2012 Annual Report

E.ON Group Financial Highlights

€ in millions	2012	2011	+/- %
Electricity sales[1] (billion kWh)	740.4	733.7	+1
Gas sales[1] (billion kWh)	1,162.1	1,107.5	+5
Sales	132,093	112,954	+17
EBITDA[2]	10,786	9,293	+16
EBIT[2]	7,027	5,438	+29
Net income/Net loss	2,641	-1,861	–
Net income/Net loss attributable to shareholders of E.ON SE	2,217	-2,219	–
Underlying net income[2]	4,187	2,501	+67
Investments	6,997	6,524	+7
Cash provided by operating activities of continuing operations	8,808	6,610	+33
Economic net debt (at year-end)	-35,879	-36,385	+506[3]
Debt factor[4]	3.3	3.9	-0.6[3]
Equity	38,819	39,613	-2
Total assets	140,426	152,872	-8
ROACE (%)	11.1	8.4	+2.7[5]
Pretax cost of capital (%)	7.7	8.3	-0.6[5]
After-tax cost of capital (%)	5.6	6.1	-0.5[5]
Value added	2,156	90	–
Employees (at year-end)	72,083	78,889	-9
Earnings per share[6, 7] (€)	1.16	-1.16	–
Equity per share[6, 7] (€)	18.34	18.76	-2
Dividend per share[8] (€)	1.10	1.00	+10
Dividend payout	2,097	1,905	+10
Market capitalization[7] (€ in billions)	26.9	31.8	-15

[1]Includes trading sales volume.
[2]Adjusted for extraordinary effects (see Glossary).
[3]Change in absolute terms.
[4]Ratio of economic net debt and EBITDA.
[5]Change in percentage points.
[6]Attributable to shareholders of E.ON SE.
[7]Based on shares outstanding.
[8]For the respective financial year; the 2012 figure is management's proposed dividend.

Contents

CEO Letter

Dear Shareholders,

E.ON finished the 2012 financial year with solid results. Our EBITDA rose by 16 percent year on year to €10.8 billion, which is just inside the upper half of our forecast range. Our underlying net income, which is the figure we use to calculate our dividend payout, was €4.2 billion, which was also in the middle of our forecast range. This means that our underlying income per share was about €2.20. In May we'll therefore recommend to the Annual Shareholders Meeting that E.ON pay out, as planned, a dividend of €1.10 per share. This would make us one of the top dividend performers in Germany's DAX in 2013.

These solid results are gratifying. But they can't hide the fact that our industry is undergoing a radical transformation. That's why we conducted a detailed review of how, where, and to what extent these radical changes are impacting our businesses and what action we'll take in response. As part of this process, we analyzed each of our businesses very carefully and assessed their opportunities and risks. Our analysis showed that in the medium term our business environment in Europe will remain difficult. The demand for power and gas declined significantly in nearly all our core markets in 2012. The EU Emissions Trading Scheme is ineffectual because there's essentially no demand anymore for carbon allowances. At the same time, Europe's energy system is being flooded with ever-greater quantities of renewable-source electricity, which is reducing the value of conventional generation assets, particularly our technologically advanced, climate-friendly gas-fired power plants.

But we also see that the new businesses that we've established and significantly expanded over the past five years—Russia, renewables, and E&P—are already performing very well and are making substantial contributions to our earnings. They don't yet fully offset the difficult situation in our power generation business and in some of our regional markets. But they do represent a tangible countertrend. That's why last year we laid the foundation for additional sources of future earnings by entering the Brazilian and Turkish markets and by expanding our distributed-energy and renewables businesses in our core European markets.

Nevertheless, the magnitude of our current challenges makes it necessary for us to be even more decisive so that we can continue the strategic transformation of our company in the face of lower earnings expectations. Above all this will require strict financial discipline. We need to adjust to the fact that our current business portfolio will generate less money for new investments. As a result, we'll need to deploy our investment capital very selectively. That's why our new medium-term plan consists exclusively of targeted investments in particularly attractive, value-enhancing growth businesses that will help propel our company's transformation. We plan to invest just over €6 billion this year. Just under €4 billion of that will go toward completing a small number of large-scale power-generation and gas-storage projects that were begun in prior years and toward the ongoing expansion of our renewables business and our activities outside Europe. We plan to invest about €1.5 billion in our network business and about €700 million to repair and maintain existing assets. In subsequent years we intend to continue systematically consolidating our business, a consequence of which is that we'll reduce our annual investments by nearly €2 billion. We're abandoning plans to build a number of large-scale conventional generating units.

It will remain equally important for us to continue to achieve cost reductions and efficiency improvements in all of our businesses and processes, something we've successfully initiated through our E.ON 2.0 program. We're well on our way toward achieving our goal of reducing our controllable costs to €8.3 billion by 2015 at the latest. And by unlocking capital through divestments, we're ensuring that our balance sheet remains solid. By year-end 2012 we had already generated about €14 billion from the sale of noncore assets. We'll surpass our original target of €15 billion by a wide margin and are now aiming for up to €20 billion. We're using this money to reduce our debt but also to invest in our growth businesses of the future.

It goes without saying that we'll continue to work hard to ensure the profitability of our traditional core businesses, particularly conventional power generation. We expect policymakers to put in place a new market design for the power market, one that contains fair rules for maintaining reserve capacity and long-term incentives to encourage the construction of new assets. But until this design is in place, we'll be even more rigorous about reducing costs and enhancing efficiency in our conventional generation business. As part of this effort, we're reviewing whether to shut down assets with an aggregate capacity of 11 GW.

At the same time, we're significantly expanding our distributed-energy business. Building on a variety of activities at our company, we're giving a broad range of our customers access to micro generating units and smart energy technology. The next step will be to conduct centralized energy management of these units. When integrated into the overall power system, distributed generating units could play a key role in the transition to a lower-carbon future. And from a business and value perspective, one thousand 1 MW mini units are just as interesting to us as one big power station.

Renewables will remain a big part of our future, and we've continued to expand this business. We now have 4.8 GW of capacity, which ranks us among the top players in onshore wind in the United States and offshore wind in Europe. We specialize in very efficient project development, which has made us a world leader in asset availability and cost reduction. This is one of the reasons why our renewables fleet is already making a significant contribution to our earnings. We'll continue moving forward on this path in the years ahead. We currently have about 2 GW of renewables capacity under construction, most of which is offshore wind in Europe and onshore wind in North America. After we complete London Array, we'll have three projects—including Amrumbank West off Germany's North Sea coast—in our pipeline. We're already systematically applying our less-capital-more-value approach to our renewables business. A good example is the planned sale of a stake in three wind farms in the United States to a Danish pension fund.

Alongside our wind business in North America, our power generation business in Russia is the most developed of our operations outside Europe. E.ON Russia has the most efficient assets in that country's power market. And these assets are located in regions with solid economic growth and rising energy demand. Four state-of-the-art combined-cycle gas turbines with an aggregate capacity of 1.6 GW have entered service at Shatura, Yaiva, and Surgut 2 power stations. We invested a total of €1.8 billion in these assets. And we have another big new-build project under way: a new 800 MW coal-fired generating unit at Berezovskaya power station in Krasnoyarsk territory which will be completed in 2014. Last year we laid the foundation for additional growth in two new, fast-growing markets by forming joint ventures in Brazil and Turkey. Both involve existing portfolios that we're helping to develop right from the start. We intend for our joint venture with Turkey's Sabanci Holding to have a 10-percent share of Turkey's generation market by 2020. And our joint venture with MPX in Brazil is also moving forward to develop generation projects that will deliver increasing earnings streams starting in the second half of this decade. Our first jointly developed asset is scheduled to enter service this autumn.

Let's not fool ourselves: our company is operating in a difficult business environment. This is reflected in E.ON's stock performance, which in 2012 was unsatisfactory for all of us. The anticipated earnings shortfalls resulting from market changes and dislocations won't be offset overnight.

But we shouldn't overlook the fact that from a strategic and operational perspective we made noteworthy progress in 2012. Our goal is still to rank among the best companies in our industry. You can be sure that we're doing everything we can to put our company back on course for success.

On behalf of my colleagues on the Board of Management, I'd like to take this opportunity to thank for the trust you've shown us in these difficult times. I'd also like to thank our employees who worked particularly hard for E.ON last year.

Best wishes,

Dr. Johannes Teyssen

Report of the Supervisory Board

Dear Shareholders,

The global economic and financial situation remained extremely difficult in 2012, and the energy industry underwent further far-reaching changes.

In the 2012 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 discussed in depth the consequences of its continually changing energy-policy and economic environment.

We advised the Board of Management regularly about the Company's management and continually monitored the Board of Management's activities, assuring ourselves that the Company's management was legal, purposeful, and orderly. We were closely involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Board of Management's reports. At the E.ON AG Supervisory Board's three regular meetings and two extraordinary meetings and at the E.ON SE Supervisory Board's three meetings in the 2012 financial year, we addressed in depth all issues relevant to the Company. All E.ON AG Supervisory Board members attended all meetings with the exception of two members who were unable to attend one meeting each. E.ON SE Supervisory Board meetings were attended by all members who had already been appointed to the Supervisory Board by time of the respective meeting with the exception of one member who was unable to attend one meeting. The Board of Management regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Supervisory Board and its committees, we had sufficient opportunity to actively discuss the Board of Management's reports, motions, and proposed resolutions. We voted on such matters when it was required by law, the Company's Articles of Association, or the Supervisory Board's policies and procedures. The Supervisory Board agreed to the resolutions proposed by the Board of Management after thoroughly examining and discussing them.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of Board of Management throughout the entire financial year. In fulfillment of his duties, the Chairman of the Supervisory Board also maintained contact with the members of the Supervisory Board outside of board meetings. The Supervisory Board was therefore continually informed about the current operating performance of the major Group companies, significant business transactions, the development of key financial figures, and relevant decisions under consideration.

Corporate Strategy

We carefully scrutinized the main aspects of the E.ON Group's strategic development and related investment and divestment projects and discussed these matters thoroughly with the Board of Management.

The Board of Management reported on a regular basis and in detail about the implementation of the new strategic course the E.ON Group set in November 2010, particularly in view of Germany and Europe's altered energy-policy environment and the further deterioration of Europe's economic situation resulting from the unresolved sovereign debt crisis and its impact on the economy. One of the forums for this was the Supervisory Board's two-day strategy session in August 2012, at which our thorough discussions with the Board of Management centered on the opportunities and risks of different alternatives for each business in light of its respective competitive environment. E.ON's "cleaner & better energy" strategy remains valid. In close consultation with the Supervisory Board, the Board of Management is implementing, continually refining, and further articulating this strategy.

In this regard, the Board of Management informed us in particular about E.ON's activities to expand its renewables capacity, about opportunities in the distributed generation business, and about planned activities outside Europe. With regard to the third point, the main topics were the creation of a joint venture with Brazil's MPX and the transactions that related to E.ON's entry into the Turkish market, which the Supervisory Board approved. We were also informed in a timely manner about other growth options.

The Board of Management presented detailed information about other measures to optimize E.ON's portfolio as part of the implementation of its corporate strategy. These included the sale of E.ON's gas transmission system operator in Germany (Open Grid Europe, or "OGE") and its stakes in a regional utility in Germany (E.ON Thüringer Energie AG), an energy company in Slovakia (Slovenský Plynárenský Priemysel a.s., or "SPP"), and a nuclear power development project in the United Kingdom (Horizon Nuclear Power). The Board of Management also informed us in detail about the sale of E.ON's 51-percent stake in waste-incineration company E.ON Energy from Waste AG and the planned sale of 50-percent stakes in three wind farms in the United States as well as the sale of other equity interests. When required, the Supervisory Board approved these transactions.

Finally, the Supervisory Board discussed the efforts to secure E.ON's competitiveness in view of the deteriorating economic and policy environment. These discussions focused in particular on the implementation and the periodic status of E.ON 2.0, a restructuring program launched in August 2011. In 2012 this program already delivered substantial organizational changes and cost reductions relative to 2010, in part through significant staff reductions. This will ensure that E.ON achieves lasting reductions in its controllable costs, thereby enhancing its performance in an enduring way. The E.ON Group's medium-term objective is for the performance of its operational and administrative functions to rank in the top quartile of its industry.

E.ON AG's Transformation into a European Company

We thoroughly discussed E.ON AG's transformation into a European Company (Societas Europaea, or "SE"). The SE offers European companies the opportunity to incorporate themselves in a form recognized across the EU. At the recommendation of the Board of Management and the Supervisory Board, the E.ON Annual Shareholders Meeting approved the transformation with more than 99 percent of the votes cast. E.ON's transformation into an SE became official on November 15, 2012, when it was entered into the commercial register of the Düsseldorf district court.

E.ON is the fourth SE in the DAX, Germany's blue-chip stock index. By establishing a leaner governance setup, the transformation aims primarily to make the Supervisory Board's work more efficient and effective. In addition, the new form of incorporation and the Supervisory Board's broad European representation underscore E.ON's decidedly international identity. The transformation also reduced the size of the Supervisory Board from 20 to 12 members while maintaining equal representation of shareholders and employees.

Business Situation and Energy-Policy Environment, Medium-Term Plan, and Legal Proceedings

We discussed in detail the business situation of E.ON Group companies in relation to developments in national and international energy markets, about which the Board of Management continually informed us. The full Supervisory Board discussed E.ON AG/SE's and E.ON Group's current asset, financial, and earnings situation, workforce developments, and earnings opportunities and risks. In our discussions of the E.ON Group's medium-term plan, the Supervisory Board took note of the plan for 2013-2015 and, together with the Board of Management, discussed how the Company would proceed.

We discussed the impact of several factors—Europe's economic performance as it relates to the ongoing sovereign debt crisis in Europe, the continuance of a variety of forms of government intervention and their lasting impact on the energy business across Europe, and the continued tepid global economy—on E.ON's business situation. We also discussed current developments in markets relevant for E.ON, the development of global fuel prices and of power prices, and growing overcapacity in the generation business in Germany and other E.ON core markets, as well as the further consequences for E.ON's overall business resulting from its significantly altered business environment due to the transformation of Germany's energy system. In addition, the Board of Management informed us about the current status of negotiations with gas producers regarding the terms of long-term gas supply contracts.

Furthermore, the Board of Management informed us about the scope of E.ON's use of derivative financial instruments and how the regulation of these instruments will affect E.ON's business. We also discussed E.ON's ratings situation with the Board of Management. In addition, the Board of Management informed us regularly about developments in E.ON's individual markets and the resulting need to record impairment charges. In this regard, we thoroughly discussed the impact on E.ON's business environment in the context of a further deterioration of the long-term development of power prices, the future capacity utilization of power plants, and increasingly interventionist regulatory and fiscal policies.

A key topic of the Supervisory Board's discussions was also the current status of the appeal to Germany's Constitutional Court regarding the amended Atomic Energy Act. This included discussions of the reasons for the legal action taken against the laws and ordinances relating to the transformation of Germany's energy system. On a regular basis, we also dealt thoroughly with the current status of the legal disputes relating to the construction of a new generating unit in Datteln, Germany. The Board of Management made periodic and detailed presentations about ongoing antitrust proceedings and investigations by the European Union. Furthermore, we thoroughly discussed the increasing instances of policy and regulatory intervention by governments of European countries like Italy, Spain, Sweden, Hungary, and the Netherlands.

Corporate Governance

In the 2012 financial year we again had intensive discussions about the implementation of the recommendations of the German Corporate Governance Code ("the Code").

The Supervisory Board dealt with recurring matters of Board of Management compensation and, as part of its review of the Board of Management's compensation plan, passed a resolution partially altering the plan's variable components. Consequently, together with the Board of Management, on March 13, 2012, we issued an updated declaration of compliance in view of the Company's deviation from the Code's recommendation that there should be no retroactive changes to performance targets or benchmark parameters used to determine the Board of Management's compensation. The Compensation Report on pages 83 to 92 contains detailed information about the matters of Board of Management compensation behind the decision that necessitated the updated declaration.

On December 10, 2012, in the annual declaration of compliance issued at the end of the year, we and the Board of Management declared that E.ON, with the above-described exception, has complied with the recommendations of the Code dated May 15, 2012. Furthermore, we declared that E.ON complied with the recommendations of the Code dated May 26, 2010, from the last annual declaration on December 12, 2011, until the updated declaration on March 13, 2012, with one exception and since then additionally with the above-described exception. The other exception is that the compensation scheme for the Supervisory Board that took effect at the start of the 2011 financial year does not contain performance-related compensation. The new version of the Code dated May 15, 2012, no longer contains this recommendation; consequently, deviation from the new version of the Code does not need to be declared. The current version of the declaration of compliance is in the Corporate Governance Report on page 77; updates as well as earlier versions are published on the Internet at www.eon.com.

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

Furthermore, the Supervisory Board discussed the results of its efficiency review. In this context, training and advanced-training sessions on selected issues were conducted for Supervisory Board members. The new members who joined the Supervisory Board in 2012 received comprehensive information to prepare them for their new duties and participated in an advanced-training session where they were informed about their rights and obligations and about current developments.

Finally, in view of the Company's transformation into an SE and the resulting decrease in the Supervisory Board's size, the Supervisory Board adjusted the targets for its composition that had first been set in December 2010 with regard to Item 5.4.1 of the Code. The targets and the status of their achievement are described in the Corporate Governance Report on pages 80 and 81.

Committee Work

To fulfill its duties carefully and efficiently, the Supervisory Board of E.ON AG/SE created the committees described in greater detail below. Information about the committees' composition is in the Corporate Governance Report on pages 81 and 82. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to pass resolutions on certain matters. Chairpersons report to the full Supervisory Board, periodically and without delay, about the agenda and results of their respective committee's meetings.

The Executive Committee of E.ON AG met five times, that of E.ON SE once. Attendance was complete at all meetings. In particular, this committee prepared the meetings of the full Supervisory Board. Among other things, it prepared matters relating to Board of Management compensation, thoroughly reviewed the Board of Management's compensation plan, and did comprehensive preparatory work for the Supervisory Board's resolutions on this matter. In addition, it thoroughly discussed E.ON AG's transformation into an SE and all related issues, including the transformation documents and E.ON SE's Articles of Association as well as the policies and procedures of the Supervisory Board and its committees.

The Mediation Committee (pursuant to Section 27, Paragraph 3, of Germany's Codetermination Act) consists of the same members as the Executive Committee. It did not meet in 2012. Its existence ended with the Company's transformation into an SE.

At its one meeting the Nomination Committee prepared the recommendation for the Annual Shareholders Meeting for the election of the shareholder representatives. All members of the committee attended this meeting. In recommending candidates for election to the Supervisory Board, the Nomination Committee took into consideration the requirements of Germany' Stock Corporation Act, the Code, the Supervisory Board's policies and procedures, and the targets the Supervisory Board set for its composition, thereby ensuring that Supervisory Board members and the Supervisory Board as a whole have the knowledge, skills, and professional experience necessary to carry out their duties properly.

The Finance and Investment Committee of E.ON AG held four meetings, that of E.ON SE one. Attendance was complete at all meetings. The matters addressed by the committee included the formation of a joint venture with Brazilian company MPX, the sale of OGE, the sale of a stake in E.ON Energy from Waste, the sale of stakes in E.ON Thüringer Energie in Germany and SPP in Slovakia, and status reports on E.ON's entry into the Turkish market. In particular, the committee also prepared resolutions on transactions requiring the Supervisory Board's approval or, for matters on which it had the authority, made the decision itself. Furthermore, it discussed in depth with the Board of Management the results of two post-completion audits of investments in renewables made in 2007.

The Audit and Risk Committee met four times. Attendance was complete at all meetings. With due attention to the Independent Auditor's Report and in discussions with the independent auditor, the committee devoted particular attention to the 2011 Financial Statements of E.ON AG (prepared in accordance with the German Commercial Code) and the E.ON Group's 2011 Consolidated Financial Statements and 2012 Interim Reports of E.ON AG (prepared in accordance with International Financial Reporting Standards, or "IFRS"). The committee discussed the recommendation for selecting an independent auditor for the 2012 financial year 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 Code's recommendations. 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 relation to the accounting process. In addition, the committee thoroughly discussed the Combined Group Management Report and the proposal for appropriating income available for distribution and prepared the relevant recommendations for the Supervisory Board and reported to the Supervisory Board. In this context, the committee also discussed in detail the progress of significant investment projects as well as the results of the goodwill impairment tests and the necessary impairment charges. Other matters dealt with by the committee included the testing and quality control of E.ON's risk management system. The committee focused on the Company's risk-monitoring organization as well as its risk situation and ability to bear risk, in particular counterparty, liquidity, country, market, and operational risks. It did this by working with the independent auditor and by examining documents that included reports from the Company's risk committee. The committee also discussed the work done by internal audit including the audit plan in 2012 and the audit priorities for 2013. Furthermore, the committee discussed the compliance report and E.ON's compliance system, as well as other issues related to auditing. The Board of Management also reported on ongoing proceedings and on legal and regulatory risks for the E.ON Group's business, the investigation of a fraud case at E.ON Energy Trading SE, and other current tax and insurance issues.

Examination and Approval of the Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Appropriating Income Available for Distribution

PricewaterhouseCoopers Aktiengesellschaft, 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, 2012. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON SE from the requirement to publish Consolidated Financial Statements in accordance with the German Commercial Code.

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

At the Supervisory Board's meeting on March 12, 2013, we thoroughly examined—in the presence of the independent auditor and with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—E.ON SE's Financial Statements, Consolidated Financial Statements, Combined Group Management Report, and the Board of Management's proposal regarding the appropriation of net income available for distribution. The independent auditor was available for supplementary questions and answers. We found no reasons, including after the conclusion of our examination, for objections regarding these documents. We therefore noted with approval the Independent Auditor's Report.

We approved the Financial Statements of E.ON SE prepared by the Board of Management and the Consolidated Financial Statements. The Financial Statements are thus adopted. We agree with the Combined Group Management Report and, in particular, with its statements concerning E.ON's future development.

We examined the Board of Management's proposal for appropriating income available for distribution, which includes a cash dividend of €1.10 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. The proposal is in the Company's interest with due consideration for the shareholders' interests. After examining and weighing all arguments, we agree with the Board of Management's proposal for appropriating income available for distribution.

Personnel Changes on the Board of Management and Supervisory Board

There were no personal changes on the Board of Management in the 2012 financial year. As part of E.ON AG's transformation into an SE, the members of the E.ON AG Board of Management were appointed as members of the E.ON SE Board of Management.

E.ON AG's transformation into an SE did not alter the equal representation of shareholder and employee representatives on the Supervisory Board. But it did reduce the Supervisory Board's size from 20 to 12 members and led to personnel changes. Werner Wenning, Baroness Denise Kingsmill, Prof. Dr. Ulrich Lehner, René Obermann, Dr. Karen de Segundo, and Dr. Theo Siegert had already been elected as shareholder representatives at the 2012 Annual Shareholders Meeting. In October 2012 Erhard Ott, Gabriele Gratz, Eugen-Gheorghe Luha, Klaus Dieter Raschke, Eberhard Schomburg, and Willem Vis were appointed to the Supervisory Board as employee representatives. The shareholder representatives on the E.ON SE Supervisory Board were elected or appointed to serve only until the conclusion of the Annual Shareholders Meeting that resolves whether to approve the Board of Management's actions during the 2012 financial year. The employee representatives were appointed for the Supervisory Board's next term of service as well.

Mr. Wenning, the Chairman of the E.ON AG Supervisory Board, was elected Chairman of the E.ON SE Supervisory Board. On the recommendation of the shareholder and employee representatives, respectively, Prof. Dr. Lehner and Mr. Ott were appointed to serve as Deputy Chairmen.

There were the following changes on the committees. Pursuant to the Supervisory Board's policies and procedures, Mr. Wenning, Prof. Dr. Lehner, and Mr. Ott are members the Executive Committee; Mr. Raschke was elected as the committee's fourth member. Mrs. Gratz, Dr. de Segundo, Mr. Vis, and Mr. Wenning were elected members of the Finance and Investment Committee. Dr. Siegert, Mr. Raschke, Mr. Schomburg, and Mr. Wenning were elected members of the Audit and Risk Committee. Pursuant to the Supervisory Board's policies and procedures, Mr. Wenning and Prof. Dr. Lehner are members of the Nomination Committee; Dr. de Segundo was elected as the committee's third member.

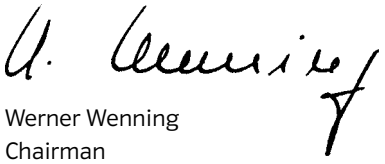
With E.ON AG's transformation into E.ON SE, the following shareholder representatives ended their service on the Supervisory Board: Bård Mikkelsen, Ulrich Hocker, Dr. Henning Schulte-Noelle, and Dr. Georg Freiherr von Waldenfels. We would like to take this opportunity to thank them for their service to the Company. Over the course of many years, E.ON (and in some cases its predecessor entities, VEBA and VIAG) benefited from their wise counsel and business acumen.

On the employee-representative side, Werner Bartoschek, Sven Bergelin, Oliver Biniek, Hans Prüfer, Dr. Walter Reitler, and Hans Wollitzer ended their service on the Supervisory Board with the transformation into E.ON SE. We would like to take this opportunity to thank them for their work on the Supervisory Board and their steadfast dedication.

The Supervisory Board wishes to thank the Board of Management, the Works Councils, and all the employees of the E.ON Group for their dedication and hard work in the 2012 financial year.

Düsseldorf
March 12, 2013
The Supervisory Board

Best wishes,



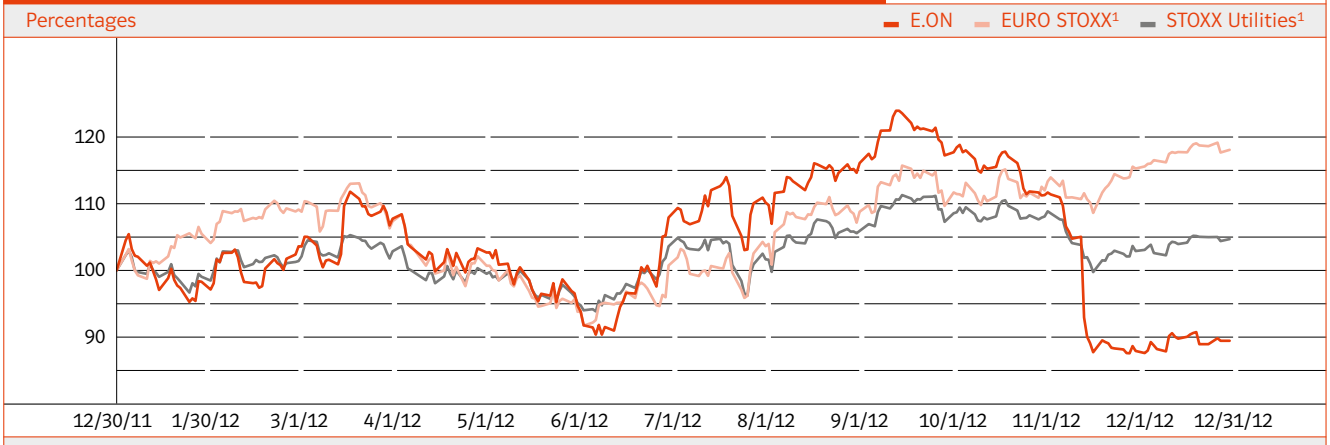
Werner Wenning
Chairman

E.ON Stock

E.ON Stock in 2012

At the end of 2012, E.ON stock (factoring in reinvested dividends) was 11 percent below its year-end closing price for 2011, thereby underperforming its peer index, the STOXX Utilities (+5 percent over the same period) and the EURO STOXX 50 index (+18 percent).

E.ON Stock Performance (Factoring in Reinvested Dividends)



[1]Based on the performance index.

Ten-Year Performance of E.ON Stock

Investors who purchased €5,000 worth of E.ON stock at the end of 2002 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment increase to €9,446 by the end of 2012, which represents an average annual return of 6.6 percent. E.ON stock thus slightly underperformed the STOXX Utilities (+6.9 percent) but outperformed the EURO STOXX 50 (+4.0 percent).

Development 2002–2012

	+/- %
E.ON	+89
STOXX Utilities	+95
EURO STOXX	+49

E.ON Stock Key Figures[1]

€ per share	2012	2011
Earnings attributable to the shareholders of E.ON SE	1.16	-1.16
Earnings from underlying net income	2.20	1.31
Dividend[2]	1.10	1.00
Dividend payout (€ in millions)	2,097	1,905
Twelve-month high[3]	19.52	25.11
Twelve-month low[3]	13.80	12.88
Year-end closing price[3]	14.09	16.67
Number of shares outstanding (in millions)	1,906	1,905
Market capitalization[4] (€ in billions)	26.9	31.8
E.ON stock trading volume[5] (€ in billions)	39.6	57.4

[1]Adjusted for discontinued operations.
[2]For the respective financial year; the 2012 figure is management's proposed dividend.
[3]Xetra.
[4]Based on ordinary shares outstanding.
[5]On all German stock exchanges, including Xetra.

Dividend

At the 2013 Annual Shareholders Meeting, management will propose a cash dividend of €1.10 per share for the 2012 financial year (prior year: €1). The payout ratio (as a percentage of underlying net income) would be 50 percent compared with a ratio of 76 percent in the prior year. Based on E.ON stock's year-end 2012 closing price, the dividend yield is 7.8 percent.

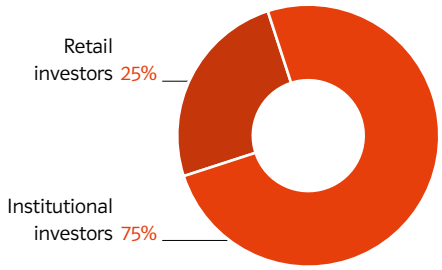
Dividend per Share

[1]Payout ratio not adjusted for discontinued operations.

Shareholder Structure

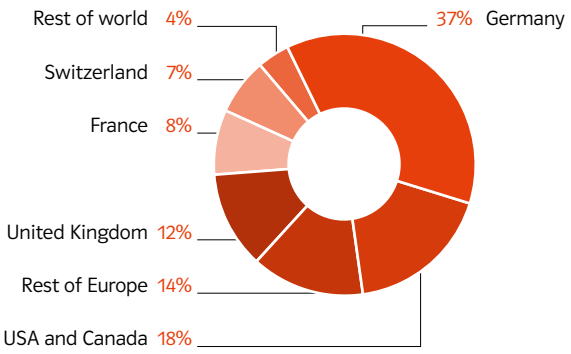
Our most recent analysis shows that we have roughly 75 percent institutional investors and 25 percent retail investors. Investors in Germany hold about 37 percent of our stock, those outside Germany about 63 percent.

Shareholder Structure by Group[1]



[1]Percentages based on total investors identified.
Sources: Share register (as of January 31, 2013), Thomson Reuters (as of December 31, 2012).

Shareholder Structure by Country/Region[1]



[1]Percentages based on total investors identified.
Sources: Share register (as of January 31, 2013), Thomson Reuters (as of December 31, 2012).

Investor Relations

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

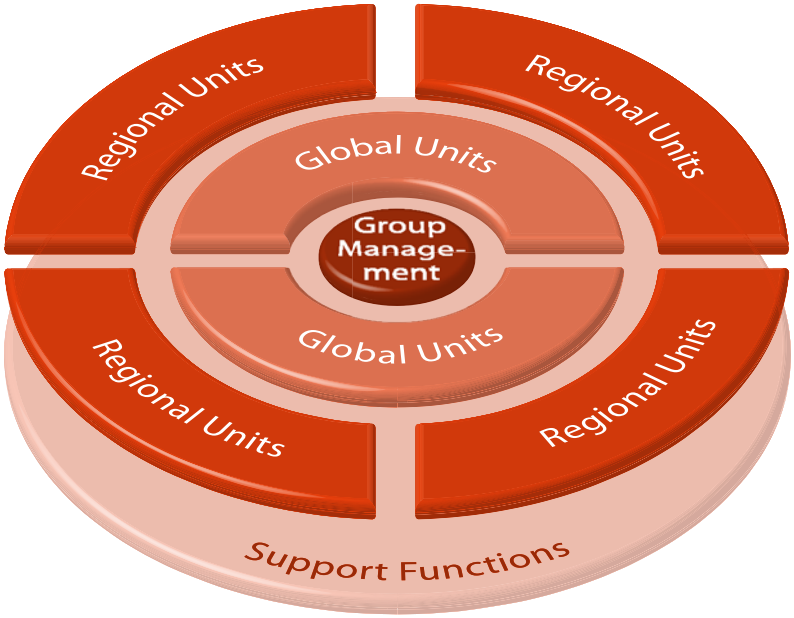
The 2012 financial year was again characterized by considerable structural challenges in our market environment in Europe. The year saw yet another dramatic deterioration of long-term earnings prospects, particularly in conventional power generation in Europe. In view of these developments, in November 2012 we withdrew our 2013 forecast as well as our medium-term earnings forecast through 2015. During the next two months we carefully analyzed each of our businesses, assessed their respective opportunities and risks, and used this information to design a new medium-term plan. Soon afterwards we presented the main results of this review to analysts and investors at our Capital Market Day at the end of January 2013.

Our significantly lower forecast for 2013 shows that E.ON is not immune to the difficult market environment in Europe. However, key components of our strategy remain valid. We have set clear priorities for our investments and, relative to our last medium-term plan, have significantly reduced our total investments. We will systematically deliver the cost reductions and efficiency improvements we announced last year. We will selectively develop particularly attractive and value-enhancing growth businesses. In particular, we intend to seize opportunities in renewables, distributed-energy solutions, and our growth platforms outside Europe to create new sources of future earnings.

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

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

- EBITDA and underlying net income surpass prior-year figures
- Operating cash flow up significantly
- Management to propose dividend of €1.10 per share
- 2013 EBITDA expected to be between €9.2 and €9.8 billion



Corporate Profile

Business Model

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

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

Group Management

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

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

E.ON International Energy's mission is to work with local partners to develop renewable and conventional generating capacity in attractive, fast-growing regions outside Europe. In addition, we intend to selectively expand our distributed-generation business in Europe, which is why we founded a new entity called E.ON Connecting Energies in 2012. Its mission is to provide our customers with all-in-one distributed-energy solutions. Both of these entities are currently part of Group Management.

Organizational Changes

In conjunction with our E.ON 2.0 program, we initiated far-reaching organizational changes in the second half of 2011. We continued, and in some cases completed, this process in 2012. Among these changes was the combination of the Trading segment and parts of the Gas segment into a new segment called Optimization & Trading. This change took effect on January 1, 2012. In addition, the Exploration & Production division, which was part of the Gas segment until the end of 2011, is now its own segment. Prior-year figures were adjusted accordingly.

Global Units

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

Four of our global units are reporting segments: Generation, Renewables, , Optimization & Trading, and Exploration & Production. A fifth, New Build & Technology, is reported under Group Management.

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

Generation

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

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

Renewables

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

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, our Optimization & Trading global unit buys and sells electricity, natural gas, liquefied natural gas, oil, coal, freight, biomass, and carbon allowances. It also manages and develops assets at several phases of the gas value chain, such as pipelines, long-term supply contracts, and storage facilities.

Exploration & Production

E.ON E&P is a growth business with good prospects for the future. It operates in four focus regions: the U.K. and Norwegian North Sea, Russia, and North Africa.

Regional Units

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

Our regional units in 2012 were Germany, the United Kingdom, Sweden, Italy, Spain, France, Benelux, Hungary, Czechia, Slovakia, Romania, and, until the end of June, Bulgaria.

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

Strategy and Objectives

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

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

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

E.ON's transformation will not happen overnight but is all the more important and urgent in light of the substantial challenges faced by our business in Europe. Power and gas markets remain oversupplied, government regulation and intervention continue to increase. The principles of market integration and competition are becoming progressively less prominent. In addition, our business is affected in a lasting way by Germany's decision to transform its energy system and to accelerate the phaseout of nuclear energy as well as by the euro zone and Europe's relapse into recession. It is also affected by technological developments, such as the significant decrease in the manufacturing costs of equipment for renewable-source power generation.

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

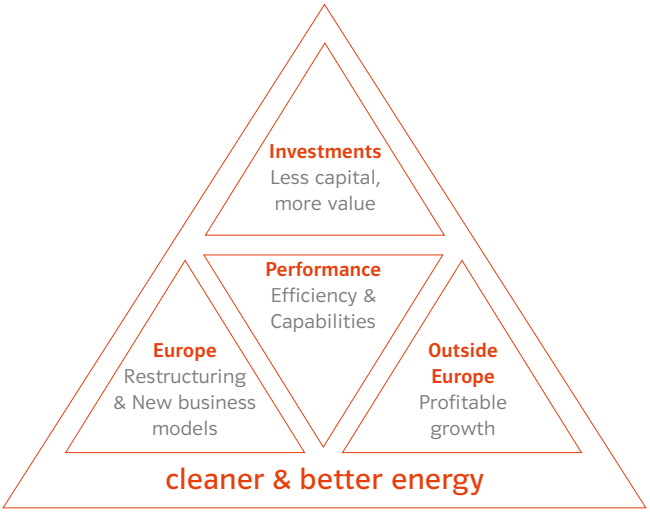
Strategic Focus Areas

All our activities have a shared objective: we want energy to be cleaner and better. We are convinced that affordability, security of supply, and climate protection can be mutually compatible elements of a successful business strategy, even in economically difficult times.

In the years ahead we will adjust E.ON's business portfolio even more stringently in line with our strategy, thereby propelling E.ON's transformation toward a well-balanced portfolio and improved profitability. Our main focus will be on expanding our operations in renewables, power generation outside Europe, and distributed-energy solutions. These are the areas in which we see significant market opportunities and can capitalize on our capabilities. We will therefore direct our new growth investments at these businesses. We will sharpen the focus of our position in Europe. To achieve this, we will concentrate on existing and new business models in which we can leverage our expertise into attractive returns. In 2010 we announced that we would divest €15 billion worth of businesses by the end of 2013 in order to propel E.ON's transformation and to increase our financial flexibility. By the end of 2012 we had already made about €14 billion of divestments.

Another key focus area will be performance and competitiveness, which are decisive success factors in an increasingly demanding market environment. We are committed to making our organizational setup and processes significantly more efficient in order to achieve lasting cost savings. In parallel, we intend to further enhance our operating performance and sharpen our innovative edge in order to react more swiftly to market changes.

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



Europe

Europe is and will remain our home market. The transformation of Europe's energy system continues to offer us attractive growth opportunities in renewables and distributed energy. Nevertheless, many of our businesses in Europe face increasing instances of policy and regulatory intervention. This applies in particular to our conventional generation business, whose business model had been based on a liberalized EU-wide internal market for energy. In view of the increasingly difficult market environment, we will continue to systematically assess the profitability of our businesses in Europe, to optimize them, and to sharpen their focus. With these factors in mind, we have set the following course for these businesses:

A key focus of our growth in Europe is renewables, primarily onshore and offshore wind but also solar and biomass. At the end of 2012 we had almost 2.1 GW (prior year: just under 2 GW) of installed capacity in these technologies in Europe. In the years ahead E.ON will continue to rapidly expand its renewable capacity on an industrial scale. In doing so, we strive to further reduce the specific costs of renewables relative to conventional technologies, helping to make renewables increasingly competitive. Focusing exclusively on the best locations and partners will ensure that our projects yield attractive returns.

Alongside renewables, competitive conventional generation assets will remain an important part of E.ON's business in Europe. In principle, operationally flexible conventional generating capacity ideally supplements the steadily increasing proportion of renewables in the energy mix and ensures a reliable power supply even on cloudy, windless days. However, the conventional power generation business in Europe currently faces substantial margin pressure owing to the massive, publicly supported expansion of renewables, overcapacity resulting from the economic crisis, and low wholesale prices. In this environment the profitability of even the most technologically advanced gas-fired power plants is questionable, at least in the near term. In addition, the growing dominance of national energy-policy agendas is making it increasingly difficult to conduct cross-border dispatch planning and marketing of conventional power generation assets in a manner consistent with an EU-wide internal energy market. In the years ahead E.ON will therefore focus on optimizing its existing conventional generation portfolio to enhance its competitiveness. This includes the decommissioning of some power plants. At the same time, we will advocate, on a national and European level, the creation of a regulatory framework that ensures that power plants remain economic to operate—and that the power supply remains reliable—well into the future.

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

We merged our gas-supply, gas-storage, and LNG operations with our energy trading business. This will enable us to better realize existing synergy potential and to ensure maximum value creation through the integrated optimization and marketing of E.ON's assets and contracts. The successful adjustment of our long-term gas supply contracts to reflect new market realities remains a strategic priority. The agreement we reached with Gazprom in 2012 means that we have successfully renegotiated all our oil-indexed, long-term gas contracts, thereby achieving an important milestone in restoring their profitability.

In gas and oil production, we intend to focus on organic growth in the North Sea and on continual performance improvements.

We intend to enhance the competitiveness of our sales business by making our organizational setup and processes even more efficient and by offering innovative power, gas, and heat products. We aim to selectively expand our distributed-energy business and have accordingly made it a strategic development focus. Our regional units and a new entity we created in mid-2012, E.ON Connecting Energies, are moving forward to develop this business, which is one of the fastest-growing segments in the energy industry. E.ON Connecting Energies focuses on providing our customers with comprehensive distributed energy solutions. The package includes on-site power generation, energy-management services, heating and cooling, energy efficiency, and the optimal integration of customers' on-site energy systems into the wholesale energy market.

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

Outside Europe

European countries are concentrating on the ambitious goal of transforming their energy systems, whereas other parts of the world are experiencing strong demand growth and therefore need to add a huge amount of technologically advanced generating capacity. We have outstanding expertise in planning, building, and operating conventional and renewable generating facilities. We intend to increasingly profit from this expertise outside Europe as well. To do this, we are not only developing our existing businesses in Russia and North America but also expanding into other attractive, fast-growing regions.

