilities	**14,227**	**-498**	**-797**	**89**	**13,021**

	Customer Solutions													
	Germany		UK		Other		Renewables		Non-Core Business		Corporate Functions/Other		E.ON Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	–	–	–	–	–	–	–	–	–	–	10,641	11,905	10,641	11,905
	–	–	–	–	–	–	–	–	–	–	–	–	0	0
	2	2	–	–	7	–	2	3	–	–	56	97	116	148
	1	1	–	–	20	21	–	–	3	4	63	84	357	358
	–	1	–	–	51	58	639	508	304	634	546	570	1,907	1,816
	3	**4**	**0**	**0**	**78**	**79**	**641**	**511**	**307**	**638**	**11,306**	**12,656**	**13,021**	**14,227**

Construction grants of €1,899 million (2016: €1,940 million) were paid by customers for the cost of new gas and electricity connections in accordance with the generally binding terms governing such new connections. These grants are customary in the industry, generally non-refundable and recognized as revenue according to the useful lives of the related assets.

Other operating liabilities consist primarily of accruals in the amount of €3,444 million (2016: €2,647 million) and interest payable in the amount of €451 million (2016: €499 million).

Also included in other operating liabilities are carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries, in the amount of €350 million (2016: €398 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 €10 million (2016: €95 million).

(27) Contingent Liabilities and Other Financial Obligations

As part of its business activities, E.ON is subject to contingent liabilities 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.

Contingent Liabilities

The fair value of the E.ON Group's contingent liabilities was €0.4 billion as of December 31, 2017, and primarily includes contingent liabilities in connection with contingencies and potential long-term environmental remediation measures.

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, 2017, remained unchanged from 2016 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, 2017, E.ON SE also issues collateral in the amount of €2.5 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 payment guarantee on a pro rata basis is Uniper Energy Storage GmbH 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 has not yet been granted.

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, 2017, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €1.1 billion (2016: €1.9 billion). Of these commitments, €0.8 billion are due within one year. The purchase commitment mainly includes financial obligations for as yet outstanding investments, in particular in the Renewables, Energy Networks Germany and Sweden units. On December 31, 2017, these obligations totaled €0.7 billion. Additional 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, 2017, these obligations totaled €0.4 billion.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2017, relate primarily to the purchase of electricity and natural gas. Financial obligations under the electricity purchase contracts amount to approximately €3.5 billion on December 31, 2017 (€2.1 billion due within one year). Financial obligations under the gas purchase contracts amount to approximately €3.4 billion on December 31, 2017 (€1.0 billion due within one year). Additional purchase commitments as of December 31, 2017, amounted to approximately €0.7 billion (€0.1 billion due within one year). They include 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	2017	2016
Due within 1 year	124	138
Due in 1 to 5 years	353	320
Due in more than 5 years	379	357
Total	**856**	**815**

The expenses reported in the income statement for these leasing agreements amounted to €126 million (2016: €138 million). They include contingent rents.

In addition, further financial obligations in place as of December 31, 2017, totaled approximately €1.6 billion (€1.0 billion due within one year). They include, among other things, financial obligations from services to be procured, capital obligations from joint ventures 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) and concerning price increases and anticompetitive practices. Lawsuits are also pending in connection with the construction and operation of plants for generating electricity from renewable energy sources.

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 April 13, 2017, the Federal Constitutional Court declared the Nuclear Fuel Tax Act to be incompatible with the Basic Law and invalid. The nuclear-fuel tax plus interest paid by E.ON was refunded. In connection with the transfer of responsibility for interim and final disposal to the Federal Government, related lawsuits and the lawsuits relating to the nuclear moratorium were withdrawn.

(29) Supplemental Cash Flow Disclosures

The total consideration received by E.ON in 2017 on the disposal of consolidated equity interests and activities generated cash inflows of €517 million (2016: €345 million). This value also includes the payment already made in 2017 from the sale of activities of Hamburg Netz GmbH, whose shares were transferred to the buyer as of January 1, 2018. The liquid assets of Hamburg Netz GmbH will not be disposed of until 2018 and the selling price will be reduced accordingly. No other cash and cash equivalents were sold in this connection (2016: €21 million). The sale of the consolidated activities led to reductions of €134 million (2016: €741 million) in assets and €34 million (2016: €597 million) in provisions and liabilities.

Cash flow from operating activities was -€3.0 billion, which is €5.9 billion lower than in the prior-year period. The decrease was mainly due to the payment of €10.3 billion made in July into Germany's public fund for financing nuclear-waste disposal. This was offset by payments in connection with the refunds of the German nuclear-fuel tax, which amounts to approximately €3.1 billion after a portion of the refund was passed on to the co-owners of the plants. Additional effects resulted from the positive development of working capital.

At -€0.4 billion, cash provided by investing activities was significantly above the level of the prior year (-€3 billion). The change of +€2.6 billion was mainly due to higher net proceeds from the sale of securities and fixed-term deposits and from the repayment of financial receivables, while an increase in restricted cash for the fulfillment of insurance obligations of Versorgungskasse Energie VVaG i.L. (VKE i.L.) had a negative impact on investing cash flow. At -€2.5 billion, cash investments and disposals were slightly higher (by -€0.2 billion) than the prior-year figure of -€2.3 billion. Disposals related mainly to the impending sale of Hamburg Netz GmbH's activities in the Energy Networks Germany segment and the sale of E.ON Värme Lokala Energilösningar AB in the Customer Solutions segment in Sweden.

Cash provided by financing activities of continuing operations amounted to €0.5 billion compared with -€1.2 billion in the prior year. The change of €1.7 billion was mainly due to measures to finance the July payment into Germany's public fund for financing nuclear-waste disposal, which was made in July. The measures consisted mainly of the issuance of €2.0 billion in bonds, the €1.35 billion capital increase conducted by E.ON SE in March 2017, and a €0.6 billion reduction in the dividend payment to E.ON SE shareholders relative to the prior year. The redemption of bonds (-€1.9 billion) had an offsetting effect in the fourth quarter of fiscal year 2017.

In fiscal year 2017, tax liabilities were reduced by €228 million (2016: €88 million) through the transfer of tax credits (accelerated depreciation, so-called "MACRS" and production tax credits, "PTCs") to tax equity investors. These non-cash transactions had no impact on the consolidated cash flow statement.

(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, were hedged in the past.

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, 2017, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 20 years (2016: up to 19 years) and interest cash flow hedges with maturities of up to 29 years (2016: up to 30 years). Planned commodity positions have maturities of up to 12 years.