Our operations in North America focus on renewables, particularly the development and operation of large onshore wind farms. We will continue to develop our current position, which consists of more than 2.5 GW (prior year: 2.2 GW) of installed capacity, in accordance with the policy and regulatory framework, which will continue to subsidize wind and solar energy.

Our strategic focus in Russia is on the successful completion of our conventional power new-build program. We have already commissioned four state-of-the-art gas-fired generating units and will complete the construction of a 0.8 GW coal-fired unit by 2014. Our entire new-build program offers attractive returns and is making an important contribution to the modernization of power generation in Russia. We are also exploring whether to offer distributed-generation solutions to large customers.

We reached important milestones in executing our strategy to expand into new regions. In April 2012 MPX, the energy subsidiary of Brazil's EBX Group, and E.ON signed the contracts to form a strategic partnership in the Brazilian energy market. We and our partner each hold 50 percent of the joint venture, which they intend to become Brazil's largest privately owned energy company. The joint venture plans to develop conventional and renewable generation projects with a total capacity of around 20 GW.

In late 2012 E.ON reached an agreement with the Sabanci Group, one of Turkey's largest financial and industrial conglomerates, to form an energy partnership for the fast-growing Turkish market. The agreement involved E.ON acquiring a 50-percent stake in Enerjisa, a Turkish energy company, from Austria's Verbund. Sabanci owns the other 50-percent stake in Enerjisa. Enerjisa's current generation portfolio consists of approximately 1.7 GW of installed gas, hydro, and wind capacity, with 2 GW under construction and 1.5 GW in development. It also has a power distribution and sales business in the Ankara region that serves about 3.5 million customers. We and our partner aim to have about 8 GW of installed capacity by 2020, which would give us at least a 10-percent share of Turkey's power market.

Performance

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

To enhance our performance, in August 2011 we launched the E.ON 2.0 program. Its objective is to reduce E.ON's controllable costs from roughly €11 billion in 2011 to €9.5 billion (adjusted

for divestments, this figure is now €8.3 billion) by 2015 at the latest in order to give us greater flexibility for investments. It also aims to simplify E.ON's organizational setup in order to speed up our decision-making. The third objective is to reduce our administrative apparatus to the absolute minimum in order to put our operating business at the center of what we do. E.ON 2.0 is making swift progress and already achieved lasting cost savings in 2012.

E.ON 2.0 addresses four key areas: changes to our organizational setup, leaner administrative functions, improvements in procurement, and operational excellence. The specific savings potential for each of these areas was identified in 2011. In a process that involved employee representatives and our line organizations, in 2012 this saving potential was articulated in greater detail in more than 50 projects and several thousand individual measures. Nearly all of these measures have been handed over to our line organizations for implementation; all will be completely implemented by the end of 2014 at the latest.

On the organizational side, E.ON 2.0 aims to create a lean, transparent organizational setup with flat hierarchies. This will involve significantly reducing the number of legal entities in the E.ON Group that have complex hierarchical structures. Important steps—such as the streamlining of Group Management, the reorganization of the Germany regional unit (including the closure of the Brienner Straße office building in Munich), the combination of E.ON Energy Trading and E.ON Ruhrgas, and organizational improvements in our generation business—are in preparation or having already been taken. We also took a decisive step forward in separating management functions from administrative support functions. Our management functions were substantially optimized by being bundled at the Group Management level.

On the administrative side, the program aims to streamline and consolidate IT and a number of other support functions. We want to be one of the most highly ranked companies in our industry in terms of efficiency. To help us get there, we defined targets based on the benchmarking of several corporate functions (finance, HR, procurement, and shared services) we had conducted in the summer of 2011. We will combine certain functions (such as legal affairs, taxes, and certain HR functions) in Centers of Competence, which will make business and decision-making processes leaner and faster. Another goal of E.ON 2.0 is to combine into separate entities those support functions that offer considerable potential for standardization and thus for synergy effects. The launch of a Business Service Center in Cluj, Romania, represents an important milestone in this effort.

On the procurement side, the program aims to increase the efficiency and effectiveness of E.ON's entire procurement organization. E.ON 2.0 will help create functionally and operationally overarching procurement teams that can systematically leverage scale and synergy effects. Achieving procurement advantages through price negotiations, specification adjustments, and demand reduction is an important part of our effort to meet our cost-reduction targets.

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

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

Investments

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

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

We will take a variety of approaches to getting more value growth from less capital. For example, in renewables we will no longer necessarily be both operator and sole owner of wind farms. Instead, for projects where we find interested partners to be co-owners, we intend to concentrate on making our money through wind-farm design, planning, construction, and operation. The planned sale of a stake in three wind farms in the United States in 2012 was an important step in implementing this strategy.

Our less-capital-more-value approach will apply even more in new markets, where capital is available. What we will bring to the table is our expertise in building and operating various generation technologies as well as our understanding of global wholesale markets. Consequently, in our new markets outside Europe we work with financially strong partners who have good local connections and who are interested in our know-how. The idea behind this new strategy is for us to focus more on activities and process steps in which we are a world leader and in which the potential for value creation is high.

We have high expectations for our planned investments for the period 2013-2015. In times of limited capital, it is essential to seize the most profitable opportunities in the market. We are therefore applying even stricter investment discipline and expect new growth projects, such as our planned offshore wind farms in Europe, to deliver a return significantly above their cost of capital.

Management System

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

Our key figure for purposes of internal management control and as an indicator of our business units' long-term earnings power is earnings before interest, taxes, depreciation, and amortization ("EBITDA"), which we adjust to exclude certain extraordinary items. These items include net book gains, restructuring expenditures, impairment charges, and non-operating earnings (which include, among other items, the marking to market of derivatives). Consequently, EBITDA is unaffected by investment and depreciation cycles and also provides an indication of our cash-effective earnings (see the commentary on pages 43 and 44 of the Combined Group Management Report as well as in Note 33 of the Consolidated Financial Statements).

A key objective of our finance strategy is for E.ON to have an efficient capital structure. We monitor our capital structure by means of our debt factor, which is equal to our economic net debt divided by EBITDA (for more information, see the section entitled Finance Strategy on page 45). We actively manage our capital structure. If our debt factor is significantly above our target, it would be necessary for us to maintain strict investment discipline. We might also take additional countermeasures.

Alongside EBITDA, which is our main financial indicator for purposes of internal management control, this Combined Group Management Report includes other financial and non-financial performance indicators to highlight aspects of our business performance. However, they are not the focus of the ongoing management of our businesses.

For example, return on average capital employed ("ROACE") and value added serve as indicators to the value performance of our operating business (for more information, see the section entitled ROACE and Value Added on pages 51 and 52). ROACE is a pretax total return on capital and measures the sustainable return on invested capital generated by operating a business. ROACE is equal to our EBIT divided by average capital employed. Value added measures the return that exceeds the cost of capital employed. It is equal to ROACE minus cost of capital multiplied by average capital employed.

Technology and Innovation

The ability to recognize new developments and innovations early and to systematically improve existing assets, operations, and products is essential for the future viability of every company. At E.ON, the Technology and Innovation ("T&I") department at Group Management is responsible for addressing these challenges. Fourteen E.ON Innovation Centers ("EICs"),

which are embedded in our existing businesses and steered by the T&I department, coordinate activities in their respective technology area across our entire company:

- Conventional generation (four EICs): improve our existing generation fleet and optimize future investments
- Renewables generation (two EICs): increase the cost-effectiveness of existing wind and hydro assets and study new renewables technologies
- Infrastructure and distribution (three EICs): develop energy-storage and energy-distribution solutions for an increasingly decentralized and volatile generation system
- Retail and end-customer applications (three EICs): develop new business models for distributed generation and mobility
- Energy intelligence and energy systems (two EICs): study potentially fundamental changes to energy systems and the role of data in the new energy world.

Strategic Co-Investments

Many interesting ideas in the energy business, particularly in distributed generation, are being developed by small, highly innovative companies. The T&I department's collaboration with startups and venture-capital firms gives E.ON access to these new technologies and business models. To ratchet up these activities and benefit directly from value creation of such companies, in 2012 E.ON decided it would begin making strategic co-investments in new companies that have innovative business models or products so that they can contribute to our business. These are not merely financial investments but rather strategic engagements whose aim is to help us be a pacesetter in distributed, renewable, and other transformative energy solutions. Starting in 2013, each year we plan to invest in several companies (somewhere between one and nine) that fit with our strategic ambitions.

We have already made our first investment. We bought a stake in Bloom Energy, which was founded in 2001 and is based in Sunnyvale, California (bloomenergy.com). Bloom Energy manufacturers fuel cells that rank among the most efficient of their type in the world.

Sample Projects from 2012

Energy Storage

In 2012 we began work on a power-to-gas ("P2G") pilot unit sited at a wind farm in Falkenhagen, Germany. The unit, which will begin operating in mid-2013, will use the farm's surplus output (that is, the output that cannot be fed into the local network for capacity reasons) to power electrolysis equipment that will produce hydrogen. Hydrogen can be safely piped into the natural gas pipeline system as long as its percentage of the gas in the system does not exceed a certain threshold. The huge storage capacity of existing gas infrastructure is what makes P2G technology so attractive.

On Pellworm, a small island in the North Sea, we continued a project in which we are using a combination of different energy-storage technologies to provide the island's inhabitants with a reliable, cost-effective, and market-based supply of renewable energy. The project, which incorporates smart-grid and smart-home technologies, points the way to the energy systems of tomorrow.

Smart Homes

In Germany and the United Kingdom we launched our first smart-home products, which enable customers to monitor and actively manage their electricity usage. We also continued developing distributed-energy solutions that help customers optimize their output and consumption. One project is exploring ways to use surplus output from solar panels to power heat pumps to produce space heating. Solutions like this one could be very attractive in the future as consumers begin to consume more of the electricity they produce.

Retail

We moved forward actively developing solutions for distributed generation and for energy efficiency in both power and gas. In Italy we successfully completed the testing of an integrated solar-thermal unit that will be cheaper to install than products currently on the market. In the United Kingdom we participated in a project in which a new type of fuel cell was installed at a university. The project's purpose is to monitor the fuel cell and test its performance over an extended operating period.

Renewables

In Italy we built a pilot facility incorporating high-concentration photovoltaic modules. The project will give us valuable insights into, and operational experience with, this promising technology.

At Scroby Sands, an E.ON wind farm off the east coast of England, we successfully tested a new system for accessing offshore wind turbines. Its purpose is to enhance safety for our maintenance crews and also to improve asset availability and profitability.

Co-firing biomass in coal-fired power stations reduces coal consumption and thus net carbon emissions. We launched projects to test biomass pellets and uses for biomass bottom ash.

E-Mobility

In 2012 we conducted numerous projects involving a variety of charging systems and expanded our e-mobility offerings. For example, vehicle-fleet managers can visit a website or use a smartphone application to check the status of their charging infrastructure. This tool enables users to conduct detailed analysis and evaluation of all charging processes. In the future it will facilitate active load management, which means that electric vehicles ("EVs") can be charged at times of the day when a particularly large percentage of the electricity in the grid comes from renewable sources.

In a joint research project with Volkswagen we demonstrated for the first time in Germany that it is already technically feasible to feed electricity from an EV's battery back into the grid. Projects like this one provide us with important insights into EVs' potential as energy-storage devices in tomorrow's energy world.

Distribution, Smart Grids

High-voltage systems typically transport only about 50 to 70 percent of their capacity. Active control of generation assets through a process known as emergency control automation ("ECA") makes it possible for systems to operate at up to 100 percent of their capacity.

We tested smart equipment for transformer stations that enables the stations to maintain voltage stability despite continual fluctuations in renewables feed-in.

Hydro

In 2012 we began evaluating our hydro fleet according to the International Hydropower Association's Hydropower Sustainability Assessment Protocol ("HSAP"), a standardized, internationally accepted catalog of criteria for measuring the sustainability of hydro assets. In 2012 Walchensee, an E.ON hydroelectric station in Bavaria, was one of the first in the world to be evaluated under HSAP and achieved excellent marks.

In countries like Germany the potential for big hydroelectric stations is largely exhausted. But there are still opportunities for ones that require relatively small head heights. In 2012 we completed the planning for such a project in Germany and submitted an application for regulatory approval.

CCGT

To enhance the performance and reduce the cost base of our CCGT portfolio, in 2012 we began a project to study advanced condition monitoring ("ACM"). ACM is a sophisticated form of asset monitoring and will help us achieve higher standards for asset safety, reliability, performance, and profitability. The analysis of large quantities of metering data facilitates the early detection of deviations from normal operating parameters, which could indicate an impending decline in performance or component failure. This makes it possible to plan maintenance work more efficiently, which increases asset availability and reduces downtime and repair costs.

CCS

In October 2012 a carbon-capture pilot unit—the first of its kind in Europe—began three years of operational testing at our hard-coal-fired power station in Wilhelmshaven, Germany. The purpose of the tests, which we are conducting in collaboration with an outside partner, is to optimize the capture process in the context of real-world power-station operations. The unit has already completed a 100-hour operational acceptance test.

Steam Power Plants

The focus here is on increasing the operational flexibility and availability of existing assets in response to the rising percentage of intermittent renewable power in the energy

system. Among the projects we pursued in 2012 was one to study cracks in power-plant boilers. Cracks can result in unplanned outages that last days, weeks, and even months, potentially leading to millions of euros in repair costs and lost revenues.

Gas

It is anticipated that in the future more biomethane and hydrogen (derived from electrolysis) will be piped into the gas pipeline system. This will result in greater variation in gas quality. We conducted successful tests of a new, simulation-based procedure for monitoring gas quality. Thanks to its proven accuracy, the procedure earned regulatory approval in Germany in August 2012. The procedure will make it easier to produce pipeline-quality biomethane and will mean that fewer quality sensors will be needed in the gas pipeline system.

Energy Systems

Understanding future energy trends requires a holistic view of energy systems. To help us obtain this view, we conduct projects that analyze the interdependence of technologies, changes in the energy system, and energy trading. In addition, in 2012 we launched a project called the Virtual Power Station.

University Support

As one of the world's largest investor-owned power and gas companies, we feel it is our responsibility to actively promote energy research. Our contacts with universities offer students an opportunity to get to know our company and the focal points of our research. E.ON supports more than 15 universities in Europe. Below are some of the highlights of 2012:

- We continued our involvement in KW21, which stands for *Kraftwerk* (the German word for power plant) of the 21st century. KW21 is a public-private initiative that brings together equipment manufacturers, power-plant operators, and universities in Munich and Stuttgart to conduct joint research projects in energy systems and technology. The initiative receives funding from the German federal states of Baden-Württemberg and Bavaria. Between 2009 and 2012 more than 50 KW21 projects were conducted by a total of 23 research teams.
- 2012 marked the fifth anniversary of E.ON's partnership with Chalmers University in Göteborg, Sweden, which focuses on three areas: nuclear power, energy-systems analysis, and renewables.
- In September 2012 the E.ON Energy Research Center at RWTH Aachen University was among the winners of Research Campus, an initiative sponsored by the German Federal Ministry of Education and Research to support public-private partnerships dedicated to innovation. The objective of this particular Research Campus, entitled Electricity Grids of the Future, is to help make the transmission and distribution of electricity more efficient and flexible.

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

In 2012 we again increased our T&I activities, despite our difficult business environment. Our R&D expenditures on technology totaled about €108 million in 2012 (prior year: €81 million). Intangible R&D assets relating to software development totaled €35 million (€42 million). Two hundred ninety employees were directly involved in R&D projects at E.ON in 2012. In addition to our investments to optimize and refine technologies, we also actively promote basic research. In 2012 we provided €8 million of support to fund and sponsor energy research at universities and institutes (€8 million). Our total T&I expenditures (which include support for university research, technology R&D, demonstration projects, and software development) amounted to €179 million (€149 million).

Technology and Innovation, Software

	Technology and Innovation		Software		Total	
€ in millions	2012	2011	2012	2011	2012	2011
R&D						
Technology	*108*[1]	*81*[1]	–	–	*108*[1]	*81*[1]
Intangible R&D assets						
Software	–	–	*35*	*42*	*35*	*42*
Other						
Demonstration projects	*28*	*18*	–	–	*28*	*18*
University support	*8*	*8*	–	–	*8*	*8*
Total	**144**	**107**	**35**	**42**	**179**	**149**

[1]R&D expenses pursuant to IAS 38 (€56 million; see Note 14 to the Consolidated Financial Statements) plus other projects that are part of our R&D effort.

Macroeconomic and Industry Environment

Macroeconomic Environment

In 2012 the global economy lost more momentum and, five years after the outbreak of the financial crisis, entered an even weaker phase. Relative to 2011, global gross domestic product ("GDP") and global trade grew in real terms by 2.8 percent and 2.7 percent, respectively; however, both figures are significantly below the corresponding average annual growth rates for the period since 2000. The OECD attributes this weak performance to the euro crisis's adverse effect on global economic activity, particularly the erosion of confidence among consumers and investors but also, more generally, the aftereffects of the global financial crisis.

The U.S. economy's slow recovery continued in 2012, although it lacked the momentum of previous recoveries. Private consumption was spurred by both higher employment and a decline in savings. Private investment did not maintain its growth rate of 2011, although private construction investment recovered, ending a six-year decline. Exports grew faster than imports, but this hardly made a dent in the U.S. trade deficit.

According to the OECD, the euro zone remained in a recession in 2012. Increased efforts to shrink budget deficits dampened overall economic demand. Neither private consumption demand nor private investment activity provided growth impetus. Only the slight increase in net exports had a stabilizing effect. There was a notable divergence in the economic performance of Northern and Southern Europe. Whereas GDP declined in Southern European countries, it stabilized in countries like France and Ireland.

Although Germany's growth rate was among the highest in the euro zone, it was well below the long-term average. A decline in private investment activity was more than offset by an increase in private consumption. The slight increase in domestic demand was supplemented by a slight increase in net exports.

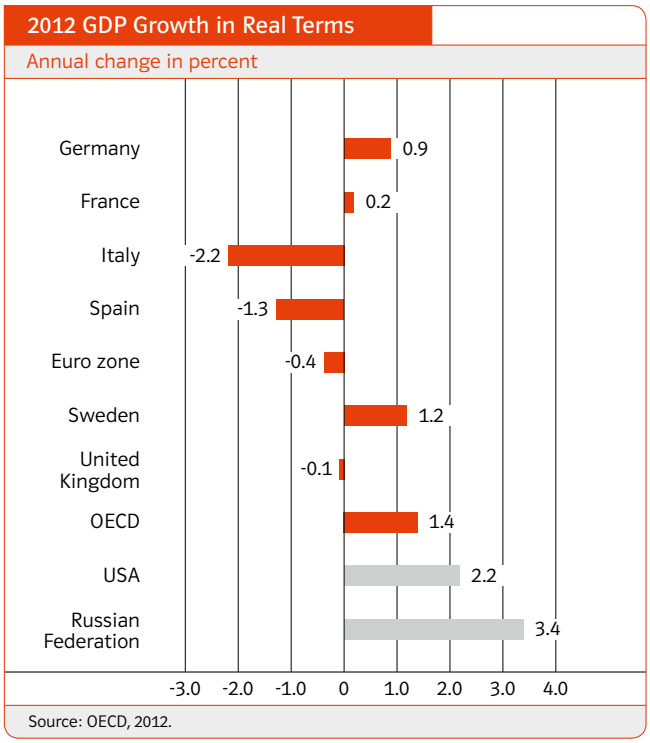
The United Kingdom again experienced a slight recession. Stable growth in private consumption was not sufficient to make up for declines in private and public investment and in net exports.

Sweden was unable to maintain its robust growth of recent years. Growth in domestic demand and net exports slowed.

Eastern European EU member states were not immune to the negative trend. Some, like Hungary and the Czech Republic, entered recessions.

Turkey was also unable to buck the OECD's overall recessionary trend. Its 2012 growth rate was half the prior year's. However, weak domestic demand for consumer and investment goods was more than offset by increases in public consumption expenditures and in net exports.

The BRIC (Brazil, Russia, India, China) countries' economic performance again varied considerably in 2012. Whereas oil price developments again helped stabilize Russia's economy, Brazil's benefited from impetus from monetary and fiscal policy.



Energy Policy and Regulatory Environment

International

The 18th United Nations climate change conference took place in Doha, Qatar, from November 26 to December 8, 2012. Although it made no perceptible progress toward a new international climate treaty, it avoided abject failure. The Doha resolutions confirmed those made in Durban in 2011 and the timeline agreed on in Bali in 2007. This is roughly what Doha had been expected to accomplish. The conference took place in an environment of rising global energy consumption, which the International Energy Agency describes in *World Energy Outlook 2012*.

Brazil

A new rule for power generation and transmission concessions was announced in September 2012. It gives companies whose concessions expire in 2013-2017 the option of extending them early for 30 years. Brazil's energy regulator expects the rule to reduce end-customer tariffs by about 20 percent in 2013. There will also be adjustments to distribution tariffs in 2013; the purpose of the adjustments is to pass efficiency gains through to end-consumers. Auctions for new generating capacity were held in December 2012 amid weak demand growth and a lack of regulatory clarity on a number of issues. With spot power prices currently at very high levels and the possibility of weather-driven declines in hydro output causing supply shortages, observers anticipate new energy-policy initiatives aimed at improving the structure of Brazil's energy market.

Europe

At the center of Europe's energy-policy debate in 2012 was the EU Emissions Trading Scheme ("ETS"). Persistently low carbon prices are not spurring investment in climate-friendly technologies and are therefore undermining one of the ETS's objectives. The European Commission unveiled to market participants a number of proposals for intervening in the market to reduce the number of carbon allowances in circulation.

The EU energy efficiency directive was adopted in late 2012. Member states must transpose it into national law by mid-2014. In response to the directive's adoption, carbon prices fell, since it was clear to market participants that ambitious energy-efficiency policies will lead to lower greenhouse-gas emissions.

A number of power and gas framework directives and network codes were developed with the aim of completing the internal energy market by 2014.

No conclusion was reached on financial market regulation (MiFID and MiFIR) in 2012. The European Market Infrastructure Regulation ("EMIR"), which took effect in August 2012, regulates over-the-counter ("OTC") derivatives trading. EMIR can become applicable once the regulatory and technical standards are in place, probably around mid-March 2013. EMIR introduces substantial reporting obligations and requires non-financial firms to centrally clear unhedged OTC derivative positions above a certain threshold. After a three-year transition period, EMIR will allow, to a limited degree, bank guarantees to be used as collateral.

The Regulation on Energy Market Integrity and Transparency ("REMIT") took effect in late 2011. REMIT establishes new reporting and disclosure requirements for market transaction data and other information. It also contains rules to prohibit insider trading and market manipulation. Detailed rules for data collection have not yet been set.

Central Eastern Europe

With the economic situation remaining difficult, there was further political and regulatory intervention in energy markets in the form of additional taxes, price moratoriums for end-customer tariffs, and reductions in support schemes for renewables.

France

France's capacity market is taking more precise shape. Starting in 2016/2017, utilities will be required to ensure that they have sufficient capacity certificates to meet their peakload obligations. As part of this process, all power plants in France will be certified by their network operator and all will participate in the capacity market, which will be technology-neutral. Existing and new capacity will receive the same compensation, which will be set by a market-based mechanism, not by regulated tariffs. Consumers with flexible load can also participate in the capacity market, which gives it a demand-side component.

Germany

The energy-policy debate in Germany in 2012 focused primarily on the implementation of the energy strategy the government calls the *Energiewende*: the transformation of the country's energy system. Topics included the costs of renewables subsidies, the progress of network expansion, and a final storage facility for nuclear waste. The government aims to enhance supply security through more regulatory intervention. Examples include the Load-Shedding Ordinance (which establishes guaranteed payments to large consumers for making their flexible load available on the market) and the newly amended Energy Law (which is known by its German abbreviation, "EnWG," and which establishes strict rules for the closure of generating units). The amended EnWG also contains new rules for the network connection of offshore wind farms and for liability.

Italy

As in France and the United Kingdom, it is becoming more apparent how the capacity market in Italy will work. The capacity mechanism will apply to existing and new generating capacity. The first auction is expected to be held in mid-2013, with the first payments to be made in 2017. Italy established a new method for apportioning the costs of balancing energy to renewables operators. It also introduced a new PV subsidy scheme after PV subsidies surpassed the €6 billion threshold in July 2012.

Netherlands

The coalition agreement of the newly elected Dutch government contains a provision to recognize the co-firing of biomass in coal-fired power stations as renewable energy production and to subsidize this practice. Further details are expected to be drawn up by the summer of 2013. A coal tax took effect on January 1, 2013. Co-firing biomass could reduce this tax's adverse financial impact on power generators.

Russia

Switching energy suppliers was simplified in 2012, since the approval of a government agency is no longer required. Russia also made slight adjustments to the rules for calculating payments for generating capacity. A strategy group working on behalf of the Russian government is currently designing proposals for new market rules, which are expected to take effect in the summer of 2013.

Spain

Spain intends to introduce a tax on power generation in order to reduce, and ultimately eliminate, the losses in its generation pool. Tax revenues would be used to compensate generators for their pool losses. Once a viable solution for pool losses is in place, other reforms of Spain's energy market are anticipated in 2013.

Sweden

Sweden and other member states must transpose the EU water framework directive into national law by 2015, which could lead to production restrictions at Sweden's hydroelectric stations.

Turkey

In 2001 Turkey began liberalizing and privatizing its energy market, largely in line with the EU paradigm. It systematically continued this process in 2012.

Although EUAS, Turkey's state-owned power generator, continues to have a dominant position in the generation market, its market share is declining steadily owing to the commissioning of new, privately owned capacity and to the initiation of a program to privatize 17 GW of state-owned capacity, a significant portion of which will likely change hands in 2013 and 2014. As this broad privatization program moves forward, it is anticipated that the state will, for a certain period, enter into public-private partnerships to support the development of nuclear capacity and lignite-fired capacity, for the latter of which Turkey could source fuel domestically.

The finishing touches are currently being put on Turkey's new energy market law, whose provisions include the rapid creation of a marketplace, based on free-market principles, for trading electricity products.

The establishment of an ENTSO-E connection improved Turkey's interconnection with the Central European power market. A day-ahead market began operating in 2011. In 2012 the way was paved for an intraday market, and the first financial trades on the basis of EFET contracts were conducted.

Turkey expects to complete the privatization of the last 4 of 21 power distributors by the end of 2013. Some traders not backed by generation assets have already begun to compete for unattached customers, and others are preparing to do so.

United Kingdom

The U.K. government is currently reforming the country's wholesale power market with the aim of improving the investment climate for low-carbon technologies and ensuring supply security. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and carbon capture and storage ("CCS"). The introduction of a capacity market is intended to ensure supply security by promoting investment in flexible generating capacity that has short ramp-up and ramp-down times. An emission performance standard is designed to prevent the construction of new coal-fired capacity that lacks CCS. It is anticipated that legislation to implement these reforms will be drafted in 2013 and fully enacted by the end of 2014.

USA

It remains unclear whether the United States will enact legislation that takes a long-term approach to climate protection. On the other hand, federal policies to support renewables have made the United States a global leader in wind power. These policies include production tax credits, which were extended for another year to support wind farms whose construction begins in 2013. Investment tax credits for solar energy are in place through 2016. In addition, many states have established programs that set mandatory targets for renewables in their power markets, which has resulted in trading in green-power certificates at a regional level.

Energy Industry

According to preliminary figures from AGEB, an energy industry working group, Germany consumed only slightly more energy in 2012 than in 2011. Cool weather in several months of the first half of the year along with leap year were the main reasons for the increase. Countervailing factors included the economic slowdown and improvements in energy efficiency. Germany consumed 461.1 million metric tons of hard coal equivalent ("MTCE") in 2012 (prior year: 457.6 MTCE).

In 2012 Germany again had a broad energy mix, with declines in nuclear output met by increases in renewables output. Owing to Germany's decision to accelerate the phaseout of nuclear energy, nuclear's share of the energy mix fell by about 8 percent to 36.9 MTCE. Renewables' share rose by almost 8 percent to 53.8 MTCE. Consumption of coal increased. In the case of lignite, this was due to special effects relating to plant modernizations; in the case of hard coal, to market factors that improved its competitiveness vis-à-vis natural gas as a fuel for power generation. As a result, lignite consumption rose by about 5 percent to 56 MTCE, hard coal consumption by about 3 percent to 57 MTCE. Gas consumption was roughly stable year on year, rising just 1 percent to 96.7 MTCE.

The increase in Germany's energy consumption and greater use of fossil fuels led to an increase, in absolute terms, in its carbon emissions. Adjusted for temperature effects, however, emissions declined slightly.

Primary Energy Consumption in Germany by Energy Source

Percentages	2012	2011
Petroleum	33.3	33.9
Natural gas	21.0	20.9
Hard coal	12.4	12.1
Lignite	12.2	11.6
Nuclear	8.0	8.8
Renewables	11.7	10.9
Other (including net power imports/exports)	1.4	1.8
Total	**100.0**	**100.0**

Source: AGEB.

England, Scotland, and Wales consumed about 309 billion kWh of electricity in 2012 (prior year: 307 billion kWh). Gas consumption (excluding power stations) increased from 544 billion kWh to 582 billion kWh. Low temperatures in the final three quarters more than offset the impact of slightly higher temperatures in the first quarter, ongoing energy-efficiency measures, customers' response to economic developments, and higher prices.

Northern Europe's electricity consumption rose by 6 billion kWh to 385 billion kWh because of slightly lower average temperatures. Net electricity exports to surrounding countries totaled about 14 billion kWh compared with net imports of about 5 billion kWh in the prior year.

Hungary's electricity consumption of 34 billion kWh was slightly below the prior-year level. Driven by weather factors and energy-saving measures, Hungary's gas consumption fell by 3 percent to 10.9 billion cubic meters.

Italy consumed 325.3 billion kWh of electricity, a decline of 3 percent (prior year: 334.6 billion kWh). Gas consumption declined by 4 percent to 787.3 billion kWh (822.3 billion kWh) because a difficult market environment led to a reduction in deliveries to gas-fired power stations.

Peninsular electricity consumption in Spain was 252 billion kWh, 1 percent below the prior-year figure (consumption fell by 2 percent if adjusted for differences in temperature and the number of working days). Retail gas consumption of 263 billion kWh was at the prior-year level.

France's electricity consumption rose by 2 percent to 489.5 billion kWh (consumption declined by 0.6 percent if adjusted for differences in temperature and the number of working days). Total generation of 541.4 billion kWh was just below the prior-year level.

The Russian Federation generated 1,054 billion kWh of electricity, 1.3 percent more than in the prior year. It generated 1,032 billion kWh in its integrated power system (which does not include isolated systems), which represents a year-on-year increase of 2.3 percent. Power consumption in Russia rose by 1.7 percent to 1,038 billion kWh.

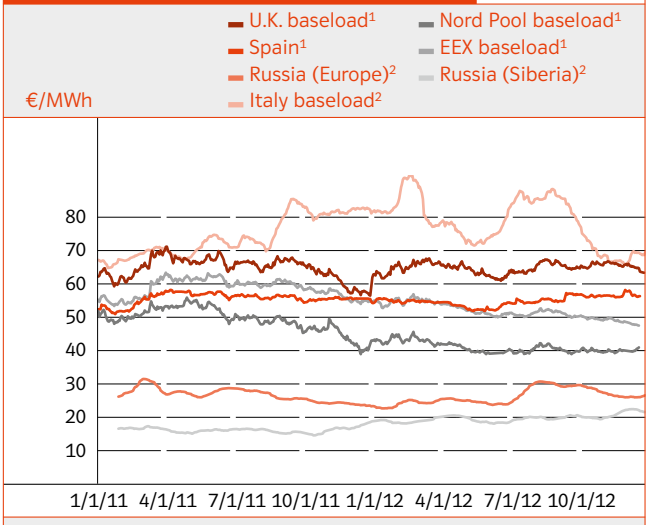
Energy Prices

Five main factors drove electricity and natural gas markets in Europe and the electricity market in Russia in 2012:

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

In the first quarter, energy markets were influenced mainly by an extended period of cold weather in Europe and unrest in the Middle East; during the rest of the year, by a tepid global economy and the ongoing crisis in the euro zone. These factors resulted in a tentative mood in energy markets.

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



¹For next-year delivery.
²Spot delivery (30-day average).

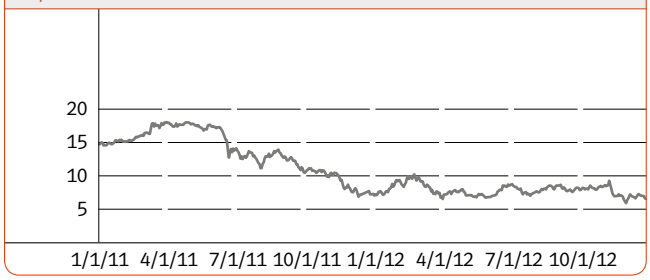
This trend was clearly reflected in the price of Brent crude oil for next-month delivery. After spiking in the first quarter and tumbling in the second, Brent rebounded in the third, as concerns about a decrease in global demand were replaced by concerns about increased disruptions of production and exports. After rising in September, Brent then declined somewhat in the fourth quarter, finishing the year roughly at its starting point.

As measured by the API#2 index, European coal prices for next-year delivery fell by 20 percent in 2012. Although prices temporarily recovered somewhat owing to a strike in Columbia, they fell back to their previous level when Columbian exports resumed. A significant increase in U.S. coal exports, which were up by almost 50 percent relative to 2011, remained a key reason for low coal prices. In the United States, shale gas increasingly crowded out domestic coal, particularly in power generation. And with Chinese prices dropping in recent months, arbitrage opportunities for exports from Atlantic to Pacific markets became much scarcer. Due to an ongoing oversupply of ships, freight rates, which were already low, fell another 26 percent during the year.

Despite weak demand, greater economic uncertainty, and declining oil prices, Europe's gas prices for next-year delivery rose only slightly during 2012. The reasons included cold weather in February, supply disruptions in the United Kingdom in the first quarter, and a dramatic decline in LNG imports resulting from continued extremely high LNG demand in East Asia. One of the most important fundamental developments of 2012 was the collapse of demand for gas as a fuel for power generation, particularly in the United Kingdom, Germany, and Italy. This was brought on by increased renewables feed-in and by gas-fired capacity's competitive disadvantage vis-à-vis coal-fired capacity in 2012.

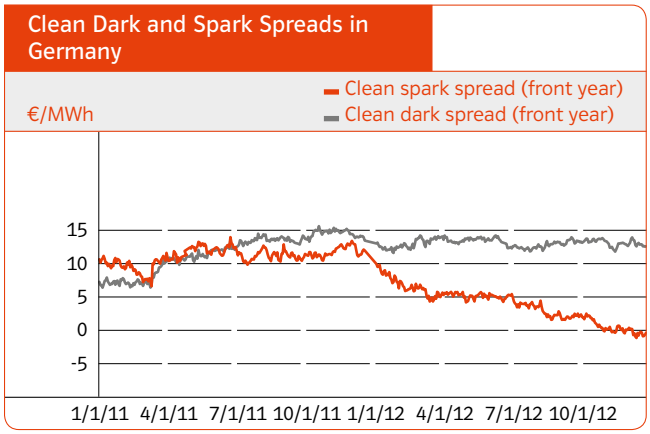
Prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme fell to a record low in 2012 owing to the ongoing oversupply of EUAs and the growing impression that the European Union will not set more ambitious emissions targets. Low prices spurred a policy debate during which a process, known as back-loading, was developed to reduce the number of EUAs in circulation. It quickly became apparent, however, that implementing this process would be significantly more difficult than anticipated. Consequently, it sent no real positive signal, and EUAs finished the year at a very low level.

Carbon Allowance Price Movements in Europe



Prices in Germany for baseload power for next-year delivery declined further in the fourth quarter. Hourly prices were consistently negative, particularly during the Christmas holidays, due to a combination of low demand, very mild temperatures, and high wind-power feed-in. Prices ended the year significantly below where they started it. New coal-fired generating capacity entering service in 2013 and the ongoing addition of new solar and wind capacity were the main reasons for Germany's relatively low level of forward power prices. Furthermore, 2012 saw an increased divergence between the cost of coal generation and gas generation in Germany. The clean spark spread (the difference between the price at which natural gas and carbon allowances are procured and the price at which power is sold), which was under extreme pressure from increased renewables output and the relatively low cost of coal generation compared with gas generation, finished the year negative in value.

Clean Dark and Spark Spreads in Germany



U.K. power prices changed little from quarter to quarter. The typical seasonal increase during the cold months was very moderate thanks to mild temperatures and a good supply situation, which resulted from the recent commissioning of new generating capacity and substantial power imports from the Continent.

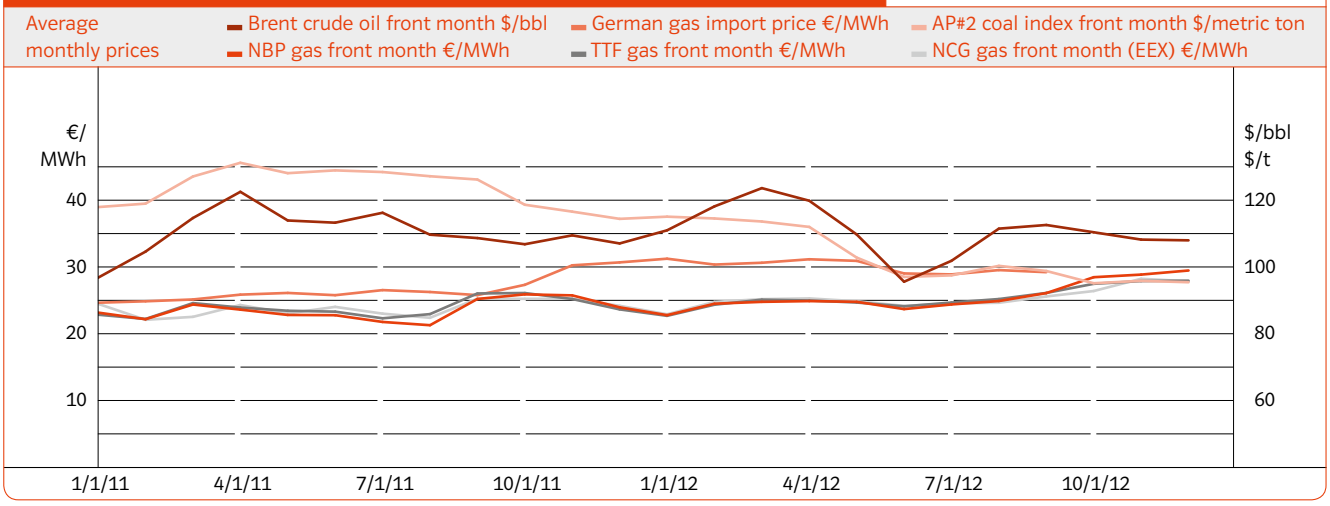
Record high reservoir levels had a significant impact on the Nordic power market in 2012. With abundant rain and a late snowmelt leading to further significant reservoir inflows, spot power prices during the summer in Norway and Sweden were the lowest in 20 years. Spot prices did not stabilize until the end of the year in response to low precipitation and temperatures. This had little effect, however, on prices for next-year delivery, which finished the year only slightly below their level at the start of the year.

In 2012 Italy's power prices for next-year delivery reflected its dependence on gas-fired generating capacity and thus the prices under oil-indexed gas procurement contracts. Power prices, which started the year at a high level, generally tracked oil prices but were also influenced by Italy's weak economy and by high solar feed-in, particularly with regard to the relationship between baseload and peakload prices. Coupled with a further decline in demand, the outcome of the renegotiation of oil-indexed gas procurement contracts had a very noticeable impact on Italy's power prices in the fourth quarter, which fell dramatically, finishing the year about 25 percent below where they started it.

The price of power for next-year delivery in Spain was relatively constant during 2012. A slight decline in the first half of the year was counteracted by higher fuel prices in the third quarter. The Spanish government's decision to introduce a new tax on power generation caused a brief period of price spikes.

Prices in the European zone of Russia's power market remained largely stable, in part because of the Russian government's decision to postpone the planned increase in gas tariffs from January to July, when gas demand is lower. Planned and unplanned maintenance outages at a number of nuclear power stations also put upward pressure on prices. The gas-tariff issue had a negligible effect on power prices in the Siberian zone, which rose significantly, reaching historic highs in November. Continued below-average reservoir inflow and lower hydro output were the main factors.

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



Business Performance

Attributable Generating Capacity (Ownership Perspective)

From an ownership perspective (that is, the percentage of E.ON's ownership stake in an asset), the E.ON Group's attributable generating capacity increased by 1 percent, from 67,215 MW at year-end 2011 to 67,732 MW at year-end 2012. Below are the segment figures from an ownership perspective.

Attributable generating capacity at the Generation global unit declined by about 450 MW to 46,388 MW, primarily because of the decommissioning and shutdown, respectively, of two coal-fired generating units (Staudinger 3 and Veltheim 2) in Germany and the decommissioning of a hard-coal-fired unit in Spain.

Renewables' attributable generating capacity increased by about 620 MW, predominantly because of new wind farms in the United States.

The Germany regional unit's attributable generating capacity declined by about 4 percent, from 1,876 MW to 1,802 MW, mainly because of the disposal of a hydroelectric station. Distributed generating units accounted for about half of Germany's attributable generating capacity; biogas and biomass units are reported under natural gas and other, respectively.

Other EU Countries' attributable generating capacity declined to 1,863 MW (prior year: 1,910 MW) owing to the sale of a CHP unit in the United Kingdom.

Russia's attributable generation capacity rose because we increased our ownership interest.

Attributable Generating Capacity (Ownership Perspective)

December 31	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
MW	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Nuclear	5,403	5,403	–	–	–	–	–	–	–	–	5,403	5,403
Lignite	852	852	–	–	–	–	–	–	–	–	852	852
Hard coal	5,661	6,016	–	–	–	–	–	–	–	–	5,661	6,016
Natural gas	3,637	3,637	–	–	721	736	–	–	–	–	4,358	4,373
Oil	1,003	1,003	–	–	112	106	–	–	–	–	1,115	1,109
Hydro	–	–	1,553	1,553	612	678	–	–	–	–	2,165	2,231
Wind	–	–	196	198	–	–	–	–	–	–	196	198
Other	24	24	–	–	357	356	–	–	–	–	381	380
Germany	**16,580**	**16,935**	**1,749**	**1,751**	**1,802**	**1,876**	**–**	**–**	**–**	**–**	**20,131**	**20,562**
Nuclear	2,782	2,774	–	–	–	–	–	–	–	–	2,782	2,774
Lignite	–	–	–	–	–	–	79	79	1,276	1,206	1,355	1,285
Hard coal	10,649	10,765	–	–	–	–	–	–	–	–	10,649	10,765
Natural gas	13,239	13,225	–	–	–	–	1,494	1,541	7,041	6,645	21,774	21,411
Oil	3,138	3,138	–	–	–	–	–	–	–	–	3,138	3,138
Hydro	–	–	3,022	3,022	–	–	43	43	–	–	3,065	3,065
Wind	–	–	4,430	3,836	–	–	1	1	–	–	4,431	3,837
Other	–	–	161	132	–	–	246	246	–	–	407	378
Outside Germany	**29,808**	**29,902**	**7,613**	**6,990**	**–**	**–**	**1,863**	**1,910**	**8,317**	**7,851**	**47,601**	**46,653**
E.ON Group	**46,388**	**46,837**	**9,362**	**8,741**	**1,802**	**1,876**	**1,863**	**1,910**	**8,317**	**7,851**	**67,732**	**67,215**

Fully Consolidated Generating Capacity

The E.ON Group's fully consolidated generating capacity of 70,111 MW was roughly at the prior-year level (70,061 MW). Below are the segment figures from a fully consolidated perspective.

Generation's generating capacity declined by 1 percent to 47,715 MW (prior year: 48,213 MW), primarily because of the decommissioning and shutdown, respectively, of two coal-fired generating units (Staudinger 3 and Veltheim 2) in Germany.

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

The Germany regional unit's generating capacity of 1,549 MW was almost unchanged from the prior year.

Other EU Countries' generating capacity declined to 1,869 MW (prior year: 1,919 MW) owing to the sale of a CHP unit in the United Kingdom.

Russia's generation capacity of 9,932 MW was almost unchanged from the prior year.

Fully Consolidated Generating Capacity

December 31	Generation		Renewables		Germany		Other EU Countries		Russia		E.ON Group	
MW	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Nuclear	5,746	5,746	–	–	–	–	–	–	–	–	5,746	5,746
Lignite	1,252	1,252	–	–	–	–	–	–	–	–	1,252	1,252
Hard coal	5,600	5,986	–	–	–	–	–	–	–	–	5,600	5,986
Natural gas	4,210	4,205	–	–	508	502	–	–	–	–	4,718	4,707
Oil	1,003	1,003	–	–	120	114	–	–	–	–	1,123	1,117
Hydro	–	–	1,619	1,619	547	547	–	–	–	–	2,166	2,166
Wind	–	–	226	226	–	–	–	–	–	–	226	226
Other	–	–	–	–	374	380	–	–	–	–	374	380
Germany	**17,811**	**18,192**	**1,845**	**1,845**	**1,549**	**1,543**	**–**	**–**	**–**	**–**	**21,205**	**21,580**
Nuclear	2,511	2,511	–	–	–	–	–	–	–	–	2,511	2,511
Lignite	–	–	–	–	–	–	69	69	1,524	1,528	1,593	1,597
Hard coal	10,649	10,766	–	–	–	–	–	–	–	–	10,649	10,766
Natural gas	13,305	13,305	–	–	–	–	1,478	1,528	8,408	8,416	23,191	23,249
Oil	3,439	3,439	–	–	–	–	–	–	–	–	3,439	3,439
Hydro	–	–	2,832	2,832	–	–	55	55	–	–	2,887	2,887
Wind	–	–	4,269	3,669	–	–	1	1	–	–	4,270	3,670
Other	–	–	100	96	–	–	266	266	–	–	366	362
Outside Germany	**29,904**	**30,021**	**7,201**	**6,597**	**–**	**–**	**1,869**	**1,919**	**9,932**	**9,944**	**48,906**	**48,481**
E.ON Group	**47,715**	**48,213**	**9,046**	**8,442**	**1,549**	**1,543**	**1,869**	**1,919**	**9,932**	**9,944**	**70,111**	**70,061**

Power Procurement

The E.ON Group's owned generation increased by 6.7 billion kWh, or 1 percent, year on year. Power procured increased by 14.1 billion kWh, or 3 percent.

Generation's owned generation was 10.1 billion kWh below the prior-year level. The decline resulted in particular from the reduced dispatch of coal-fired and gas-fired assets in Germany owing to the market situation in 2012, a decline in availability at Oskarshamn nuclear power plant ("NPP") in Sweden, and lower demand in Italy. The effect of the shutdown of certain NPPs in Germany pursuant to the amendment of the Atomic Energy Act was almost offset by an increase in availability at our other NPPs. Significantly improved market conditions for coal-fired assets in the United Kingdom and France constituted the main positive factor.

Renewables' owned generation of 26.2 billion kWh surpassed the prior-year figure of 24 billion kWh. Owned generation at the Hydro reporting unit rose by 0.7 billion kWh to 14.5 billion kWh owing to generally good stream flow in Germany and high reservoir levels at the start of 2012 and consistently high reservoir inflow in Sweden. Owned generation at the Wind/Solar/Other reporting unit rose by 15 percent to 11.7 billion kWh (prior year: 10.2 billion kWh). Wind farms accounted for 96 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

The decline in owned generation at the Germany regional unit is primarily attributable to the leasing of Plattling and Grenzach-Wyhlen power plants effective the second half of 2011. Renewables accounted for 50 percent of this unit's owned generation.

Other EU Countries' owned generation declined by 1.1 billion kWh to 6.2 billion kWh.

The Russia unit generated about 93 percent of its total needs of 64.2 billion kWh at its own power stations. It procured 4.6 billion kWh from outside sources.

Power Procurement

	Generation		Renewables		Optimization & Trading[1]		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Owned generation	160.7	170.8	26.2	24.0	–	–	5.9	6.6	6.2	7.3	64.2	62.5	–	–	263.2	271.2
Purchases	28.1	30.3	6.8	6.2	565.2	566.9	181.1	180.4	148.9	159.8	4.6	4.3	-437.4	-464.7	497.3	483.2
Jointly owned power plants	*11.8*	*9.9*	*2.2*	*1.9*	–	–	*0.3*	*0.2*	–	–	–	–	–	–	*14.3*	*12.0*
Optimization & Trading/outside sources	*16.3*	*20.4*	*4.6*	*4.3*	*565.2*	*566.9*	*180.8*	*180.2*	*148.9*	*159.8*	*4.6*	*4.3*	*-437.4*	*-464.7*	*483.0*	*471.2*
Total	**188.8**	**201.1**	**33.0**	**30.2**	**565.2**	**566.9**	**187.0**	**187.0**	**155.1**	**167.1**	**68.8**	**66.8**	**-437.4**	**-464.7**	**760.5**	**754.4**
Station use, line loss, etc.	-2.2	-2.3	-0.8	-0.5	–	–	-5.6	-5.7	-9.2	-10.2	-2.3	-2.0	–	–	-20.1	-20.7
Power sales	**186.6**	**198.8**	**32.2**	**29.7**	**565.2**	**566.9**	**181.4**	**181.3**	**145.9**	**156.9**	**66.5**	**64.8**	**-437.4**	**-464.7**	**740.4**	**733.7**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; prior-year figures were adjusted accordingly.

Owned Generation by Energy Source

Billion kWh	Generation 2012	Generation 2011	Renewables 2012	Renewables 2011	Germany 2012	Germany 2011	Other EU Countries 2012	Other EU Countries 2011	Russia 2012	Russia 2011	E.ON Group 2012	E.ON Group 2011
Nuclear	44.9	45.4	–	–	–	–	–	–	–	–	44.9	45.4
Lignite	5.1	4.8	–	–	–	–	–	–	–	–	5.1	4.8
Hard coal	25.4	28.2	–	–	–	–	–	–	–	–	25.4	28.2
Natural gas, oil	7.1	9.4	–	–	1.1	2.0	–	–	–	–	8.2	11.4
Hydro	–	–	4.3	3.3	2.5	2.3	–	–	–	–	6.8	5.6
Wind	–	–	0.4	0.4	–	–	–	–	–	–	0.4	0.4
Other	–	–	–	–	2.3	2.3	–	–	–	–	2.3	2.3
Germany	**82.5**	**87.8**	**4.7**	**3.7**	**5.9**	**6.6**	**–**	**–**	**–**	**–**	**93.1**	**98.1**
Nuclear	12.5	15.5	–	–	–	–	–	–	–	–	12.5	15.5
Lignite	–	–	–	–	–	–	0.4	0.3	10.7	11.1	11.1	11.4
Hard coal	42.8	33.8	–	–	–	–	0.1	–	–	–	42.9	33.8
Natural gas, oil	22.9	33.7	–	–	–	–	4.9	6.0	53.5	51.4	81.3	91.1
Hydro	–	–	10.3	10.6	–	–	0.1	0.1	–	–	10.4	10.7
Wind	–	–	10.8	9.4	–	–	–	–	–	–	10.8	9.4
Other	–	–	0.4	0.3	–	–	0.7	0.9	–	–	1.1	1.2
Outside Germany	**78.2**	**83.0**	**21.5**	**20.3**	**–**	**–**	**6.2**	**7.3**	**64.2**	**62.5**	**170.1**	**173.1**
Total	**160.7**	**170.8**	**26.2**	**24.0**	**5.9**	**6.6**	**6.2**	**7.3**	**64.2**	**62.5**	**263.2**	**271.2**
Percentages												
Nuclear	28	27	–	–	–	–	–	–	–	–	17	17
Lignite	3	3	–	–	–	–	–	–	–	–	2	2
Hard coal	16	16	–	–	–	–	–	–	–	–	10	10
Natural gas, oil	4	5	–	–	19	30	–	–	–	–	3	4
Hydro	–	–	16	14	42	35	–	–	–	–	3	2
Wind	–	–	2	2	–	–	–	–	–	–	–	–
Other	–	–	–	–	39	35	–	–	–	–	1	1
Germany	**51**	**51**	**18**	**16**	**100**	**100**	**–**	**–**	**–**	**–**	**36**	**36**
Nuclear	8	9	–	–	–	–	–	–	–	–	5	6
Lignite	–	–	–	–	–	–	6	4	17	18	4	4
Hard coal	27	20	–	–	–	–	2	–	–	–	16	13
Natural gas, oil	14	20	–	–	–	–	79	82	83	82	31	34
Hydro	–	–	39	44	–	–	2	1	–	–	4	4
Wind	–	–	41	39	–	–	–	–	–	–	4	3
Other	–	–	2	1	–	–	11	13	–	–	–	–
Outside Germany	**49**	**49**	**82**	**84**	**–**	**–**	**100**	**100**	**100**	**100**	**64**	**64**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Gas Procurement, Trading Volume, and Gas Production

The Optimization & Trading unit procured about 1,309.8 billion kWh of natural gas from producers in and outside Germany in 2012. About half of this amount was procured under long-term contracts, the remainder at trading hubs. The biggest suppliers were Russia, Norway, Germany, and the Netherlands.

To execute its procurement and sales mission for the E.ON Group, Optimization & Trading traded the following financial and physical quantities with non-Group entities:

Trading Volume

	2012	2011
Power (billion kWh)[1]	1,402	1,832
Gas (billion kWh)	2,456	2,480
Carbon allowances (million metric tons)	721	598
Oil (million metric tons)	261	92
Coal (million metric tons)	225	269

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; prior-year figures were adjusted accordingly.

The table above shows our entire trading volume from 2012, including volume for delivery in future periods.

Exploration & Production's gas production in the North Sea declined to 615 million cubic meters. Oil and condensates production of 1.5 million barrels was also down, declining by 58 percent from the prior-year figure. The main factors were temporary production stoppages due to technical issues at Njord, Elgin/Franklin, and Rita fields and natural production declines at older fields. Together, these factors caused total upstream production of gas, liquids, and condensates to fall by 52 percent to 5.3 million barrels of oil equivalent. In addition to its North Sea production, Exploration & Production had 6.3 billion cubic meters of output from Siberia's Yuzhno Russkoye gas field, which is accounted for using the equity method. This figure was somewhat lower than the prior-year figure.

Upstream Production

	2012	2011	+/- %
Oil/condensates (million barrels)	1.5	3.6	-58
Gas (million standard cubic meters)	615	1,175	-48
Total (million barrels of oil equivalent)	**5.3**	**11.0**	**-52**

Power Sales

The E.ON Group's 2012 consolidated power sales were 6.7 billion kWh, or 1 percent, above the prior-year level.

The 12.2 billion kWh decline in Generation's power sales is mainly attributable to lower demand in Italy, the reduced dispatch of coal-fired and gas-fired assets in Germany owing to the market situation in 2012, and a reduction in our Swedish power stations' deliveries to sales partners and our Optimization & Trading unit. The effect of the shutdown of certain NPPs in Germany pursuant to the amendment of the Atomic Energy Act was almost offset by an increase in availability at our other NPPs.

Renewables sold 2.5 billion kWh more power than in the prior year. Power sales at Hydro were up by 1.1 billion kWh, primarily because of an increase in owned generation and, consequently, in deliveries to Optimization & Trading in Germany and Sweden. Wind/Solar/Other, which sells its output exclusively in markets with incentive mechanisms for renewables, grew its power sales by 1.4 billion kWh, or 12 percent, chiefly because of an increase in installed generating capacity.

Power sales at the Germany regional unit were at the prior-year level.

Other EU Countries sold 11 billion kWh less power. An aggregate decline of 11 billion kWh in France, Italy, the United Kingdom, the Netherlands, and Sweden more than offset an aggregate gain of 3.8 billion kWh in Romania, Spain, Czechia, and Hungary. The disposal of the Bulgaria regional unit in late June 2012 was responsible for 3.8 billion kWh of the decline in sales volume.

The Russia unit sold 66.5 billion kWh of electricity on the wholesale market, a 3-percent increase from the prior-year figure. The main factor was the addition of new generating capacity that entered service in the second half of 2011 at Surgut 2 and Yaiva power stations.

Power Sales

	Generation		Renewables		Optimization & Trading[1]		Germany		Other EU Countries		Russia		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	–	–	0.2	–	–	–	23.9	25.0	55.9	61.2	–	–	–	–	80.0	86.2
I&C	3.7	3.9	–	–	–	–	34.1	37.2	72.2	76.5	–	–	-0.6	-0.2	109.4	117.4
Sales partners	24.5	26.7	4.7	4.7	–	–	91.7	82.9	0.7	1.7	–	–	-5.0	-4.9	116.6	111.1
Customer segments	**28.2**	**30.6**	**4.9**	**4.7**	**–**	**–**	**149.7**	**145.1**	**128.8**	**139.4**	**–**	**–**	**-5.6**	**-5.1**	**306.0**	**314.7**
Wholesale market/ Optimization & Trading	158.4	168.2	27.3	25.0	565.2	566.9	31.7	36.2	17.1	17.5	66.5	64.8	-431.8	-459.6	434.4	419.0
Total	**186.6**	**198.8**	**32.2**	**29.7**	**565.2**	**566.9**	**181.4**	**181.3**	**145.9**	**156.9**	**66.5**	**64.8**	**-437.4**	**-464.7**	**740.4**	**733.7**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; prior-year figures were adjusted accordingly.

Gas Sales

Consolidated gas sales increased by 54.6 billion kWh, or 5 percent, year on year.

On balance, Optimization & Trading's gas sales were at the prior-year level. Gas sales to industrial and commercial ("I&C") customers and sales partners declined. The change in these two groups' respective share of total gas sales results from the reclassification of some customers. Gas sales to the Germany regional unit increased to about 438 billion kWh. Gas sales outside Germany declined by about 20.4 billion kWh owing to a reduction in E.ON Földgáz Trade's deliveries.

The Germany regional unit recorded an increase in gas sales volume, mainly because of the acquisition of new sales-partner customers and an increase in sales volume to existing customers.

On balance, Other EU Countries sold 12 billion kWh more gas than in the prior year. Gas sales rose by a total of 16.1 billion kWh in several countries, in particular in the United Kingdom (owing to lower temperatures in the final three quarters of the year), in Romania and Czechia (owing to the acquisition of new I&C and wholesale customers), and in Spain (owing to higher I&C sales volume). Gas sales declined by 1.4 billion kWh in France (owing to the expiration of contracts), by 1.1 billion kWh in Sweden (owing to a reduction in deliveries to gas-fired power stations), and by 1.3 billion kWh in the Netherlands (owing to lower deliveries to Optimization & Trading).

Gas Sales

	Optimization & Trading[1]		Germany		Other EU Countries		Consolidation		E.ON Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential and SME	–	–	26.0	25.4	100.0	97.7	–	–	126.0	123.1
I&C	7.6	9.1	132.8	132.9	49.8	44.9	-5.7	-11.4	184.5	175.5
Sales partners	60.0	77.6	302.0	263.4	0.1	0.8	-58.7	-94.8	303.4	247.0
Customer segments	**67.6**	**86.7**	**460.8**	**421.7**	**149.9**	**143.4**	**-64.4**	**-106.2**	**613.9**	**545.6**
Germany	438.1	394.4	–	–	–	–	-438.1	-394.4	–	–
Other countries	90.6	111.0	–	–	–	–	-31.2	-38.3	59.4	72.7
Wholesale market/ Optimization & Trading	703.2	706.6	46.1	43.6	19.9	14.4	-280.4	-275.6	488.8	489.2
Total	**1,299.5**	**1,298.7**	**506.9**	**465.3**	**169.8**	**157.8**	**-814.1**	**-814.5**	**1,162.1**	**1,107.5**

[1]Effective January 1, 2012, we changed our IT-based method for collecting trading-volume data; prior-year figures were adjusted accordingly.

Business Performance in 2012

In an environment of deteriorating macroeconomic impetus, lower demand for power and gas in nearly all of our markets, and steadily declining energy prices (particularly power prices), the E.ON Group's earnings figures for 2012 were solid but cannot hide the fact that our industry is undergoing a radical transformation.

After reaching a settlement with Gazprom on long-term gas supply contracts, in July 2012 we raised the E.ON Group's full-year earnings forecast. Our results at year-end were in line with this adjusted forecast. Our sales rose from €113 billion in 2011 to €132.1 billion in 2012. We recorded EBITDA of roughly €10.8 billion, 16 percent more than the prior-year figure of €9.3 billion. The increase reflects two main factors:

- the adverse effect of Germany's amended Atomic Energy Act recorded in 2011
- the successful renegotiation of our gas procurement contracts with producers; this meant that in 2012 we also offset losses recorded in previous years.

As a result, EBITDA was actually in the upper half of our forecast range of €10.4 to €11 billion.

Our underlying net income rose from €2.5 billion in 2011 to about €4.2 billion in 2012. This increase is more than the EBITDA increase mainly because of lower amortization charges and lower interest expenses. Underlying net income was also well inside our forecast range of €4.1 to €4.5 billion.

Our investments of roughly €7 billion in 2012 were also in line with those foreseen in our medium-term plan.

In addition, we came closer to our target debt factor of less than 3. Relative to year-end 2011, at year-end 2012 we had reduced our economic net debt by €0.5 billion to €35.9 billion and our debt factor to 3.3.

Furthermore, the E.ON Group continues to have a solid asset and capital structure.

Acquisitions, Disposals, and Discontinued Operations in 2012

We executed the following significant transactions in 2012. Note 4 to the Consolidated Financial Statements contains detailed information about them.

Disposal Groups and Assets Held for Sale

In line with our less-capital-more-value strategy, in October 2012 we concluded agreements to sell 50-percent stakes in three wind farms in North America.

As part of our strategy to sell €15 billion of assets by the end of 2013, in 2012 we classified as disposal groups, classified as assets held for sale, or sold:

- a 43-percent stake in E.ON Thüringer Energie
- a stake in Slovenský Plynárenský Priemysel a.s., an energy company in Slovakia
- a stake in E.ON Energy from Waste
- a stake in hydroelectric stations in Bavaria as part of an asset swap with Austria's Verbund for power generating capacity and projects and power distribution assets in Turkey
- a stake in Horizon Nuclear Power in the United Kingdom
- a minority stake in JMP in Czechia
- a stake in Open Grid Europe, a gas transmission company
- our wholly owned subsidiary E.ON Bulgaria
- a 40-percent stake in HEAG Südhessische Energie AG
- a 15.09-percent stake in Interconnector (UK) Ltd. in the United Kingdom
- several components of the network connection of London Array wind farm in the United Kingdom.

As part of E.ON 2.0, our program to reduce costs and enhance efficiency, we closed E.ON Energie AG's Brienner Straße office building in Munich and subsequently sold the property.

Disposals resulted in cash-effective items totaling €4,418 million in 2012 (prior year: €5,987 million).

Earnings Situation

Transfer Price System

Deliveries from our generation units to Optimization & Trading are settled according to a market-based transfer price system. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace one to three years prior to delivery. The resulting transfer prices for power deliveries in 2012 were lower than the prices for deliveries in 2011.

Sales

Our 2012 sales of €132.1 billion surpassed the prior-year figure by €19.1 billion. Our Optimization & Trading and Germany segments recorded particularly significant sales increases. Overall, the share of external sales was higher. By contrast, Generation's sales declined significantly.

Sales

€ in millions	2012	2011	+/- %
Generation	13,242	14,979	-12
Renewables	2,478	2,439	+2
Optimization & Trading	100,101	84,667	+18
Exploration & Production	1,386	1,518	-9
Germany	40,298	37,295	+8
Other EU Countries	24,096	23,032	+5
Russia	1,879	1,615	+16
Group Management/ Consolidation	-51,387	-52,591	–
Total	**132,093**	**112,954**	**+17**

Generation

Generation's sales declined by €1.7 billion, or 12 percent.

Sales

€ in millions	2012	2011	+/- %
Nuclear	4,367	4,944	-12
Fossil	8,720	9,811	-11
Other/Consolidation	155	224	-31
Generation	**13,242**	**14,979**	**-12**

Nuclear's sales declined by €577 million, or 12 percent, owing to lower internal transfer prices on deliveries to Optimization & Trading in Germany and Sweden. Lower sales volume in Sweden was another negative factor.

Fossil's sales were €1,091 million, or 11 percent, lower. The decline resulted primarily from lower capacity utilization at our coal-fired and gas-fired assets in Germany, a significant weather-driven decline in sales volume in Italy and Sweden, and lower internal transfer prices. Sales were slightly higher in the United Kingdom due to the commissioning of a new gas-fired power plant, improved market conditions for coal-fired assets, and currency-translation effects. Higher market prices had a positive impact on sales in Spain.

Renewables

Sales at Renewables rose by €39 million.

Sales

€ in millions	2012	2011	+/- %
Hydro	1,322	1,453	-9
Wind/Solar/Other	1,156	986	+17
Renewables	**2,478**	**2,439**	**+2**

Sales at Hydro declined by 9 percent to €1,322 million, mainly because of lower sales volume in Italy and lower transfer and spot prices in Sweden. Negative price movements led to slightly lower sales in Germany, whereas higher pool prices led to slightly higher sales in Spain.

The predominant reason for the €170 million increase in Wind/Solar/Other's sales was a considerable increase in installed generating capacity.

Optimization & Trading

Optimization & Trading's sales rose by €15.4 billion to around €100.1 billion.

Sales			
€ in millions	2012	2011	+/- %
Proprietary Trading	4	111	-96
Optimization	99,816	84,109	+19
Gas Transport/Shareholdings/ Other	281	447	-37
Optimization & Trading	**100,101**	**84,667**	**+18**

The Optimization reporting unit consists of wholesale gas, gas storage, and asset optimization. The increase in its sales resulted primarily from an expansion of financial trading activity in gas and oil. On the gas side, the optimization of long-term gas contracts ("LTGCs") and E.ON-owned gas-fired power plants led to a substantial increase in sales because of the shift in our hedging strategy toward more exchange-based trading. In addition, the hedging of our financial oil exposure resulting from oil-indexed LTGCs led to a further increase in sales. Sales at the wholesale gas business rose owing primarily to higher sales prices and higher sales volume. The increase in sales is reflected almost identically in the increase in cost of materials, since hedging involves buying quantities and reselling them in different time frames. Any change in the underlying exposure leads to a further increase.

Sales at the Gas Transport/Shareholdings/Other reporting unit declined significantly owing to the sale of Open Grid Europe in late July 2012. This was partially offset by a reduction in consolidation effects.

Exploration & Production

Sales at Exploration & Production declined by 9 percent to €1,386 million (prior year: €1,518 million) owing to a decline in production at our North Sea fields. This effect was partially offset by positive price developments, particularly for sales volume from Yuzhno Russkoye gas field in Siberia.

Germany

Sales at the Germany regional unit increased by €3 billion.

Sales			
€ in millions	2012	2011	+/- %
Distribution Networks	12,741	11,276	+13
Non-regulated/Other	27,557	26,019	+6
Germany	**40,298**	**37,295**	**+8**

The Distribution Networks reporting unit grew sales by €1.5 billion. The increase is mainly attributable to significantly higher sales in conjunction with Germany's Renewable Energy Law.

Sales at the Non-regulated/Other reporting unit rose by €1.5 billion, chiefly because of the acquisition of new retail gas customers.

Other EU Countries

Other EU Countries grew sales by €1.1 billion to €24.1 billion.

Sales			
€ in millions	2012	2011	+/- %
U.K. (£ in millions)	9,701 (7,866)	8,554 (7,422)	+13 (+6)
Sweden (SEK in millions)	2,822 (24,566)	2,922 (26,381)	-3 (-7)
Czechia (CZK in millions)	3,018 (75,889)	2,765 (67,991)	+9 (+12)
Hungary (HUF in millions)	1,974 (570,850)	1,948 (544,196)	+1 (+5)
Remaining regional units	6,581	6,843	-4
Other EU Countries	**24,096**	**23,032**	**+5**

Sales at the UK regional unit rose by €1.1 billion, primarily because of currency-translation effects. Higher retail sales were partially offset by the disposal of the regulated business (Central Networks) at the end of the first quarter of 2011.

The Sweden regional unit's sales decreased by €100 million despite positive currency-translation effects of about €100 million. The main negative factors were lower retail sales which resulted from lower spot prices and sales volume relative to the prior year.

Sales in Czechia rose by €253 million owing primarily to higher sales prices in the retail gas business and higher compensation payments for the preferential dispatch of renewable-source electricity in the distribution network. These factors were partially mitigated by adverse currency-translation effects.

Sales at the Hungary regional unit increased by €26 million. Adverse currency-translation effects of €70 million were more than offset by higher network fees, a non-recurring effect in the gas business, and higher sales prices in the power and heat businesses.

Sales at the remaining regional units fell by €262 million, in particular because of the loss of a large customer in the Netherlands, a significant volume- and price-driven decline in sales in France, the disposal of operations in Bulgaria, and lower sales volume in Italy. These declines were partially offset by higher power sales volume and positive volume and price effects in the gas business in Spain and by higher power and gas sales volume combined with higher retail prices in Romania.

Russia

The Russia unit to grow its sales by 16 percent to €1,879 million (prior year: €1,615 million). The reason for the increase was higher sales volume resulting from the full-year inclusion of the new generating capacity and higher market prices for next-day deliveries. In local currency, sales were up by 14 percent, from RUB 66,039 million to RUB 75,025 million.

Other Significant Line Items from the Consolidated Statements of Income

Own work capitalized of €381 million was 27 percent below the prior-year figure (€519 million). The main reason for the decline is that significantly fewer engineering services were performed in 2012 owing to the completion of a number of generation new-build projects in 2011.

Other operating income declined by 21 percent to €10,845 million (prior year: €13,785 million). Lower income from exchange-rate differences of €4,108 million (€6,027 million) and lower income from derivative financial instruments of €3,779 million (€4,559 million) constituted the main factors. Among derivative financial instruments, there were significant effects from commodity derivatives in 2012. These principally affected our power, natural gas, coal, and oil positions. Gains on the sale of securities; property, plant, and equipment ("PP&E"); and shareholdings amounted to €643 million (€1,548 million). In 2012 these gains resulted primarily from the sale of PP&E and securities; in 2011 primarily from the sale of additional shares of Gazprom stock and our power distribution network in the United Kingdom. Miscellaneous other operating income consisted primarily of reductions to valuation allowances and provisions as well as compensation payments received for damages.

Costs of materials rose by €17,458 million to €115,285 million (prior year: €97,827 million), primarily owing to a substantial increase in trading volume at Optimization & Trading, since optimization involves buying quantities and then reselling them. The agreement we reached with Gazprom in the first half of 2012, which retroactively affected price terms for the period since the fourth quarter of 2010, had a positive effect in the amount of approximately €1 billion in 2012.

Personnel costs declined by 14 percent to €5,138 million (prior year: €5,947 million), mainly because of staff reductions in conjunction with E.ON 2.0 and the sale of our Bulgaria regional unit and Open Grid Europe.

Depreciation charges of €5,078 million were significantly below the prior-year figure of €7,081 million because impairment charges on goodwill, PP&E, and immaterial assets were higher in 2011 than in 2012. The amendment of Germany's Atomic Energy Act (which called for the early, unplanned shutdown of nuclear power stations in Germany) made it necessary to record impairment charges on PP&E in 2011. Reversals of impairment charges on PP&E in 2012 are recorded in other operating income.

Other operating expenses declined by 25 percent to €13,307 million (prior year: €17,656 million). This is mainly attributable to lower expenditures relating to currency differences of €3,857 million (€6,761 million) and lower expenditures relating to derivative financial instruments of €4,491 million (€5,685 million), especially relating to commodity derivatives.

Income from companies accounted for under the equity method declined to €137 million (prior year: €512 million), mainly because of impairment charges on shareholdings in the gas business. In addition, this item was adversely affected in the prior year by impairment charges resulting from the amendment of Germany's Atomic Energy Act which called for the early, unplanned shutdown of nuclear power stations in Germany.

EBITDA

Our 2012 EBITDA was up by about €1.5 billion year on year. The main factors were:

- significant improvements in our wholesale gas business
- the adverse one-off impact, recorded in 2011, of the amended Atomic Energy Act
- the initial impact of our Group-wide E.ON 2.0 program
- the operation of new gas-fired generating units at Surgut 2 and Yaiva power stations in Russia.

EBITDA[1]

€ in millions	2012	2011	+/- %
Generation	2,403	2,114	+14
Renewables	1,271	1,459	-13
Optimization & Trading	1,421	160	+788
Exploration & Production	523	727	-28
Germany	2,819	2,457	+15
Other EU Countries	2,032	2,259	-10
Russia	729	553	+32
Group Management/ Consolidation	-412	-436	-6
Total	**10,786**	**9,293**	**+16**

[1]Adjusted for extraordinary effects.

E.ON generates a significant portion of its EBITDA in very stable business areas. The overall share of regulated as well as quasi-regulated and long-term contracted operations amounted to 46 percent of EBITDA in 2012.

EBITDA[1]

€ in millions	2012	2011	%
Regulated business	4,004	3,721	+8
Quasi-regulated and long-term contracted business	968	900	+8
Merchant business	5,814	4,672	+24
Total	**10,786**	**9,293**	**+16**

[1]Adjusted for extraordinary effects.

Our regulated business consists of operations in which revenues are set by law and based on costs plus a reasonable return on capital employed. 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 long-term power-purchase agreements for generating capacity.

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

Generation

Generation's EBITDA increased by €289 million.

Generation

	EBITDA[1]		EBIT[1]	
€ in millions	2012	2011	2012	2011
Nuclear	792	272	536	25
Fossil	1,659	1,792	960	1,061
Other/Consolidation	-48	50	-54	42
Total	**2,403**	**2,114**	**1,442**	**1,128**

[1]Adjusted for extraordinary effects.

Nuclear's 2012 EBITDA was positively affected primarily by the absence of a non-recurring effect recorded in the second quarter of 2011 relating to the shutdown of certain nuclear power stations in Germany pursuant to the amended Atomic Energy Act. Earnings in Germany were adversely affected by lower market-based transfer prices for deliveries to Optimization & Trading, higher expenditures for the nuclear-fuel tax, and higher provisions for nuclear-waste management. Lower sales volume and transfer prices in Sweden also served to reduce earnings.

Fossil's earnings were €133 million below the prior-year level. Lower internal transfer prices relative to the prior year constituted the main negative factor. Other negative factors included the conversion of a power plant to biomass and the non-recurrence of positive one-off effects recorded in the prior year in the United Kingdom along with narrower margins at gas-fired assets in Italy. Improved margins in France and Spain had a positive impact on earnings.

Renewables

Renewables' EBITDA declined by €188 million, or 13 percent.

Renewables

	EBITDA[1]		EBIT[1]	
€ in millions	2012	2011	2012	2011
Hydro	709	909	605	793
Wind/Solar/Other	562	550	272	295
Total	**1,271**	**1,459**	**877**	**1,088**

[1]Adjusted for extraordinary effects.

EBITDA at Hydro declined by 22 percent to €709 million. The main factors were lower sales volume in Italy, positive one-off effects in Germany in 2011, lower transfer prices (despite higher output and sale volume) in Sweden, and volatile market prices in Spain.

Wind/Solar/Other's EBITDA was slightly (+2 percent) above the prior-year figure. A significant increase in installed generating capacity was partially offset by the non-recurrence of positive one-off effects recorded in the first quarter of 2011 and lower compensation in 2012.

Optimization & Trading

Optimization & Trading's EBITDA surpassed the prior-year figure by €1,261 million.

Optimization & Trading

	EBITDA[1]		EBIT[1]	
€ in millions	2012	2011	2012	2011
Proprietary Trading	-61	44	-62	42
Optimization	750	-735	551	-885
Gas Transport/Shareholdings/Other	732	851	674	709
Total	**1,421**	**160**	**1,163**	**-134**

[1]Adjusted for extraordinary effects.

Proprietary Trading's EBITDA was below the prior-year figure because of lower earnings in gas, oil, and the East European power portfolio.

EBITDA at Optimization was significantly above the prior-year level, primarily because of our gas business, where negotiations with all suppliers to adjust purchase prices were successful, leading to a substantial earnings improvement relative to the prior year. Depending on the producer, some price adjustments are attributable to an earlier reporting period, in some cases going back as far as the fourth quarter of 2010. Although achieved prices in the market were still below internal transfer prices, EBITDA on the optimization of the E.ON Group's generation and production assets improved significantly relative to the prior year.

Earnings at Gas Transport/Shareholdings/Other were lower owing to the sale of Open Grid Europe in late July 2012. This factor and adverse consolidation effects were partially offset by higher earnings from equity interests.

Exploration & Production

EBITDA at Exploration & Production declined by 28 percent to €523 million (prior year: €727 million) owing mainly to a decline in production at our North Sea fields. This effect was partially offset by higher prices on gas from Yuzhno Russkoye gas field in Siberia. Exploration & Production's 2012 EBIT was €293 million (€481 million).

Germany

EBITDA at the Germany regional unit increased by €362 million.

Germany

	EBITDA[1]		EBIT[1]	
€ in millions	2012	2011	2012	2011
Distribution Networks	1,792	1,535	1,128	885
Non-regulated/Other	1,027	922	723	614
Total	**2,819**	**2,457**	**1,851**	**1,499**

[1]Adjusted for extraordinary effects.

Distribution Networks grew its earnings by €257 million, in particular because of higher power network revenues and improvements achieved through cost-cutting measures.

EBITDA at Non-regulated/Other was €105 million above the prior-year level, mainly because of effects attributable to earlier reporting periods.

Other EU Countries

Other EU Countries' EBITDA of €2 billion was 10 percent, or €227 million, below the prior-year figure.

Other EU Countries

	EBITDA[1]		EBIT[1]	
€ in millions	2012	2011	2012	2011
U.K.	289	523	170	390
(£ in millions)	(234)	(454)	(137)	(338)
Sweden	714	672	466	411
(SEK in millions)	(6,215)	(6,068)	(4,059)	(3,710)
Czechia	478	470	364	359
(CZK in millions)	(12,010)	(11,557)	(9,097)	(8,828)
Hungary	186	223	86	104
(HUF in millions)	(53,869)	(62,378)	(24,945)	(29,037)
Remaining regional units	365	371	259	227
Total	**2,032**	**2,259**	**1,345**	**1,491**

[1]Adjusted for extraordinary effects.

EBITDA at the UK regional unit was €234 million below the prior-year level because of the absence of earnings streams from the regulated business (Central Networks), which was divested in April 2011, and higher costs to fulfill regulatory obligations.

The Sweden regional unit's EBITDA increased by €42 million. This figure includes positive currency-translation effects of €26 million. Other positive factors were higher network fees, new network connections for wind farms, and the sale of a subsidiary. EBITDA was adversely affected by a decline in asset availability in the heat business and by higher procurement costs (resulting from price spikes in the first quarter) and lower sales volume in the retail business.

EBITDA in Czechia was slightly above the prior-year level owing to higher earnings from an equity interest and to improved energy margins. Currency-translation effects had an adverse effect on EBITDA.

The main contributions to the Hungary regional unit's EBITDA came from its distribution network business (€208 million) and its retail business (-€32 million). The decline from the prior-year figure is chiefly attributable to higher personnel costs, losses on unrecoverable receivables, and currency-translation effects.

EBITDA at the remaining regional units declined by €6 million, or 2 percent, mainly because of our France regional unit, which recorded a provision for anticipated losses in the gas business and experienced regulatory changes and lower sales volume in the power business as well as narrower margins in the gas business. The disposal of our Bulgaria regional unit in late June 2012 and slightly lower earnings in Spain were also negative factors. These declines were almost fully offset by the absence of allowances for overdue receivables recorded in the prior year in Italy, by the sale of a shareholding in the Netherlands, and by improved margins in the gas business in Romania.

Russia

The Russia unit's EBITDA rose by €176 million, or 32 percent, to €729 million (prior year: €553 million), mainly because of higher sales volume resulting from an increase in generating capacity in the second half of 2011. EBIT was €546 million (€398 million). EBITDA in local currency increased by 29 percent, from RUB 22,620 million to RUB 29,118 million. EBIT was RUB 21,784 million (RUB 16,256 million).

Net Income/Net Loss

Net income attributable to shareholders of E.ON SE of €2,217 million and corresponding earnings per share of €1.16 were considerably above the respective prior-year figures, -€2,219 million and -€1.16.

Net Income/Net Loss

€ in millions	2012	2011
EBITDA[1]	**10,786**	**9,293**
Depreciation and amortization	-3,544	-3,689
Impairments (-)/Reversals (+)[2]	-215	-166
EBIT[1]	**7,027**	**5,438**
Economic interest expense	-1,321	-1,776
Net book gains/losses	322	1,221
Restructuring/cost-management expenses	-230	-586
E.ON 2.0 restructuring expenses	-388	-801
Impairment charges[2]	-1,688	-3,004
Other non-operating earnings	-408	-3,403
Income/Loss (-) from continuing operations before taxes	**3,314**	**-2,911**
Income taxes	-710	1,036
Income/Loss (-) from continuing operations	**2,604**	**-1,875**
Income/Loss (-) from discontinued operations, net	37	14
Net income/Net loss (-)	**2,641**	**-1,861**
Attributable to shareholders of E.ON SE	*2,217*	*-2,219*
Attributable to non-controlling interests	*424*	*358*

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

The improvement in our economic interest expense is mainly attributable to the release of provisions recorded in previous years. A positive one-off item relating to a renewables support fund was recorded in 2011; its non-recurrence in 2012 was an adverse factor.

Economic Interest Expense

€ in millions	2012	2011
Interest expense shown in Consolidated Statements of Income	-1,412	-2,094
Interest income (-)/expense (+) not affecting net income	91	318
Total	**-1,321**	**-1,776**

Net book gains were €0.9 billion, or 74 percent, below the prior-year level. In 2012 book gains were recorded primarily on the sale of our stake in Horizon Nuclear Power in the United Kingdom, securities, network segments in Germany, our stake in a gas pipeline in the United Kingdom, and a property with an office building in Munich. The 2011 figure reflects, in particular, the sale of Gazprom stock, our U.K. network business, our Swedish gas distribution network, and securities.

Restructuring expenses totaled €0.6 billion in 2012, €0.8 billion less than in 2011. Our E.ON 2.0 cost-reduction program was responsible for most of these expenditures in 2012; E.ON 2.0 expenditures, which relate mostly to preretirement agreements and settlements at subsidiaries outside Germany, were roughly €0.4 billion lower than in 2011. As in the prior year, our remaining restructuring and cost-management expenditures resulted mainly from restructuring measures at our regional distribution companies in Germany and the withdrawal of generating units.

In 2012 our global and regional units were adversely affected by a generally deteriorated business environment and by regulatory intervention. We therefore had to record impairment charges totaling €1.7 billion, in particular at Generation, Optimization & Trading, and Other EU Countries. Of these charges, €0.3 billion were on goodwill; €1.7 billion were on property, plant, and equipment, intangible assets, and share investments. These were partially offset by the reversal of impairment charges in the amount of €0.3 billion, mainly at Generation.