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2017, produced a gain of €5 million (2016: €20 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—2017

€ in millions	Carrying amount	Expected gains/losses 2018	2019	2020–2022	>2022
OCI—Currency cash flow hedges	-226	-189	8	19	-64
OCI—Interest cash flow hedges	-832	-60	-52	-130	-590
OCI—Commodity cash flow hedges	46	-1	1	7	39

[1]Other comprehensive income. Figures are pretax.

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.

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 -€931 million (2016: -€624 million).

A gain of €135 million (2016: €673 million loss) was posted to other comprehensive income in 2017. In the same period, a gain of €63 million (2016: €342 million gain) was reclassified from OCI to the income statement.

Net Investment Hedges

The Company uses foreign currency forwards, foreign currency swaps and foreign currency loans to protect the value of its net investments in its foreign operations denominated in foreign currency. For the year ended December 31, 2017, the Company recorded an amount of €123 million (2016: €568 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 2016, no ineffectiveness resulted from net investment hedges in 2017.

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 for both own credit risk (debt value adjustment) and the risk of the corresponding counterparty (credit value adjustment) when determining fair value. 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, oil and coal forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for interest rate, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair values of caps, floors and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income and expenses are 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 €27 million or an increase of €27 million, respectively.

At the beginning of 2017, a net loss of €58 million from the initial measurement of derivatives was deferred. In the year under review, deferred expenses increased by €10 million to €68 million, which will be recognized in income during subsequent periods as the contracts are settled.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used:

Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

	December 31, 2017		December 31, 2016	
€ in millions	Nominal value	Fair value	Nominal value	Fair value
FX forward transactions	13,613	78	18,849	-112
Subtotal	**13,613**	**78**	**18,849**	**-112**
Cross-currency swaps	6,821	-101	7,931	322
Cross-currency interest rate swaps	36	25	36	36
Subtotal	**6,857**	**-76**	**7,967**	**358**
Interest rate swaps	4,533	-842	2,043	-811
Fixed-rate payer	*2,283*	*-866*	*1,793*	*-847*
Fixed-rate receiver	*2,250*	*24*	*250*	*36*
Interest rate options	–	–	1,000	-203
Subtotal	**4,533**	**-842**	**3,043**	**-1,014**
Other derivatives	3,756	-682	55	-28
Subtotal	**3,756**	**-682**	**55**	**-28**
Total	**28,759**	**-1,522**	**29,914**	**-796**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

	December 31, 2017		December 31, 2016	
€ in millions	Nominal value	Fair value	Nominal value	Fair value
Electricity forwards	1,834	52	1,645	256
Exchange-traded electricity forwards	189	-1	–	–
Electricity swaps	893	150	1,466	176
Electricity options	399	-15	107	-54
Gas forwards	525	49	434	50
Exchange-traded gas forwards	–	–	–	–
Gas swaps	76	13	318	18
Gas options	–	–	–	–
Coal forwards and swaps	1	–	–	–
Exchange-traded coal forwards	–	–	–	–
Oil derivatives	33	–	28	-3
Exchange-traded oil derivatives	–	–	–	–
Emissions-related derivatives	–	–	3	2
Exchange-traded emissions-related derivatives	–	–	–	–
Other derivatives	8	-3	24	2
Other exchange-traded derivatives	–	–	–	–
Total	**3,958**	**245**	**4,025**	**447**

(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, 2017

€ in millions	Carrying amounts	Carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices (Level 1)	Derived from active market prices (Level 2)
Equity investments	792	792	AfS	792	6	259
Financial receivables and other financial assets	688	688				
Receivables from finance leases	*329*	*329*	*n/a*	*329*		
Other financial receivables and financial assets	*359*	*359*	*LaR*	*359*	–	–
Trade receivables and other operating assets	7,152	6,405				
Trade receivables	*3,879*	*3,879*	*LaR*			
Derivatives with no hedging relationships	*1,401*	*1,401*	*HfT*	*1,401*	*29*	*1,240*
Derivatives with hedging relationships	*279*	*279*	*n/a*	*279*	–	*279*
Other operating assets	*1,593*	*846*	*LaR*	*846*	–	–
Securities and fixed-term deposits	3,419	3,419	AfS	3,419	2,888	531
Cash and cash equivalents	2,708	2,708	LaR			
Restricted cash	1,782	1,782	LaR			
Assets held for sale	3,301	–	AfS	–	–	–
Total assets	**19,842**	**15,794**				
Financial liabilities	13,021	12,080				
Bonds	*10,641*	*10,641*	*AmC*	*13,280*	*13,280*	–
Bank loans/Liabilities to banks	*116*	*116*	*AmC*	*116*	*55*	*8*
Liabilities from finance leases	*357*	*357*	*n/a*	*467*		
Other financial liabilities	*1,907*	*966*	*AmC*	*982*	–	*564*
Trade payables and other operating liabilities	12,789	9,226				
Trade payables	*1,800*	*1,800*	*AmC*			
Derivatives with no hedging relationships	*1,797*	*1,797*	*HfT*	*1,797*	*14*	*1,756*
Derivatives with hedging relationships	*1,159*	*1,159*	*n/a*	*1,159*	–	*1,159*
Put option liabilities under IAS 32[2]	*360*	*360*	*AmC*	*360*	–	–
Other operating liabilities	*7,673*	*4,110*	*AmC*	*4,110*	–	–
Total liabilities	**25,810**	**21,306**				

[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 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, 2016

€ in millions	Carrying amounts	Carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices (Level 1)	Derived from active market prices (Level 2)
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*	*372*		
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*	*481*		
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 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 €92 million (2016: €56 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 2017, 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). 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

€ in millions	Jan. 1, 2017	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/ Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	Dec. 31, 2017
Equity investments	549	38	-50	–	-26	–	-1	17	527
Derivative financial instruments	105	31	-3	-3	-56	–	-3	34	105
Total	**654**	**69**	**-53**	**-3**	**-82**	**0**	**-4**	**51**	**632**

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, 2017

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	3,879	–	3,879	25	–	3,854
Interest-rate and currency derivatives	1,305	–	1,305	–	56	1,249
Commodity derivatives	373	–	373	128	–	245
Total	**5,557**	**0**	**5,557**	**153**	**56**	**5,348**
Financial liabilities						
Trade payables	1,800	–	1,800	25	–	1,775
Interest-rate and currency derivatives	2,146	–	2,146	–	692	1,454
Commodity derivatives	128	–	128	128	–	–
Total	**4,074**	**0**	**4,074**	**153**	**692**	**3,229**

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						
Trade payables	2,040	–	2,040	41	–	1,999
Interest-rate and currency derivatives	2,654	–	2,654	–	800	1,854
Commodity derivatives	213	–	213	15	–	198
Total	**4,907**	**0**	**4,907**	**56**	**800**	**4,051**