Other non-operating earnings of -€0.4 billion (prior year: -€3.4 billion) include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market resulted in negative effects at both year-end 2012 (-€0.5 billion) and year-end 2011 (-€1.8 billion). In 2012 non-operating earnings were also adversely affected by a number of smaller items. Non-operating earnings were positively affected in 2012 by the reduction of the fine that the European Commission had levied against E.ON for an alleged market-sharing agreement with GdF Suez. Negative effects in 2011 also resulted from the reclassification of currency-translation effects in equity in the wake of the simplification of E.ON's organizational setup, from impairment charges related to the amendment of Germany's Atomic Energy Act, from early redemption fees in connection with our debt reduction, and from writedowns on production licenses at Exploration & Production.

The €1.7 billion increase in our tax expense compared with 2011 is mainly attributable to the significant increase in our earnings. Our effective tax rate was 21 percent, whereas it was 36 percent (relative to our negative earnings) in 2011. Changes in tax rates reduced our tax expense by a total of €0.3 billion in 2012.

Income/Loss from discontinued operations, net, consists of the earnings from contractual obligations of operations that have already been sold. Pursuant to IFRS, these earnings are reported separately in the Consolidated Statements of Income.

Underlying Net Income

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

Underlying Net Income

€ in millions	2012	2011	+/- %
Net income/Net loss attributable to shareholders of E.ON SE	2,217	-2,219	–
Net book gains	-322	-1,221	–
Restructuring and cost-management expenses	618	1,387	–
Impairments (-)/Reversals (+)	1,688	3,004	–
Other non-operating earnings	408	3,403	–
Taxes and non-controlling interests on non-operating earnings	-110	-1,708	–
Special tax effects	-275	-131	–
Income/Loss from discontinued operations, net	-37	-14	–
Total	**4,187**	**2,501**	**+67**

Financial Situation

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

Finance Strategy

The central components of E.ON's finance strategy are capital-structure management and our dividend policy.

We manage E.ON's capital structure by using our debt factor in order to ensure that E.ON's access to capital markets is commensurate with its current debt level. Debt factor is equal to our economic net debt divided by 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 as well as the fair value (net) of currency derivatives used for financing transactions (excluding transactions relating to our operating business and asset management). Our medium-term target debt factor is less than 3.

To ensure that we achieve our target debt factor, in November 2010 we announced a program for managing our portfolio and capital structure. It included €15 billion of disposals by year-end 2013, a target we will surpass by a wide margin. In addition, E.ON plans to generate positive free cash flow (defined as operating cash flow minus investments and dividends) by 2015. We intend to achieve this by enhancing efficiency (E.ON 2.0), reducing our future investment volume, and adjusting our planned dividend (in absolute terms) from the 2013 financial year onward.

The second key component of our finance strategy is a consistent dividend policy, under which we aim to pay out 50 to 60 percent of underlying net income. We are therefore proposing a dividend of €1.10 per share for the 2012 financial year. We also plan for future payout ratios to be within this target payout range. Our dividend policy ensures that our shareholders receive an attractive return on their investment and, at the same time, provides E.ON with the opportunity to invest in its transformation.

Financial Position

Our gross financial liabilities to financial institutions and third parties were €25 billion at year-end 2012, having declined by €3.5 billion during the year. This mainly reflects the repayment of €2.7 billion in bonds, which reduced the amount of bonds outstanding. We also had less commercial paper outstanding at the end of 2012 than at the end of 2011.

Compared with the figure recorded at December 31, 2011 (-€36.4 billion), our economic net debt declined by €0.5 billion to -€35.9 billion. Our positive operating cash flow and proceeds from divestments were the main reasons for the decline. Economic net debt was adversely affected by an increase in provisions for pensions (owing mostly to a decline in the discount rate) and for nuclear-waste management (owing to compound interest and a decline in the discount rate).

Economic Net Debt

	December 31	
€ in millions	2012	2011
Liquid funds	6,546	7,020
Non-current securities	4,746	4,904
Total liquid funds and non-current securities	**11,292**	**11,924**
Financial liabilities to banks and third parties	-25,014	-28,490
Financial liabilities resulting from interests in associated companies and other shareholdings	-930	-1,424
Total financial liabilities	**-25,944**	**-29,914**
Net financial position	**-14,652**	**-17,990**
Fair value (net) of currency derivatives used for financing transactions[1]	145	524
Provisions for pensions	-4,890	-3,245
Asset-retirement obligations	-18,225	-17,269
Less prepayments to Swedish nuclear fund	1,743	1,595
Economic net debt	**-35,879**	**-36,385**
EBITDA[2]	10,786	9,293
Debt factor	**3.3**	**3.9**

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

Owing to the increase in EBITDA and the decline in net debt, our debt factor at year-end 2012 improved to 3.3 (year-end 2011: 3.9).

Funding Policy and Initiatives

Our funding policy is designed to give E.ON access to a variety of financing sources at any time. We achieve this objective by basing our funding policy on the following principles. First, we use a variety of markets and debt instruments to maximize the diversity of our investor base. Second, we issue bonds with terms that give our debt portfolio a balanced maturity profile. Third, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. As a rule, external funding is carried out by our Dutch finance subsidiary, E.ON International Finance B.V., under guarantee of E.ON SE or by E.ON SE itself, and the funds are subsequently on-lent in the Group. Owing to its liquidity situation, E.ON did not issue bonds in 2012.

Financial Liabilities

€ in billions	Dec. 31, 2012	Dec. 31, 2011
Bonds[1]	20.7	23.4
EUR	*12.0*	*13.3*
GBP	*4.5*	*5.0*
USD	*2.3*	*2.6*
CHF	*0.9*	*1.3*
SEK	*0.1*	*0.3*
JPY	*0.7*	*0.8*
Other currencies	*0.2*	*0.1*
Promissory notes	0.8	0.8
CP	0.2	0.9
Other liabilities	4.2	4.8
Total	**25.9**	**29.9**

[1]Includes private placements.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and E.ON International Finance B.V.'s currently outstanding bonds were issued under our Debt Issuance Program ("DIP"). The DIP enables us to issue debt to investors in public and private placements. In April 2012 it was extended, as planned, for one year. The DIP has a total volume of €35 billion. About €18.4 billion worth of bonds were outstanding under the program at year-end 2012.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term liabilities. We had €180 million in CP outstanding at year-end 2012 (prior year: €869 million).

We also have access to a five-year, €6 billion syndicated revolving credit facility, which was concluded with 29 banks on November 25, 2010. This facility has not been drawn on and instead serves as a reliable, ongoing general liquidity reserve for the E.ON Group. Participation in the credit facility indicates that a bank belongs to E.ON's core group of banks.

Notes 26, 27, and 31 to the Consolidated Financial Statements contain more information about E.ON's bonds as well as liabilities, contingencies, and other commitments.

Standard & Poor's ("S&P") long-term rating for E.ON is A-. Moody's long-term rating for E.ON is A3. Both of these ratings have a stable outlook. The short-term ratings are A-2 (S&P) and P-2 (Moody's). In July 2012 S&P downgraded its A rating to A- with a stable outlook and its short-term rating from A-1 to A-2.

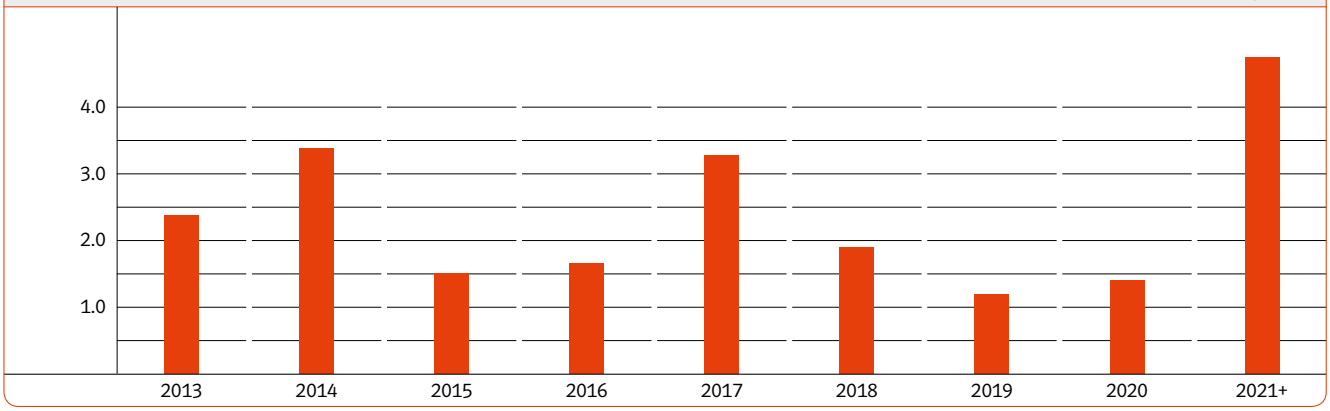
E.ON SE Ratings

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

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

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

€ in billions — December 31, 2012



Investments

Our investments totaled €7 billion in 2012, about €0.5 billion above the prior-year figure. We invested about €6.4 billion in property, plant, and equipment ("PP&E") and intangible assets (prior year: €6.2 billion). Share investments totaled €0.6 billion versus €0.3 billion in the prior year.

Our investments outside Germany increased by 14 percent to €5,367 million (prior year: €4,709 million).

Investments

€ in millions	2012	2011	+/- %
Generation	1,555	1,711	-9
Renewables	1,791	1,114	+61
Optimization & Trading	319	581	-45
Exploration & Production	573	645	-11
Germany	1,070	912	+17
Other EU Countries	1,063	1,210	-12
Russia	289	322	-10
Group Management/ Consolidation	337	29	–
Total	**6,997**	**6,524**	**+7**
Maintenance investments	*1,210*	*1,257*	*-4*
Growth and replacement investments	*5,787*	*5,267*	*+10*

Generation invested €156 million less than in the prior year. Investments in PP&E and intangible assets declined by €52 million, from €1,520 million to €1,468 million. The main reason for the decline was the completion of new-build projects in Slovakia (Malzenice), Germany (Irsching), and Spain (Algeciras). By contrast, we invested significantly more in the Netherlands (for the construction of a new coal-fired generating unit at Maasvlakte power station) and in Sweden and Italy (for maintenance). Share investments totaled €87 million (prior year: €191 million).

Investments at Renewables were up by €677 million. Hydro's investments of €165 million were double the prior-year figure of €83 million. In preparation for the asset swap between E.ON SE and Austria's Verbund AG, a stake in a power plant in Germany was acquired along with the related power procurement rights for €90 million. Wind/Solar/Other's investments rose by 58 percent, from €1,031 million to €1,626 million. These expenditures went toward the development and construction of wind farms in Europe and the United States.

Optimization & Trading invested €319 million. Of this figure, €288 million (prior year: €500 million) was invested in PP&E and intangible assets. Most of these investments were in gas infrastructure. Share investments of €31 million (€81 million) were chiefly attributable to a capital increase at the Nord Stream pipeline company.

Exploration & Production invested €573 million (prior year: €645 million) in PP&E and intangible assets. Investments in Skarv field amounted to €304 million (€411 million).

The Germany regional unit invested €158 million more than in the prior year. Investments in PP&E and intangible assets totaled €1,025 million. Of these investments, €843 million went toward the network business and €102 million toward the heating business. Share investments totaled €45 million.

Investments at Other EU Countries were €147 million below the prior-year figure. The UK regional unit invested €141 million (prior year: €212 million). The sale of Central Networks was the main cause for the decline. The Sweden unit's investments of €397 million were €25 million below the prior-year figure (€422 million); investments served to expand distributed generation and to expand and upgrade the distribution network, including adding new connections. Investments totaled €172 million (€200 million) in Czechia, €143 million (€147 million) in Hungary, and €210 million (€229 million) in the remaining EU countries; the decline in the latter figure chiefly reflects the disposal of our Bulgaria regional unit in late June 2012.

The Russia unit invested €289 million (prior year: €322 million), of which €195 million went toward its new-build program.

Investments recorded under Group Management/Consolidation were considerably higher because we made initial payments as part of our joint venture with Brazil's MPX.

We plan to invest €6.1 billion in 2013. Generation's investments include the construction of unit 3 at Maasvlakte power station in the Netherlands. Renewables' investments include the construction of Humber Gateway offshore wind farm in the United Kingdom. Our main investment obligations are disclosed in the investment plan contained in the Forecast Report.

Cash Flow

At €8,808 million, our operating cash flow was significantly above the prior-year figure of €6,610 million. The main positive factor was a substantial reduction in working capital, which was attributable in part to one-off effects relating to settlements from the 2011 financial year and higher withdrawals from coal and gas inventories in 2012. The non-recurrence of the refunding of pension assets in the United Kingdom recorded in 2011, lower interest payments, and the partial refund of the fine levied by the European Commission on E.ON for an alleged market-sharing agreement with GdF Suez were also positive factors. Cash flow was adversely affected by higher tax payments.

Cash provided by investing activities of continuing operations amounted to approximately -€3 billion in 2012 (prior year: -€3.1 billion). Although investment expenditures were only incrementally above the prior-year level, cash from the sale of shareholdings was considerably lower. This mainly reflects the significant cash recorded on the sale of Central Networks and our remaining Gazprom stock in the prior year. The proceeds from the sale of Open Grid Europe constituted the main positive factor in 2012; another positive factor was a reduction in cash outflows from changes in securities and fixed-term deposits.

Cash provided by financing activities of continuing operations amounted to -€6.8 billion (prior year: -€5.8 billion). The change relative to the prior year was mainly due to a higher net repayment of financial liabilities in 2012. A lower dividend payout was a countervailing factor.

Liquid funds at December 31, 2012, were €6,546 million (prior year: €7,020 million). In 2012 E.ON had €449 million of cash and cash equivalents subject to a restraint risk (€89 million). The current securities with an original maturity greater than three months contained €77 million (€98 million) in securities held by Versorgungskasse Energie earmarked for fulfilling legal insurance obligations (see Notes 18 and 31 to the Consolidated Financial Statements).

Asset Situation

Non-current assets at year-end 2012 were 6 percent below the figure at year-end 2011. Investments in property, plant, and equipment ("PP&E") were more than offset by the derecognition of the assets of our gas transmission system operator (Open Grid Europe) and by the reclassification of assets held for sale. In addition, in the second half of 2012 we recorded impairment charges on goodwill, intangible assets, PP&E, and share investments; these charges were partially offset by the reversal of certain impairment charges from earlier reporting periods.

Current assets declined by 13 percent from year-end 2011. The main factors were reductions in operating receivables and in receivables from derivative financial instruments; these factors were partially offset by the reclassification of non-current assets held for sale.

Our equity ratio at year-end 2012 increased to 28 percent from 26 percent at year-end 2011. We paid out a dividend of €1.9 billion to E.ON shareholders in the second quarter of 2012. Currency-translation effects on assets and liabilities amounted to roughly €0.5 billion in 2012.

Non-current liabilities were 3 percent below the prior year-end level. Higher pension obligations (resulting primarily from a decline in the discount rate in Germany and the United Kingdom) were partially offset in particular by lower non-current financial liabilities.

Current liabilities declined by 21 percent relative to year-end 2011, mainly because of a decrease in operating liabilities and in liabilities from derivative financial instruments.

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

- Non-current assets are covered by equity at 40 percent (December 31, 2011: 39 percent).
- Non-current assets are covered by long-term capital at 108 percent (December 31, 2011: 104 percent).

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

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2012	%	Dec. 31, 2011	%
Non-current assets	96,563	69	102,221	67
Current assets	43,863	31	50,651	33
Total assets	**140,426**	**100**	**152,872**	**100**
Equity	38,819	28	39,613	26
Non-current liabilities	65,001	46	67,129	44
Current liabilities	36,606	26	46,130	30
Total equity and liabilities	**140,426**	**100**	**152,872**	**100**

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

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

Balance Sheet of E.ON SE (Summary)

	December 31	
€ in millions	2012	2011
Intangible assets and property, plant, and equipment	123	125
Financial assets	38,217	36,385
Non-current assets	**38,340**	**36,510**
Receivables from affiliated companies	15,359	18,457
Other receivables and assets	1,047	6,094
Liquid funds	2,104	1,523
Current assets	**18,510**	**26,074**
Total assets	**56,850**	**62,584**
Equity	14,987	12,787
Provisions	3,564	6,434
Liabilities to affiliated companies	35,844	39,466
Other liabilities	2,455	3,897
Total equity and liabilities	**56,850**	**62,584**

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. In 2012 income from equity interests mainly reflected profit transfers of €1,900 million from E.ON Energie AG and €1,477 million from E.ON Beteiligungen GmbH. In 2011 the distribution of capital reserves from E.ON Finanzanlagen GmbH resulted in €3,660 million in income from equity interests.

The negative figure recorded under other expenditures and income improved by €1,310 million year on year to -€311 million, in particular because in the prior year E.ON recorded an expense of €1,400 million relating to a capital injection to E.ON Italia S.p.A.

Income Statement of E.ON SE (Summary)

€ in millions	2012	2011
Income from equity interests	4,044	5,081
Interest income	-672	-1,270
Other expenditures and income	-311	-1,621
Income from continuing operations	**3,061**	**2,190**
Extraordinary expenses	-35	-37
Taxes	1,061	-157
Net income	**4,087**	**1,996**
Net income transferred to retained earnings	-1,990	-91
Net income available for distribution	**2,097**	**1,905**

After the application of a loss carryforward of €418.8 million, income taxes for 2012 consist primarily of taxes on earnings from ordinary operating activities. The remainder consists of taxes for prior years.

At the Annual Shareholders Meeting on May 3, 2013, management will propose that net income available for distribution be used to pay a cash dividend of €1.10 per ordinary share. The dividend is thus being maintained at a high level. We believe that in this way E.ON stock remains attractive for our shareholders.

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

Financial and Non-financial Performance Indicators

ROACE and Value Added

Cost of Capital

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

Because a number of parameters changed significantly, we adjusted our cost of capital in 2012. In particular, the risk-free interest rate declined significantly owing to the low return on German treasury notes. The assumed debt-to-equity ratio for the E.ON Group was unchanged at 50:50. The table at right illustrates the derivation of cost of capital before and after taxes.

On balance, the changes to the parameters had the effect of lowering the E.ON Group's after-tax cost of capital for 2012 from 6.1 to 5.6 percent. Our pretax cost of capital declined from 8.3 to 7.7 percent. There were also changes to some of our reporting segments' minimum ROACE requirements, which for 2012 ranged from 6.7 to 14.7 percent (before taxes, calculated in euros).

Cost of Capital

	2012	2011
Risk-free interest rate	3.3%	4.0%
Market premium[1]	4.5%	4.5%
Beta factor[2]	1.02	1.00
Cost of equity after taxes	**7.9%**	**8.5%**
Tax rate	27%	27%
Cost of equity before taxes	10.8%	11.6%
Cost of debt before taxes	4.5%	5.0%
Tax shield (tax rate: 27%)[3]	1.2%	1.3%
Cost of debt after taxes	**3.3%**	**3.7%**
Share of equity	50.0%	50.0%
Share of debt	50.0%	50.0%
Cost of capital after taxes	**5.6%**	**6.1%**
Cost of capital before taxes	**7.7%**	**8.3%**

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

Analyzing Value Creation by Means of ROACE and Value Added

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

Average capital employed represents interest-bearing invested capital. Capital employed is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Depreciable assets are recorded at half of their original acquisition or production cost. ROACE is therefore not affected by an asset's depreciation period. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value. Changes to E.ON's portfolio during the course of the year are factored into average capital employed.

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

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

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

ROACE and Value Added Performance in 2012

The significant increase in our ROACE, from 8.4 to 11.1 percent, is primarily attributable to the increase in our EBIT. In addition, there was a slight reduction in our average capital employed. This resulted from disposals and shutdowns which were not entirely offset by ongoing investments. At 11.1 percent, our ROACE significantly surpassed our pretax cost of capital, which declined relative to the prior year. As a result, value added amounted to €2.2 billion.

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

E.ON Group ROACE and Value Added

€ in millions	2012	2011
EBIT[1]	**7,027**	**5,438**
Goodwill, intangible assets, and property, plant, and equipment[2]	65,928	67,987
+ Shares in affiliated and associated companies and other share investments	5,678	8,233
+ Inventories	4,734	4,828
+ Other non-interest-bearing assets, including deferred income and deferred tax assets	-3,656	-7,746
- Non-interest-bearing provisions[3]	6,897	8,231
- Adjustments[4]	2,435	1,908
Capital employed in continuing operations (at year-end)	**63,352**	**63,163**
Capital employed in continuing operations (annual average)[5]	**63,258**	**64,438**
ROACE	**11.1%**	**8.4%**
Cost of capital before taxes	**7.7%**	**8.3%**
Value added[6]	**2,156**	**90**

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

Corporate Sustainability

Our many stakeholders—customers and suppliers, policymakers and government agencies, the general public and the media, environmental-protection and charitable organizations, employees and trade unions, business partners and competitors, and of course our investors—have high expectations for us and our industry. E.ON is expected to achieve three energy objectives simultaneously: to make sure that the energy we supply is 1) secure and reliable, 2) friendly to the environment and the earth's climate, and 3) affordable for both our industrial and residential customers. We are expected to treat our employees, customers, and neighbors fairly and decently and to demand that our supply chain meets high standards for environmental and social performance. We strive to meet these expectations because we believe that this will, over the long term, have a positive impact on our business performance. This is reflected in our strategy—called "cleaner & better energy"—which sets the course for transforming our existing business and for seizing new business opportunities. Our strategy also involves ensuring sound corporate governance and embedding environmental and social performance in our business processes. In dialog with our stakeholders we have defined the main challenges we face and set targets for addressing them. Our online Sustainability Report, which we prepare in accordance with the guidelines of the Global Reporting Initiative, describes these targets, tracks our performance, and generally makes our sustainability efforts as transparent as possible. Reporting transparently and continually engaging with our stakeholders enable us to engender trust and acceptance and to recognize risks early.

We brought our support for an important project for the future of our company to a successful conclusion in 2012. Over the last four years *Leuchtpol*, our Energy for Children initiative's flagship project in Germany, has demonstrated that through a playful learning experience young children can understand the role energy resources play in their lives and how everyone can do something to help make the world a better place to live. *Leuchtpol*, which provides teacher training and learning materials, is Germany's first nationwide sustainability learning module for preschool children. Between 2008 and 2012 *Leuchtpol* reached more than 4,000 preschools and teachers—and thus about 10 percent of preschoolers—in Germany.

We made more progress in responsible fuel procurement in 2012. Bettercoal, an initiative launched by E.ON and five other European energy utilities to promote the continuous improvement of corporate responsibility in the international coal supply chain, was registered as a not-for-profit organization in 2012 and given an organizational structure. In addition, draft Bettercoal Codes were developed in close consultation with stakeholders. The codes have been presented to stakeholders for review and comment as part of a global online consultation process. Bettercoal representatives met directly with mine operators and other stakeholders at mine sites in South Africa, Russia, and Columbia, seeking to engage them in the improvement process. The first pilot inspections of mines were conducted, and further work was done to develop a mine inspection manual.

We use many metrics to assess our business's impact on the environment. One of the most relevant is our environmental footprint. We have developed a method of measuring it that is applicable to entire energy systems and products and to more discrete factors, such as individual fuels. This method ensures, for example, that we factor in the entire environmental impact when we decide whether to invest in a new power station and that we find the best solutions for mitigating this impact.

More information about our sustainability strategy and our performance is available at www.eon.com, where you will also find our new Sustainability Report, which will be released in May 2013. It is not part of the Combined Group Management Report.

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

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

2012 Million metric tons	CO_2 emissions	Received carbon allowances
Germany	36.57	35.85
United Kingdom	21.30	18.60
Spain	5.83	4.91
France	6.10	7.68
Italy	6.39	6.81
Other EU countries	12.77	9.60
E.ON Group (Europe only)	**88.96**	**83.45**
Russia[1]	36.80	–
E.ON Group	**125.76**	**–**

[1]Russia is not covered by the EU Emissions Trading Scheme.

E.ON Group Carbon Intensity[1]

Metric tons of CO_2 per MWh	2012	2011
Germany	0.38	0.38
United Kingdom	0.68	0.62
Spain	0.64	0.55
France	0.82	0.71
Italy	0.48	0.45
Other EU countries	0.27	0.26
E.ON Group (Europe only)[2]	**0.44**	**0.41**
Russia	0.56	0.56
E.ON Group[3]	**0.46**	**0.43**

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

E.ON emitted nearly 126 million metric tons of CO_2 from power and heat generation in 2012, of which 89 million metric tons were in Europe. This represents a slight increase relative to the prior year despite the fact that we generated less power and had a higher percentage of renewables in our mix. There were two reasons for the increase. First, coal and carbon prices were low, which favored coal-fired generation. Second, the government-mandated closure of some of our nuclear power stations in Germany in 2011, which eliminated a portion of our carbon-free generating capacity, impacted our carbon performance for all of 2012. We received 83.5 million metric tons of EU carbon allowances for our operations in EU markets. This meant we had to buy more than 5 million metric tons of allowances in the secondary market. Overall, our carbon intensity increased to 0.46 metric tons per MWh owing to the above-described market factors. Nevertheless, reducing our carbon intensity remains our objective, which we will achieve by 2025 by changing our generation mix.

Employees

E.ON 2.0 and Restructuring

Preparing and beginning to implement the far-reaching measures of E.ON 2.0, our Group-wide efficiency-enhancement program, formed an important part of our HR work in 2012.

Social responsibility toward our employees is a high priority at E.ON. This is why E.ON management and employee representatives have agreed on a variety of mechanisms and benefits for employees affected by E.ON 2.0 staff-reduction measures. These mechanisms and benefits reflect country-specific legal requirements and standard practice. To serve as examples of this effort, the following describes the situation in Germany, Sweden, and Romania.

Following extensive and constructive discussions, E.ON and trade unions in Germany concluded the E.ON 2.0 Labor Agreement at the start of 2012, thereby laying the foundation for suitable and fair support mechanisms for E.ON 2.0 staff-reduction measures. E.ON and employee representatives also reached agreement on a model E.ON 2.0 redundancy plan, which serves as the template for local redundancy plans at E.ON entities in Germany affected by E.ON 2.0. The agreements contain a variety of mechanisms, including voluntary-resignation packages (containing severance pay and preretirement components) and the creation of a company at which redundant employees can work and obtain additional qualifications during a transition period.

As part of implementing E.ON 2.0 in Sweden, E.ON and trade unions reached agreement on packages tailored to various employee groups. The packages supplement existing government programs and thus provide additional protection for employees affected by E.ON 2.0. The main mechanisms are severance pay, preretirement arrangements, and job-qualification and retraining programs.

Management and trade unions at E.ON România designed a voluntary-resignation program with attractive terms to supplement severance payments. They also agreed on a preretirement program under which the amount of preretirement income is based on length of time remaining until retirement. Romania is another example of E.ON's firm commitment to implementing E.ON 2.0 at a local level in a socially responsible way and to treating fairly the employees affected by it.

As part of its effort to reorganize support functions, E.ON intends to combine HR and accounting functions at Business Service Centers at locations in Germany (Berlin, Regensburg, and Hemmingen, a suburb of Hanover) and Romania (Cluj). To swiftly establish clarity about the future job and employment situation at the Business Service Centers, management and employee representatives in Germany and Romania concluded appropriate and market-conform wage agreements and transition arrangements for E.ON employees.

Thanks to a wide range of measures and voluntary programs, all staff-reduction targets for 2012 were achieved by the end of the year.

Across E.ON, the further implementation of E.ON 2.0 measures remains a key focus of HR work in 2013 as well, in particular ensuring that E.ON 2.0 targets are met. This will take into consideration the results of information, consulting, and negotiation processes with employee representatives in each E.ON country.

European Employee Involvement

The involvement of our European employees at the Group level was given a new platform in 2012. In preparation for E.ON's transformation into a European Company ("SE"), management and employee representatives reached an agreement in October 2012 on the involvement of employee representatives at the European level and on the composition of the employee-representative side of the E.ON SE Supervisory Board. The agreement had been preceded by constructive talks between the employee negotiation committee (which consisted of employee representatives from 19 European countries) and E.ON management.

Under the employee-involvement agreement, employees from all European countries in which E.ON operates will be represented in the E.ON SE Works Council, which is informed and consulted about all company issues that transcend national borders. The E.ON SE Works Council also appoints the six employee-representative members of the E.ON SE Supervisory Board, which has twelve members in total.

Developing Talent

Attracting and developing talent continues to be of great strategic significance for E.ON. Our "cleaner & better energy" strategy presents us with challenges with regard to talent development and placement. Our business model is becoming more and more integrated, in terms of both geography and our value chain. This obviously must be reflected in our HR development efforts.

In 2012 we concentrated on a variety of initiatives designed to make our talent management more effective and enduring and to help us tailor our development effort to the talent development needs and business requirements of specific business units and functions. One of the most important outcomes of this work was the creation of the Center of Competence for Talent Management & Employer Brand. Combining our expertise in this way enables us to deploy our resources better, to make our ideas and offerings even more consistent, and to share best practices across E.ON. In addition, a Talent Scorecard was introduced at all units. Its purpose is to identify talent gaps and foster the implementation of appropriate countermeasures. In 2011 we established a Talent Board and launched an Engineering High Potential Program. In 2012 we launched similar programs for HR, finance, and procurement. As a result, measures are being put in place to ensure that each of these functions has the talent it specifically needs.

Diversity

Gender is a special focus of our diversity management. Our ambitious objective for our organization as a whole is to more than double the percentage of women in executive positions and to raise it to 14 percent in Germany by the end of 2016.

We support the achievement of this objective through a variety of measures. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We have also revised our Group-wide guidelines for filling management positions. At least one male and one female must be considered as potential successors for each vacant management position. Many units also have support mechanisms in place, including mentoring programs for female managers and next-generation managers, the provision of daycare, flexible work schedules,

and home-office arrangements. Significantly increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions.

Many of these measures are having an impact. A year-on-year comparison shows that the percentage of female executives increased to 13 percent across E.ON and to 10 percent in Germany.

Workforce Figures

At year-end 2012, the E.ON Group had 72,083 employees worldwide, a decline of 9 percent from year-end 2011. E.ON also had 2,252 apprentices and 274 board members and managing directors.

Employees[1]

	December 31		
	2012	2011	+/- %
Generation	10,055	10,578	-5
Renewables	1,810	1,808	–
Optimization & Trading	2,190	3,941	-44
Exploration & Production	183	203	-10
Germany	20,363	21,602	-6
Other EU Countries	28,628	31,909	-10
Russia	5,038	4,896	+3
Group Management/Other[2]	3,816	3,952	-3
Total	**72,083**	**78,889**	**-9**

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

Generation's headcount was lower owing mainly to the expiration of temporary contracts, early retirement arrangements, and staff reductions as part of E.ON 2.0. The transfer of employees from Generation to the UK regional unit was another factor.

Renewables' headcount was stable because the hiring of staff for offshore projects was almost entirely offset by staff reductions as part of E.ON 2.0, particularly in Germany.

The number of employees at Optimization & Trading declined significantly owing to the sale of its gas transport business along with fluctuation and staff reductions as part of E.ON 2.0.

The relocation of Exploration & Production's headquarters led to a slight reduction in its staff numbers.

The headcount at the Germany regional unit was lower mainly because of staff reductions resulting from E.ON 2.0 efficiency-enhancement measures and the closure of the Brienner Straße office in Munich.

The decline in the number of employees at Other EU Countries is chiefly attributable to the disposal of the Bulgaria regional unit and a waste-incineration subsidiary in Sweden. Efficiency-enhancement measures (particularly in the United Kingdom) and staff reductions resulting from E.ON 2.0 (particularly in Hungary and Romania) constituted another factor.

The headcount at Russia increased mainly because of hiring for new-build projects and maintenance work.

Group Management/Other's headcount declined owing to fluctuation and staff reductions as part of E.ON 2.0.

Geographic Profile

At year-end 2012, 40,535 employees, or 56 percent of all staff, were working outside Germany, slightly higher than the percentage at year-end 2011.

Employees by Region[1]

	Dec. 31, 2012
Germany	31,548
United Kingdom	11,556
Romania	6,324
Hungary	5,246
Russia	5,050
Czechia	3,451
Sweden	3,360
Spain	1,240
Other[2]	4,308

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

Gender and Age Profile, Part-Time Staff

At the end of 2012, 28.4 percent of our employees were women, slightly more than at the end of 2011. The average E.ON Group employee was about 42 years old and had worked for us for about 14 years. A total of 6,305 E.ON Group employees were on a part-time schedule, of whom 4,490, or 71 percent, were women. Employee turnover resulting from voluntary terminations averaged around 3.6 percent across the organization, about the same as in the prior year.

Health and Safety

Occupational health and safety have the highest priority at E.ON. A key performance indicator ("KPI") for our safety performance is total recordable injury frequency ("TRIF"), which measures the number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries 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). In 2012 we further improved the TRIF of E.ON employees to 2.6 (prior year: 3.3), and contractor employees to 3.4 (4.9), continuing the positive trend of recent years. Our units' safety performance is a component of the annual personal performance agreements of the Board of Management members and executives responsible for these units.

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

Compensation, Pension Plans, Employee Participation

Attractive compensation and appealing fringe benefits are essential to a competitive work environment. Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention. E.ON companies supplement their company pension plans with attractive programs to help their employees save for the future. Another factor in employee retention is enabling them to participate in their company's success. This includes the performance rights (with a multi-year term) granted to executives under the E.ON Share Performance Plan. Our employee stock purchase program remains attractive thanks to a partially tax-free company contribution. In 2012, 16,869 employees purchased a total of 1,279,079 shares of E.ON stock; 49 percent of employees participated in the program, a significant decline from the prior-year figure (55 percent).

Apprentice Programs

E.ON has always placed great emphasis on apprentice programs. In 2012 apprentices again accounted for about 7 percent of the E.ON Group's workforce in Germany. The E.ON Group had a total of 2,252 apprentices and work-study students in Germany in 2012. Established in 2003, the E.ON training initiative to combat youth unemployment was continued in 2012. Through the initiative, we offered more than 900 young people in Germany prospects for the future through vocational training, an internship to prepare them for training, and school projects.

Apprentices in Germany

	Dec. 31, 2012
Germany	1,507
Generation	491
Group Management/Other[1]	95
Optimization & Trading	94
Renewables	65
E.ON Group	**2,252**

[1] Includes the E.ON IT Group.

Subsequent Events

On January 15, 2013, we concluded an agreement with Czech energy company Energetický a Průmyslový Holding ("EPH") for the sale of its indirectly held interest in Slovakian energy company Slovenský Plynárenský Priemysel a.s. ("SPP").

In January 2013 we sold our minority stake in Jihomoravská plynárenská ("JMP") of Czechia.

These disposals are already factored into the forecast earnings performance contained in our Forecast Report. Note 4 to the Consolidated Financial Statements provides detailed descriptions of these transactions.

Forecast Report

Business Environment

Macroeconomic Situation

Although the OECD sees signs that the global economy will stabilize in 2013, prospects remain uncertain. There are significant risks of a further decline; the avoidance of these risks will depend on the speed and decisiveness of policy decisions. On balance, for the next two years the OECD expects stable growth followed by a slight acceleration.

Economic growth in the United States is expected to remain moderate, since the consolidation of government budgets will reduce domestic demand. Residential housing construction, however, will likely cease to be a brake on growth.

The euro zone is expected to remain in a slight recession in 2013 followed by a weak, consumption-driven recovery. Government budget tightening will continue to have a dampening effect.

The OECD expects domestic demand to fuel a marked economic recovery in Turkey over the next two years.

The two-year economic outlook for the BRICs (Brazil, Russia, India, China) is significantly more positive than it was last year. China is expected to continue to enjoy robust domestic demand, with further upside potential coming from possible changes to its monetary and fiscal policy. Brazil's investment and export activity will benefit from recently initiated reform measures and from the slight acceleration of global economic growth. Although Russia will remain highly dependent on oil prices, the OECD anticipates that it will implement monetary policies to combat inflation.

Nevertheless, with prospects highly dependent on the overall confidence of economic actors, the OECD does not rule out a further deterioration of the macroeconomic situation. The euro crisis will remain the greatest threat to the global economy.

Energy Markets

We expect power and fuel markets to be generally more volatile in 2013 and 2014 owing to their increasing sensitivity to macroeconomic developments and policy decisions.

The oil market is currently displaying a classic backwardation pattern, with prices for nearby months higher than prices for forward months. This trend could continue, since at the moment the market is increasingly driven by geopolitical events. An improvement in Asia's economic performance is expected to increase oil demand in 2013 and 2014, although this will be accompanied by significantly higher production in non-OPEC countries, which could actually more than offset the increase in demand. This would force OPEC to curtail production to prevent oversupply.

Oversupply was the main driver of Europe's coal market in 2012, with the API#2 index declining by about 20 percent during the year. Consequently, the price for next-year delivery began 2013 at a low level. Unlike oil, coal displays a contango pattern, with outlying delivery months (such as December) priced significantly higher than nearby months (such as January). The market expects the oversupply to shrink considerably over the course of 2013. The main source of demand is the Asia-Pacific region, primarily China. The oversupply of ships is expected to keep freight rates at a low level.

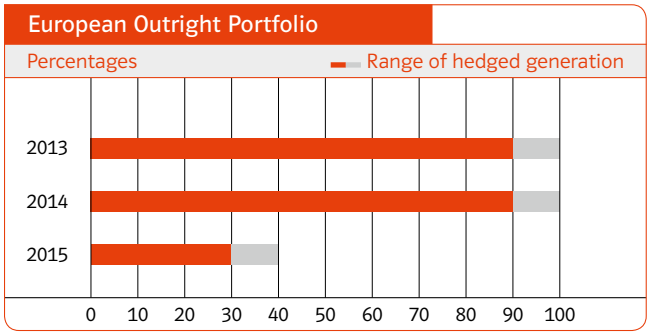
In 2012 wholesale gas prices at Europe's hubs, both for spot products and for forward products for delivery in 2013 and 2014, were nearly at the prior-year level. Lower demand from gas-fired power stations was accompanied by a reduction in

LNG imports which resulted from continued high LNG demand in Asia. The global LNG market is expected to remain tight in 2013 and 2014. A year-on-year increase in deliveries of pipeline gas from Norway and Russia resulting from more new transmission and production capacity could lead to lower European gas prices going forward. However, price increases due to extraordinary events (extreme weather, unanticipated supply bottlenecks, political instability in some producer countries) cannot be ruled out.

With the significant oversupply of carbon allowances expected to continue, carbon prices will likely remain at a low level in 2013. The only thing that could change this situation is government intervention in the market to reduce the supply of allowances. The EU is currently discussing proposals to achieve a temporary reduction in supply through a process known as back-loading. However, the implementation of such proposals is already lagging behind the market's expectations, and it appears unlikely that they will be in place before 2014.

Near-term and medium-term power prices in Germany will be determined largely by the price of hard coal, natural gas, and carbon allowances and by forecasts on the ratio of supply to demand in Germany and neighboring countries. However, new capacity, particularly new renewables capacity, could put further downward pressure on prices (at the end of 2012, Germany had 32.5 GW of installed solar capacity and 31.4 GW of installed wind capacity). This pressure could be increased in the years ahead by concerns about Europe's economic outlook and the concomitant lowering of growth expectations for power consumption. At the start of 2013, the EEX baseload contract for next-year delivery was already trading well below the prior-year level. U.K. power prices for 2013 and 2014 will depend increasingly on the development of U.K. gas prices and continental European power prices because over the past several months a significant amount of Britain's coal-fired capacity has been withdrawn; this capacity will have to be replaced by gas-fired capacity and, because of higher taxes to support carbon prices, by cheaper power imported from the Continent. In the near term, prices on the Nordic power market will continue to depend primarily on the weather and therefore on water reservoir levels; in the long term, the further development of renewables and prices for green certificates will be decisive factors. The commissioning of Estlink 2 transmission cable in 2014 is expected to result in a closer coupling of Nordic and Estonian power prices.

Our power production for 2013 and 2014 is already almost completely hedged. Our hedging practices will, over time, serve to increase the hedge rate of subsequent years. As an example, the graph below shows the hedge rate for our European outright portfolio, which essentially consists of our non-fossil power production from nuclear and hydro assets.



Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) is expected to decline by year-end 2013 due to the implementation of E.ON 2.0.

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecast for full-year 2013 earnings continues to be significantly influenced by the difficult business environment in the energy industry.

We currently expect our 2013 EBITDA to be between €9.2 and €9.8 billion. This forecast factors in the loss of earnings streams through planned asset sales under our divestment program. In addition, we expect our midstream gas business to return to a normal earnings level. The end of the no-cost allocation of carbon allowances and a deteriorated earnings situation at Generation resulting mainly from policy intervention are other negative factors. The expansion of production at Exploration & Production and the commissioning of new generating capacity at Renewables will have a positive impact on earnings. We also expect substantial effects from the measures taken under our E.ON 2.0 efficiency-enhancement program.

We expect our 2013 underlying net income to be between €2.2 and €2.6 billion. Alongside the above-mentioned EBITDA effects, this will result from a higher interest expense and, we expect, a higher tax rate. In 2012 both our interest expense and tax rate were at a low level owing to non-recurring effects.

Our forecast by segment:

EBITDA[1]

€ in billions	2013 (forecast)	2012
Generation	below prior year	2.403
Renewables	above prior year	1.271
Optimization & Trading	below prior year	1.421
Exploration & Production	above prior year	0.523
Germany	below prior year	2.819
Other EU Countries	at prior year	2.032
Russia	at prior year	0.729
Group Management/Consolidation	above prior year	-0.412
Total	**9.2 to 9.8**	**10.786**

[1]Adjusted for extraordinary effects.