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), the German Master Agreement for Financial Derivatives Transactions (DRV), the European Federation of Energy Traders (EFET) 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, 2017

€ in millions	Cash outflows 2018	Cash outflows 2019	Cash outflows 2020–2022	Cash outflows from 2023
Bonds	2,160	1,369	3,103	9,469
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	77	4	10	30
Liabilities from finance leases	56	102	100	246
Other financial liabilities	949	18	2	2
Financial guarantees	8	–	–	–
Cash outflows for financial liabilities	**3,250**	**1,493**	**3,215**	**9,747**
Trade payables	1,800	–	–	–
Derivatives (with/without hedging relationships)	5,948	642	921	2,737
Put option liabilities under IAS 32	17	69	270	100
Other operating liabilities	4,136	7	1	3
Cash outflows for trade payables and other operating liabilities	**11,901**	**718**	**1,192**	**2,840**
Cash outflows for liabilities within the scope of IFRS 7	**15,151**	**2,211**	**4,407**	**12,587**

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**

Financial guarantees with a total nominal volume of €8 million (2016: €97 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 (2016: €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 2017.

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	2017	2016
Loans and receivables	-132	-210
Available for sale	338	751
Held for trading	-1,077	745
Amortized cost	-511	-736
Total	**-1,382**	**550**

[1]The categories are described in detail in Note 1.

In addition to interest income 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 and currency translation of financial liabilities as well as 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 €100 million as of December 31, 2017 (2016: €113 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. 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-interest and floating-rate debt over time. This is influenced, among other factors, by the type of business model, existing liabilities as well as the regulatory framework in which E.ON operates. To manage the interest rate position, several instruments, including derivatives, are deployed.

With interest rate derivatives included, the share of financial liabilities with floating interest rates was 0 percent as of December 31, 2017 (2016: 0 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €9.7 billion at year-end 2017, would decline to €8.6 billion in 2018 and €7.2 billion in 2019. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 12.0 years as of December 31, 2017 (2016: 9.9 years). The volume-weighted average interest rate of the financial liabilities, including interest rate derivatives, was 5.4 percent as of December 31, 2017 (2016: 5.6 percent).

As of December 31, 2017, the E.ON Group held interest rate derivatives with a nominal value of €4,533 million (2016: €3,043 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 or lower interest charges by €0 (2016: ±€43.7 million) 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.

Since the spinoff of Uniper, E.ON has established procurement capabilities for its sales business and thus ensured 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.

Due to the decentralized governance approach and the primary focus on procurement and purely hedging transactions, the allocation of risk capital is no longer necessary. The processes and operational management models within the trading system are monitored by the local market risk teams and centrally managed by the Risk Management department. At the end of 2017, the open position from the procurement on the markets in Germany, the U.K., the Czech Republic, Sweden and Hungary for the reporting period from 2018 to 2020 was not more than 400 GWh per commodity in each case.

As of December 31, 2017, the E.ON Group primarily held electricity and gas derivatives with a nominal value of €3,958 million (2016: €4,025 million).

A key foundation of the commodity 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.

The risk policy was updated at the beginning of 2017 with a focus on the Renewables and PreussenElektra electricity generation business and the regional distribution business. The central market-oriented business approach was replaced by decentralized commodity risk management with regional market access.

Commodity exposures and risks are reported across the Group on a monthly basis to the members of the Risk Committee.

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 €864 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.

There is no credit risk with respect to the exchange-traded forward and option contracts with an aggregate nominal value of €189 million as of December 31, 2017 (2016: €0 million). 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) and cash investments, financial investments totaling €3.3 billion (2016: €5.3 billion) were held predominantly by German E.ON Group companies as of December 31, 2017.

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 €38 million (2016: €175 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG i.L. ("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 €1.1 billion at year-end 2017 (2016: €1.0 billion). The assets at VKE do not constitute plan assets under IAS 19 (see Note 24) and are shown as liquid funds on the balance sheet. 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"). Up to the end of 2017, financial investments and continuous risk management were conducted within the regulatory confines set by BaFin. VKE was already in liquidation as of December 31, 2017, after the meeting of the fund's members decided to close it and BaFin granted its approval. The three-month VaR with a 98-percent confidence interval for these financial assets was €0 as of December 31, 2017 (2016: €49 million) because of the liquidation of all financial investments. The shares of VKE's guarantee fund assets attributable to the E.ON Group will be transferred to the CTA (see Note 24) as an equivalent follow-on solution in the first half of 2018. Non-consolidated shares of VKE's guarantee fund assets are correspondingly transferred to the respective follow-on solutions of the member companies concerned and thus deconsolidated in the future.

(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. Receivables and payables to associates primarily include relationships with the fully consolidated subsidiaries of the Uniper Group. By contrast, income and expenses from transactions with fully consolidated companies of the Uniper Group were still consolidated in 2016 and are therefore only included in 2017. 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	2017	2016
Income	**3,049**	**554**
Associated companies	*2,825*	*349*
Joint ventures	*17*	*61*
Other related parties	*207*	*144*
Expenses	**6,885**	**626**
Associated companies	*6,517*	*279*
Joint ventures	*10*	*29*
Other related parties	*358*	*318*
Receivables	**868**	**1,499**
Associated companies	*643*	*1,294*
Joint ventures	*1*	*7*
Other related parties	*224*	*198*
Liabilities	**1,671**	**2,166**
Associated companies	*1,250*	*1,771*
Joint ventures	*32*	*54*
Other related parties	*389*	*341*
Provision	**54**	**55**
Associated companies	*34*	*55*
Other related parties	*20*	*–*

As of December 31, 2017, receivables totaling €463 million (2016: €1,136 million) and liabilities of €572 million (2016: €908 million) to companies of the Uniper Group consist primarily of electricity and gas transactions and the measurement of commodity derivatives. In addition, revenues of €2,399 million (2016: €2,982 million), interest income of €2 million (2016: €188 million), other income of €94 million (2016: €1,579 million), other expenses of €6,203 million (2016: €8,237 million) and interest expenses of €5 million (2016: €11 million) were generated with the fully consolidated companies of the Uniper Group.

In addition, E.ON generates income from transactions with related companies 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 and gas deliveries.

Liabilities of E.ON payable to related companies as of December 31, 2017, include €104 million (2016: €281 million) in trade payables and shareholder loans to operators of jointly-owned nuclear power plants. These shareholder loans bear interest at 1.0 percent (2016: 1.0 percent) and have no fixed maturity. E.ON continues to have in place with these power plants a cost-transfer agreement and a cost-plus-fee agreement for the procurement of electricity. The settlement of such liabilities occurs mainly through clearing accounts.

E.ON has issued collateral for 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 2017 for members of the Management Board amounted to €9.6 million (2016: €9.7 million) in short-term benefits and €2.2 million (2016: €2.3 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 2017 were actuarial gains of €1.1 million (2016: actuarial losses of €1.9 million).

The expense determined in accordance with IFRS 2 for existing commitments arising from share-based payment in 2017 was €6.5 million (2016: €2.3 million).

Provisions for these commitments amounted to €14.9 million as of December 31, 2017 (2016: €9.5 million).

The members of the Supervisory Board received a total of €4.5 million for their activity in 2017 (2016: €3.6 million). Employee representatives on the Supervisory Board were paid compensation under the existing employment contracts with subsidiaries totaling €0.6 million (2016: €0.6 million).

Detailed, individualized information on compensation can be found in the Compensation Report on pages 84 through 99.

(33) Segment Information

Led by its Group Management in Essen, Germany, the E.ON Group comprises the seven 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 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 the operation of the German nuclear power plants, which are managed by the PreussenElektra operating unit.

Corporate Functions/Other

Corporate Functions/Other contains E.ON SE itself, the equity investments held directly at E.ON SE and, for part of 2016, some remaining contributions from the E&P activities in the North Sea, which have since been sold. The Uniper Group, which is accounted for in the consolidated financial statements using the equity method, is also allocated to this segment. Uniper's earnings are reported under non-operating earnings.

Financial Information by Business Segment

	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany		UK		Other	
€ in millions	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External sales	12,536	11,622	1,038	1,014	742	698	7,368	7,707	7,147	7,689	6,656	6,552
Intersegment sales	1,663	1,583	34	15	977	960	84	74	58	102	254	244
Sales	**14,199**	**13,205**	**1,072**	**1,029**	**1,719**	**1,658**	**7,452**	**7,781**	**7,205**	**7,791**	**6,910**	**6,796**
Depreciation and amortization[1]	**-591**	**-613**	**-158**	**-164**	**-237**	**-231**	**-74**	**-67**	**-103**	**-95**	**-144**	**-136**
Adjusted EBIT	**1,050**	**894**	**474**	**398**	**417**	**379**	**118**	**232**	**250**	**365**	**158**	**215**
Equity-method earnings[2]	*74*	*66*	–	–	*44*	*63*	–	–	–	–	*14*	*10*
Operating cash flow before interest and taxes[3]	**2,451**	**1,588**	**640**	**575**	**605**	**605**	**317**	**351**	**403**	**435**	**247**	**381**
Investments	**702**	**846**	**345**	**291**	**371**	**282**	**75**	**73**	**211**	**220**	**309**	**287**

[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.
[4]Cash flow from operating activities before interest and taxes includes the payment of €10.3 billion to the Nuclear Waste Fund.
[5]Includes effects from the hedging of translation risks in accordance with IAS 7. The prior-year figures have been adjusted for improved comparability.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow[1]

€ in millions	2017	2016	Difference
Operating cash flow before interest and taxes	**-2,235**	**3,974**	**-6,209**
Interest payments	-234	-537	303
Tax payments	-483	-476	-7
Operating cash flow	**-2,952**	**2,961**	**-5,913**

[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, is used at E.ON for purposes of internal management control and as the most important 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.

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, certain 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. The refund of the nuclear-fuel tax is also reported in non-operating earnings.

In addition, starting from the 2017 fiscal year, effects from the valuation of certain provisions on the balance sheet date are disclosed in non-operating earnings. The change in recognition results in improved presentation of sustainable earnings power. Due to the fundamental change in operations in 2016 and the structural change to these activities, there is not a reasonably meaningful way to correct prior-year figures.

Net book gains were significantly above the prior-year figure and resulted in particular from the sale of securities, which were sold in preparation for the payment into Germany's public fund for financing nuclear-waste disposal which was due in July, and from

	Renewables		Non-Core Business[4]		Corporate Functions/Other[5]		Consolidation		E.ON Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	767	890	1,585	1,538	125	439	1	24	37,965	38,173
	837	467	–	–	671	685	-4,578	-4,130	0	0
	1,604	**1,357**	**1,585**	**1,538**	**796**	**1,124**	**-4,577**	**-4,106**	**37,965**	**38,173**
	-331	**-366**	**-148**	**-91**	**-95**	**-65**	**–**	**1**	**-1,881**	**-1,827**
	454	**430**	**506**	**553**	**-342**	**-369**	**-11**	**15**	**3,074**	**3,112**
	24	*15*	*55*	*63*	*67*	*65*	*-1*	*–*	*277*	*282*
	601	**699**	**-7,357**	**93**	**-147**	**-756**	**5**	**3**	**-2,235**	**3,974**
	1,225	**1,070**	**14**	**15**	**53**	**106**	**3**	**-21**	**3,308**	**3,169**

the sale of an equity investment at Customer Solutions in Sweden. In 2016 we recorded lower book gains on the sale of securities and a book loss on the sale of our U.K. E&P business.

Restructuring expenditures rose substantially year on year. As in the prior-year period, they resulted mainly from restructuring programs and the One2two project. The increase is primarily attributable to higher expenditures for restructuring programs, in particular for Phoenix, a reorganization program.

The marking to market of the derivatives we use to shield our operating business from price fluctuations and of other derivatives resulted in a negative effect of €951 million (prior year: +€932 million), mainly at Corporate/Other, Customer Solutions, and Non-Core Business. The positive effect in the prior year was recorded primarily at Customer Solutions.

In 2017 we recorded impairment charges principally at Renewables and Customer Solutions in the United Kingdom. In the prior year we recorded impairment charges at Renewables and Customer Solutions in the United Kingdom and on a gas storage facility in Germany.

The significant increase in other non-operating earnings is attributable to effects resulting from the ruling by Germany's highest court on the invalidity of the nuclear-fuel tax and to the equity earnings on our Uniper stake, which were included in this item until the end of September 2017. In the prior year this item was adversely affected by items resulting from the Act Reorganizing Responsibility for Nuclear Waste Management, which was passed by Germany's Bundestag and Bundesrat in December 2016. These items, including the concomitant impairment charges, were recorded fully in the prior year.