We expect Generation's 2013 EBITDA to be below the prior-year figure. The end of the no-cost allocation of carbon allowances is the main negative factor.

We anticipate that Renewables' earnings will be higher in 2013, in particular because of increases in installed wind and solar capacity.

We expect Optimization & Trading's EBITDA to be below the prior-year figure, owing mainly to the absence of positive one-off effects in the midstream gas business recorded in 2012.

We expect Exploration & Production's 2013 EBITDA to surpass the prior-year figure. Increased production at gas fields in the North Sea will be the main earnings driver.

We expect the Germany regional unit's 2013 EBITDA to be below the prior-year level, mainly because of planned disposals.

2013 EBIDTA at Other EU Countries is expected to be at the prior-year level.

We expect Russia's 2013 EBITDA to be at the prior-year level owing to narrower power margins.

Anticipated Dividend Development

As announced in November 2012, going forward we will no longer have an absolute dividend target but instead return to a target payout ratio, which will again be 50 to 60 percent of underlying net income.

Anticipated Financial Situation

Planned Funding Measures

We expect to have no funding needs in 2013 at the Group level. We expect to be able to fund our investment expenditures planned for 2013 and the dividend payout by means of operating cash flow and proceeds from disposals. Any peaks in the Group's funding needs during the course of the year can be dealt with by issuing commercial paper.

In managing our capital structure, our medium-term target debt factor is less than 3. In addition, E.ON plans to generate positive free cash flow (defined as operating cash flow less investments and the dividend payout) by 2015.

Planned Investments

Our medium-term plan calls for investments of €6.1 billion in 2013. This figure also does not yet factor in announced portfolio measures. About one seventh of our planned investments will go toward the maintenance of our existing assets, the rest toward expansion or organic growth. The main geographic focus of our investments will continue to be Germany, where we will make substantial investments to maintain and expand our conventional generation portfolio and our power and gas infrastructure.

Investments: 2013 Plan

	€ in billions	Percentages
Generation	0.9	15
Renewables	1.3	21
Optimization & Trading	0.1	2
Exploration & Production	0.5	8
Germany	0.9	15
Other EU Countries	1.0	16
Russia	0.5	8
Group Management/Consolidation	0.9	15
Total	**6.1**	**100**

We plan to invest €0.4 billion in 2013 to expand and to replace and maintain Generation's portfolio of hard-coal, gas, and nuclear assets. These plans include fossil new-build projects (such as Maasvlakte 3 and Datteln 4).

We plan to invest about €1.3 billion in our Renewables segment (E.ON Climate & Renewables and our hydroelectric stations) in 2013. The main focus will be on offshore wind farms (such as Amrumbank West) and onshore farms in Europe and onshore farms in the United States.

Optimization & Trading will invest approximately €0.1 billion, mainly in gas-storage infrastructure.

Most of Exploration & Production's investments of €0.5 billion will go toward developing gas and oil fields.

Our investments of €0.9 billion at the Germany segment consist in particular of numerous individual investments to expand our intermediate- and low-voltage networks, switching equipment, and metering and control technology as well as other investments to ensure the reliable and uninterrupted transmission and distribution of electricity.

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

We plan to invest about €0.5 billion in our Russia segment in 2013, mainly to continue ongoing generation new-build projects, particularly at Berezovskaya power station.

Investments recorded under Group Management/Consolidation consist primarily of investments in our partnerships in Turkey and Brazil.

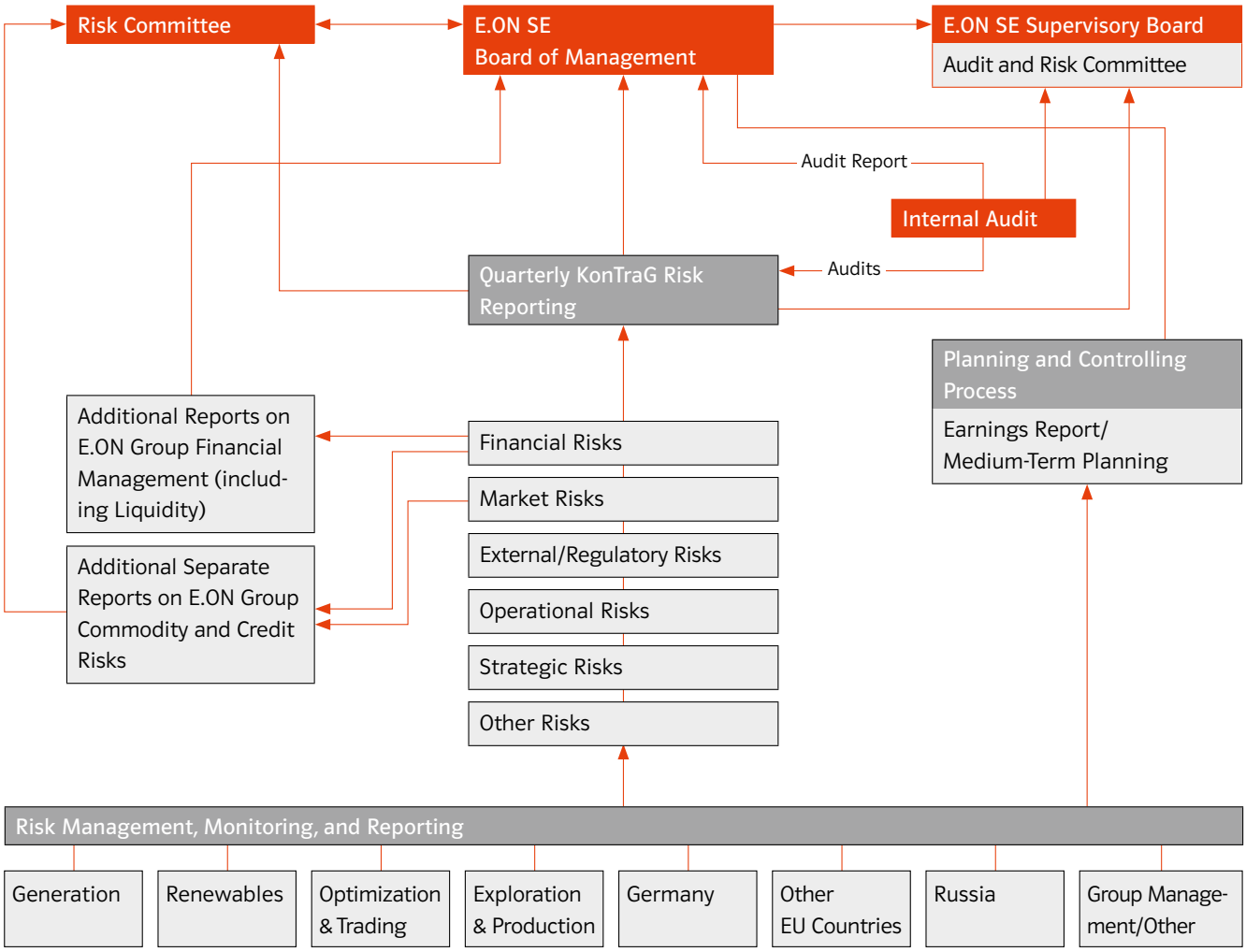
The E.ON Group's planned investments for 2014 total about €5.1 billion. Our Generation and Other EU Countries segments will each account for about one fifth of investments. Slightly more than one quarter will go toward expanding our operations in the Renewables. The remainder is earmarked, in particular, for the Germany segment, our power generation business in Russia, our business outside Europe, and our distributed-generation business.

General Statement on E.ON's Future Development

Because of the radical changes in Europe's energy industry, we had to refine our "cleaner & better energy" strategy and adjust aspects of it. The unmanaged growth of renewables and the resulting collapse of the EU Emissions Trading Scheme are making in particular gas-fired power plants in Europe—which had already been hit by the recession-driven decline in power demand—largely uneconomic to operate. There must be adequate compensation for maintaining generating assets as reserve capacity to ensure the reliability of the power supply. We will restructure our conventional generation business in ways that will swiftly improve our generation fleet's competitiveness. Along with further cost reductions and efficiency improvements, we have already closed power plants in Europe and are considering further closures. In addition, we will no longer pursue a number of coal-fired new-build projects. Furthermore, during this transformation phase we will focus our investments, which on balance will decline going forward, even more strictly on our growth businesses. These include, in particular, distributed generation (a business we intend to expand rapidly), renewables, and markets outside Europe (such as Russia, Brazil, and Turkey). We intend to transform E.ON even more swiftly and decisively and to rapidly increase growth businesses' share of our earnings.

The German federal government's policy decisions to transform the country's energy system will affect E.ON's earnings situation well into the future. Following the reactor disaster in Fukushima, the German government rescinded the lifetime extensions for nuclear power plants ("NPPs") in Germany. It also amended the Atomic Energy Act to accelerate Germany's phaseout of nuclear energy. Instead of in 2036 at the earliest, Germany's last NPP will now be decommissioned by 2022.

Risk Management System



Our risk management system consists of a number of components that are embedded into E.ON's entire organizational structure and processes. As a result, our risk management system is an integral part of our business and decision-making processes. The key components of our risk management system include our Group-wide guidelines and reporting systems; our standardized Group-wide strategy, planning, and controlling processes; Internal Audit activities; the separate Group-wide risk reporting conducted pursuant to the Corporate Sector Control and Transparency Act ("KonTraG"); and the establishment of risk committees. Our risk management system reflects industry best practice and is designed to enable management to recognize risks early and to take the necessary countermeasures in a timely manner. We continually review our Group-wide planning, controlling, and reporting processes to ensure that they remain effective and efficient. As required by law, the effectiveness of our risk management system is reviewed regularly by Internal Audit. Our risk management system encompasses all fully consolidated E.ON Group companies and all companies accounted for using the equity method whose book value exceeds €50 million.

Risk Management and Insurance

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

Risk Committee

In compliance with the provisions of Section 91, Paragraph 2, of the German Stock Corporation Act relating to the establishment of a risk-monitoring and early warning system, the E.ON Group has a Risk Committee. The Risk Committee, which consists of representatives of key E.ON SE divisions and departments, is responsible for ensuring that the risk strategy for commodity and credit risks defined by the Board of Management is implemented, complied with, and further developed

Further Risk-Limitation Measures

In addition to the above-described components of our risk management, we take the following measures to limit risk.

We use a comprehensive sales management system and intensive customer management to minimize market 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. The Optimization & Trading unit aggregates and consistently manages the price risks we face on Europe's liquid commodity markets. We also engage in proprietary commodity trading in accordance with detailed guidelines and within narrowly defined limits.

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

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

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

The following are among the comprehensive measures we take to address these risks:

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

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

We attempt to minimize the operational risks of current and future legal proceedings by managing these proceedings appropriately and by designing appropriate contracts prior to agreements being concluded.

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 political, legal, and regulatory environment. Furthermore, we strive to identify early the legal risks attending our power and gas new-build projects and to minimize these risks by conducting appropriate project management.

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.

Risk Situation

In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. Relative to 2011, amicable settlements or asset sales eliminated risks attending the following matters:

- the arbitration process we initiated against Gazprom relating to long-term gas contracts
- lawsuits pending against E.ON SE and U.S. subsidiaries in connection with the disposal of VEBA Electronics
- Germany's incentive-based regulation of gas transmission system operators.

Risks attending the following matters arose during 2012:

- the fragile economic situation in many EU member states in conjunction with a further deterioration of the euro crisis
- stress tests of nuclear power stations in Europe
- the regulatory cost review of E.ON power and gas network operators in Germany.

The E.ON Group, and thus E.ON SE, is exposed to the following main categories of risk:

Market Risks

Our units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. Our Optimization & Trading global unit continues to face considerable competitive pressure in its gas business. Competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable volume risks for natural gas purchased under long-term take-or-pay contracts. In addition, price risks result from the fact that gas procurement prices are partially indexed to oil prices, whereas sales prices are guided by wholesale gas prices. Generally, long-term gas procurement contracts between producers and importers include the possibility of adjusting them to reflect continually changing market conditions. On this basis, we conduct ongoing, intensive negotiations with our producers.

The demand for electric power and natural gas is seasonal, with our operations generally experiencing higher demand during the cold-weather months of October through March and lower demand during the warm-weather months of April through September. As a result of these seasonal patterns, our sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of our energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. Our units in

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

Commodity Price Risks

The E.ON Group's business operations are exposed to commodity price risks. We mainly use electricity, gas, coal, carbon-allowance, and oil price hedging transactions to limit our exposure to risks resulting from price fluctuations, to optimize systems and load balancing, and to lock in margins.

Financial Risks

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

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

E.ON's operating activities and use of derivative financial instruments expose E.ON to credit-default risks.

We use derivative financial instruments to hedge commodity, credit, liquidity, interest-rate, and currency risks. Notes 30 and 31 to the Consolidated Financial Statements contain detailed information about the use of derivative financial instruments, hedging transactions, and related risk management.

Further risks may result from the EU's European Market Infrastructure Regulation ("EMIR") for derivatives traded over the counter ("OTC") and the possible rescission of energy-trading companies' exemption from the Markets in Financial Instruments Directive ("MiFID"). The European Commission is introducing mandatory central clearing of all OTC trades. This will increase the margin requirements for such transactions, which leads to increased cash liquidity risk. Non-financial firms are exempted from the clearing requirement as long as transactions are demonstrably risk-reducing or remain below certain monetary thresholds. No formal decision has been made on important details of these regulations.

In addition, E.ON also faces risks from price changes and losses on the current and non-current investments it makes to cover its non-current obligations, particularly pension and asset-retirement obligations.

In view of the tense financial situation in many EU member states, a worsening of the euro crisis would, on balance, lead to an increase in financial risks.

Strategic Risks

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance, on acceptable terms, our energy business. In order to obtain the necessary approvals for acquisitions, we may be required to divest other parts of our business or to make concessions or undertakings that materially affect our business. In addition, there can be no assurance that we will be able to achieve the returns we expect from any acquisition or investment. For example, we may fail to retain key employees; may be unable to successfully integrate new businesses with our existing businesses; may incorrectly judge expected cost savings, operating profits, or future market trends and regulatory changes; or may spend more on the acquisition, integration, and operation of new businesses than anticipated. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and to address the attending business risks.

In the case of planned disposals, E.ON faces the risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible to determine the likelihood of these risks. If planned disposals do not take place or are significantly delayed, this would have a negative impact on the planned development of our debt factor. In addition, after transactions close we could face liability risks resulting from contractual obligations.

Operational Risks

Technologically complex production facilities are used in the production and distribution of energy. Germany's Renewable Energy Law and the transformation of the country's energy system are resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network. On a regional level, the increase in decentralized feed-in (primarily from renewables) has led to a shift in load flows. Our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities (including new-build projects) as well as environmental damage could negatively impact our earnings and/or affect our cost situation. In addition, problems with the development of new gas fields could lead to lower-than-expected earnings.

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

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

In addition, our operating business potentially faces risks resulting from human error and employee turnover.

External Risks

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

There are currently certain risks relating to legal proceedings, ongoing planning processes and regulatory changes resulting from the E.ON Group's operations. These in particular include legal actions and proceedings concerning price increases, alleged market-sharing agreements, and anticompetitive practices. The above-mentioned legal proceedings include legal actions to demand repayment of the increase differential in conjunction with court rulings that certain contractual price-adjustment clauses of years past are invalid. Additional risks may result from submissions by Germany's Federal Court of Justice to the European Court of Justice to determine whether standard price-adjustment clauses in sales contracts with residential customers (clauses that are also used by E.ON) and whether Germany's Basic Supply Ordinances (*Grundversorgungsverordnungen*) for Power and Gas comply with European law. Furthermore, court actions, governmental investigations and proceedings, and other claims could be instituted or asserted in the future against E.ON and E.ON Group companies.

On July 8, 2009, the European Commission fined E.ON Ruhrgas and E.ON (as joint debtor) €553 million for an alleged market-sharing agreement with GdF Suez. In September 2009, E.ON Ruhrgas and E.ON filed an appeal with the General Court of the European Union to have the ruling overturned. Filing an appeal did not suspend the fine, which was paid, by the deadline, in October 2009. On June 29, 2012, the General Court issued a ruling overturning a portion of the European Commission's decision and reduced the fine to €233 million. This ruling is now legally binding. We cannot rule out the possibility of subsequent lawsuits.

In September 2011 the European Commission undertook inspections at the premises of several gas supply companies in Central and Eastern Europe, including at E.ON Group companies. The Commission investigated potential anticompetitive practices by Gazprom, possibly in collusion with other companies. In September 2012, the Commission initiated a formal antitrust proceeding against Gazprom to determine whether the company abused a dominant market position in breach of Article 102 of the Treaty on the Functioning of the European Union.

E.ON is building a hard-coal-fired power plant in Datteln, Germany ("Datteln 4"). The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1.3 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a ruling declaring void the City of Datteln's land-use plan. This ruling was subsequently upheld by the Federal Administrative Court in Leipzig. Consequently, a new planning process is being conducted to reestablish a reliable planning basis for Datteln 4. In view of the ongoing planning processes, the SAC's ruling issued on June 12, 2012 (which declares void the preliminary decision), the filing for leave of appeal pending before the Federal Administrative Court, other lawsuits still pending, and the current policy environment, we currently anticipate additional delays relative to Datteln 4's originally planned date of commissioning. E.ON is taking provisional measures to ensure the supply of district heating and of traction power until Datteln 4 becomes operational, which we continue to assume will happen. In principle, these types of risks as well as technology-related risks attend our other power and gas new-build projects.

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

The reactor accident in Fukushima led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") in the fall of 2010 in line with the stipulations of the coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Atomic Energy Act ("the Act") and established a number of stricter rules. In addition to rescinding the eleventh amendment's operating-life extension, the newly amended Act calls for a gradual phaseout of nuclear power by 2022 and for the seven NPPs that entered service before year-end 1980 and for Krümmel NPP to be permanently shut down as of the date the Act took effect. This affected two NPPs for which E.ON has operational responsibility: Unterweser and Isar 1. E.ON is implementing the political majority's decision on an earlier phaseout of nuclear energy. At the same time, however, E.ON believes that the nuclear phaseout, under the current legislation, is irreconcilable with our constitutionally protected right to property and right to operate a business. In any case, such an intervention is unconstitutional unless compensation is granted for the rights so deprived and for the resulting stranded assets. Consequently, in mid-November 2011 E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Constitutional Court in Karlsruhe. The nuclear-fuel tax remains at its original level after the rescission of operating-life extensions. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal issues. E.ON is therefore instituting administrative proceedings and taking legal action against the tax. The proceedings regarding Gundremmingen B and C, Grohnde, Grafenrheinfeld, Emsland, Brokdorf, and Isar 2 NPPs have already begun. Conclusive court rulings will be handed down some time in the future.

As established in its coalition agreement, in 2010 the German federal government lifted the Gorleben moratorium and, beginning in October 2010, continued the study of the Gorleben site, albeit with a number of subsequently stipulated restrictions. In late 2012 the Federal Ministry of the Environment announced that the study of Gorleben would be temporarily suspended. In 2012 the ministry formed a working group, which includes the federal states, to determine how the search for a final storage site will proceed. In view of some politicians' statements to the media in late 2012 and early 2013, however, it seems uncertain whether the ministry and the opposition parties will be able to reach a consensus—and thus enact legislation—in the near future. The ministry announced that following the elections in the German state of Lower Saxony it intends to renew the attempt to reach a consensus. The purpose of the initial draft legislation is to "stipulate the individual procedural steps for searching for and selecting a site for the safe storage of heat-generating, radioactive waste." The draft legislation mentions Gorleben as a possible site but does not seem to conclusively clarify what Gorleben's status will be in the planned search process for a final storage site. After being updated, the initial draft legislation contains a passage for amending Section 21b of Germany's Atomic Energy Act such that the costs for "conducting a site-selection process pursuant to the Site Selection Act" are considered a necessary expense subject to passthrough and thus are to be borne by entities with a disposal obligation. According to a correct (albeit not undisputed) interpretation of the law, such a passthrough of costs is unconstitutional as long as Gorleben has not been deemed unsuitable. This also applies to the costs of keeping Gorleben open, even though no study of it is being conducted.

In early October the European Commission released a communication on stress tests of NPPs in the European Union. First and foremost, the tests demonstrated that E.ON NPPs (those shut down last year and those still in operation), have wide safety margins under all the scenarios that were examined. This applies in particular to E.ON NPPs in Germany. These safety margins considerably exceed the minimum standards set by laws, permits, and regulations. This also applies to events such as floods and earthquakes.

The new EU energy efficiency directive took effect in December 2012. Among other provisions, it obliges all energy distributors and energy retailers to achieve, between 2014 and 2020, annual savings of 1.5 percent on the amount of energy they sell to their customers. However, member states have the option of replacing this provision with alternative measures that achieve a comparable effect. The other provisions afford member states a similar degree of flexibility. Consequently, how the directive is transposed into national law is of particular significance and could pose risks for our regional units. The directive must be transposed into national law by June 2014. However, there is a discernable trend that the EU's energy-efficiency efforts will influence energy markets and thus could potentially create sales-volume risks for E.ON.

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

In mid-June the European Network of Transmission System Operators for Electricity ("ENTSO-E") finalized draft EU-wide network codes that set minimum technical requirements for connecting generating facilities to distribution and transmission systems. The codes could increase requirements for new

and, following the completion of a cost-benefit analysis, for existing generating facilities. The Agency for the Cooperation of Energy Regulators ("ACER") generally approved of the network codes developed by ENTSO-E but requested some modifications. These modifications must be made and approved before the comitology process can be initiated. The completion of this process would make the codes legally binding. The European Commission expects the codes to take effect in 2014.

E.ON restructured its six regional distribution companies ("RDCs") in Germany in 2008. As part of this process, system operations were reintegrated into the RDCs so that they function as the distribution system operator. At the same time, generation and retail operations were transferred to subsidiaries and the retail subsidiaries placed under central management. The regulatory agency (the German Federal Network Agency, known by its German acronym, "BNetzA") views RDCs having ownership interests in the retail subsidiaries as a violation of unbundling requirements. Consequently, in late 2009 the BNetzA instituted formal proceedings against all E.ON RDCs that have the new regional structure and against E.ON Energie for allegedly violating unbundling requirements. The BNetzA is conducting the proceedings against one RDC (E.ON Bayern) and E.ON Energie as a test case and, for now, is not moving forward with the proceedings against the other RDCs. Oral arguments in the test case were held in the BNetzA's offices on May 19, 2011. On this occasion and several times in writing, E.ON Bayern and E.ON Energie have explained their legal position in detail. On February 3, 2012, the BNetzA issued cease-and-desist orders to E.ON Bayern and E.ON Energie. Both companies filed appeals against the orders to the State Superior Court (*Oberlandesgericht*, or "OLG") in Düsseldorf. In view of the planned restructuring of the RDCs (in particular, the disposal of all retail activities), the two companies, with the consent of the BNetzA and the Düsseldorf OLG, did not submit reasons for their appeals and will await further developments. The BNetzA has indicated that it would conclusively abandon the proceedings if in the future the RDCs no longer have retail subsidiaries.

E.ON's power and gas network operators in Germany are currently going through the regulatory cost-assessment process for the second period of incentive-based regulation, which begins in 2013 (for power network operators) and 2014 (for gas network operators). This process is not yet completed for either type of operator. It cannot be conclusively determined whether revenue caps can be maintained at their current level.

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

The U.K. government is implementing a number of reforms to the country's wholesale power market with the aim of providing incentives for investments in low-carbon generation and to maintain a reliable supply of electricity. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and power plants equipped with carbon capture and storage ("CCS"). The introduction of a capacity market is intended to support operationally flexible generating capacity to help maintain security of supply. The establishment of emission performance standards for new fossil-fueled capacity is intended to prevent the construction of new coal-fired generating units that lack CCS technology. It is anticipated that legislation to implement these reforms will be drafted in 2013 and that the measures will be fully implemented by the end of 2014. These reforms could affect E.ON's generation activities in the United Kingdom.

Germany's Energy Act, which was amended at the end of 2012, contains new regulatory restrictions for several areas including power generation (in particular: restrictions on the decommissioning, mothballing, or shutdown of generating units and rules for the mandatory operation of generating units that are deemed essential for maintaining power-system stability). Depending on how these restrictions are implemented in practice, they could affect the profitability of E.ON's generation assets in Germany.

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

Reputation Risks

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

The foundation for earning credibility and an open ear for our viewpoints is built by communicating clearly, seeking out opportunities for dialog, and engaging with our key stakeholders. New stakeholder-management processes we initiated in 2011 will help us achieve these aims. Consistent communications, enhanced dialog, and good relationships with our stakeholders are important to us. Today, we actively consider environmental, social, and corporate-governance issues.

These efforts support our interactions with our stakeholders (including investors), our business decisions, and our public relations. Our objective is to minimize our reputation risks and garner public support so that we can continue to operate our business successfully.

IT Risks

The operational and strategic management of the E.ON Group relies heavily on complex information technology. We outsourced our IT infrastructure to an external service provider in 2011. Among our IT risks are the unauthorized access to data, the misuse of data, and data loss.

Management's Evaluation of the Risk Situation

At year-end 2012 the risk situation of the E.ON Group's operating business had not changed compared with the end of the third quarter of 2012. The positive change compared with year-end 2011 was due in particular to the outcomes of our negotiations regarding gas supply contracts. In the future, policy and regulatory intervention, increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

Opportunity Report

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

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

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

Positive developments in foreign-currency rates and market prices for commodities (electricity, natural gas, coal, oil, and carbon) can create opportunities for our operating business. Periods of exceptionally cold weather—very low average temperatures or exteme daily lows—in the fall and winter months can create opportunites for us to meet higher demand for electricity and natural gas.

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

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

In the years ahead, we will transform our business portfolio in line with our "cleaner & better energy" strategy. Our focus will be on expanding our operations in renewables, power generation outside Europe, and distributed-energy solutions. Alongside our successful businesses in North America (wind power) and Russia (large-scale conventional power stations), Brazil and Turkey are our next growth markets. In a joint venture with Brazil's MPX, we plan to develop 11 GW of generating capacity. Together with our partner in Turkey, the Sabanci Group, we plan to develop 8 GW of generating capacity by 2020, which would give us at least a 10-percent share of that country's power market. We see substantial market opportunities in all areas as well as ways for the venture to benefit from our capabilities.

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

General Principles

We apply Section 315a (1) of the German Commercial Code and prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee that were adopted by the European Commission for use in the EU as of the end of the fiscal year and whose application was mandatory as of the balance-sheet date (see Note 1 to the Consolidated Financial Statements). Our global units and certain of our regional units are our IFRS reportable segments.

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

The Consolidated Financial Statements are prepared in a multi-step process using the same SAP software throughout the E.ON Group. The financial statements of our units (prepared by the respective lead company and approved by its independent auditor) are combined at E.ON SE in the Consolidated Financial Statements. E.ON SE is responsible for maintaining and providing support for the consolidation software, for the E.ON-wide standard chart of accounts, and for implementing central consolidation measures. At several E.ON entities, shared service centers conduct some processes (like human resources management) that have an indirect impact on the accounting process. In addition, at the end of 2012 we opened a Center of Competence for Consolidation in Germany and a Business Service Center in Romania.

All companies included in the Consolidated Financial Statements must comply with our uniform Accounting and Reporting Guidelines for the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. These guidelines include a description of all general E.ON Group consolidation processes as well as the applicable IFRS accounting and valuation principles. They also explain accounting principles (such as those for provisions for nuclear-waste management and the treatment of regulatory obligations) typical in the E.ON Group. In addition, all such companies must meet the deadlines of our balance-sheet closing calendar.

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

E.ON SE's Financial Statements are also prepared with SAP software. The accounting and preparation processes are divided into each steps. Automated or manual controls are integrated into each process. 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 and Risk Management System

Internal controls are an integral part of our accounting processes. Guidelines, called Internal_Controls@E.ON, define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. The guidelines include a definition of their scope, documentation, and evaluation standards, a Catalog of Management Controls, a Generic Risk Catalog, a description of the test activities of our Internal Audit division, and a description of the final Sign-Off process. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

COSO Model

Our internal control system is based on the globally recognized COSO model (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The Generic Risk Catalog (which encompasses company- and industry-specific aspects) defines possible risks for accounting (financial reporting) in the functional areas of our operating entities and thus serves as a check list and provides guidance for the documentation process.

The Catalog of Management Controls is a key component of a functioning internal control system. It encompasses overarching controls to address risks in a range of issue areas and processes, such as financial reporting, corporate responsibility, fraud, the communications process, planning and budgeting, investment controlling, and internal audit.

Central Documentation System

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

Scope

Each year, we conduct a multi-stage process using qualitative criteria and quantitative materiality metrics to define which E.ON companies must document and evaluate their financial-disclosure processes and controls. Selection is based on predefined line items in the balance sheets, income statements, and/or notes of each company's prior-year financial statements.

Assessment

After companies have documented their processes and controls, they conduct an annual assessment of the design and the operational effectiveness of the processes as well as the controls embedded in these processes.

Tests Performed by Internal Audit

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

Following the preliminary evaluation of the processes and controls performed by an E.ON company's own staff and by Internal Audit, the global and regional units carry out a second evaluation process to ensure quality before a final report is made to E.ON SE. This second evaluation is conducted by a committee of unit staff or by the unit management itself.

Sign-Off Process

The final step of the internal evaluation process is the submission of a formal written declaration confirming the system's effectiveness. The declaration process is conducted at all levels of the Group before it is conducted by the global and regional units and, finally, by E.ON SE. It is therefore a formal mechanism that encompasses all levels of the E.ON Group's hierarchy. The Chairman of the E.ON SE Board of Management and the Chief Financial Officer make the final Sign-Off on the effectiveness of the internal control system of E.ON SE's financial reporting.

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 issues areas it identifies in the E.ON Group's underlying control processes.

General IT Controls

The effectiveness of the automated controls in the standard accounting software systems and in key additional applications depends to a considerable degree on the proper functioning of IT systems. Consequently, IT controls are embedded in our documentation system. These controls primarily involve ensuring the proper functioning of access-control mechanisms of systems and applications, of daily IT operations (such as emergency intervention), and of the program change process. In addition, support for the central consolidation system is conducted at E.ON SE in Düsseldorf. Furthermore, an E.ON company called E.ON IT and external service providers provide comprehensive IT services for the majority of our units.

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

Composition of Share Capital

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

Restrictions on Voting Rights or the Transfer of Shares

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

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

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

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

The Supervisory Board appoints members to the Board of Management for a term not exceeding five years; a member may be appointed for another term of office or a member's term of office may be extended for an additional term not exceeding five years. If more than one person is appointed as a member of the Board of Management, the Supervisory Board may appoint one of the members as Chairperson of the Board of Management. If a Board of Management member is absent, in the event of an urgent matter, the court makes the necessary appointment upon petition by a concerned party. The Supervisory Board may revoke the appointment of a member of the Board of Management and the Chairperson of the Board of Management for serious cause (for further details, see Sections 84 and 85 of the AktG).

Resolutions of the Shareholders Meeting require a majority of the valid votes cast unless the 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 the 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.

Board of Management's Power to Issue or Buy Back Shares

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

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

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

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

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

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

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

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

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

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

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

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

The ministerial approval of the German Federal Minister of Economics and Technology dated July 5/September 18, 2002, on the proposed mergers of E.ON/Gelsenberg and E.ON/Bergemann contains the following condition: at the direction of the Federal Ministry of Economics and Technology, E.ON must sell to a third party all shares in Ruhrgas AG held by E.ON or its affiliated companies if another company acquires a voting-rights or share-capital majority in E.ON and the acquirer gives reasonable cause for concern that the Federal Republic of Germany's energy policy interests will be negatively affected. The acquirer of Ruhrgas shares requires the prior approval of the Federal Ministry of Economics and Technology; such prior approval may be denied only if the acquirer gives reasonable cause for concern that the Federal Republic of Germany's energy policy interests will be negatively affected. This obligation is valid for a period of ten years after the mergers' consummation.

Debt issued since 2007 contains change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON International Finance B.V. and guaranteed by E.ON 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 Condition" and in Note 26 to the Consolidated Financial Statements.

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

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

In the case of a change-of-control event, there is an early settlement of performance rights under the E.ON Share Performance Plan.

Corporate Governance Declaration, made in accordance with Section 289a of the German Commercial Code

Declaration of Compliance with the German Corporate Governance Code, made in accordance with Section 161 of the German Stock Corporation Act, by the Board of Management and the Supervisory Board of E.ON SE

The Board of Management and the Supervisory Board hereby declare that E.ON SE complies with the recommendations contained in the German Corporate Governance Code ("the Code"), dated May 15, 2012, prepared by the Government Commission appointed by the German Minister of Justice and published in the official section of the *Bundesanzeiger*, with the exception of the recommendation in Item 4.2.3, Paragraph 3, Sentence 3.

The Board of Management and the Supervisory Board furthermore declare that E.ON SE has complied with the recommendations contained in the Code, dated May 26, 2010, prepared by the Government Commission appointed by the German Minister of Justice and published in the official section of the *Bundesanzeiger* since the last annual declaration on December 12, 2011, until the updating of the declaration on March 13, 2012, with the exception of the recommendation contained in Item 5.4.6, Paragraph 2, Sentence 1 of the Code and since March 2012 additionally with the exception of the recommendation contained in Item 4.2.3, Paragraph 3, Sentence 3 of the Code.

With reference to deviation from the recommendation in 4.2.3, Paragraph 3, Sentence 3 of the Code: According to 4.2.3, Paragraph 3, Sentence 3 of the Code, retroactively changing performance targets or benchmark parameters when determining the compensation of the Board of Management shall be excluded. In March 2012, the Company's Supervisory Board decided to reduce the premium on the weighted-average annual cost of capital ("WACC") in the terms and conditions of the sixth tranche of the E.ON Share Performance Plan issued in 2011. This change was due to the fact that, compared with the return expected by the Supervisory Board when it adopted its resolution on the performance rights to be awarded in March 2011, the E.ON Group's longer-term return expectation had decreased significantly as a result of the nuclear phase-out decided by the German government as well as other regulatory interventions and a substantial deterioration of the general economic environment. Because of this subsequent, unforeseeable development, it has become much more unlikely that the performance hurdle for the sixth tranche will be reached. The purpose of reducing the performance hurdle is to maintain the plan's incentive effect as originally intended by the Supervisory Board.

With reference to deviation from the recommendation in Item 5.4.6, Paragraph 2, Sentence 1 of the Code: According to Item 5.4.6, Paragraph 2, Sentence 1 of the Code, the members of the Supervisory Board shall receive fixed as well as a performance-related compensation. The Annual Shareholders Meeting in May 2011 decided to implement a new compensation scheme that consists of fixed compensation only and to amend the Company's Articles of Associations accordingly. The new scheme first applied to the 2011 financial year. Performance-related compensation was dispensed with in order to further strengthen the Supervisory Board's independence. Also, the new scheme takes account of current developments in discussions about corporate govern-ance. The new version of the Code dated May 15, 2012, no longer contains this recommendation; consequently, deviation from the new version of the Code does not need to be declared.

Düsseldorf, December 10, 2012

For the Supervisory Board of E.ON SE:
Werner Wenning
(Chairman of the Supervisory Board of E.ON SE)

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

The declaration is published on the Company's webpage at www.eon.com and is thus publicly available to shareholders at all times.

Relevant Information about Management Practices

Corporate Governance

E.ON has been a European Company (Societas Europaea, or "SE") under European laws of incorporation since November 15, 2012. Being an SE strengthens E.ON's corporate governance and enhances the Supervisory Board's efficiency and effectiveness. Limiting the Supervisory Board to twelve members while maintaining parity between shareholder and employee representatives is an important aspect of this.

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

In 2012 the Board of Management and Supervisory Board paid close attention to E.ON's compliance with the Code's recommendations and suggestions. They determined that E.ON complies with all of the Code's recommendations (with the exceptions described in the declaration above) and with nearly all of its suggestions.

Transparent Management

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

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

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

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

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

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

Directors' Dealings

Persons with executive responsibilities, in particular members of E.ON SE's Board of Management and Supervisory Board, and persons closely related to them, must disclose their dealings in E.ON stock or in related financial instruments pursuant to Section 15a of the German Securities Trading Act. Such dealings that took place in 2012 have been disclosed on the Internet at www.eon.com. As of December 31, 2012, there was no ownership interest subject to disclosure pursuant to Item 6.6 of the Code.

Integrity

Our actions are grounded in integrity and a respect for the law. The basis for this is our Code of Conduct, issued by the Board of Management, which emphasizes that all employees must comply with laws and regulations and with Company policies. These relate to dealing with business partners, third parties, and government institutions, particularly with regard to antitrust law, the granting and accepting of benefits, the involvement of intermediaries, and the selection of suppliers and service providers.

Other rules address issues such as the avoidance of conflicts of interest (such as the prohibition to compete, secondary employment, material financial investments) and handling company information, property, and resources. The policies and procedures of our Compliance Organization ensure the investigation, evaluation, cessation, and punishment of reported violations by the appropriate Compliance Officers and the E.ON Group's Chief Compliance Officer. Violations of the Code of Conduct can also be reported anonymously (for example, by means of a whistleblower report). The Code of Conduct is published on www.eon.com.

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

Board of Management

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

The Board of Management consists of six members and has one Chairperson. Board of Management members may not be older than 65. The Board of Management has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

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

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

Members of the Board of Management are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Board of Management. Members of the Board of Management may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the Board of Management in 2012. Any material transactions between the Company and members of the Board of Management, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2012.

In addition, the Board of Management has a 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.

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

A Risk Committee ensures the correct application and implementation of the legal requirements of Paragraph 91 of the German Stock Corporation Act ("AktG"). This committee monitors the E.ON Group's risk situation and devotes particular attention to the early warning system in order to recognize developments that could potentially threaten the Group's continued existence. In collaboration with relevant departments and subdepartments, the committee ensures and refines the implementation of, and compliance with, the reporting policies enacted by the Board of Management with regard to commodity risks, credit risks, and opportunities and risks pursuant to Germany's Corporate Sector Control and Transparency Act ("KonTraG").

A Market Committee ensures that E.ON, across all its entities and in a timely manner, adopts clear and unequivocal policies and assigns clear mandates for monitoring market developments and managing its commodity portfolio (power, gas, coal, and so forth). The committee thus manages the portfolio's risk-reward profile in pursuance of the E.ON Group's financial and strategic objectives.

Supervisory Board

The E.ON SE Supervisory Board has 12 members and, in accordance with the Company's Articles of Association, is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other six members of the Supervisory Board are appointed by the SE Works Council, with the proviso that at least three different countries are represented and one member is selected by a German trade union. Persons are not eligible as Supervisory Board members if they:

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

At least one independent member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board determined that Werner Wenning and Dr. Theo Siegert meet this requirement.

The Supervisory Board oversees the Company's management and advises the Board of Management on an ongoing basis. The Board of Management requires the Supervisory Board's prior approval for significant transactions or measures, such as the Group's investment, finance, and personnel plans; the acquisition or sale of companies, equity interests, or parts of companies whose value exceeds 2.5 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets; financing measures that exceed 5 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets and have not been covered by Supervisory Board resolutions regarding finance plan; 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 appropriating income available for distribution and, on the basis

of the Audit and Risk Committee's preliminary review, the Consolidated Financial Statements and the Combined Group Management Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

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

In view of Item 5.4.1 of the Code, in December 2012 the Supervisory Board defined targets for its composition that go beyond the applicable legal requirements. These targets are as follows:

"The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand and assess on his or her own all the business events and transactions that generally occur. The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any personal or business relationship with the Company, its Board of Management, a shareholder with a controlling interest in the Company or with a company affiliated with such a shareholder, and such a relationship could constitute a material, and not merely temporary, conflict of interest. The Supervisory Board has a sufficient number of independent members if ten of its twelve members are independent. Employee representatives are, as a rule, deemed independent. The Supervisory Board should not include more than two former members of the Board of Management, and members of the Supervisory Board must not sit on the boards of, or act as consultants for, any of the Company's major competitors."

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

As a general rule, Supervisory Board members should not be older than 70 at the time of their election.

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

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

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

In view of the E.ON Group's international orientation, the Supervisory Board should include a sufficient number of members who have spent, at a minimum, a significant part of their professional career abroad.

On December 13, 2010, the E.ON AG Supervisory Board first set targets for its composition. These included the target of continually increasing the number of women on the Supervisory Board, which at that time had two women: one shareholder representative and one employee representative. Following the election of another female shareholder representative in 2011 and the Company's transformation into a Societas Europaea ('SE') (which reduced the Supervisory Board to twelve members), we have already achieved the target of doubling the number of woman members, a target originally set for the Supervisory Board's next regular election in May 2013, because at this time 25 percent of the Supervisory Board's members are women. We stand by our original target of increasing women's representation on the Supervisory Board to 30 percent as of the regular election in 2018."

The targets for the Supervisory Board's composition set in December 2010 were taken into consideration by the Nomination Committee in its recommendations for the election, held at the 2012 Annual Shareholders Meeting, of the six shareholder representatives to serve on Supervisory Board after E.ON AG's transformation into an SE. The proposed candidates—Werner Wenning, Baroness Denise Kingsmill, Prof. Dr. Ulrich Lehner, René Obermann, Dr. Karen de Segundo, and Dr. Theo Siegert—were appointed as part of transformation. The reformulated targets of December 2012 will be taken into consideration for the recommendations for the next regular election of shareholder representatives in May 2013. In its current composition the Supervisory Board already meets the targets it set for a sufficient number of independent members, company-specific qualification requirements, and diversity.

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or holding a corporate office with, one of E.ON's customers, suppliers, creditors, or other third parties. The Supervisory Board is required to report any conflicts of interest to the Annual Shareholders Meeting and to describe how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest involving members of the Supervisory Board in 2012. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in 2012.