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	2017	2016
Income/Loss from continuing operations before financial results and income taxes	**4,664**	**-411**
Income/Loss from equity investments	-3	-19
EBIT	**4,661**	**-430**
Non-operating adjustments	**-1,587**	**3,542**
Net book gains/losses	*-375*	*-63*
Restructuring expenses	*541*	*274*
Market valuation derivatives	*951*	*-932*
Impairments (+)/Reversals (-)	*916*	*394*
Other non-operating earnings	*-3,620*	*3,869*
Adjusted EBIT	**3,074**	**3,112**

Pages 31 and 32 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	2017	2016
Electricity	30,178	29,847
Gas	5,897	6,378
Other	1,890	1,948
Total	**37,965**	**38,173**

The "Other" item consists in particular of revenues generated from services.

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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External sales by location of customer	21,953	21,803	7,056	7,824	2,194	2,139	6,551	6,218	211	189	37,965	38,173
External sales by location of seller	21,995	21,547	7,360	8,184	2,123	2,085	6,278	6,169	209	188	37,965	38,173
Intangible assets	560	574	395	380	146	133	1,088	1,039	54	203	2,243	2,329
Property, plant and equipment	10,555	11,076	3,708	3,570	4,679	4,674	3,517	3,388	2,307	2,534	24,766	25,242
Companies accounted for under the equity method	1,123	3,593	–	–	90	110	2,054	2,306	280	343	3,547	6,352

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 2017 amounted to €4.5 million (2016: €3.6 million).

As in 2016, there were no loans to members of the Supervisory Board in 2017.

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on page 98 and 99 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 2017 amounted to €14.0 million (2016: €13.8 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 €12.4 million (2016: €11.6 million). Provisions of €159.0 million (2016: €172.8 million) have been established for the pension obligations to former members of the Management Board and their beneficiaries.

As in 2016, there were no loans to members of the Management Board in 2017.

The Management Board's compensation structure and the amounts for each member of the Management Board are presented on pages 84 through 97 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 224.

(35) Subsequent Events

On March 12, 2018, E.ON SE agreed with RWE AG on an acquisition of RWE's 76.8 percent stake in innogy SE. The acquisition will be carried out via a wide-ranging exchange of assets and participations.

In exchange for the 76.8 percent stake in innogy SE, E.ON will grant to RWE an effective participation of 16.67 percent in E.ON SE. The shares will be issued by way of a 20 percent capital increase against contribution in kind from existing authorized capital. Furthermore, E.ON will transfer to RWE most of E.ON's renewables business and also the minority interests currently held by E.ON's subsidiary PreussenElektra in the RWE-operated nuclear power plants Emsland and Gundremmingen. Furthermore, RWE will receive the entire innogy renewables business and the innogy gas storage businesses and the stake in the Austrian energy supplier Kelag. The transfer of businesses and participations would be conducted with economic effect as of January 1, 2018. The transaction further provides for a cash payment from RWE to E.ON in the amount of €1.5 billion.

E.ON will also make a voluntary public takeover offer in cash to the shareholders of innogy SE. This offer includes as of today a total value of €40 per share for the innogy shareholders. The total value consists of an offer price of €36.76 per share plus assumed dividends of innogy SE for the fiscal years 2017 and 2018 in the total amount of €3.24 per share. RWE will not participate in the offer.

The transaction will be implemented in several steps and is subject to customary antitrust clearances and is expected to close in mid 2019.

There are no effects on E.ON's Consolidated Financial Statements for fiscal year 2017. Indications relating to possible future effects resulting from the acquisition of innogy SE via a wide-ranging exchange of assets with RWE AG are currently not included in the Annual Report, since the transaction is also subject to customary antitrust clearances.

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 12, 2018

The Management Board

Teyssen

Birnbaum

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, 2017)

Name, location	Stake (%)
:agile accelerator GmbH, DE, Düsseldorf[2]	100.0
:agile accelerator limited, GB, Coventry[2]	100.0
Abens-Donau Netz GmbH & Co. KG, DE, Mainburg[6]	50.0
Abens-Donau Netz Verwaltung GmbH, DE, Mainburg[6]	50.0
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]	20.0
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

Name, location	Stake (%)
Amrum-Offshore West GmbH, DE, Düsseldorf[1]	100.0
Anacacho Holdco, LLC, US, Wilmington[2]	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
Avacon Netz GmbH, DE, Helmstedt[1]	100.0
Avon Energy Partners Holdings, GB, Coventry[2]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Hamburg[4]	50.0
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[1]	100.0
Bayernwerk Portfolio GmbH & Co. KG, DE, Regensburg[2]	100.0
Bayernwerk Portfolio Verwaltungs GmbH, DE, Regensburg[1]	100.0
Beteiligung H1 GmbH, DE, Helmstedt[2]	100.0
Beteiligung H2 GmbH, DE, Helmstedt[2]	100.0
Beteiligung N1 GmbH, DE, Helmstedt[2]	100.0
Beteiligung N2 GmbH, DE, Helmstedt[2]	100.0
Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Eggenstein-Leopoldshofen[6]	46.3
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

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

Name, location	Stake (%)
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Steyerberg GmbH, DE, Steyerberg[2]	100.0
Biomasseverwertung Straubing GmbH, DE, Straubing[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
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, LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm II, 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
Charge-ON GmbH, DE, Essen[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

Name, location	Stake (%)
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
Cuculus GmbH, DE, Ilmenau[6]	20.4
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[6]	50.0
DD Turkey Holdings S.à r.l., LU, Luxembourg[1]	100.0
Delgaz Grid S.A., RO, Târgu Mureş[1]	56.5
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[6]	42.5
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.DIS Netz GmbH, DE, Fürstenwalde/Spree[1]	100.0
e.discom Telekommunikation GmbH, DE, Rostock[2]	100.0
e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1]	100.0
e.distherm Wärmedienstleistungen GmbH, DE, Potsdam[1]	100.0
e.kundenservice Netz GmbH, DE, Hamburg[1]	100.0
E.ON (Cross-Border) Pension Trustees Limited, GB, Coventry[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, Essen[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

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

Name, location	Stake (%)
E.ON Business Services Berlin GmbH, DE, Berlin[1]	100.0
E.ON Business Services Cluj S.R.L., RO, Cluj-Napoca[1]	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 Hungary Kft., HU, Budapest[2]	100.0
E.ON Business Services Iași S.A., 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[1]	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 CDNE S.p.A., IT, Milan[2]	81.1
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 France, FR, Levallois-Perret[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

Name, location	Stake (%)
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]	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 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 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 Energidistribution AB, SE, Malmö[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 Energienetze Datteln GmbH, DE, Essen[2]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0
E.ON Energilösningar AB, SE, Malmö[1]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

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 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 Sverige AB, SE, Malmö[1]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Finanzholding Beteiligungs-GmbH, DE, Berlin[2]	100.0
E.ON Finanzholding SE & Co. KG, DE, Essen[1, 8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[2]	100.0
E.ON Fünfundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[1, 8]	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 Gasol Sverige AB, SE, Malmö[1]	100.0
E.ON Gaz Furnizare S.A., RO, Târgu Mureş[1]	68.2
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 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, Munich[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 Norge AS, NO, Stavanger[2]	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, Mechelen[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 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 Software Development SRL, RO, Târgu Mureş[2]	100.0
E.ON Solar GmbH, DE, Essen[2]	100.0
E.ON Solutions GmbH, DE, Essen[2]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

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E.ON Telco, s.r.o., CZ, České Budějovice[2]	100.0
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 Markets Limited, GB, Coventry[1]	100.0
E.ON UK Energy Services Limited, GB, Coventry[2]	100.0
E.ON UK Heat 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 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 Vânzări S.A., RO, Târgu Mureş[2]	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]	100.0
E.ON Verwaltungs AG Nr. 1, DE, Munich[2]	100.0
E.ON Verwaltungs SE, DE, Düsseldorf[2]	100.0
E.ON Wind Denmark AB, SE, Malmö[2]	100.0
E.ON Wind Denmark 2 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 Nysater AB, SE, Malmö[2]	100.0
E.ON Wind Service GmbH, DE, Neubukow[2]	100.0
E.ON WIND SERVICE ITALIA S.r.l., IT, Milan[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

Name, location	Stake (%)
East Midlands Electricity Distribution Holdings, GB, Coventry[2]	100.0
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EBERnetz GmbH & Co. KG, DE, Ebersberg[2]	100.0
EBERnetz Verwaltungs GmbH, DE, Ebersberg[2]	100.0
EBY Immobilien GmbH & Co KG, DE, Regensburg[2]	100.0
EBY Port 1 GmbH, DE, Munich[1, 8]	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, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt II, 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 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
Elmregia GmbH, DE, Schöningen[6]	49.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

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
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 GmbH, DE, Regensburg[2]	100.0
Energienetz Neufahrn/Eching GmbH & Co. KG, DE, Neufahrn bei Freising[6]	49.0
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 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
Enerjisa Üretim Santralleri 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
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[2]	55.0
etatherm GmbH, DE, Potsdam[6]	20.4

Name, location	Stake (%)
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[6]	49.0
ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[6]	50.2
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
FEVA Infrastrukturgesellschaft mbH, DE, Wolfsburg[6]	49.0
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 AG, DE, Berlin[5]	36.9
Gasnetzgesellschaft Laatzen-Süd mbH, DE, Laatzen[6]	49.0
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[6]	50.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[6]	50.0
Gasversorgung im Landkreis Gifhorn GmbH, DE, Gifhorn[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[5]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[6]	49.0
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
Gemeindewerke Gräfelfing GmbH & Co. KG, DE, Gräfelfing[6]	49.0
Gemeindewerke Gräfelfing Verwaltungs GmbH, DE, Gräfelfing[6]	49.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

Name, location	Stake (%)
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
Gemeinnützige Gesellschaft zur Förderung des E.ON Energy Research Center mbH, DE, Aachen[6]	50.0
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
Geotermisk Operaterselskab ApS, DK, Kirke Saby[6]	20.0
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
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, LLC, US, Wilmington[4]	50.0
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
Green Sky Energy Limited, GB, Coventry[1]	100.0
greenited GmbH, DE, Hamburg[6]	50.0
greenXmoney.com GmbH, DE, Neu-Ulm[6]	29.4
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[1]	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
iamsmart GmbH, DE, Essen[2]	100.0
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
Kinneil CHP Limited, GB, Coventry[2]	100.0
Kite Power Systems Limited, GB, Chelmsford[6]	20.0
Komáromi Kogenerációs Erőmű Kft., HU, Budapest[2]	100.0
KommEnergie Erzeugungs GmbH, DE, Eichenau[6]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

Name, location	Stake (%)
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
Kraftzwerg GmbH, DE, Essen[2]	100.0
KSG Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[6]	41.7
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald[1]	90.0
Lake Fork Wind Farm, LLC, US, Wilmington[2]	100.0
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
Local Energies, a.s., CZ, Zlín-Malenovice[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]	57.0
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, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV 2, LLC, US, Wilmington[2]	100.0
Maricopa Land Holding, LLC, US, Wilmington[2]	100.0
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
MINUS 181 GmbH, DE, Parchim[6]	25.1
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 Wartungsservice (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[6]	50.0
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, Helmstedt[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
NordNetz GmbH, DE, Quickborn[2]	100.0
Northern Orchard Solar PV, LLC, US, Wilmington[2]	100.0
Northern Orchard Solar PV 2, LLC, US, Wilmington[2]	100.0

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Name, location	Stake (%)
Novo Innovations Limited, GB, Coventry[2]	100.0
Oberland Stromnetz GmbH & Co. KG, DE, Murnau a. Staffelsee[2]	100.0
Oberland Stromnetz Verwaltungs GmbH, DE, Murnau a. Staffelsee[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
OMNI Energy Kft., HU, Kiskunhalas[6]	50.0
OOO E.ON Connecting Energies, RU, Moscow[4]	50.0
OOO E.ON IT, RU, Moscow[2]	100.0
Oskarshamn 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 Holdings B.V., NL, Rotterdam[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[2]	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
Redsted Varmetransmission ApS, DK, Frederiksberg[2]	100.0
Refarmed ApS, DK, Copenhagen[6]	20.0
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
RegioNetzMünchen GmbH & Co. KG, DE, Garching[2]	100.0
RegioNetzMünchen Verwaltungs GmbH, DE, Garching[2]	100.0
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
Roadrunner, LLC, US, Wilmington[2]	100.0
Rødsand 2 Offshore Wind Farm AB, SE, Malmö[5]	20.0

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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
S.C. Salgaz S.A., RO, Salonta[2]	58.3
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
Scarweather Sands Limited, GB, Coventry[6]	50.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	81.6
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 H 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[2]	96.0
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
Söderåsens Bioenergi AB, SE, Malmö[2]	63.3
Sønderjysk Biogas Bevtoft A/S, DK, Vojens[6]	50.0
Sparta North, LLC, US, Wilmington[2]	100.0
Sparta South, LLC, US, Wilmington[2]	100.0
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

[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, 2017)