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

The Audit and Risk Committee consists of four members who should have special knowledge in the field of accounting or business administration. In line with Section 100, Paragraph 5 of AktG and the Code's mandates, the Chairperson has extensive knowledge and experience in applying accounting principles and internal business control processes. In particular, the Audit and Risk Committee monitor the Company's accounting and the accounting process; the effectiveness of internal control systems, internal risk management, and the internal audit system; compliance; and the independent audit. With regard to the independent audit, the committee also deals with the definition of the audit priorities and the agreement regarding the independent auditor's fees. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and the Consolidated Financial Statements. It also examines the Company's quarterly Interim Reports and discusses the audit review of the Interim Reports with the independent auditor and regularly reviews the Company's risk situation, risk-bearing ability, and

risk management. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and the management units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditors detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

As part of its audit responsibilities, the independent auditor agrees to:

- promptly inform the Chairperson of the Audit and Risk Committee should any such facts arise during the course of the audit unless such facts are promptly resolved in satisfactory manner
- promptly inform the Supervisory Board of anything arising during the course of the audit that is of relevance to the Supervisory Board's duties
- inform the Chairperson of the Audit and Risk Committee of, or to note in the audit report, any facts that arise during the audit that contradict the statements submitted by the Board of Management or Supervisory Board in connection with the Code.

The Finance and Investment Committee consists of six members. It advises the Board of Management on all issues of corporate finance and investment planning. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies whose value exceeds 2.5 percent, but not 5 percent, of the equity listed in the Company's most recent Consolidated Balance Sheet. In addition, it decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds 5 percent, but not 10 percent, of the equity listed in the Company's most recent Consolidated Balance Sheet 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 5 percent and 10 percent, respectively, of the equity listed in the most recent Consolidated Balance Sheet, the Finance and Investment Committee prepares the Supervisory Board's decision.

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

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 4 to 9) contains information about the activities of the Supervisory Board and its committees in the financial year under review. Pages 208 and 209 show the composition of the Supervisory Board and its committees

Shareholders and Annual Shareholders Meeting

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

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

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

Compensation Report pursuant to Section 289, Paragraph 2, Item 5 and Section 315, Paragraph 2, Item 4 of the German Commercial Code

This compensation report describes the compensation plan and the individual compensation for E.ON SE's Supervisory Board and Board of Management. It applies the regulations of the German Commercial Code and the German Stock Corporation Act (known by its German abbreviation, "AktG") as amended to reflect the Act on the Appropriateness of Management Board Compensation (known by its German acronym, "VorstAG") as well as the principles of the German Corporate Governance Code ("the Code").

Compensation Plan for Members of the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by E.ON SE's Articles of Association. In accordance with German law, the compensation plan takes into consideration Supervisory Board members' responsibilities and scope of duties.

Since 2011, Supervisory Board members receive fixed compensation only. This form of compensation enhances the Supervisory Board's independence, which is necessary for it to fulfill its supervisory function. In addition, there are a number of duties that Supervisory Board members must perform irrespective of the Company's financial performance. The new plan ensures an appropriate level of compensation even when the Company faces difficult times, since in such times the Supervisory Board's work is often particularly demanding.

That the Supervisory Board receives fixed compensation only was a deviation from the Code that was in effect at the beginning of 2012. The Code was revised effective May 15, 2012. The revised Code no longer contains the recommendation that supervisory boards receive performance-based compensation.

The details of the compensation plan are as follows: In addition to being reimbursed for their expenses including the value-added tax due on their compensation, Supervisory Board members receive fixed compensation of €140,000 for each financial year. The Chairman of the Audit and Risk Committee receives an additional €180,000; the members of the Audit and Risk Committee, an additional €110,000. Other committee chairmen receive an additional €140,000; committee members, an additional €70,000. There is no additional compensation for members of the Nomination Committee or of any committees formed on an ad hoc basis. Members serving on more than one committee receive the highest applicable committee compensation only. In contradistinction to the compensation just described, the Chairman of the Supervisory Board receives fixed compensation of €440,000; the Deputy Chairman, €320,000. The Chairman and the Deputy Chairman of the Supervisory Board receive no additional compensation for their committee duties. In addition, Supervisory Board members are paid an attendance fee of €1,000 per day for meetings of the Supervisory Board or its committees. Compensation is paid on a pro rata basis after the completion of each quarter.

Individuals who were members of the Supervisory Board or any of its committees for less than an entire financial year receive pro rata compensation.

Finally, the Company has taken out D&O insurance for the benefit of Supervisory Board members to cover the statutory liability related to their Supervisory Board duties. In accordance with the Code's recommendations, this insurance includes a deductible in the case of a damage claim being granted. The deductible is 10 percent of a damage claim but with a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Compensation of the Members of the Supervisory Board

The total compensation of the members of the Supervisory Board amounted to €4.6 million (prior year: €4.8 million). As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2012 financial year. The members of the Supervisory Board are listed on pages 208 and 209.

Supervisory Board Compensation

	Supervisory Board Compensation		Compensation for committee duties		Supervisory Board compensation from affiliated companies		Total	
in €	2012	2011	2012	2011	2012[1]	2011	2012	2011
Werner Wenning	440,000	340,000	–	23,333	–	–	440,000	363,333
Ulrich Hartmann (until May 5, 2011)	–	183,333	–	–	–	–	–	183,333
Prof. Dr. Ulrich Lehner	170,000	140,000	58,333	70,000	–	–	228,333	210,000
Erhard Ott	320,000	320,000	–	–	–	–	320,000	320,000
Werner Bartoschek (until November 15, 2012)	128,333	140,000	100,833	110,000	32,625	38,000	261,791	288,000
Sven Bergelin (until November 15, 2012)	128,333	140,000	–	–	52,310	61,220	180,643	201,220
Oliver Biniek (since September 30, 2011; until November 15, 2012)	128,333	46,667	64,167	17,500	3,869	4,550	196,369	68,717
Gabriele Gratz	140,000	140,000	70,000	70,000	54,500	56,000	264,500	266,000
Wolf-Rüdiger Hinrichsen (until September 30, 2011)	–	105,000	–	52,500	–	–	–	157,500
Ulrich Hocker (until November 15, 2012)	128,333	140,000	–	–	–	–	128,333	140,000
Baroness Denise Kingsmill CBE (since May 5, 2011)	140,000	93,333	–	–	–	–	140,000	93,333
Eugen-Gheorghe Luha (since November 15, 2012)	23,333	–	–	–	–	–	23,333	–
Bård Mikkelsen (until November 15, 2012)	128,333	140,000	–	–	–	–	128,333	140,000
René Obermann (since May 5, 2011)	140,000	93,333	–	–	–	–	140,000	93,333
Hans Prüfer (until November 15, 2012)	128,333	140,000	64,167	70,000	–	–	192,500	210,000
Klaus Dieter Raschke	140,000	140,000	110,000	110,000	46,300	46,870	296,300	296,870
Dr. Walter Reitler (until November 15, 2012)	128,333	140,000	–	–	31,625	37,500	159,958	177,500
Hubertus Schmoldt (until November 15, 2012)	128,333	140,000	–	–	–	–	128,333	140,000
Eberhard Schomburg (since November 15, 2012)	23,333	–	18,333	–	6,775	–	48,441	–
Dr. Henning Schulte-Noelle (until November 15, 2012)	128,333	140,000	64,167	70,000	–	–	192,500	210,000
Dr. Karen de Segundo	140,000	140,000	11,667	–	–	–	151,667	140,000
Dr. Theo Siegert	140,000	140,000	180,000	180,000	–	–	320,000	320,000
Prof. Dr. Wilhelm Simson (until May 5, 2011)	–	58,333	–	–	–	–	–	58,333
Willem Vis (since November 15, 2012)	23,333	–	11,667	–	–	–	35,000	–
Dr. Georg Frhr. von Waldenfels (until November 15, 2012)	128,333	140,000	–	–	–	–	128,333	140,000
Hans Wollitzer (until November 15, 2012)	128,333	140,000	64,167	70,000	49,925	58,900	242,425	268,900
Subtotal	**3,251,662**	**3,339,999**	**817,501**	**843,333**	**277,929**	**303,040**	**4,347,092**	**4,486,372**
Attendance fees and meeting-related reimbursements							246,598	287,378
Total							**4,593,690**	**4,773,750**

An expense-based approach was used for Supervisory Board compensation and attendance fees shown for 2011 and 2012. The E.ON SE portion of Supervisory Board compensation and attendance fees for the period November 15 to December 31, 2012, is included; however, it is subject to the Annual Shareholders Meeting's approval of the compensation scheme and, consequently, cannot be paid out before May 3, 2013.

[1]Figures for Supervisory Board members who ended their service in 2012 were calculated on a pro rata basis.

Compensation Plan for Members of the Board of Management

In accordance with the principles of the version of the Code dated May 15, 2012, which incorporates VorstAG's provisions and in some cases defines them in greater detail, the Supervisory Board must approve the Executive Committee's proposal for the Board of Management's compensation plan and reviews the plan regularly.

At its meeting on March 8, 2011, the Supervisory Board passed a resolution approving the compensation plan described below.

Components of the Compensation Plan

The compensation of Board of Management members is composed of a fixed annual base salary paid on a monthly basis, an annual bonus, and a long-term variable component.

These components account for approximately the following percentages of total compensation:

- Base salary 30 percent
- Annual target bonus (with 100-percent target attainment) 40 percent
- Long-term compensation (value at issuance) 30 percent

Beginning with the 2013 financial year, Board of Management members' cash compensation will have an overall cap. This means that the sum of base salary, annual bonus, and long-term variable compensation in one year may not exceed 200 percent of total target cash compensation, which consists of base salary, target bonus, and the target value of virtual shares.

Bonus Mechanism

The annual bonus mechanism for the year under review was established by a resolution of the Supervisory Board dated March 8, 2011, and took effect on January 1, 2011. Section 87 of the VorstAG version of the AktG requires that a management board's compensation plan must be geared towards a sustainable business performance. To implement this requirement, the Supervisory Board and Board of Management members agreed in 2009 that the Board of Management's annual bonus mechanism would adopt a multi-year performance metric effective 2010. This modification affected the company performance portion of the annual bonus.

The amount of the bonus is determined by the degree to which certain performance targets are attained. The target-setting mechanism consists of company performance targets, individual performance targets, and a value-added factor based on return on average capital employed ("ROACE"). Board of Management members who fully attain their performance target receive the target bonus agreed to in their contracts.

The first step in calculating the total annual bonus is to determine to what degree the operating-earnings target has been attained. The second step is for the Supervisory Board, at its discretion, to determine the degree to which the individual-performance portion of the annual bonus has been attained. The third step is for both target-attainment portions to be weighted (70 percent operating-earnings target, 30 percent for the individual-performance target) and added together. Finally, this subtotal is multiplied by a value-added factor.

The metric used for the operating-earnings target is EBITDA. The EBITDA target for a particular financial year is the plan figure approved by the Supervisory Board. If E.ON's actual EBITDA is equal to the EBITDA target, this constitutes 100-percent attainment. If it is 30 percentage points or more below the target, this constitutes zero-percent achievement. If it is 30 percentage points or more above the target, this constitutes 200-percent attainment. Linear interpolation is used to translate intermediate EBITDA figures into percentages.

The metric used for the value-added target is ROACE. The ROACE target is the prior-year weighted-average cost of capital ("WACC") plus a premium, stipulated by the Supervisory Board, to increase leverage. The premium for the 2012 financial year was 1.25 percentage points. If E.ON's actual ROACE is equal to the ROACE target, this constitutes 100-percent attainment. If it is 1.25 percentage points or more lower, this constitutes 50-percent attainment. If it is 1.25 percentage points or more higher, this constitutes 150-percent attainment. Linear interpolation is used to translate intermediate ROACE figures into percentages.

Extraordinary events and changes in E.ON's portfolio (acquisitions and disposals of significant assets or government interventions such as forced shutdowns of nuclear power stations) are not factored into the determination of target attainment.

The Supervisory Board, at its discretion, determines the degree to which Board of Management members have met the targets of the individual-performance portion of their annual bonus. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 of the AktG and to the Code.

The maximum bonus that can be attained is 200 percent of the target bonus. The minimum bonus paid is equal to 30 percent of the target bonus (except in the case of Mrs. Stachelhaus and Mr. Kildahl, who were appointed to the Board of Management in 2010).

Thirty percent of the total annual bonus (individual target attainment multiplied by the value-added factor) is based on target achievement for the prior financial year (a single-year performance metric). The remaining 70 percent of the total annual bonus (EBITDA target attainment multiplied by the value-added factor) is calculated as follows: Half (that is, 35 percent of the total annual bonus) is based on the prior financial year. The other half (that is, the other 35 percent of the total annual bonus) is a three-year performance metric based on EBITDA target attainment and the value-added factor for the previous financial year and the two subsequent years. This portion of the annual bonus will be calculated and paid out based on target attainment for the previous financial year. However, this portion of the bonus is preliminary and is subject to partial repayment if there are negative developments in the subsequent years. This portion of the annual bonus is definitively set at the end of the two-year period following the baseline year. If the three-year average for target attainment is higher than the preliminary calculation for the one-year period, then Board of Management members receive an additional bonus payment (bonus). If it is lower, they are required to pay back the resulting difference or have it deducted from their next bonus (malus or negative bonus).

Since 2010, more than 60 percent of the Board of Management's variable compensation (which consists of the annual bonus and long-term variable compensation) is based on long-term performance metrics, thereby ensuring that this variable compensation is sustainable. The sustainability requirement is also reflected by the fact that the Supervisory Board considers the criteria of Section 87 of the AktG and the Code when it determines the individual performance portion of the annual bonus.

Change in the Bonus Mechanism Starting in 2013

The Supervisory Board approved a resolution establishing a new compensation plan for the Board of Management. The new plan is effective starting with the 2013 financial year.

As under the old plan, the amount of the annual bonus is determined by the degree to which certain performance targets are attained. The new plan factors in company and individual performance. Unlike the old plan, it does not apply a value-added factor.

The first step in calculating a Board of Management member's total bonus is to determine to what degree E.ON has achieved its company target. The second step is for the Supervisory Board to evaluate the Board of Management member's individual performance and, based on this evaluation, to assign it an individual performance factor. The third step is for the company performance to be multiplied by the Board of Management member's individual performance factor.

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

In assigning Board of Management members their individual performance factors the Supervisory Board evaluates their individual contribution to the attainment of collective targets as well as their attainment of their individual targets.

One third of the bonus calculated using the above-described mechanism is not paid out at the conclusion of the financial year but is instead subject to equity deferral, which means that it is translated into virtual shares, which have a four-year vesting period, based on E.ON's stock price. The maximum equity deferral is 50 percent of the target bonus.

If target attainment for the bonus is less than 100 percent, equity deferral can be increased to one third of the target bonus. If target attainment for the bonus is less than 33.3 percent, the entire bonus can be deferred as virtual shares. Under the old bonus mechanism, part of the bonus was subject to a three-year performance metric. This metric will be entirely replaced by equity deferral for all bonuses earned after January 1, 2013.

Long-Term Variable Compensation

The long-term variable compensation that Board of Management members receive is stock-based compensation under the E.ON Share Performance Plan. The Supervisory Board decides each year on the allocation of new tranches, including the respective targets and the number of rights granted to individual members of the Board of Management. To ensure that this compensation is sustainable within the meaning of VorstAG, all performance rights allocated under the plan since 2010 have a vesting period of four years.

The dependence of this compensation on E.ON's stock price serves to bring together management's and shareholders' interests and objectives. This effect is enhanced by the requirement that Board of Management members invest in E.ON stock themselves. The factoring in of an internal value-added factor underscores the plan's close alignment with the Company's interests. Payout under the plan only occurs if minimum internal target parameters, which are set by the Board of Management and Supervisory Board prior to allocation, are achieved.

Starting with the sixth tranche of performance rights allocated in 2011, the value of performance rights is based in part on a 60-day average of E.ON's stock price and in part on the average ratio of ROACE to WACC plus, per tranche, a premium stipulated by the Supervisory Board. If this hurdle is not reached, the value-added factor is zero percent, and there is no payout. If the hurdle is reached, the value-added factor is 75 percent. If the hurdle is exceeded, a linear function is used to calculate the value-added factor, which is limited to a 150 percent maximum.

Extraordinary events and changes in E.ON's portfolio (acquisitions and disposals of significant assets or government interventions such as forced shutdowns of nuclear power stations) are not factored into the determination of the value-added factor.

The payout rate calculated at the end of a tranche's term is capped at 250 percent of the target value originally set by the Supervisory Board.

Beginning with the fifth tranche (issued in 2010), the plan's term was extended to four years; consequently, there was no settlement from this tranche in 2012. For prior tranches, the payout rate relative to the target value at grant was roughly 4 percent for the fourth tranche (issued in 2009), roughly 23 percent for the third tranche (issued in 2008) and roughly 94 percent for the second tranche (issued in 2007). This reflects, in particular, the absolute and relative changes in the price of E.ON stock, with the result that the Board of Management's compensation is affected by changes in E.ON's market value.

The Supervisory Board also passed a resolution changing the Board of Management's long-term variable compensation, replacing the E.ON Share Performance Plan with a new long-term variable compensation plan, called the Share Matching Plan, effective January 1, 2013.

As under the old plan, the Supervisory Board decides each year on the allocation of new tranches, including the respective targets and the number of rights granted to individual members of the Board of Management.

Following the Supervisory Board's decision to allocate a new tranche, Board of Management members initially receive restricted virtual share equivalent to the amount of the deferral. The number of virtual shares is calculated on the basis of the amount of the deferral and E.ON's average stock price during the first 60 days of the four-year term. Furthermore, Board of Management members may receive, on the basis of discretionary annual Supervisory Board decisions, a basis matching of additional non-vested, restricted virtual shares in addition to the virtual shares resulting from deferral. In addition, Board of Management members may, depending on E.ON's company performance during the vesting period, receive performance matching of up to two additional virtual shares per share resulting from basic matching. The arithmetical total target value allocated at the start of the vesting period, which begins on April 1 of the year in which a tranche is allocated, is therefore the sum of the value of the deferral, basis 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 is E.ON's average ROACE during the four-year vesting period compared with a target ROACE set in advance by the Supervisory Board for the entire four-year period at the time it allocates a new tranche. Extraordinary events are not factored into the determination of the value-added factor. Depending on the degree of target attainment for the company performance metric, each virtual share resulting from basis matching may be matched by between zero and two additional virtual shares at the end of the vesting period. If the predetermined company performance target is fully attained, Board of Management members receive one additional virtual share for each virtual share resulting from basis matching. Linear interpolation is used to translate intermediate figures.

At the end of the vesting period, the virtual shares held by Board of Management 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 equivalent of the aggregate per share dividend paid out to E.ON shareholders 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.

In order to introduce the new plan as swiftly as possible, Board of Management members will receive virtual shares in 2013 by means of an interim solution; allocations under the old Share Performance Plan will no longer be granted.

Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Contractual Non-Cash Compensation

Under their contracts, Board of Management members receive non-cash compensation in the form of a chauffeur-driven company car for business and personal use, telecommunications equipment for business and personal use, appropriate accident insurance coverage, and an annual medical examination. In addition, Board of Management members have D&O insurance coverage. If an insurance claim is granted, this insurance includes a deductible. In accordance with VorstAG, the deductible is equal to 10 percent of a damage claim but with a maximum cumulative annual cap of 150 percent of member's annual fixed compensation.

Settlement Cap for Premature Termination of Board of Management Duties

In accordance with the Code, all Board of Management members have a settlement cap. Under the cap, payments to a Board of Management member for a premature termination of Board of Management duties without significant cause within the meaning of Section 626 of the German Civil Code may not exceed the value of two years' total compensation or the total compensation for the remainder of the member's service agreement, whichever is less.

Change-in-Control Clauses

The Company had change-in-control agreements with all Board of Management members in the 2010 financial year. In the event of a premature loss of a Board of Management position due to a change-in-control event, Board of Management members are entitled to severance and settlement payments.

The change-in-control agreements stipulate that a change in control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the

Company, as a dependent entity, concludes a corporate agreement; the Company is merged with another company. A Board of Management member is entitled to severance and settlement pay if, within 12 months of the change in control, his or her service agreement is terminated by mutual consent, expires, or is terminated by the Board member (in the latter case, however, only if his or her position on the Board is materially affected by the change in control).

In accordance with the Code, the settlement payments for Board of Management members would be equal to 150 percent of the settlement cap; that is, the capitalized amount of three years' total annual compensation (annual base salary, annual target bonus, and other compensation). To reflect discounting and setting off of payment for services rendered to other companies or organizations, payments will be reduced by 20 percent. If a Board of Management member is above the age of 53, this 20 percent reduction is diminished incrementally.

Pension Entitlements

Mr. Kildahl and Mrs. Stachelhaus, who were not part of the E.ON Group when they were appointed to the Board of Management in 2010, were enrolled in the Contribution Plan E.ON Management Board, a contribution-based pension plan whose terms (with the exception of the contribution amount) reflect those of the pension plan that has been in effect since 2008 for newly hired employees and senior managers of E.ON companies in Germany. Under the Contribution Plan E.ON Management Board, the Company contributes to Board of Management members' pension account. The amount of the annual contributions is equal to a predetermined percentage of pensionable income (base salary and annual bonus). The percentage for Board of Management members was set after consultations with outside compensation experts. The annual company contribution is equal to 13 percent of pensionable income. The second component of the company contribution is a performance-based contribution based on the difference between the E.ON Group's prior-year ROCE and cost of capital. The performance-based company contribution is a minimum of 1 percent and a maximum of 6 percent of pensionable income. The third component is an annual matching contribution equal to 4 percent of pensionable income. The requirement for the matching contribution to be granted is that the Board of Management member contributes, at a minimum, the same amount by having it withheld from his or her compensation. The company-funded matching contribution is suspended if and as long as, for the last three years, the positive difference between the E.ON Group's prior-year ROCE and cost of capital is less than zero percentage points. The contributions made for a Board of Management member during a calendar year are capitalized based on a standard retirement age of 62 using, for each intervening year, an interest rate based on the return of long-term German treasury notes. At the time of pension payout, a Board of Management member (or his or her survivors) may choose to have the pension account balance paid out as a lifelong pension, in installments, or in a lump sum. In the case of retirement, the monthly pension is set so that its cash value at the time of pension payout—at the earliest, however, at the time that a Board of Management member or his or her survivors stop receiving compensation under his or her service agreement—is equal to the pension account balance taking into account a 1-percent increase per year.

The following commentary applies to the pension entitlements of Dr. Teyssen, Prof. Dr. Maubach, Dr. Schenck, and Dr. Reutersberg:

Following the end of their service for the Company, these Board of Management members are entitled to receive pension payments in three cases: departure on and after reaching the standard retirement age (60 years); departure due to permanent incapacitation; departure due to their service agreement being terminated prematurely or not extended by the Company (a so-called third pension situation).

In the first two cases (reaching the standard retirement age, permanent incapacitation), pension payments begin when a member departs the Board of Management for one of these reasons; annual pension payments are equal to between 50 percent and 75 percent of the member's last annual base salary depending on the length of service on the Board of Management.

The third pension case exists if Board of Management members had, at the time of their severance, been in a Top Management position in the E.ON Group for more than five years and if the termination or non-extension of their service agreement is not due to their misconduct or rejection of an offer of extension that is at least on a par with their existing service

agreement. Under these circumstances, annual pension payments also range between 50 percent and 75 percent of the last annual base salary and begin when the member reaches the age of 60. Members who depart the Board of Management in this way receive a reduced pension as a bridge payment from the date of their departure until they reach the age of 60. The amount of the bridge payment is also initially between 50 percent and 75 percent of the last annual base salary based on the length of service on the Board of Management. This amount is then reduced by the ratio between the actual and potential length of service in a Top Management position in the E.ON Group until the standard retirement age. In contrast to this, the service agreements the Company concluded before the 2006 financial year do not include reductions to the bridge payment.

If a recipient of pension payments (or bridge payments) is entitled to pension payments or bridge payments stemming from earlier employment, 100 percent of these payments will be set off against his or her pension or bridge payments from the Company. In addition, 50 percent of income from other employment will be set off against bridge payments.

Pension payments are adjusted on an annual basis to reflect changes in the German consumer price index.

Following the death of an active or former Board of Management member, a reduced amount of his or her pension is paid as a survivor's pension to the family. Widows and widowers are entitled to lifelong payment equal to 60 percent of the pension a Board of Management member received on the date of his or her death or would have received had he or she entered retirement on this date. This payment is terminated if a widow or widower remarries. The children or dependents of a Board of Management member who have not reached the age of 18 are entitled, for the duration of their education or professional training until they reach a maximum age of 25, to an annual payment equal to 20 percent of the pension the Board of Management member received or would have received on the date of his or her death. Surviving children benefits granted before 2006 deviate from this model and are equal to 15 percent of a Board of Management member's pension. If, taken together, the survivor's pensions of the widow or widower and children exceed 100 percent of a Board of Management member's pension, the pensions paid to the children are proportionally reduced by the excess amount.

The following table provides an overview of the current pension obligations to Board of Management members. The table also includes the additions to provisions for pensions for each member. These additions to provisions for pensions are not paid compensation but valuations calculated in accordance with IFRS. In addition, the cash value of pension obligations is shown in the following table. The cash value is equal to the defined benefit obligation based on a 3.4-percent interest rate (prior year: 4.75 percent).

Pursuant to stipulations of the German Occupational Pensions Improvement Act (known by its German acronym, "BetrAVG"), Board of Management members' pension entitlements are not vested until they have been in effect for five years. This applies to both of the above-described pension plans.

Pensions of the Board of Management Members

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base salary		(€)		(€)		Thereof interest cost (€)		(€)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Dr. Johannes Teyssen	75	75	930,000	930,000	1,088,086	938,358	557,011	481,073	16,410,001	11,726,545
Jørgen Kildahl[1]	–	–	–	–	338,182	296,708	25,371	10,475	869,254	534,129
Prof. Dr. Klaus-Dieter Maubach	60	60	420,000	420,000	625,835	473,220	205,881	150,244	6,538,081	4,334,327
Dr. Bernhard Reutersberg	70	70	490,000	490,000	1,023,106	964,546	370,281	340,549	10,486,945	7,795,387
Dr. Marcus Schenck	60	60	540,000	540,000	686,014	533,927	133,390	88,155	4,734,461	2,808,202
Regine Stachelhaus[1]	–	–	–	–	321,211	311,832	24,511	10,926	826,042	516,027

[1]Contribution Plan E.ON Management Board.

Compensation of the Members of the Board of Management

There was no adjustment of Board of Management compensation in 2012.

The Supervisory Board determined that the Board of Management's compensation is appropriate. In accordance with VorstAG's provisions, the Supervisory Board made this determination in particular by means of horizontal comparisons.

The Board of Management's compensation was subject to a market comparison with compensation at companies of similar size and in similar industries.

The total compensation of the members of the Board of Management in the 2012 financial year amounted to €21.7 million (prior year: €17.6 million). Individual members of the Board of Management were paid the following total compensation:

Compensation of the Board of Management

	Fixed annual compensation		Bonus		Other compensation		Value of performance rights granted[1]		Total	
€	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Dr. Johannes Teyssen	1,240,000	1,160,000	2,675,000	2,143,000	26,899	27,425	1,770,804	1,212,186	5,712,703	4,542,611
Jørgen Kildahl	700,000	700,000	1,396,000	1,032,000	174,272	247,796	787,024	538,745	3,057,296	2,518,541
Prof. Dr. Klaus-Dieter Maubach	700,000	700,000	1,356,000	1,016,000	16,988	448,843	787,024	538,745	2,860,012	2,703,588
Dr. Bernhard Reutersberg	700,000	700,000	1,373,000	1,130,000	25,928	24,041	787,024	538,745	2,885,952	2,392,786
Dr. Marcus Schenck	900,000	800,000	1,996,000	1,548,000	21,817	23,724	1,049,365	718,333	3,967,182	3,090,057
Regine Stachelhaus	700,000	700,000	1,404,000	1,016,000	289,939	59,852	787,024	538,745	3,180,963	2,314,597
Total	**4,940,000**	**4,760,000**	**10,200,000**	**7,885,000**	**555,843**	**831,681**	**5,968,265**	**4,085,499**	**21,664,108**	**17,562,180**

[1]2012: performance rights from the seventh tranche, 2011: performance rights from the sixth tranche.

The 2012 bonus disclosed here already reflects the final setting of the portion of the bonus for the 2010 financial year that is subject to a three-year performance metric. This rule resulted in approximate reductions of €124,000 for Dr. Teyssen, €44,000 for Mr. Kildahl, €44,000 for Prof. Dr. Maubach, €27,000 for Dr. Reutersberg, €84,000 for Dr. Schenck, and €36,000 for Mrs. Stachelhaus.

The figures for performance rights granted in 2012 do not indicate actual payments in 2012 but rather indicate estimates, based on commercial principles, of the value of the performance rights from the seventh tranche granted in 2012. The payout of the performance rights from the seventh tranche will be calculated at the end of 2015 on the basis of E.ON's stock price and the value-added factor. As a result, the payout figures could be higher or lower than the figures shown here.

To indicate how the compensation plan works, the table below shows the actual payments made under the E.ON Share Performance Plan rather than estimated figures. As already stated, there was no settlement under this plan at year-end 2012. Figures for 2011 include amounts paid out from the fourth tranche of the plan granted in 2009 (see the 2009 Compensation Report, page 154).

Effective Compensation of the Board of Management

	Fixed annual compensation		Bonus		Other compensation		Payout value of performance rights[1]		Total	
€	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Dr. Johannes Teyssen	1,240,000	1,160,000	2,675,000	2,143,000	26,899	27,425	–	43,494	3,941,899	3,373,919
Jørgen Kildahl	700,000	700,000	1,396,000	1,032,000	174,272	247,796	–	–	2,270,272	1,979,796
Prof. Dr. Klaus-Dieter Maubach	700,000	700,000	1,356,000	1,016,000	16,988	448,843	–	13,453	2,072,988	2,178,296
Dr. Bernhard Reutersberg	700,000	700,000	1,373,000	1,130,000	25,928	24,041	–	12,139	2,098,928	1,866,180
Dr. Marcus Schenck	900,000	800,000	1,996,000	1,548,000	21,817	23,724	–	32,368	2,917,817	2,404,092
Regine Stachelhaus	700,000	700,000	1,404,000	1,016,000	289,939	59,852	–	–	2,393,939	1,775,852
Total	**4,940,000**	**4,760,000**	**10,200,000**	**7,885,000**	**555,843**	**831,681**	**–**	**101,454**	**15,695,843**	**13,578,135**

[1]2012: no settlement of performance rights; 2011: performance rights from the fourth tranche.

In 2012 the members of the E.ON SE Board of Management were issued the following number of performance rights under the seventh tranche: Dr. Teyssen 78,948 (prior year: 60,188); Mr. Kildahl, Prof. Dr. Maubach, Dr. Reutersberg, and Mrs. Stachelhaus 35,088 each (prior year: 26,750 each); Dr. Schenck 46,784 (prior year: 35,667).

Board of Management members' total compensation for 2012 included stock-based compensation with a fair value of €22.43 per performance right from the seventh tranche. For purposes of internal communications between the Board of Management and the Supervisory Board, the target value is used instead of the above-mentioned fair value. The target value is equal to the cash payout amount of each performance right if at the end of the vesting period E.ON stock maintains its price and the value-added factor is 100 percent. In 2012 the target value of the rights issued was €1,350,000 for the Chairman of the Board of Management, €0.8 million for Dr. Schenck, and €0.6 million for all other Board of Management members. The target values are unchanged relative to the prior year. The German Commercial Code (Section 314, Paragraph 1, Item 6a, Sentence 9) requires supplemental disclosure, by year, of the Company's expenses for all tranches granted in 2012 and in previous years and for tranches existing in 2012. The following expenses in accordance with IFRS 2 were recorded for performance rights existing in the 2012 financial year (figures are approximate): Dr. Teyssen €0.6 million (prior year: €86,000), Mr. Kildahl €0.3 million (prior year: €128,000), Mrs. Stachelhaus €0.3 million (prior year: €128,000), Prof. Dr. Maubach €0.3 million (prior year: €136,000), Dr. Reutersberg €0.3 million (prior year: €136,000), and Dr. Schenck €0.3 million (prior year: €19,000).

Additional information about E.ON AG's stock-based compensation program can be found in Note 11 to the Consolidated Financial Statements.

The remaining other compensation of the members of the Board of Management consists primarily of benefits in kind from the personal use of company cars and, in some cases, temporary coverage of rent payments for a second residence, relocation costs, and real-estate agent fees along with the income tax levied on this compensation.

As in the prior year, no loans were outstanding or granted to members of the Board of Management in the 2012 financial year. Page 210 contains additional information about the members of the Board of Management.

Payments Made to Former Members of the Board of Management

Total payments made to former Board of Management members and to their beneficiaries amounted to €9.7 million in 2012 (prior year: €9.5 million).

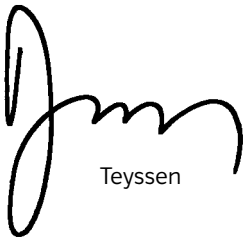
Provisions of €154.3 million (prior year: €137.7 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.

Declaration of the Board of Management

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.

Düsseldorf, February 28, 2013

The Board of Management



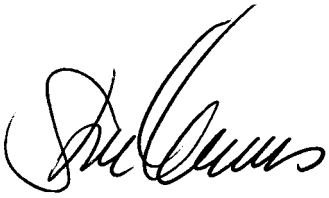
Teyssen

Kildahl

Maubach

Reutersberg

Schenck



Stachelhaus

Independent Auditor's Report

To E.ON SE, Düsseldorf

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of E.ON SE (formerly E.ON AG), Düsseldorf, and its subsidiaries, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of recognized income and expenses, the consolidated statement of cash flows, the statement of changes in equity and the notes for the business year from January 1, 2012 to December 31, 2012.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

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

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of E.ON SE (formerly E.ON AG), Düsseldorf, for the business year from January 1, 2012 to December 31, 2012. The Board of Managing Directors of E.ON SE, Düsseldorf, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

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

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

Düsseldorf, March 1, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Norbert Schwieters
Wirtschaftsprüfer
(German Public Auditor)

Michael Reuther
Wirtschaftsprüfer
(German Public Auditor)

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2012	2011
Sales including electricity and energy taxes		133,997	115,046
Electricity and energy taxes		-1,904	-2,092
Sales	(5)	**132,093**	**112,954**
Changes in inventories (finished goods and work in progress)		61	-16
Own work capitalized	(6)	381	519
Other operating income	(7)	10,845	13,785
Cost of materials	(8)	-115,285	-97,827
Personnel costs	(11)	-5,138	-5,947
Depreciation, amortization and impairment charges	(14)	-5,078	-7,081
Other operating expenses	(7)	-13,307	-17,656
Income from companies accounted for under the equity method		137	512
Income/Loss (-) from continuing operations before financial results and income taxes		**4,709**	**-757**
Financial results	(9)	-1,395	-2,154
Income/Loss (-) from equity investments		*17*	*-60*
Income from other securities, interest and similar income		*1,191*	*716*
Interest and similar expenses		*-2,603*	*-2,810*
Income taxes	(10)	-710	1,036
Income/Loss (-) from continuing operations		**2,604**	**-1,875**
Income from discontinued operations, net		37	14
Net income/loss (-)		**2,641**	**-1,861**
Attributable to shareholders of E.ON SE		*2,217*	*-2,219*
Attributable to non-controlling interests		*424*	*358*
in €			
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted	(13)		
from continuing operations		1.14	-1.17
from discontinued operations		0.02	0.01
from net income/loss (-)		**1.16**	**-1.16**

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

€ in millions	2012	2011
Net income/loss (-)	**2,641**	**-1,861**
Cash flow hedges	-316	-143
Unrealized changes	*-237*	*-427*
Reclassification adjustments recognized in income	*-79*	*284*
Available-for-sale securities	14	-1,028
Unrealized changes	*100*	*-261*
Reclassification adjustments recognized in income	*-86*	*-767*
Currency translation adjustments	461	344
Unrealized changes	*506*	*-232*
Reclassification adjustments recognized in income	*-45*	*576*
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-1,875	-370
Companies accounted for under the equity method	-14	-81
Unrealized changes	*-14*	*-81*
Reclassification adjustments recognized in income	–	–
Income taxes	593	376
Total income and expenses recognized directly in equity	**-1,137**	**-902**
Total recognized income and expenses (total comprehensive income)	**1,504**	**-2,763**
Attributable to shareholders of E.ON SE	*1,106*	*-3,076*
Attributable to non-controlling interests	*398*	*313*

E.ON SE and Subsidiaries Consolidated Balance Sheets—Assets

€ in millions	Note	December 31 2012	December 31 2011
Goodwill	(14)	13,440	14,083
Intangible assets	(14)	6,869	7,372
Property, plant and equipment	(14)	54,173	55,869
Companies accounted for under the equity method	(15)	4,067	6,325
Other financial assets	(15)	6,358	6,812
Equity investments		*1,612*	*1,908*
Non-current securities		*4,746*	*4,904*
Financial receivables and other financial assets	(17)	3,692	3,619
Operating receivables and other operating assets	(17)	2,400	2,842
Income tax assets	(10)	123	147
Deferred tax assets	(10)	5,441	5,152
Non-current assets		**96,563**	**102,221**
Inventories	(16)	4,734	4,828
Financial receivables and other financial assets	(17)	2,058	1,789
Trade receivables and other operating assets	(17)	24,354	31,714
Income tax assets	(10)	910	4,680
Liquid funds	(18)	6,546	7,020
Securities and fixed-term deposits		*3,281*	*3,079*
Restricted cash and cash equivalents		*449*	*89*
Cash and cash equivalents		*2,816*	*3,852*
Assets held for sale	(4)	5,261	620
Current assets		**43,863**	**50,651**
Total assets		**140,426**	**152,872**

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

€ in millions	Note	December 31 2012	December 31 2011
Capital stock	(19)	2,001	2,001
Additional paid-in capital	(20)	13,740	13,747
Retained earnings	(21)	22,868	23,796
Accumulated other comprehensive income	(22)	-147	-277
Treasury shares	(19)	-3,505	-3,530
Equity attributable to shareholders of E.ON SE		**34,957**	**35,737**
Non-controlling interests (before reclassification)		4,410	4,484
Reclassification related to put options		-548	-608
Non-controlling interests	(23)	**3,862**	**3,876**
Equity		**38,819**	**39,613**
Financial liabilities	(26)	21,937	24,029
Operating liabilities	(26)	5,655	7,057
Income taxes	(10)	2,053	3,585
Provisions for pensions and similar obligations	(24)	4,890	3,245
Miscellaneous provisions	(25)	23,685	22,427
Deferred tax liabilities	(10)	6,781	6,786
Non-current liabilities		**65,001**	**67,129**
Financial liabilities	(26)	4,007	5,885
Trade payables and other operating liabilities	(26)	25,938	30,729
Income taxes	(10)	1,391	4,425
Miscellaneous provisions	(25)	4,073	4,985
Liabilities associated with assets held for sale	(4)	1,197	106
Current liabilities		**36,606**	**46,130**
Total equity and liabilities		**140,426**	**152,872**

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2012	2011
Net income/loss (-)	2,641	-1,861
Income/loss (-) from discontinued operations, net	-37	-14
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	5,078	7,081
Changes in provisions	358	1,465
Changes in deferred taxes	901	-2,040
Other non-cash income and expenses	-407	1,097
Gain/Loss on disposal of	-504	-717
Intangible assets and property, plant and equipment	*-49*	*-44*
Equity investments	*-325*	*-599*
Securities (> 3 months)	*-130*	*-74*
Changes in operating assets and liabilities and in income taxes	778	1,599
Inventories and carbon allowances	*-158*	*-645*
Trade receivables	*1,753*	*-2,537*
Other operating receivables and income tax assets	*8,843*	*-2,393*
Trade payables	*1,538*	*-72*
Other operating liabilities and income taxes	*-11,198*	*7,246*
Cash provided by operating activities of continuing operations (operating cash flow)[1]	**8,808**	**6,610**
Proceeds from disposal of	4,418	5,987
Intangible assets and property, plant and equipment	*464*	*260*
Equity investments	*3,954*	*5,727*
Purchases of investments in	-6,997	-6,524
Intangible assets and property, plant and equipment	*-6,379*	*-6,216*
Equity investments	*-618*	*-308*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	5,593	5,845
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-5,679	-8,703
Changes in restricted cash and cash equivalents	-353	344
Cash used for investing activities of continuing operations	**-3,018**	**-3,051**
Payments received/made from changes in capital[2]	-149	-11
Cash dividends paid to shareholders of E.ON SE	-1,905	-2,858
Cash dividends paid to non-controlling interests	-197	-208
Proceeds from financial liabilities	573	3,978
Repayments of financial liabilities	-5,170	-6,736
Cash used for financing activities of continuing operations	**-6,848**	**-5,835**
Net increase/decrease in cash and cash equivalents	**-1,058**	**-2,276**
Effect of foreign exchange rates on cash and cash equivalents	26	-12
Cash and cash equivalents at the beginning of the year[3]	3,855	6,143
Cash and cash equivalents of continuing operations at the end of the year[4]	**2,823**	**3,855**

[1]Additional information on operating cash flow is provided in Note 12.
[2]No material netting has taken place in either of the years presented here.
[3]Cash and cash equivalents of continuing operations at the beginning of 2012 include an amount of €3 million at E.ON Bulgaria, which is reported as a disposal group.
[4]Cash and cash equivalents of continuing operations at the end of 2012 include a combined total of €7 million at the E.ON Thüringer Energie group and at the E.ON Energy from Waste group, both of which are reported as disposal groups.