Name, location	Stake (%)
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[6]	24.9
Stadtwerke Niebüll GmbH, DE, Niebüll[6]	49.9
Stadtwerke Olching Stromnetz GmbH & Co. KG, DE, Olching[2]	100.0
Stadtwerke Olching Stromnetz Verwaltungs GmbH, DE, Olching[2]	100.0
Stadtwerke Parchim GmbH, DE, Parchim[6]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[6]	35.0
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 Holdco, LLC, US, Wilmington[2]	100.0
Stella Wind Farm, LLC, US, Wilmington[1]	100.0
Stella Wind Farm II, 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[6]	49.0
Stromnetz Kulmbach Verwaltungs GmbH, DE, Kulmbach[6]	49.0
Stromnetz Weiden i.d.OPf. GmbH & Co. KG, DE, Weiden i.d.OPf.[6]	49.0
Stromnetz Würmtal GmbH & Co. KG, DE, Gauting[2]	74.5
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

Name, location	Stake (%)
Stromversorgung Penzberg GmbH & Co. KG, DE, Penzberg[2]	100.0
Stromversorgung Penzberg Verwaltungs GmbH, DE, Penzberg[2]	100.0
Stromversorgung Pfaffenhofen a. d. Ilm GmbH & Co. KG, DE, Pfaffenhofen[6]	49.0
Stromversorgung Pfaffenhofen a. d. Ilm Verwaltungs GmbH, DE, Pfaffenhofen[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
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 City[2]	99.0
TPG Wind Limited, GB, Coventry[6]	50.0
Trocknungsanlage Zolling GmbH & Co. KG, DE, Zolling[6]	33.3
Trocknungsanlage Zolling Verwaltungs GmbH, DE, Zolling[6]	33.3
Turkey Run, LLC, US, Wilmington[2]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[6]	48.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

Name, location	Stake (%)
Umspannwerk Miltzow-Mannhagen GbR, DE, Sundhagen[6]	22.2
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
Versorgungskasse Energie (VVaG) i.L., DE, Hanover[1]	71.6
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[6]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Budapest[2]	100.0
Vici Wind Farm, LLC, US, Wilmington[2]	100.0
Vici Wind Farm II, LLC, US, Wilmington[2]	100.0
Vici Wind Farm III, 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, Goslar[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
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 (Leine)[2]	100.0
Windenergie Leinetal GmbH & Co. KG, DE, Freden (Leine)[6]	26.2
Windenergie Leinetal Verwaltungs GmbH, DE, Freden (Leine)[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
Wiregrass, LLC, US, Wilmington[2]	100.0
WIT Ranch Wind Farm, LLC, US, Wilmington[2]	100.0
WUN Energie GmbH, DE, Wunsiedel[6]	25.1
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

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2017)

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	27.6	4.2
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
infra fürth gmbh, DE, Fürth[7]	19.9	70.4	0.0
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH, DE, Bamberg[7]	10.0	30.1	0.0
Stadtwerke Straubing Strom und Gas GmbH, DE, Straubing[7]	19.9	7.2	0.0
Stadtwerke Wertheim GmbH, DE, Wertheim[7]	10.0	20.5	0.0

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Supervisory Board (and Information on Other Directorships)

Dr. Karl-Ludwig Kley
Chairman of the E.ON SE Supervisory Board
→ BMW AG
→ Deutsche Lufthansa AG
(Chairman since September 25, 2017)
→ Verizon Communications Inc.

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 (until June 8, 2017)

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

Erich Clementi
Senior Vice President, Global Integrated Accounts and
Chairman, IBM Europe

Tibor Gila
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.

Thies Hansen (until December 31, 2017)
Chairman of the Combined Works Council, HanseWerk AG
Chairman of the Works Council Hamburg of HanseWerk AG
→ HanseWerk AG
→ Schleswig-Holstein Netz AG
→ Hamburg Netz GmbH

Carolina Dybeck Happe
Chief Financial Officer of ASSA ABLOY AB
→ ASSA ABLOY Asia Holding AB (Chairperson)
→ ASSA ABLOY East Europe AB (Chairperson)
→ ASSA ABLOY Entrance Systems AB (Chairperson)
→ ASSA ABLOY Financial Services AB (Chairperson)
→ ASSA ABLOY Finans AB (Chairperson)
→ ASSA ABLOY IP AB (Chairperson)
→ ASSA ABLOY Kredit AB (Chairperson)
→ ASSA ABLOY Mobile Services AB (Chairperson)
→ Svensk Dörrinvest AB (Chairperson until September 6, 2017)

Baroness Denise Kingsmill CBE
Attorney at the Supreme Court
Member of the House of Lords
→ Monzo Bank Ltd. (Chairperson)
→ Inditex S.A.
→ International Consolidated Airlines Group S.A.
(until June 16, 2017)
→ Telecom Italia S.p.A. (until May 10, 2017)

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

Andreas Schmitz
Chairman of the Supervisory Board of
HSBC Trinkaus & Burkhardt AG
→ Börse Düsseldorf AG (Chairman until April 25, 2017)
→ HSBC Trinkaus & Burkhardt AG (Chairman)
→ Scheidt & Bachmann GmbH (Chairman)
→ KfW

Unless otherwise indicated, information is as of December 31, 2017, 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
Chairman of the SE Works Council of E.ON SE
Deputy Chairman of the E.ON Group Works Council
Chairman of the General Works Council of E.DIS AG
Chairman of the Works Council of E.DIS Netz GmbH-Region East
→ E.DIS AG
→ Szczecińska Energetyka Cieplna Sp. z o.o.

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

Dr. Karen de Segundo
Attorney

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

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

Ewald Woste
Management Consultant
→ TEAG Thüringer Energie AG (Chairman)
→ GASAG AG
→ GreenCom Networks AG (since August 3, 2017)
→ Deutsche Energie-Agentur GmbH (dena) (since October 20, 2017)
→ Energie Steiermark AG
→ TEN Thüringer Energienetze GmbH & Co. KG

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

Supervisory Board Committees

Executive Committee
Dr. Karl-Ludwig Kley, Chairman
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 (until December 31, 2017)
Dr. Karl-Ludwig Kley (until March 31, 2017)
Andreas Schmitz (since April 1, 2017)
Elisabeth Wallbaum (since January 1, 2018)

Investment and Innovation Committee (until March 31, 2017 Finance and Investment Committee)
Dr. Karl-Ludwig Kley, Chairman (until March 31, 2017)
Dr. Karen de Segundo, Chairperson
(Chairperson since April 1, 2017)
Eugen-Gheorghe Luha, Deputy Chairman
(Deputy Chairman until August 1, 2017)
Albert Zettl, Deputy Chairman
(since April 1, 2017, Deputy Chairman since August 2, 2017)
Clive Broutta
Carolina Dybeck Happe (since April 1, 2017)
Ewald Woste (since April 1, 2017)

Nomination Committee
Dr. Karl-Ludwig Kley, Chairman
Prof. Dr. Ulrich Lehner, Deputy Chairman
Dr. Karen de Segundo