Supplementary Information on Cash Flows from Operating Activities

€ in millions	2012	2011
Income taxes paid (less refunds)	-530	-49
Interest paid	-1,349	-1,644
Interest received	497	444
Dividends received	614	710

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

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Changes in accumulated other comprehensive income: Available-for-sale securities	Changes in accumulated other comprehensive income: Cash flow hedges
Balance as of January 1, 2011	**2,001**	**13,747**	**29,026**	**-1,570**	**1,923**	**57**
Change in scope of consolidation						
Treasury shares repurchased/sold						
Capital increase						
Capital decrease						
Dividends paid			-2,858			
Share additions			17			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-2,389	453	-1,028	-112
Net income/loss (-)			*-2,219*			
Other comprehensive income			*-170*	*453*	*-1,028*	*-112*
Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations			*-170*			
Changes in accumulated other comprehensive income				*453*	*-1,028*	*-112*
Balance as of December 31, 2011	**2,001**	**13,747**	**23,796**	**-1,117**	**895**	**-55**
Balance as of January 1, 2012	**2,001**	**13,747**	**23,796**	**-1,117**	**895**	**-55**
Change in scope of consolidation						
Treasury shares repurchased/sold		-7				
Capital increase						
Capital decrease						
Dividends paid			-1,905			
Share additions			1			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			976	503	-85	-288
Net income			*2,217*			
Other comprehensive income			*-1,241*	*503*	*-85*	*-288*
Changes in actuarial gains/ losses of defined benefit pension plans and similar obligations			*-1,241*			
Changes in accumulated other comprehensive income				*503*	*-85*	*-288*
Balance as of December 31, 2012	**2,001**	**13,740**	**22,868**	**-614**	**810**	**-343**

	Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
	-3,531	**41,653**	**4,532**	**-600**	**3,932**	**45,585**
			-110		-110	-110
	1	1				1
			43		43	43
			-41		-41	-41
		-2,858	-198		-198	-3,056
		17	-55		-55	-38
				-8	-8	-8
		-3,076	313		313	-2,763
		-2,219	*358*		*358*	*-1,861*
		-857	*-45*		*-45*	*-902*
		-170	*-25*		*-25*	*-195*
		-687	*-20*		*-20*	*-707*
	-3,530	**35,737**	**4,484**	**-608**	**3,876**	**39,613**
	-3,530	**35,737**	**4,484**	**-608**	**3,876**	**39,613**
			-66		-66	-66
	25	18				18
			20		20	20
			-16		-16	-16
		-1,905	-196		-196	-2,101
		1	-214		-214	-213
				60	60	60
		1,106	398		398	1,504
		2,217	*424*		*424*	*2,641*
		-1,111	*-26*		*-26*	*-1,137*
		-1,241	*-118*		*-118*	*-1,359*
		130	*92*		*92*	*222*
	-3,505	**34,957**	**4,410**	**-548**	**3,862**	**38,819**

(1) Summary of Significant Accounting Policies

Basis of Presentation

These Consolidated Financial Statements have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those 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, 2012.

Principles

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

Scope of Consolidation

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

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

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

Associated Companies

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

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

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

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

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

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

Joint Ventures

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

Business Combinations

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

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

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

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

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

Foreign Currency Translation

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

The functional currency as well as the reporting currency of E.ON 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.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases. The Brazilian real is not freely convertible.

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	
		2012	2011	2012	2011
British pound	GBP	0.82	0.84	0.81	0.87
Brazilian real	BRL	2.70	2.42	2.51	2.33
Norwegian krone	NOK	7.35	7.75	7.48	7.79
Russian ruble	RUB	40.33	41.77	39.93	40.88
Swedish krona	SEK	8.58	8.91	8.70	9.03
Hungarian forint	HUF	292.30	314.58	289.25	279.37
U.S. dollar	USD	1.32	1.29	1.28	1.39

Recognition of Income

a) Revenues

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

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

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

b) Interest Income

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

c) Dividend Income

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

Electricity and Energy Taxes

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

Accounting for Sales of Shares of Subsidiaries or Associated Companies

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

Earnings per Share

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

Goodwill and Intangible Assets

Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

Research and Development Costs

Under IFRS, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, recognized development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2012 and 2011 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

Emission Rights

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

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

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

Property, Plant and Equipment

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

Useful Lives of Property, Plant and Equipment

Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

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

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

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

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

Exploration for and Evaluation of Mineral Resources

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

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

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective 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 5.0 percent was applied for 2012 (2011: 5.0 percent). Other borrowing costs are expensed.

Government Grants

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

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

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

Leasing

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

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

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

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

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

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

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

Financial Instruments

Non-Derivative Financial Instruments

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

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

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

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

Derivative Financial Instruments and Hedging Transactions

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

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

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

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

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

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

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

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

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

Inventories

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

Receivables and Other Assets

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

Liquid Funds

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

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

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

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

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

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

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

Equity Instruments

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

E.ON has entered into purchase commitments to holders of non-controlling interests in subsidiaries. By means of these agreements, the non-controlling shareholders have the right to require E.ON to purchase their shares on specified conditions. None of the contractual obligations has led to the transfer of substantially all of the risk and rewards to E.ON at the time of entering into the contract. In such a case, IAS 32,

"Financial Instruments: Presentation" ("IAS 32"), requires that a liability be recognized at the present value of the probable future exercise price. This amount is reclassified from a separate component within non-controlling interests and reported separately as a liability. The reclassification occurs irrespective of the probability of exercise. The accretion of the liability is recognized as interest expense. If a purchase commitment expires unexercised, the liability reverts to non-controlling interests. Any difference between liabilities and non-controlling interests is recognized directly in retained earnings.

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

If an E.ON Group company buys treasury shares of E.ON 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 added to E.ON SE's equity.

Share-Based Payment

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

Provisions for Pensions and Similar Obligations

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

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

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

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

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

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to 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 discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted. Advance payments remitted are deducted from the provisions.

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

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

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

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

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

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

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

Where necessary, provisions for restructuring costs are recognized at the present value of the future outflows of resources. Provisions are recognized once a detailed restructuring plan has been decided on by management and 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. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. For those tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced.

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

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

Deferred taxes for domestic companies are calculated using a total tax rate of 30 percent (2011: 30 percent). This tax rate includes, in addition to the 15 percent (2011: 15 percent) corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax (2011: 5.5 percent on the corporate tax), and the average trade tax rate of 14 percent (2011: 14 percent) applicable to the E.ON Group. Foreign subsidiaries use applicable national tax rates.

Note 10 shows the major temporary differences so recorded.

Consolidated Statements of Cash Flows

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

Segment Information

In accordance with the so-called management approach required by IFRS 8, "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 earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted to exclude certain extraordinary effects (see Note 33).

Structure of the Consolidated Balance Sheets and Statements of Income

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

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

Capital Structure Management

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

Based on our EBITDA in 2012 of €10,786 million (2011: €9,293 million) and economic net debt of €35,879 million as of the balance sheet date (2011: €36,385 million), the debt factor is 3.3 (2011: 3.9).

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

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

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

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

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

(2) New Standards and Interpretations

Standards and Interpretations Applicable in 2012

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC", formerly the IFRIC) have issued the following standards and interpretations that have been transferred by the EU into European law and whose application is mandatory in the reporting period from January 1, 2012, through December 31, 2012:

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

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

Standards and Interpretations Not Yet Applicable in 2012

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by E.ON in the 2012 fiscal year because adoption by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory:

IFRS 9, "Financial Instruments"

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

IFRS 10, "Consolidated Financial Statements"

In May 2011, the IASB issued the new standard IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces the existing guidance on control and consolidation contained in IAS 27, "Consolidated and Separate Financial Statements," and in SIC-12, "Consolidation—Special Purpose Entities" ("SIC-12"). IFRS 10 establishes a uniform definition of the term "control," with greater emphasis on the principle of substance over form than in the past. The new standard can thus give rise to an altered scope of consolidation. The standard has been transferred by the EU into European law. As a result, IFRS 10 must generally be applied retrospectively for fiscal years beginning on or after January 1, 2014. Earlier application is permitted as long as the standards IFRS 11, "Joint Arrangements" ("IFRS 11"), IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), IAS 27, "Separate Financial Statements" ("IAS 27"), and IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), are also being applied at the same time.

IFRS 11, "Joint Arrangements"

In May 2011, the IASB issued the new standard IFRS 11. It replaces IAS 31, "Interests in Joint Ventures" ("IAS 31"), and SIC-13, "Jointly Controlled Entities—Non-Monetary Contributions by Venturers" ("SIC-13"). The standard will in future distinguish between two types of joint arrangements: joint ventures and joint operations. The provisions of IFRS 10 form the basis for determining joint control. If after assessing the particular facts a joint venture is determined to exist, it must be accounted for using the equity method. In the case of a joint operation, however, the attributable shares of assets and liabilities, and of expenses and income, must be assigned directly to the equity holder. The standard has been transferred by the EU into European law. Consequently, application of the new standard will be mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted as long as the standards IFRS 10, IFRS 12, IAS 27 and IAS 28 are also being applied at the same time.

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 regulates the disclosure requirements for both IFRS 10 and IFRS 11, and was published by the IASB together with these standards on May 12, 2011. The standard requires entities to publish information on the nature of their holdings, the associated risks and the effects on their net assets, financial position and results of operations. This information is required for subsidiaries, joint arrangements, associates and unconsolidated structured units (special-purpose entities). Important discretionary decisions and assumptions, including any changes to them, that were made in determining control according to IFRS 10 and for joint arrangements must also be disclosed. The new standard has been transferred by the EU into European law and its application will be mandatory for fiscal years beginning on or after January 1, 2014, with earlier application permitted.

E.ON anticipates that the application of IFRS 10, IFRS 11, and IFRS 12 will lead to a marginal reduction of about €10 million in earnings and to an increase of approximately €0.3 billion in debt.

IFRS 13, "Fair Value Measurement"

In May 2011, the IASB issued the new standard IFRS 13, "Fair Value Measurement" ("IFRS 13"). The objective of the standard is to define the term "fair value" and to establish guidance and disclosure requirements for fair value measurement that should be applied across standards. In the standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. For non-financial assets, the fair value is determined based on the highest and best use of the asset as determined by a market participant. IFRS 13 takes effect on January 1, 2013, and is applied prospectively, with earlier application permitted. The new standard has been transferred by the EU into European law. In general, E.ON expects a reduction in the amounts recognized for assets and liabilities measured at fair value. This applies especially to derivative financial instruments, for which E.ON expects to record expenses resulting from such reduction in amounts recognized.

IAS 27, "Separate Financial Statements"

In May 2011, the IASB issued a new version of IAS 27. The new version now contains regulations for IFRS separate financial statements only (previously consolidated and separate financial statements). The standard has been transferred by the EU into European law. Consequently, application of the new standard will be mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted as long as the standards IFRS 10, IFRS 11, IFRS 12 and IAS 28 are also being applied at the same time. The new standard will have no impact on E.ON's Consolidated Financial Statements.

IAS 28, "Investments in Associates and Joint Ventures"

In May 2011, the IASB issued a new version of IAS 28. The new version now stipulates that in planned partial disposals of interests in associates and joint ventures, the portion to be sold must, if it meets the criteria of IFRS 5, "Non-Current Assets Held For Sale and Discontinued Operations" ("IFRS 5"), be classified as a non-current asset held for sale. The remaining investment shall continue to be accounted for using the equity method. If the sale results in the creation of an associate, that associate will be accounted for using the equity method. Otherwise, the rules of IFRS 9 must be followed. The new IAS 28 incorporates the provisions of SIC-13 and removes currently existing exceptions from the scope of IAS 28. The new version of the standard has been transferred by the EU into European law. Its application shall thus be mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted as long as the standards IFRS 10, IFRS 11, IFRS 12 and IAS 27 are also being applied at the same time. It will not result in material changes for E.ON affecting its Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards

In the context of its Annual Improvements Process, the IASB revises existing standards. In May 2012, the IASB published a corresponding omnibus standard, the fourth issued under this process. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. Application of the amendments is mandatory for fiscal years beginning on or after January 1, 2013. Earlier application is permitted. The omnibus standard has not yet been transferred by the EU into European law. It will result in no material changes for E.ON affecting its Consolidated Financial Statements.

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

In December 2010, the IASB issued two amendments to IFRS 1. The first amendment provides application guidance in cases where an entity was unable to comply with IFRS rules because its functional currency was subject to hyperinflation. The second amendment replaces the references to the fixed transition date of "January 1, 2004" with the more general "date of transition to IFRS." The amendments have been transferred by the EU into European law. Consequently, they are to be applied for fiscal years beginning on or after January 1, 2013. The standard thus amended has no impact on the E.ON Consolidated Financial Statements as they are already prepared in accordance with IFRS.

Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards"—Government Loans

In March 2012, the IASB issued further amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," relating to loans received from governments at below-market rates of interests. First-time adopters of IFRS are now exempted from applying IFRS retrospectively when accounting for these loans on transition. The standard thus amended is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. It has not yet been transferred by the EU into European law. The amendments to the standard have no impact on the E.ON Consolidated Financial Statements as they are already prepared in accordance with IFRS.

Amendments to IFRS 10, IFRS 11 and IFRS 12—Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

In June 2012, the IASB published "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)." The amendments clarify the transition guidance contained in IFRS 10, and they also provide additional relief for the first-time adoption of all three standards. Adjusted comparative information need now be provided only for the immediately preceding comparative period. For unconsolidated structured entities, the requirement to present comparative

information for periods before IFRS 12 is first applied is removed altogether. The amendments are to be applied for fiscal years beginning on or after January 1, 2014, which coincides with the effective date of IFRS 10, IFRS 11 and IFRS 12. Earlier application is permitted. The amendments have not yet been transferred by the EU into European law. E.ON anticipates no material impact on its Consolidated Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment Entities

In October 2012, the IASB published "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)." The amendments include a definition of an investment entity and remove them from the scope of IFRS 10. Instead of consolidating their investments in subsidiaries, parent investment entities shall now be required to recognize and measure them at fair value through profit or loss in accordance with IFRS 9 or IAS 39. In this context, new disclosure requirements have also arisen in IFRS 12, "Disclosure of Interests in Other Entities," and IAS 27, "Separate Financial Statements." Application of the amendments is mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. The amendments have not yet been transferred by the EU into European law. E.ON anticipates no material impact on its Consolidated Financial Statements.

Amendments to IAS 1, "Presentation of Financial Statements"

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The changes stipulate that the individual components of other comprehensive income ("OCI") shall in future be separated in the statement of comprehensive income according to whether they will be recycled into the income statement at a later date or not. The amendments are to be applied for fiscal years beginning on or after July 1, 2012. They have been transferred by the EU into European law. They have no material impact on E.ON's Consolidated Financial Statements.

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

In December 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"). When measuring temporary tax differences in connection with real estate held as investment property, there is now a presumption that such temporary differences are normally reversed through sale, rather than through continued use. The amendments are to be applied for fiscal years beginning on or after January 1, 2013. They have been transferred by the EU into European law. E.ON does not anticipate that the amendments will have any impact on its Consolidated Financial Statements.

Amendments to IAS 19, "Employee Benefits"

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19R"). E.ON anticipates that the changes will have the following effects on its Consolidated Financial Statements: The expected return on plan assets and the interest cost of the defined benefit obligations will be replaced by one uniform net interest result that is based on the discount rate. The net interest result will in future be calculated on the basis of the net pension liabilities or assets resulting from the existing defined benefit pension plans. Any past service cost will henceforth generally be recognized in full, in the period in which the underlying plan amendment occurs. Actuarial gains and losses have always been fully and immediately recognized in OCI in the past. The elimination of the option to apply the so-called "corridor method," or to expense actuarial gains and losses immediately, therefore has no impact on E.ON. Furthermore, additional disclosures will be required on matters including the features of the existing pension plans, the identifiable risks to which the entity is exposed and the effects of the defined benefit plans on the entity's future cash flows. The amended standard also contains a revision of the rules governing termination benefits. The amendments to IAS 19 are to be applied for fiscal years beginning on or after January 1, 2013. They have been transferred by the EU into European law. For 2012, the pension cost would increase by about €6 million if IAS 19R were applied. For 2013, E.ON expects that the amendment to IAS 19 will result in an increase in pension cost of approximately €0.1 billion. The changes would additionally result in a reduction of the provisions for obligations under semiretirement arrangements, combined with an increase of approximately €32 million in the corresponding expenses in 2012.

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

In December 2011, the IASB issued amendments to IAS 32 and IFRS 7. Entities shall in future be required to disclose gross and net amounts from offsetting, as well as amounts for existing rights of set-off that do not meet the accounting criteria for offsetting. In addition, inconsistencies in applying the existing rules for offsetting financial assets and financial liabilities have been eliminated. The amendments mentioned have different first-time application dates. The amendments to IAS 32 are to be applied for fiscal years beginning on or after January 1, 2014. The amendments to IFRS 7 are to be applied for fiscal years beginning on or after January 1, 2013. They have been transferred by the EU into European law. E.ON currently anticipates an effect from the switch to gross presentation adding €1.5 billion to total assets and liabilities on the balance sheet.

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

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20"), was published in October 2011. IFRIC 20 specifies the preconditions under which the cost of removing waste from a surface mine during its production phase should lead to the recognition of an asset. It also provides guidance on how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for fiscal years beginning on or after January 1, 2013. Earlier application is permitted. The interpretation has been transferred by the EU into European law. IFRIC 20 has no impact on E.ON's Consolidated Financial Statements.

(3) Scope of Consolidation

The number of consolidated companies changed as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2011	161	334	495
Additions	3	17	20
Disposals/Mergers	3	37	40
Consolidated companies as of December 31, 2011	**161**	**314**	**475**
Additions	6	9	15
Disposals/Mergers	13	26	39
Consolidated companies as of December 31, 2012	**154**	**297**	**451**

In 2012, a total of 42 domestic and 55 foreign associated companies were accounted for under the equity method (2011: 51 domestic and 54 foreign). Significant acquisitions, disposals and discontinued operations are discussed in Note 4.

(4) Acquisitions, Disposals and Discontinued Operations

Disposal Groups and Assets Held for Sale in 2012

Wind Farm Disposals

Implementing the "Less Capital, More Value" strategy, E.ON signed contracts for the sale of a 50-percent stake in each of three wind farms in North America in October 2012 for a total of €0.5 billion in proceeds. The wind farms, which are operated by the Renewables global unit, have been reported as disposal groups since the fourth quarter of 2012. The relevant balance sheet line items relate to property, plant and equipment (€0.4 billion); there were no significant items on the liabilities side.

In the course of the continued implementation of the divestment strategy, the following activities were classified as disposal groups or assets held for sale during 2012:

E.ON Thüringer Energie

At the end of December 2012, E.ON signed a contract for the sale of a 43-percent interest in E.ON Thüringer Energie to a municipal consortium, Kommunaler Energiezweckverband Thüringen ("KET"). The transaction involved a volume of approximately €0.9 billion, which includes the assumption by KET of shareholder loans totaling approximately €0.4 billion. The transaction is expected to close in the first half of 2013. E.ON's remaining 10-percent stake in E.ON Thüringer Energie is also to be sold shortly. The stake is held by the Germany regional unit. The major carrying amounts related to property, plant and equipment (€1.1 billion) and financial assets (€0.2 billion), while provisions and liabilities amounted to €0.2 billion and €0.4 billion, respectively.

Slovenský Plynárenský Priemysel (SPP)

In January 2013, E.ON signed a contract with the Czech energy company Energetický a Průmyslový Holding, Prague, Czech Republic, for the sale of its interest in the Slovakian energy company Slovenský Plynárenský Priemysel a.s. ("SPP"), which is held indirectly in E.ON's Optimization & Trading global unit. The purchase price for the 24.5-percent indirect holding is €1.2 billion, including final purchase price adjustments. The ownership interest with a carrying amount of €1.2 billion had to be reported as an asset held for sale as of December 31, 2012, because commercial agreement on the sale had been substantially reached by the end of 2012. The attributable goodwill of approximately €0.2 billion was written down to zero in 2012. The transaction closed in January 2013.

E.ON Energy from Waste

In December 2012, E.ON signed agreements to form a joint venture with EQT Infrastructure II, an infrastructure fund belonging to EQT, a Sweden-based private equity group. The joint venture, in which EQT Infrastructure II will own 51 percent and E.ON 49 percent, will acquire 100 percent of the equity of E.ON Energy from Waste, Helmstedt, Germany. The Energy from Waste group is held by the Germany regional unit. With a carrying amount of approximately €0.9 billion, the major asset item is property, plant and equipment. Additional significant balance sheet items include current assets (€0.3 billion), provisions (€0.2 billion), liabilities (€0.2 billion) and deferred taxes (€0.1 billion).

E.ON Wasserkraft

At the beginning of December 2012, E.ON and Austria's Verbund AG, Vienna, Austria, signed contracts for a substantial asset swap. Under the agreement, E.ON will acquire Verbund's share of Enerjisa Enerji A.Ş., Istanbul, Turkey, giving it stakes in Enerjisa's power generation capacity and projects and in its power distribution business in Turkey. In return, E.ON will transfer to Verbund its stakes in certain hydroelectric power plants in Bavaria. Verbund will become the sole owner of this hydro capacity, located predominantly on the Inn River in Bavaria, in which it is already a joint owner. Verbund will acquire primarily E.ON's stakes in Österreichisch-Bayerische Wasserkraft AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, as well as the Nussdorf, Ering-Frauenstein and Egglfing-Obernberg run-of-river hydroelectric plants on the Inn, along

with subscription rights in the Zemm-Ziller Hydroelectric Group. Altogether, these stakes and power plants represent 351 MW of attributable generating capacity. Relevant balance sheet line items of the disposal group, which is held in the Renewables global unit, are property, plant equipment and financial assets (€0.1 billion) and other assets (€0.2 billion). It is intended to complete the transaction by the first quarter of 2013.

Horizon

E.ON signed a contract for the sale of its interest in Horizon Nuclear Power Limited, Gloucester, U.K., to the Japanese industrial group Hitachi in October 2012. The purchase price for the 50-percent stake amounted to approximately €0.4 billion. The shareholding was held as a joint venture in the U.K. regional unit, with a carrying amount of €0.3 billion as of September 30, 2012. The transaction closed in November 2012.

Equity Investment Held by E.ON Czech (JMP)

E.ON has sold its minority stake in Jihomoravská plynárenská, a.s. ("JMP"), Brno, Czech Republic. The purchase price is approximately €0.2 billion. The ownership interest was reported within the Czechia regional unit as an asset held for sale as of December 31, 2012, with a carrying amount of approximately €0.2 billion. The transaction closed in January 2013 with a minor book gain on the disposal.

Open Grid Europe

In July 2012, E.ON sold its shares in the gas transmission company Open Grid Europe GmbH, Essen, Germany, to a consortium of infrastructure investors. The purchase price is approximately €3.2 billion and includes the assumption of pension obligations and certain assets. As negotiations had already reached an advanced stage by May 2012, the activities have been presented as a disposal group as of that date. Held in the Optimization & Trading global unit, Open Grid Europe had net assets of approximately €3.2 billion as of the disposal date. The major balance sheet line items were €3.1 billion in intangible assets and property, plant and equipment, €0.5 billion in financial assets and €0.7 billion in current assets, as well as €0.6 billion in deferred tax liabilities and €0.5 billion in other liabilities. The sale resulted in a minimal pre-tax gain on disposal.

E.ON Bulgaria

In December 2011, E.ON signed an agreement with the Czech company ENERGO-PRO on the disposal of its wholly-owned subsidiary E.ON Bulgaria. The purchase price was approximately €0.1 billion. The major asset items on the balance sheet were property, plant and equipment (€0.2 billion) and current assets (€0.1 billion). Provisions and liabilities amounted to €0.1 billion in total. The agreement on the purchase price necessitated the recognition in December 2011 of impairment charges on goodwill and non-current assets totaling about €0.1 billion. The transaction closed at the end of June 2012.

HSE

Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südhessische Energie AG, Darmstadt, Germany, accounted for in the Gas global unit, was reached in the third quarter of 2010. Accordingly, the ownership interest was reclassified as an asset held for sale at the end of August 2010. The book value and the purchase price of the ownership interest both amount to approximately €0.3 billion. The contract for the sale was signed in February 2012. The transaction closed at the end of June 2012.

Interconnector

As part of a series of portfolio optimizations, the 15.09-percent shareholding in Interconnector (UK) Ltd., London, United Kingdom, was also sold. In line with the stage of negotiations on that date, the ownership interest was presented as an asset held for sale as of June 30, 2012. This equity investment, which is accounted for in the Optimization & Trading global unit, was sold effective September 2012, with a negligible gain realized on the disposal.

London Array Wind Farm

The operators of the U.K. wind farm London Array are required by regulatory order to cede components of the wind farm's grid link to the U.K. regulator. 30 percent of this wind farm is attributable to E.ON, and the stake is held by the Group's Renewables global unit. The carrying amount of the property,

plant and equipment to be transferred is €0.1 billion at year-end 2012. E.ON will receive a comparable sum as compensation for this regulatory action. The disposal is expected to take place in the second quarter of 2013.

Property at Brienner Straße, Munich

Following the closure of the E.ON Energie AG location in Munich implemented in the course of the E.ON 2.0 efficiency-enhancement and cost-cutting program, the property at Brienner Straße was sold in the fourth quarter of 2012 with a negligible gain on disposal. Accordingly, as of September 30, 2012, the property (€0.1 billion) was reported as an asset held for sale.

Disposal Groups and Assets Held for Sale in 2011

Central Networks

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

E.ON Rete

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

Stadtwerke Duisburg/Stadtwerke Karlsruhe

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

BKW

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

Interest in OAO Gazprom

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

(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, from deliveries of steam, heat and water, as well as from proprietary trading.

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

At €132 billion, revenues in 2012 were 17 percent higher than in the previous year. The increase is primarily the result of higher trading volumes at the Optimization & Trading unit.

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

(6) Own Work Capitalized

Own work capitalized amounted to €381 million in 2012 (2011: €519 million) and resulted primarily from engineering services in networks and in connection with new construction projects.

(7) Other Operating Income and Expenses

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

Other Operating Income		
€ in millions	2012	2011
Income from exchange rate differences	4,108	6,027
Gain on derivative financial instruments	3,779	4,559
Gain on disposal of equity investments and securities	529	1,416
Write-ups of non-current assets	365	24
Gain on disposal of property, plant and equipment	114	132
Miscellaneous	1,950	1,627
Total	**10,845**	**13,785**

In general, 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 €2,276 million (2011: €3,042 million) and of effects from foreign currency translation on the balance sheet date in the amount of €1,173 million (2011: €2,353 million).

Gains and losses on derivative financial instruments relate to gains from fair value measurement and to realized gains from derivatives under IAS 39, with the exception of income effects from interest rate derivatives. In this respect there was a significant impact from commodity derivatives in particular, which in 2012 resulted predominantly from the marking to market of electricity, coal and oil-related derivatives. In 2011, there were effects resulting especially from gas, oil and emissions-related derivatives.

The gain on the disposal of equity investments and securities consisted primarily of gains of €149 million on the disposal of the stake in Horizon Nuclear Power. In 2011, there were gains of €602 million on the disposal of the Gazprom shares and €387 million on the sale of the U.K. power distribution network (see also Note 4). Additional gains were realized on the sale of securities in the amount of €156 million (2011: €147 million).

Miscellaneous other operating income in 2012 consisted primarily of reversals of provisions. This item further includes the partial reimbursement of a fine paid to the European Commission.

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

Other Operating Expenses

€ in millions	2012	2011
Loss from exchange rate differences	3,857	6,761
Loss on derivative financial instruments	4,491	5,685
Taxes other than income taxes	385	386
Loss on disposal of equity investments and securities	73	742
Miscellaneous	4,501	4,082
Total	**13,307**	**17,656**

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €2,441 million (2011: €3,069 million) and of effects from foreign currency translation on the balance sheet date in the amount of €229 million (2011: €3,172 million).

Miscellaneous other operating expenses include concession payments in the amount of €501 million (2011: €492 million), expenses for external audit, non-audit and consulting services in the amount of €283 million (2011: €259 million), advertising and marketing expenses in the amount of €217 million (2011: €216 million), as well as write-downs of trade receivables in the amount of €362 million (2011: €346 million). Additionally reported in this item are services rendered by third parties, IT expenditures and insurance premiums.

Other operating expenses from exploration activities totaled €44 million (2011: €36 million).

(8) Cost of Materials

The principal components of expenses for raw materials and supplies and for purchased goods are the purchase of gas and electricity and of fuels for electricity generation, as well as the nuclear segment. Network usage charges are also included in this line item. Expenses for purchased services consist primarily of maintenance costs. The cost of materials increased by €17 billion to €115 billion (2011: €98 billion). The primary cause was the higher trading volumes in 2012 compared with the previous year.

Cost of Materials

€ in millions	2012	2011
Expenses for raw materials and supplies and for purchased goods	111,703	93,765
Expenses for purchased services	3,582	4,062
Total	**115,285**	**97,827**

(9) Financial Results

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

Financial Results		
€ in millions	2012	2011
Income from companies in which equity investments are held	96	128
Impairment charges/reversals on other financial assets	-79	-188
Income/Loss (-) from equity investments	**17**	**-60**
Income from securities, interest and similar income	1,191	716
Available for sale	*277*	*332*
Loans and receivables	*211*	*165*
Held for trading	*15*	*7*
Other interest income	*688*	*212*
Interest and similar expenses	-2,603	-2,810
Amortized cost	*-1,139*	*-1,292*
Held for trading	*-22*	*-158*
Other interest expenses	*-1,442*	*-1,360*
Net interest income	**-1,412**	**-2,094**
Financial results	**-1,395**	**-2,154**

The measurement categories are described in detail in Note 1.

The improvement in financial results is primarily attributable to interest income on the reversal of provisions. Also, the impairments recognized on other financial assets have decreased by slightly more than half.

Other interest income consists mostly of income from lease receivables (finance leases) and income resulting from taxes for previous years. Other interest expenses include the accretion of provisions for asset retirement obligations in the amount of €799 million (2011: €748 million). Also contained in this item is the interest cost from provisions for pensions—net of the expected return on plan assets—in the amount of €129 million (2011: €143 million). In 2011, a total of €34 million in prepayment penalties was paid in connection with the early repayment of loans. No loans were repaid early in 2012. The early buyback of bonds resulted in a further one-time expense of approximately €115 million in 2011. That amount represented the difference between the amount paid to repurchase the bonds at market prices and their carrying amounts.

In accordance with IAS 32, the accretion of liabilities in connection with put options resulted in an expense of €22 million (2011: €60 million).

Interest expense was reduced by capitalized interest on debt totaling €308 million (2011: €312 million).

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

(10) Income Taxes

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

Income Taxes		
€ in millions	2012	2011
Domestic income taxes	-691	432
Foreign income taxes	458	555
Other income taxes	42	17
Current taxes	**-191**	**1,004**
Domestic	367	-1,139
Foreign	534	-901
Deferred taxes	**901**	**-2,040**
Total income taxes	**710**	**-1,036**

The increase in tax expense by €1.7 billion compared with 2011 primarily reflects the strong increase in earnings. The effective tax rate was 21 percent in 2012, falling from 36 percent in 2011, which had reflected the negative result. Changes in tax rates effectively reduced taxes by a total of -€0.3 billion.

Of the amount reported as current taxes, -€1.0 billion is attributable to previous years (2011: 0.5 billion).

The deferred tax expense reported for 2012 is the result of changes in temporary differences, which totaled €1,544 million (2011: -€1,170 million), loss carryforwards of -€663 million (2011: -€897 million) and tax credits amounting to €20 million (2011: €27 million).

German legislation providing for fiscal measures to accompany the introduction of the European Company and amending other fiscal provisions ("SE-Steuergesetz" or "SEStEG"), which came into effect on December 13, 2006, altered the regulations on corporate tax credits arising from the corporate imputation system ("Anrechnungsverfahren"), which had existed until 2001. The change de-links the corporate tax credit from distributions of dividends. Instead, after December 31, 2006, an unconditional claim for payment of the credit in ten equal annual installments from 2008 through 2017 has been established. The resulting receivable is included in income tax assets and amounted to €133 million in 2012 (2011: €153 million).

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

As of December 31, 2012, €15 million (2011: €47 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (the so-called "outside basis differences"). Deferred tax liabilities were not recognized for subsidiaries and associated companies to the extent that the Company can control the reversal effect and that it is therefore probable that temporary differences will not be reversed in the foreseeable future. Accordingly, deferred tax liabilities were not recognized for temporary differences of €1,165 million (2011: €1,434 million) at subsidiaries and associated companies, as E.ON is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

Changes in tax rates in Sweden, the United Kingdom and a number of other countries resulted in tax income of €263 million in total. In 2011, changes in foreign tax rates produced deferred tax income of €34 million in total.

The differences between the 2012 base income tax rate of 30 percent (2011: 30 percent) applicable in Germany and the effective tax rate are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2012		2011	
	€ in millions	%	€ in millions	%
Expected corporate income tax	994	30.0	-873	30.0
Credit for dividend distributions	-12	-0.4	-37	1.3
Foreign tax rate differentials	-174	-5.3	-163	5.6
Changes in tax rate/tax law	-263	-7.9	-34	1.2
Tax effects on tax-free income	-264	-8.0	-8	0.3
Tax effects on equity accounting	-38	-1.2	-144	4.9
Other[1]	467	14.2	223	-7.7
Effective income taxes/tax rate	**710**	**21.4**	**-1,036**	**35.6**

[1]In 2012, including €659 million in changes in the value of deferred tax assets; in 2011, including €258 million primarily in tax effects on dividends and disposals.

Deferred tax assets and liabilities as of December 31, 2012, and December 31, 2011, break down as shown in the following table:

Deferred Tax Assets and Liabilities

€ in millions	December 31 2012	2011
Intangible assets	370	319
Property, plant and equipment	861	1,030
Financial assets	186	205
Inventories	24	28
Receivables	731	709
Provisions	6,465	5,693
Liabilities	2,572	4,307
Net operating loss carryforwards	2,389	1,713
Tax credits	23	27
Other	347	520
Subtotal	**13,968**	**14,551**
Changes in value	-747	-88
Deferred tax assets	**13,221**	**14,463**
Intangible assets	1,791	1,933
Property, plant and equipment	5,985	6,184
Financial assets	255	223
Inventories	154	157
Receivables	3,031	4,995
Provisions	1,289	781
Liabilities	734	449
Other	1,322	1,375
Deferred tax liabilities	**14,561**	**16,097**
Net deferred tax assets/liabilities (-)	**-1,340**	**-1,634**

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

Net Deferred Tax Assets and Liabilities

€ in millions	December 31, 2012 Current	Non-current	December 31, 2011 Current	Non-current
Deferred tax assets	1,492	4,696	1,220	4,020
Changes in value	-24	-723	-13	-75
Net deferred tax assets	**1,468**	**3,973**	**1,207**	**3,945**
Deferred tax liabilities	-1,021	-5,760	-812	-5,974
Net deferred tax assets/liabilities (-)	**447**	**-1,787**	**395**	**-2,029**

Of the deferred taxes reported, a total of -€899 million was charged directly to equity in 2012 (2011: -€304 million). A further €43 million in current taxes (2011: €44 million) was also recognized directly in equity.

Income taxes recognized in other comprehensive income for the years 2012 and 2011 break down as follows:

Income Taxes on Components of Other Comprehensive Income

	2012			2011		
€ in millions	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Cash flow hedges	-316	101	-215	-143	40	-103
Available-for-sale securities	14	-59	-45	-1,028	-5	-1,033
Currency translation adjustments	461	35	496	344	166	510
Changes in actuarial gains/losses of defined benefit pension plans and similar obligations	-1,875	516	-1,359	-370	175	-195
Companies accounted for under the equity method	-14	–	-14	-81	–	-81
Total	**-1,730**	**593**	**-1,137**	**-1,278**	**376**	**-902**

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

Tax Loss Carryforwards

	December 31	
€ in millions	2012	2011
Domestic tax loss carryforwards	4,886	3,811
Foreign tax loss carryforwards	7,623	5,931
Total	**12,509**	**9,742**

Since January 1, 2004, domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. This minimum corporate taxation also applies to trade tax loss carryforwards. Of the foreign tax loss carryforwards, a significant portion relates to previous years. No deferred taxes have been recognized on a total of €2,059 million (2011: €2,408 million) in tax loss carryforwards that do not expire.

(11) Personnel-Related Information

Personnel Costs

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

Personnel Costs		
€ in millions	2012	2011
Wages and salaries	4,013	4,882
Social security contributions	645	648
Pension costs and other employee benefits	480	417
Pension costs	*473*	*410*
Total	**5,138**	**5,947**

Personnel costs fell by €809 million to €5,138 million (2011: €5,947 million). The decline was due primarily to the workforce reductions implemented in the context of the E.ON 2.0 project, and to the sale of the Bulgaria regional unit and of Open Grid Europe GmbH.

Share-Based Payment

The expenses for share-based payment in 2012 (the employee stock purchase program, the E.ON Stock Appreciation Rights plan and the E.ON Share Performance Plan) amounted to €22.7 million (2011: €13.7 million).

Employee Stock Purchase Program

In 2012, as in 2011, employees at German E.ON Group companies had the opportunity to purchase E.ON shares at preferential terms under a voluntary employee stock purchase program. Employees receive a matching contribution from the Company of €410 at present on the shares they purchased by the November 15, 2012, cut-off date. Based on the stock package being bought, the employee contribution ranged from a minimum of €490 to a maximum of €1,990. On that date, the relevant market price of E.ON stock was €13.97. Depending on the number of shares purchased, the preferential prices paid ranged between €7.56 and €11.57 (2011: between €7.11 and €13.18). The lock-up period for the shares ends on December 31, 2014. The expense of €8.0 million (2011: €9.7 million) arising from the granting of the preferential prices is recognized as personnel costs and included in the "Wages and salaries" line item.

Since the 2003 fiscal year, employees in the United Kingdom have the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire additional bonus shares. The cost of issuing these bonus shares amounted to €2.2 million in 2012 (2011: €3.3 million) and is also recorded under personnel costs as part of "Wages and salaries."

In 2012, E.ON distributed a total of 1,279,079 treasury shares (0.06 percent of the capital stock of E.ON SE), under the voluntary employee stock purchase program in Germany (2011: 1,210,014 shares, or 0.06 percent of the capital stock of E.ON AG, mostly purchased in the market at an average purchase price of €17.20 per share).

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

Long-Term Variable Compensation

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

The following discussion includes a report on the E.ON Share Performance Plan, which was introduced in 2006 and modified in 2010 and 2011 for subsequent tranches.

E.ON Share Performance Plan Issues through 2010

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

60-day average prices are used to determine the target value at issuance, the final price and the relative performance, in order to mitigate the effects of incidental, short-lived price movements. The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

Starting with tranche five, the term was extended to four years from the previous three. The following are the base parameters of the tranche still active in 2012 under these plan terms:

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

The provision for the plan as of the balance sheet date amounted to €0.3 million (2011: €2.4 million). The income from the adjustment of the provision for the fifth tranche of the E.ON Share Performance Plan amounted to €2.2 million in the 2012 fiscal year (2011: €6.8 million income).

E.ON Share Performance Plan Issues from 2011

At the end of its term, each Performance Right is entitled to a cash payout linked to the final E.ON share price established at that time and—under the modified terms of the plan, beginning with the sixth tranche—to the degree to which specific corporate financial measures are achieved over the term. The benchmark is the return on capital, expressed as the return on average capital employed ("ROACE") compared with the weighted-average cost of capital ("WACC"), averaged over the unchanged four-year term of the new tranche. At the same time, starting with the sixth tranche, the maximum payout was further limited to 2.5 times the target value originally set.

60-day average prices are used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements. The plan contains adjustment mechanisms to eliminate the effects of interim corporate actions.

The following are the base parameters of the two tranches active in 2012 under these plan terms:

E.ON Share Performance Rights	7th tranche	6th tranche
Date of issuance	Jan. 1, 2012	Jan. 1, 2011
Term	4 years	4 years
Target value at issuance	€17.10	€22.43
Maximum amount paid	€42.75	€56.08

The 60-day average of the E.ON share price as of the balance sheet date is used to measure the fair value of the rights. The provision for the plan as of the balance sheet date is €22.4 million (2011: €7.9 million for the sixth tranche). The expense for the sixth and seventh tranches in the 2012 fiscal year was €14.7 million (2011: €7.9 million for the sixth tranche).

Employees

During 2012, E.ON employed an average of 74,811 persons (2011: 80,859), not including an average of 2,126 apprentices (2011: 2,238).

The breakdown by segment is shown in the table at right:

Employees[1]

	2012	2011
Generation	10,287	10,762
Renewables	1,809	1,777
Optimization & Trading	3,045	3,953
Exploration & Production	192	200
Germany	20,956	21,625
Other EU Countries	29,649	33,489
Russia	5,029	4,894
Group Management/Other[2]	3,844	4,159
Total	**74,811**	**80,859**

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

(12) Other Information

Transformation of E.ON AG into E.ON SE

On November 15, 2012, E.ON AG was transformed into a European Company ("SE"). In accordance with the customary dual system used in Germany, the Board of Management and the Supervisory Board will continue to manage and control the Group. The Supervisory Board, which consists of an equal number of shareholder and employee representatives, was reduced to twelve members.