Unless otherwise indicated, information is as of December 31, 2017, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Management Board (and Information on Other Directorships)

Dr. Johannes Teyssen
Born in 1959 in Hildesheim, Germany
Chairman of the Management Board and CEO since 2010
Member of the Management Board since 2004
Strategy and Corporate Development, Turkey, HR, Political Affairs and Communications, Legal and Compliance, Corporate Audit, Reorganization Project
→ Deutsche Bank AG
→ Uniper SE (until June 8, 2017)
→ Nord Stream AG (since June 1, 2017)

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

Michael Sen (until March 31, 2017)
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

Dr. Marc Spieker
Born in 1975 in Essen, Germany
Member of the Management Board since January 1, 2017
Finance, Mergers and Acquisitions, Risk Management, Accounting and Controlling, Investor Relations, Tax, Uniper
→ Uniper SE
→ Nord Stream AG (since June 1, 2017)

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

Unless otherwise indicated, information is as of December 31, 2017, or as of the date on which membership in the E.ON Management Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Exempted E.ON Group directorship within the meaning of Section 100, Paragraph 2, Sentence 2 of the German Stock Corporation Act. [2]Other E.ON Group directorship.

Summary of Financial Highlights and Explanations

Explanatory Report of the Management Board on the Disclosures Pursuant to Section 289a, Paragraph 1, and Section 315a, Paragraph 1, as well as Section 289, Paragraph 4, of the German Commercial Code

The Management Board has read and discussed the disclosures pursuant to Section 289a, Paragraph 1 and Section 315a, Paragraph 1 of the German Commercial Code contained in the Combined Group Management Report for the year ended December 31, 2017, 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 4, 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 12, 2018

E.ON SE
Management Board

Teyssen Birnbaum

Spieker Wildberger

Summary of Financial Highlights[1, 2]

€ in millions	2013	2014	2015	2016	2017
Sales and earnings					
Sales	119,615	113,095	42,656	38,173	37,965
Adjusted EBITDA[3]	9,191	8,376	5,844	4,939	4,955
Adjusted EBIT[3]	5,642	4,695	3,563	3,112	3,074
Net income/Net loss	2,459	-3,130	-6,377	-16,007	4,191
Net income/Net loss attributable to shareholders of E.ON SE	2,091	-3,160	-6,999	-8,450	3,932
Adjusted net income[3]	2,126	1,646	1,076	904	1,427
Value measures					
ROACE/effective 2015 ROCE (%)	9.2	8.6	10.9	10.4	10.6
Pretax cost of capital (%)	7.5	7.4	6.7	5.8	6.4
Value added[4]	1,031	640	1,217	1,370	1,211
Asset and capital structure					
Non-current assets	95,580	83,065	73,612	46,296	40,164
Current assets	36,750	42,625	40,081	17,403	15,786
Total assets	132,330	125,690	113,693	63,699	55,950
Equity	36,638	26,713	19,077	1,287	6,708
Capital stock	*2,001*	*2,001*	*2,001*	*2,001*	*2,201*
Minority interests without controlling influence	*2,915*	*2,128*	*2,648*	*2,342*	*2,701*
Non-current liabilities	63,179	63,335	61,172	39,287	35,198
Provisions	*28,153*	*31,376*	*30,655*	*19,618*	*18,001*
Financial liabilities	*18,051*	*15,784*	*14,954*	*10,435*	*9,922*
Other liabilities and other	*16,975*	*16,175*	*15,563*	*9,234*	*7,275*
Current liabilities	32,513	35,642	33,444	23,125	14,044
Provisions	*4,353*	*4,120*	*4,280*	*12,008*	*2,041*
Financial liabilities	*4,673*	*3,883*	*2,788*	*3,792*	*3,099*
Other liabilities and other	*23,487*	*27,639*	*26,376*	*7,325*	*8,904*
Total assets and liabilities	132,330	125,690	113,693	63,699	55,950
Cash flow, investments and financial ratios					
Cash provided by operating activities of continuing operations[5]	6,260	6,354	4,191	2,961	-2,952
Cash-effective investments	7,992	4,637	3,227	3,169	3,308
Equity ratio (%)	28	21	17	2	12
Economic net debt (at year-end)	32,218	33,394	27,714	26,320	19,248
Debt factor[6]	3.5	4.0	3.7	5.3	3.9
Cash provided by operating activities of continuing operations as a percentage of sales	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 (€)	1.1	-1.64	-3.6	-4.33	1.84
Equity[7] per share (€)	17.68	12.72	8.42	-0.50	1.85
Twelve-month high[8] (€)	14.71	15.46	12.98	8.49	10.69
Twelve-month low[8] (€)	11.94	12.56	6.28	6.04	6.64
Year-end closing price per share[8, 9] (€)	13.42	14.2	7.87	6.70	9.06
Dividend per share[10] (€)	0.6	0.5	0.5	0.21	0.30
Dividend payout	1,145	966	976	410	650
Market capitalization[9, 11] (€ in billions)	25.6	27.4	17.4	13.1	19.6
Moody's	A3	A3	Baa1	Baa1	Baa2
Standard & Poor's	A-	A-	BBB+	BBB+	BBB
Employees					
Employees at year-end	61,327	58,811	43,162	43,138	42,699

[1]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]Cash provided by operating activities of continuing operations. · [6]Ratio between economic net debt and adjusted EBITDA; 2015 figure not adjusted to exclude Uniper. · [7]Attributable to shareholders of E.ON SE. · [8]Xetra; 2015 and 2016 were adjusted for the Uniper spinoff. · [9]At the end of December. · [10]For the respective financial year; the 2017 figure is management's proposed dividend. · [11]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 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 derivative
Contractual agreement based on an underlying value (reference interest rate, securities prices, commodity prices) and a nominal amount (foreign currency amount, a certain number of stock shares).

Goodwill
The value of a subsidiary as disclosed in the parent company's consolidated financial statements resulting from the consolidation of capital (after the elimination of hidden reserves and liabilities). It is calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's book value with its fair value. A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

International Financial Reporting Standards ("IFRS")
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS.

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 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.

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Financial Calendar

May 8, 2018	Quarterly Statement: January – March 2018
May 9, 2018	2018 Annual Shareholders Meeting
August 8, 2018	Half-Year Financial Report: January – June 2018
November 14, 2018	Quarterly Statement: January – September 2018
March 13, 2019	Release of the 2018 Annual Report
May 13, 2019	Quarterly Statement: January – March 2019
May 14, 2019	2019 Annual Shareholders Meeting
August 7, 2019	Half-Year Financial Report: January – June 2019
November 13, 2019	Quarterly Statement: January – September 2019

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