German Corporate Governance Code

On December 10, 2012, the Board of Management 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 2012 and 2011, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

Independent Auditor Fees

€ in millions	2012	2011
Financial statement audits	27	27
Domestic	*19*	*18*
Other attestation services	25	23
Domestic	*20*	*19*
Tax advisory services	1	1
Domestic	*1*	*1*
Other services	1	1
Domestic	*1*	*1*
Total	**54**	**52**
Domestic	*41*	*39*

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

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

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

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

List of Shareholdings

The list of shareholdings pursuant to Section 313 (2) HGB is an integral part of these Notes to the Financial Statements and is presented on pages 192 through 207.

(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	2012	2011
Income/Loss (-) from continuing operations	2,604	-1,875
Less: Non-controlling interests	-424	-358
Income/Loss (-) from continuing operations (attributable to shareholders of E.ON SE)	**2,180**	**-2,233**
Income from discontinued operations, net	37	14
Net income/loss (-) attributable to shareholders of E.ON SE	**2,217**	**-2,219**
in €		
Earnings per share (attributable to shareholders of E.ON SE)		
from continuing operations	1.14	-1.17
from discontinued operations	0.02	0.01
from net income/loss (-)	**1.16**	**-1.16**
Weighted-average number of shares outstanding (in millions)	1,906	1,905

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						
	January 1, 2012	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	December 31, 2012
Goodwill	**17,223**	**153**	**-568**	**0**	**0**	**0**	**16,808**
Marketing-related intangible assets	6	–	–	–	–	–	6
Customer-related intangible assets	2,233	25	-382	–	-58	1	1,819
Contract-based intangible assets	6,782	80	42	41	-133	116	6,928
Technology-based intangible assets	855	8	-69	65	-44	57	872
Internally generated intangible assets	228	3	-2	35	-1	2	265
Intangible assets subject to amortization	**10,104**	**116**	**-411**	**141**	**-236**	**176**	**9,890**
Intangible assets not subject to amortization	1,499	29	-206	3,409	-3,246	-41	1,444
Advance payments on intangible assets	91	–	-19	136	-1	-119	88
Intangible assets	**11,694**	**145**	**-636**	**3,686**	**-3,483**	**16**	**11,422**
Real estate and leasehold rights	3,244	68	-176	13	-61	33	3,121
Buildings	9,007	137	-861	75	-175	-44	8,139
Technical equipment, plant and machinery	95,247	988	-10,405	2,959	-821	2,057	90,025
Other equipment, fixtures, furniture and office equipment	1,662	11	-142	109	-110	–	1,530
Advance payments and construction in progress	8,839	206	-150	3,807	-198	-2,060	10,444
Property, plant and equipment	**117,999**	**1,410**	**-11,734**	**6,963**	**-1,365**	**-14**	**113,259**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2012

€ in millions	Generation	Renewables	Optimization & Trading	Exploration & Production	Germany	Other EU Countries	Russia[4]	Group Management/ Consolidation	E.ON Group
Net carrying amount of goodwill as of January 1, 2012	**4,210**	**2,061**	**3,793**	**0**	**1,043**	**1,492**	**1,484**	**0**	**14,083**
Changes resulting from acquisitions and disposals	–	-1	-410	–	–	–	–	–	-411
Impairment charges	–	–	-203	–	-53	-72	–	–	-328
Other changes[1]	54	-4	-1,872	1,857	-23	31	53	–	96
Net carrying amount of goodwill as of December 31, 2012	**4,264**	**2,056**	**1,308**	**1,857**	**967**	**1,451**	**1,537**	**0**	**13,440**
Growth rate[2] (%)	1.5	1.5–2.5	1.5	1.5	–	–	3.5	–	–
Cost of capital[2] (%)	6.6	5.8–7.0	6.7	6.3	–	–	14.6	–	–
Other non-current assets[3]									
Impairment	591	136	124	42	142	130	42	40	1,247
Reversals	286	0	3	–	42	37	–	–	368

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Presented here are 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.
[3]Other non-current assets consist of intangible assets and of property, plant and equipment.
[4]Growth rate and cost of capital before taxes, in local currency.

	Accumulated depreciation									Net carrying amounts
	January 1, 2012	Exchange rate differences	Changes in scope of consolidation	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2012	December 31, 2012
	-3,140	**2**	**98**	**0**	**0**	**0**	**-328**	**0**	**-3,368**	**13,440**
	-2	–	–	–	–	–	–	–	-2	4
	-1,695	-24	249	-94	58	-1	–	–	-1,507	312
	-1,699	-12	-49	-245	122	-15	-123	–	-2,021	4,907
	-651	-6	55	-88	38	-3	–	–	-655	217
	-160	-3	2	-18	–	5	-1	–	-175	90
	-4,207	**-45**	**257**	**-445**	**218**	**-14**	**-124**	**0**	**-4,360**	**5,530**
	-108	-4	–	–	12	28	-116	3	-185	1,259
	-7	–	–	–	–	2	-3	–	-8	80
	-4,322	**-49**	**257**	**-445**	**230**	**16**	**-243**	**3**	**-4,553**	**6,869**
	-361	-3	27	-11	8	-2	-86	8	-420	2,701
	-4,801	-58	398	-216	156	3	-108	50	-4,576	3,563
	-55,803	-456	5,896	-2,754	703	-151	-564	307	-52,822	37,203
	-1,096	-7	107	-141	87	9	-3	–	-1,044	486
	-69	-1	7	–	103	-21	-243	–	-224	10,220
	-62,130	**-525**	**6,435**	**-3,122**	**1,057**	**-162**	**-1,004**	**365**	**-59,086**	**54,173**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2012—Presentation of Other EU Countries

€ in millions	U.K.	Sweden	Czechia	Hungary	Other regional units	Other EU Countries
Net carrying amount of goodwill as of January 1, 2012	**897**	**134**	**54**	**67**	**340**	**1,492**
Changes resulting from acquisitions and disposals	–	–	–	–	–	–
Impairment charges	–	–	–	-72	–	-72
Other changes[1]	21	6	-1	5	–	31
Net carrying amount of goodwill as of December 31, 2012	**918**	**140**	**53**	**0**	**340**	**1,451**
Other non-current assets[2]						
Impairment	25	3	–	94	8	130
Reversals	–	–	2	–	35	37

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

Goodwill, Intangible Assets and Property, Plant and Equipment

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

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

€ in millions	Generation	Renewables	Gas	Trading	Germany	Other EU Countries	Russia[4]	Group Management/ Consolidation	E.ON Group
Net carrying amount of goodwill as of January 1, 2011	**4,153**	**2,034**	**3,569**	**235**	**1,043**	**2,036**	**1,518**	**0**	**14,588**
Changes resulting from acquisitions and disposals	-10	12	–	–	–	-382	–	–	-380
Impairment charges	–	–	–	–	–	-160	–	–	-160
Other changes[1]	67	15	-11	–	–	-2	-34	–	35
Net carrying amount of goodwill as of December 31, 2011	**4,210**	**2,061**	**3,558**	**235**	**1,043**	**1,492**	**1,484**	**0**	**14,083**
Growth rate[2] (%)	1.5	1.5–2.5	1.5	1.5	–	–	3.5	–	–
Cost of capital[2] (%)	6.8	6.1–6.3	6.8	6.1	–	–	13.9	–	–
Other non-current assets[3]									
Impairment	2,293	146	151	10	126	467	21	–	3,214
Reversals	–	18	3	–	–	4	–	–	25

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Presented here are 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.
[3]Other non-current assets consist of intangible assets and of property, plant and equipment.
[4]Growth rate and cost of capital before taxes, in local currency.

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

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

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

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

Goodwill

Since the beginning of 2012, the businesses of the former Gas and Trading global units are reported collectively within the new Optimization & Trading segment. The exploration and production business previously held within the Gas global unit has become its own segment. Furthermore, a number of gas distribution companies previously assigned to the Gas global unit are being reported within the Germany regional unit since the beginning of the year (see Note 33 for additional details). In the context of this corporate structural reorganization, it became necessary to reallocate goodwill to the individual units.

The changes in goodwill within the segments, as well as the allocation of impairments and their reversals to each reportable segment, are presented in the tables on pages 136 and 137. Because of the reorganization in 2012, the prior-year figures reflect the segment and cash-generating unit structure that applied in 2011.

Impairments

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

To perform the impairment tests, the Company first determines the fair values less costs to sell of its cash-generating units. In the absence of binding sales transactions or market prices for the respective cash-generating units, fair values are calculated based on discounted cash flow methods.

Valuations are based on the medium-term corporate planning authorized by the Board of Management. The calculations for impairment-testing purposes are generally based on the three planning years of the medium-term plan plus two additional detailed planning years. In certain justified exceptional cases, a longer detailed planning period of ten years is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using segment-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used in 2012 generally correspond to the inflation rates in each of the countries where the cash-generating units operate. In 2012, the inflation rate used for the euro area was 1.5 percent (2011: 1.5 percent). For the Renewables reporting segment, the growth rate is also adjusted for segment-specific forecasts of changes by the respective business units (for example, regulatory framework, reinvestment cycles or growth prospects). The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2012, ranged between 5.0 and 9.9 percent after taxes (2011: 5.4 and 9.9 percent).

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

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. In the Generation segment, for example, the tests are based on the respective remaining useful life and on other plant-specific valuation parameters. If the goodwill of a cash-generating unit is combined with assets or groups of assets for impairment testing, the assets must be tested first.

The recoverable amount primarily used to test a business for impairment is the fair value less costs to sell; at the Russia focus region, however, the recoverable amount is based on the value in use. The value in use for the Russia region is determined in local currency and according to the regulatory framework over a detailed planning period of eight years. The pre-tax cost of capital of this cash-generating unit is 14.6 percent (after-tax interest rate: 11.7 percent; 2011: 13.9 and 11.1 percent, respectively).

In the third quarter of 2012, events including, in particular, the further deterioration in the overall market environment and regulatory intervention, as well as the periodic updates of the cost of capital and of long-term price assumptions, made it necessary to test goodwill and other assets for impairment, particularly in the Generation, Renewables, Optimization & Trading and Other EU Countries segments.

These event-triggered impairment tests were performed on the basis of medium-term planning and significant assumptions that were still preliminary at the time, and necessitated the recognition of impairment charges totaling €1,368 million.

Of this total, €649 million was charged to property, plant and equipment, primarily at the Generation global unit (€485 million on conventional power plants), at the Optimization & Trading global unit (€54 million) and regionally in Russia, Hungary and the Netherlands (€85 million).

Impairments on intangible assets relate primarily to the activities of the Renewables global unit and amounted to €163 million.

Another €484 million in impairment charges had to be recognized on interests in companies accounted for under the equity method, especially within the Optimization & Trading global unit.

In addition, goodwill at the "Other" regional units was impaired by a total of €72 million, because the fair value less costs to sell at the Hungary regional unit is no longer sufficient to cover the corresponding carrying amount.

Because impairments were recognized on a number of items of property, plant and equipment in previous years, and particularly on generation assets, the assets involved will be particularly sensitive in subsequent years to future changes in the principal assumptions used to determine their recoverable amounts.

Recoverable amounts were therefore determined for virtually all generation assets as part of the impairment testing performed in the third quarter of 2012. In specific cases this also led to reversals, totaling €276 million, which are mainly attributable to power plants in Spain, Italy and France, and resulted primarily from changes in forecasts for electricity prices and fuel costs.

No impairment was determined in the annual goodwill impairment tests performed in the fourth quarter of 2012, as the recoverable amounts of all cash-generating units exceeded their respective carrying amounts.

The goodwill of all cash-generating units whose goodwill is material in relation to the total carrying amount of all goodwill shows a surplus of recoverable amounts over the respective carrying amounts and, therefore, based on current assessment of the economic situation, only a significant change in the material valuation parameters would necessitate the recognition of goodwill impairment.

In connection with initiated disposals, impairments were also recognized in the fourth quarter of 2012 on goodwill in the amount of €256 million and on other non-current assets in the amount of €260 million (see Note 4 for additional details).

In total, for the 2012 fiscal year, impairments were recognized on property, plant and equipment in the amount of €1,004 million, on intangible assets in the amount of €243 million, and on goodwill in the amount of €328 million. Write-ups of non-current assets totaled €365 million in 2012.

In the context of the 2011 impairment tests, a total of €2,858 million in impairment charges had to be recognized on property, plant and equipment. This amount related primarily to generation assets in the Generation global unit and broke down into generating capacity in Spain (€822 million) and Italy (€768 million), along with a total of €579 million in four other countries. In the regional units, impairments had to be recognized primarily at the Hungary (€173 million) and Netherlands (€163 million) regional units. These charges related mostly to locally controlled heat-run power plants. Intangible assets were written down in the amount of €356 million, and related primarily to the activities of the Renewables global unit (€144 million), the Germany regional unit (€45 million) and the Gas global unit (€29 million). In particular, the more pessimistic assessment in contrast to 2010 of long-term power prices, further regulatory intervention and reduced utilization of power plants in Spain and Italy were material factors influencing the valuation of activities in Spain and Italy. In Hungary and in the Slovak Republic, generation volumes and margins also failed to meet expectations. In Central Europe, particularly in the Benelux countries, early shutdowns of generation assets because of reduced profitability brought about by lower generation volumes and margins, as well as reduced revenues from heat-run power plants and the consumer heating business, had their impact on current valuations.

Intangible Assets

In 2012, the Company recorded an amortization expense of €445 million (2011: €451 million). Impairment charges on intangible assets, including those already mentioned at the affected units, amounted to €243 million in 2012 (2011: €356 million).

Reversals of impairments on intangible assets totaled €3 million in 2012 (2011: €0 million).

Intangible assets include emission rights from different trading systems with a carrying amount of €380 million (2011: €309 million).

€56 million in research and development costs as defined by IAS 38 were expensed in 2012 (2011: €59 million).

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the five succeeding fiscal years is as follows:

Estimated Aggregated Amortization Expense

€ in millions	
2013	367
2014	354
2015	329
2016	296
2017	258
Total	**1,604**

As acquisitions and disposals occur in the future, actual amounts may vary.

As of December 31, 2012, intangible assets from exploration activity had carrying amounts of €440 million (2011: €428 million). Impairment charges of €38 million (2011: €129 million) were recognized on these intangible assets.

Property, Plant and Equipment

Borrowing costs in the amount of €308 million were capitalized in 2012 (2011: €312 million) as part of the historical cost of property, plant and equipment.

In 2012, the Company recorded depreciation of property, plant and equipment in the amount of €3,122 million (2011: €3,261 million). Impairment charges, including those relating to the issues already mentioned, were recognized on property, plant and equipment in the amount of €1,004 million (2011: €2,858 million). A total of €365 million in reversals of impairments on property, plant and equipment was recognized in 2012 (2011: €25 million).

In 2012 there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €1,211 million (2011: €876 million).

Certain power plants, gas storage facilities and supply networks are utilized under finance leases and capitalized in the E.ON Consolidated Financial Statements because the economic ownership of the assets leased is attributable to E.ON.

The property, plant and equipment thus capitalized had the following carrying amounts as of December 31, 2012:

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

€ in millions	December 31 2012	2011
Land	4	4
Buildings	15	35
Technical equipment, plant and machinery	860	695
Other equipment, fixtures, furniture and office equipment	83	92
Net carrying amount of capitalized lease assets	**962**	**826**

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	2012	2011	2012	2011	2012	2011
Due within 1 year	126	110	64	48	62	62
Due in 1 to 5 years	383	327	250	191	133	136
Due in more than 5 years	1,734	1,336	980	756	754	580
Total	**2,243**	**1,773**	**1,294**	**995**	**949**	**778**

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 €25 million (2011: €25 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	2012	2011
Nominal value of outstanding lease installments		
Due within 1 year	24	93
Due in 1 to 5 years	316	238
Due in more than 5 years	382	362
Total	**722**	**693**

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	
€ in millions	2012	2011
Companies accounted for under the equity method	4,067	6,325
Equity investments	1,612	1,908
Non-current securities	4,746	4,904
Total	**10,425**	**13,137**

Companies accounted for under the equity method consist solely of associates and joint ventures. The balance sheet and earnings data of the eight joint ventures are not material on aggregate.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2012, impairment charges on companies accounted for under the equity method amounted to €662 million (2011: €142 million) and impairments on other financial assets amounted to €71 million (2011: €108 million). The carrying amount of other financial assets with impairment losses was €250 million as of the end of the fiscal year (2011: €191 million).

€593 million (2011: €473 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of VKE (see Note 31).

Shares in Companies Accounted for under the Equity Method

The financial information below summarizes the most important income statement and balance sheet data for the companies that are accounted for under the equity method.

Earnings Data for Companies Accounted for under the Equity Method

€ in millions	2012	2011
Sales	13,426	19,622
Net income/loss	766	2,335

Balance Sheet Data for Companies Accounted for under the Equity Method

	December 31	
€ in millions	2012	2011
Non-current assets	25,817	28,740
Current assets	7,496	7,606
Provisions	5,888	4,981
Liabilities	15,697	16,613
Equity	**11,728**	**14,752**

Investment income generated from companies accounted for under the equity method amounted to €510 million in 2012 (2011: €682 million).

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €691 million in 2012 (2011: €329 million). The fair value of E.ON's share in these companies was €555 million (2011: €274 million).

Additions of investments in companies accounted for under the equity method resulted in a total goodwill of €239 million in 2012 (2011: €9 million).

Investments in associated companies totaling €847 million (2011: €757 million) were restricted because they were pledged as collateral for financing as of the balance sheet date.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

€ in millions	December 31 2012	2011
Raw materials and supplies	2,156	2,160
Goods purchased for resale	2,389	2,488
Work in progress and finished products	189	180
Total	**4,734**	**4,828**

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

Write-downs totaled €70 million in 2012 (2011: €120 million). Reversals of write-downs amounted to €9 million in 2012 (2011: €11 million). The carrying amount of inventories recognized at net realizable value is €0 million (2011: €65 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

€ in millions	December 31, 2012 Current	Non-current	December 31, 2011 Current	Non-current
Receivables from finance leases	64	817	78	973
Other financial receivables and financial assets	1,994	2,875	1,711	2,646
Financial receivables and other financial assets	**2,058**	**3,692**	**1,789**	**3,619**
Trade receivables	16,104	–	18,065	–
Receivables from derivative financial instruments	4,489	1,944	9,863	1,901
Other operating assets	3,761	456	3,786	941
Trade receivables and other operating assets	**24,354**	**2,400**	**31,714**	**2,842**
Total	**26,412**	**6,092**	**33,503**	**6,461**

In 2012, there were unguaranteed residual values of €18 million (2011: €17 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, 2012, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €73 million (2011: €62 million) and margin account deposits for futures trading of €1,213 million (2011: €988 million). In addition, based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €1,743 million (2011: €1,595 million) in connection with the decommissioning of nuclear power plants and nuclear waste disposal. Since this asset is designated for a particular purpose, E.ON's access to it is restricted.

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

Aging Schedule of Trade Receivables

€ in millions	2012	2011
Total trade receivables	16,104	18,065
Not impaired and not yet due	14,570	16,393
Not impaired and up to 60 days past-due	1,004	1,050
Not impaired and 61 to 90 days past-due	58	114
Not impaired and 91 to 180 days past-due	61	173
Not impaired and 181 to 360 days past-due	41	78
Not impaired and over 360 days past-due	47	52
Net value of impaired receivables	323	205

The individual impaired receivables are due from a large number of retail customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored within the various units.

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

Valuation Allowances for Trade Receivables

€ in millions	2012	2011
Balance as of January 1	-860	-840
Change in scope of consolidation	19	17
Write-downs	-362	-346
Reversals of write-downs	72	75
Disposals	120	216
Other[1]	130	18
Balance as of December 31	**-881**	**-860**

[1] "Other" includes currency translation adjustments.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

E.ON as Lessor—Finance Leases

	Gross investment in finance lease arrangements		Unrealized interest income		Present value of minimum lease payments	
€ in millions	2012	2011	2012	2011	2012	2011
Due within 1 year	133	147	78	69	55	78
Due in 1 to 5 years	532	612	247	278	285	334
Due in more than 5 years	855	1,060	314	421	541	639
Total	**1,520**	**1,819**	**639**	**768**	**881**	**1,051**

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

(18) Liquid Funds

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

Liquid Funds

	December 31	
€ in millions	2012	2011
Securities and fixed-term deposits	3,281	3,079
Current securities with an original maturity greater than 3 months	*2,437*	*2,734*
Fixed-term deposits with an original maturity greater than 3 months	*844*	*345*
Restricted cash and cash equivalents	449	89
Cash and cash equivalents	2,816	3,852
Total	**6,546**	**7,020**

In 2012, there was €7 million in restricted cash (2011: €1 million) with a maturity greater than three months.

Current securities with an original maturity greater than three months include €77 million (2011: €98 million) in securities held by VKE that are restricted for the fulfillment of legal insurance obligations (see Note 31).

Cash and cash equivalents include €2,759 million (2011: €2,962 million) in checks, cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Capital Stock

The capital stock is subdivided into 2,001,000,000 registered shares with no par value ("no-par-value shares") and amounts to €2,001,000,000 (2011: €2,001,000,000). The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company ("SE").

Pursuant to a resolution by the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of December 31, 2012, was 1,906,750,395 (December 31, 2011: 1,905,470,135). As of December 31, 2012, E.ON SE and one of its subsidiaries held a total of 94,249,605 treasury shares (December 31, 2011: 95,529,865) having a book value of €3,505 million (equivalent to 4.71 percent or €94,249,605 of the capital stock). 1,279,079 treasury shares were used for the employee stock purchase program and distributed to employees in 2012 (2011: 1,150,000 shares purchased on the market and 60,014 treasury shares used). See also Note 11 for information on the distribution of shares under the employee stock purchase program. A further 1,181 treasury shares (2011: 1,278 shares) were also distributed.

The Company has further been authorized by the Annual Shareholders Meeting to buy shares using put or call options, or a combination of both. When derivatives in the form of put or call options, or a combination of both, are used to acquire shares, the option transactions must be conducted at market terms with a financial institution or on the market. No shares were acquired in 2012 using this purchase model.

Authorized Capital

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

Conditional Capital

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

Voting Rights

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

Information on Stockholders of E.ON SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights	
					Percentages	Absolute
Government of Norway[1]	Jan. 9, 2009	5%	Dec. 31, 2008	direct/indirect	5.91	118,276,492
BlackRock Inc. New York, U.S.[2]	Oct. 26, 2012	5%	March 21, 2011	indirect	5.02	100,378,878

[1] 4.17 percent (83,455,839 votes) are attributable to the government of Norway pursuant to Section 22 (1), sentence 1, no. 1, WpHG; 1.74 percent (34,720,645 votes) pursuant to Section 22 (1), sentence 1, nos. 1 and 2, WpHG; and 0.005 percent (100,008 votes) pursuant to Section 22 (1), sentence 1, nos. 1, 2 (in conjunction with sentence 2) and 6 (in conjunction with sentence 2), WpHG.
[2] 5.02 percent (100,378,878 votes) are attributable to this company pursuant to Section 22 (1), sentence 1, no. 6, WpHG.

(20) Additional Paid-in Capital

Additional paid-in capital declined by €7 million during 2012, to €13,740 million (2011: €13,747 million). The change is due entirely to the loss realized on the sale of shares distributed to eligible employees of the E.ON Group under the employee stock purchase program.

(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	
	2012	2011
Legal reserves	45	45
Other retained earnings	22,823	23,751
Total	**22,868**	**23,796**

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, 2012, these German-GAAP retained earnings totaled €5,115 million (2011: €3,109 million). Of this amount, legal reserves of €45 million (2011: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG.

Accordingly, the amount of retained earnings available for distribution in principle is €5,070 million (2011: €3,064 million).

A proposal to distribute a cash dividend for 2012 of €1.10 per share will be submitted to the Annual Shareholders Meeting. A cash dividend of €1.00 per share was paid for 2011. Based on E.ON SE's 2012 year-end closing share price, the dividend yield is 7.0 percent. Based on a €1.10 dividend, the total profit distribution is €2,097 million.

(22) Changes in Other Comprehensive Income

The table below illustrates the share of OCI attributable to companies accounted for under the equity method:

Share of OCI Attributable to Companies Accounted for under the Equity Method

€ in millions	2012	2011
Balance as of December 31 (before taxes)	312	327
Taxes	–	–
Balance as of December 31 (after taxes)	**312**	**327**

(23) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table.

Non-Controlling Interests

	December 31	
€ in millions	2012	2011
Generation	318	303
Renewables	5	7
Optimization & Trading	12	47
Exploration & Production	1	–
Germany	2,283	2,221
Other EU Countries	566	535
Russia	678	764
Group Management/Consolidation	-1	-1
Total	**3,862**	**3,876**

The decrease in non-controlling interests in 2012 resulted primarily from additional acquisitions in Russia, the expiration of a call option in Romania and the sale of the Bulgarian activities, as well as further purchases and sales in the Germany regional unit.

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	Changes in actuarial gains/losses of defined benefit pension plans and similar obligations
Balance as of January 1, 2011	2	11	-229	14
Changes	–	-2	-18	-25
Balance as of December 31, 2011	**2**	**9**	**-247**	**-11**
Changes	-2	25	69	-118
Balance as of December 31, 2012	**–**	**34**	**-178**	**-129**

(24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the employees of the E.ON Group, which amounted to €16.8 billion, were covered by plan assets having a fair value of €11.9 billion as of December 31, 2012. This corresponds to a funded status of 71 percent.

In addition to the reported plan assets, Versorgungskasse Energie ("VKE") administers another fund holding assets of €0.7 billion (2011: €0.6 billion) that do not constitute plan assets under IAS 19 but which nevertheless are almost exclusively intended for the coverage of employee retirement benefits at E.ON Group companies in Germany (see Note 31).

In recent years, the funded status, measured as the difference between the defined benefit obligation and the fair value of plan assets, has changed as follows:

Five-Year History of the Funded Status

	December 31				
€ in millions	2012	2011	2010	2009	2008
Defined benefit obligation	16,778	14,607	16,514	16,087	14,096
Fair value of plan assets	-11,881	-11,359	-13,263	-13,205	-11,034
Funded status	**4,897**	**3,248**	**3,251**	**2,882**	**3,062**

Description of the Benefit Obligations

In addition to their entitlements under government retirement systems and the income from private retirement planning, most E.ON Group employees are also covered by occupational retirement plans.

Both defined benefit plans and defined contribution plans are in place at E.ON. The majority of the benefit obligations reported consists of obligations of E.ON Group companies in which the retirement pension is calculated either on the salaries earned during the most recent years of service (final-pay arrangements) or on a scale of fixed amounts.

In order to avoid exposure to future risks from occupational retirement plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies beginning in 1998. Virtually all new hires at E.ON Group companies, particularly in Germany, the United Kingdom and Spain, are now covered by benefit plans whose future risks can be calculated and controlled. In addition, the final-pay arrangements for existing employees at the Group's German companies were largely converted into a newly designed benefit plan beginning in 2004.

The provisions for pensions and similar obligations also include minor provisions for obligations from the assumption of costs for post-employment health care benefits, which are granted primarily at E.ON Group companies in Spain.

In pure defined contribution plans, the Company discharges its obligations toward employees when it pays agreed contribution amounts into funds managed by external insurers or similar institutions.

Changes in the Benefit Obligations

The following table shows the changes in the present value of the defined benefit obligation for the periods indicated:

Changes in the Defined Benefit Obligation

	2012			2011		
€ in millions	Total	Domestic	Foreign	Total	Domestic	Foreign
Defined benefit obligation as of January 1	14,607	9,455	5,152	16,514	9,058	7,456
Employer service cost	247	167	80	239	157	82
Interest cost	671	432	239	724	440	284
Changes in scope of consolidation	-244	-244	–	-2,647	-18	-2,629
Past service cost	131	111	20	19	16	3
Actuarial gains (-)/losses	2,241	1,993	248	442	291	151
Exchange rate differences	107	–	107	66	–	66
Employee contributions	1	–	1	2	–	2
Pensions paid	-755	-497	-258	-749	-489	-260
Settlements	-2	–	-2	-1	–	-1
Curtailments	-2	–	-2	–	–	–
Other	-224	-225	1	-2	–	-2
Defined benefit obligation as of December 31	**16,778**	**11,192**	**5,586**	**14,607**	**9,455**	**5,152**

Foreign benefit obligations relate almost entirely to the benefit plans at E.ON Group companies in the United Kingdom (2012: €4,880 million; 2011: €4,547 million) and in Spain (2012: €475 million; 2011: €415 million). The portion of the entire benefit obligation allocated to post-employment health care benefits amounted to €19 million (2011: €15 million).

Actuarial losses in 2012 are attributable in large part to the decrease in the discount rates used within the E.ON Group.

The "Other" line item for 2012 consists primarily of balance sheet reclassifications of defined benefit obligations to "Liabilities associated with assets held for sale."

The actuarial assumptions used to measure the defined benefit obligations at E.ON's German and U.K. subsidiaries as of the respective balance sheet date are as follows:

Actuarial Assumptions—Defined Benefit Obligations

	December 31, 2012		December 31, 2011	
Percentages	Germany	U.K.	Germany	U.K.
Discount rate	3.40	4.40	4.75	4.60
Salary increase rate	2.50	3.40	2.50	3.40
Pension increase rate[1]	2.00	2.70	2.00	2.80

[1]The pension increase rate for Germany applies to eligible individuals not subject to a one-percent pension increase rate.

The cost increase rate used as the basis for measuring the change in the obligation for post-employment health care benefits at the E.ON Group companies in Spain is 4.00 percent as of December 31, 2012 (2011: 4.00 percent; 2010: 4.00 percent). The expected rate of return on plan assets as of December 31, 2012, is 5.28 percent in Germany and 4.20 percent in the U.K.

The net periodic pension cost is calculated for the E.ON Group companies in Germany and in the United Kingdom on the basis of the actuarial assumptions that were determined for the preceding balance sheet date:

Actuarial Assumptions—Net Pension Cost

	2012		2011	
Percentages	Germany	U.K.	Germany	U.K.
Discount rate	4.75	4.60	5.00	5.40
Salary increase rate	2.50	3.40	2.75	4.00
Pension increase rate[1]	2.00	2.80	2.00	3.30
Expected rate of return on plan assets	4.70	4.90	4.70	5.80

[1]The pension increase rate for Germany applies to eligible individuals not subject to a one-percent pension increase rate.

In addition, there are pension funds in Germany for which an expected rate of return on plan assets of 3.85 percent (2011: 4.50 percent; 2010: 4.50 percent) is used as a basis for the respective subsequent fiscal year.

To measure the E.ON Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations.

Other company-specific actuarial assumptions, including employee fluctuation, have also been included in the computations.

The discount rate assumptions used by E.ON basically reflect the currency-specific rates available at the end of the respective fiscal year for high-quality corporate bonds with a duration corresponding to the average period to maturity of the respective obligation. To ensure data quality in the light of the extensive rating downgrades of benchmark-status high-quality corporate bonds brought about by the financial crisis, additional high-quality corporate bonds with lower outstanding volumes, which are not components of the benchmark indices previously used, were considered as of December 31, 2012. To improve the comparability of discount rates in Germany and the United Kingdom, rounding methods were also harmonized. As of the reporting date, these factors combined have increased the assumed discount rate by 40 basis points in Germany and by 30 basis points in the United Kingdom, which has resulted in a corresponding accumulated actuarial gain of €0.9 billion. For the 2013 fiscal year, these effects will result in a slight decrease of €14 million in the net interest cost.

At the E.ON Group, a uniform increase or decrease of 0.5 percentage points in the discount rates would change the present value of the defined benefit obligation by -€1,190 million and +€1,338 million, respectively, as of December 31, 2012.

Description of Plan Assets

Defined benefit pension plans in the Group's companies, be they within or outside of Germany, are mostly funded through the accumulation of plan assets in specially created pension vehicles that legally are distinct from the Company.

Under the Contractual Trust Arrangement (CTA) established for the German subsidiaries, plan assets totaling €6,481 million on December 31, 2012, (2011: €6,257 million) are administered by E.ON Pension Trust e.V. on a fiduciary basis. The remainder of the domestic plan assets in the amount of €288 million (2011: €269 million) is held primarily by pension funds in Germany.

The foreign plan assets, which totaled €5,112 million as of December 31, 2012 (2011: €4,833 million), are dedicated primarily to the funding of the pension plans at E.ON Group companies in the United Kingdom and in Spain. The plan assets of the E.ON Group companies in the U.K. are managed mostly by independent pension trusts and, as of December 31, 2012, amounted to €4,702 million (2011: €4,467 million). The assets covering E.ON's Spanish pension plans and totaling €366 million (2011: €325 million) consist almost entirely of qualifying insurance policies, which constitute plan assets under IAS 19.

The changes in the fair value of the plan assets covering the benefit obligation for the defined benefit pension plans are shown in the following table:

Changes in Plan Assets

	2012			2011		
€ in millions	Total	Domestic	Foreign	Total	Domestic	Foreign
Fair value of plan assets as of January 1	11,359	6,526	4,833	13,263	6,698	6,565
Expected return on plan assets	542	302	240	581	314	267
Employer contributions	261	24	237	631	201	430
Employee contributions	1	–	1	2	–	2
Changes in scope of consolidation	–	–	–	-2,540	-6	-2,534
Actuarial gains/losses (-)	366	420	-54	72	-212	284
Exchange rate differences	105	–	105	70	–	70
Pensions paid	-726	-477	-249	-719	-469	-250
Settlements	-1	–	-1	-1	–	-1
Other	-26	-26	–	–	–	–
Fair value of plan assets as of December 31	**11,881**	**6,769**	**5,112**	**11,359**	**6,526**	**4,833**

The actual return on plan assets was a gain of €908 million in 2012 (2011: €653 million gain).

The "Other" line item for 2012 consists primarily of balance sheet reclassifications of plan assets to "Liabilities associated with assets held for sale."

The €0.7 billion (2011: €0.6 billion) in non-current securities and liquid funds administered by VKE are not included in the determination of the funded status as of December 31, 2012, since they do not constitute plan assets under IAS 19. These assets, virtually all of which are dedicated to the coverage of benefit obligations toward employees of German E.ON Group companies, must additionally be taken into consideration for a complete evaluation of the funded status of the E.ON Group's defined benefit obligations.

A small portion of the plan assets consists of financial instruments of E.ON (2012: €0.6 billion; 2011: €0.7 billion). Because of the contractual structure, however, the share of plan assets attributable to E.ON's own financial instruments does not constitute an E.ON-specific risk to the CTA. The plan assets further include virtually no owner-occupied real estate or equity or additional debt instruments issued by E.ON Group companies.

The principal investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding pension plans.

To implement the investment objective, the E.ON Group generally pursues 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, covered 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). In order to improve the funded status of the E.ON Group as a whole, a portion of the plan assets will also be invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments.

The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed under consideration of existing investment principles, the current level of financing of existing benefit obligations, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The expected long-term returns for the individual plan assets are derived from the portfolio structure targeted and from the expected long-term returns for the individual asset classes in the asset-liability studies.

Plan assets were invested in the asset classes shown in the following table as of the dates indicated:

Classification of Plan Assets

	December 31, 2012			December 31, 2011		
Percentages	Total	Domestic	Foreign	Total	Domestic	Foreign
Equity securities	11	15	6	11	13	8
Debt securities	63	66	59	64	65	63
Real estate	8	11	5	9	12	6
Other	18	8	30	16	10	23

Provisions for Pensions and Similar Obligations

The E.ON Group's recognized net obligation is derived from the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for unrecognized past service cost, and is determined as shown in the following table:

Derivation of the Provisions for Pensions and Similar Obligations

	December 31	
€ in millions	2012	2011
Defined benefit obligation—fully or partially funded by plan assets	16,204	14,128
Fair value of plan assets	-11,881	-11,359
Defined benefit obligation—unfunded plans	574	479
Funded status	**4,897**	**3,248**
Unrecognized past service cost	-9	-9
Net amount recognized	**4,888**	**3,239**
Operating receivables	*-2*	*-6*
Provisions for pensions and similar obligations	*4,890*	*3,245*

Contributions and Pension Payments

In 2012, E.ON made employer contributions to plan assets totaling €261 million (2011: €631 million) to fund existing defined benefit obligations.

For 2013, it is expected that overall employer contributions to plan assets will amount to a total of €631 million and primarily involve the funding of new and existing benefit obligations, with an amount of €148 million attributable to foreign companies.

Pension payments to cover defined benefit obligations totaled €755 million in 2012 (2011: €749 million). Prospective pension payments under the defined benefit plans existing as of December 31, 2012, for the next ten years are shown in the following table:

Prospective Pension Payments

€ in millions	Total	Domestic	Foreign
2013	758	495	263
2014	766	501	265
2015	782	509	273
2016	800	523	277
2017	820	538	282
2018–2022	4,334	2,904	1,430
Total	**8,260**	**5,470**	**2,790**

Pension Cost

The net periodic pension cost for the defined benefit pension plans included in the provisions for pensions and similar obligations as well as in operating receivables is shown in the table below:

Net Periodic Pension Cost

€ in millions	2012			2011		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Employer service cost	247	167	80	239	157	82
Interest cost	671	432	239	724	440	284
Expected return on plan assets	-542	-302	-240	-581	-314	-267
Effects of curtailments and/or effects of settlements	-3	–	-3	–	–	–
Recognized past service cost	131	111	20	21	16	5
Total	**504**	**408**	**96**	**403**	**299**	**104**

The increase in the recognized past service cost compared with the previous year is mostly attributable to the restructuring expenses incurred in the context of the E.ON 2.0 program.

Actuarial gains and losses are accrued and recognized in full. They are reported outside of the income statement as part of equity in the Statements of Recognized Income and Expenses.

In addition to the total net periodic pension cost, an amount of €69 million in fixed contributions to external insurers or similar institutions was paid in 2012 (2011: €71 million) for pure defined contribution pension plans.

Contributions to state plans totaled €0.4 billion (2011: €0.4 billion).

The total net periodic pension cost shown includes an amount of €0.8 million in 2012 (2011: €0.8 million) for health care benefits. A one-percentage-point increase or decrease in the assumed health care cost trend rate would affect the interest and service components and result in a change in net periodic pension cost of +€0.2 million or -€0.1 million (2011: +€0.2 million or -€0.1 million), respectively. The corresponding accumulated post-employment benefit obligation would change by +€3.3 million or -€2.6 million (2011: +€2.4 million or -€1.9 million), respectively.

The changes in actuarial gains and losses from defined benefit obligations and corresponding plan assets recognized in equity are shown in the following table:

Accumulated Actuarial Gains and Losses Recognized in Equity

€ in millions	2012	2011
Accumulated actuarial gains (+) and losses (-) recognized in equity as of January 1	-954	-584
Recognition in equity of current-year actuarial gains (+) and losses (-)	-1,875	-370
Accumulated actuarial gains (+) and losses (-) recognized in equity as of December 31	**-2,829**	**-954**

In the years 2008 through 2012, the following experience adjustments were made to the present value of all defined benefit obligations and to the fair value of plan assets:

Experience Adjustments

	December 31				
Percentages	2012	2011	2010	2009	2008
Experience adjustments to the amount of the benefit obligation	0.30	0.17	-0.16	0.26	1.61
Experience adjustments to the value of plan assets	3.07	0.72	1.66	0.23	-9.01

The experience adjustments reflect the effects on the benefit obligations and plan assets at the E.ON Group that result from differences between the actual changes in these amounts from the assumptions made with respect to these changes at the beginning of the fiscal year. In the measurement of the benefit obligations, these include in particular increases in salaries and pensions, employee fluctuation and biometric data such as death and disability.

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

	December 31, 2012		December 31, 2011	
€ in millions	Current	Non-current	Current	Non-current
Non-contractual nuclear waste management obligations	146	9,673	220	8,972
Contractual nuclear waste management obligations	415	5,880	404	5,669
Personnel obligations	816	1,489	779	1,479
Other asset retirement obligations	107	2,003	367	1,637
Supplier-related obligations	270	591	393	285
Customer-related obligations	539	244	699	280
Environmental remediation and similar obligations	101	836	42	924
Other	1,679	2,969	2,081	3,181
Total	**4,073**	**23,685**	**4,985**	**22,427**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2012	Exchange rate differences	Changes in scope of consolidation	Accretion	Additions	Utilization	Reclassifications	Reversals	Changes in estimates	Dec. 31, 2012
Non-contractual nuclear waste management obligations	9,192	43	–	455	21	-62	–	–	170	9,819
Contractual nuclear waste management obligations	6,073	39	–	294	53	-443	-1	–	280	6,295
Personnel obligations	2,258	3	-118	134	818	-721	11	-80	–	2,305
Other asset retirement obligations	2,004	20	-20	50	92	-26	1	-138	127	2,110
Supplier-related obligations	678	11	-4	10	549	-218	-5	-160	–	861
Customer-related obligations	979	6	-18	18	226	-178	–	-250	–	783
Environmental remediation and similar obligations	966	1	-39	6	133	-64	–	-66	–	937
Other	5,262	8	-46	60	1,365	-1,109	-24	-869	1	4,648
Total	**27,412**	**131**	**-245**	**1,027**	**3,257**	**-2,821**	**-18**	**-1,563**	**578**	**27,758**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

As of December 31, 2012, the interest rates applied for the nuclear power segment, calculated on a country-specific basis, were 5.0 percent (2011: 5.2 percent) in Germany and 3.0 percent (2011: 3.0 percent) in Sweden. The other provision items relate almost entirely to issues in countries of the euro area, as well as in the U.K. and Sweden. The interest rates used with regard to these issues ranged from 0.02 percent to 3.1 percent, depending on maturity (2011: 0.3 percent to 3.7 percent).

Provisions for Non-Contractual Nuclear Waste Management Obligations

Of the total of €9.8 billion in provisions based on German and Swedish nuclear power legislation, €8.6 billion is attributable to the operations in Germany and €1.2 billion is attributable to the Swedish operations. The provisions comprise all those nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies and cost estimates.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

The asset retirement obligations recognized for non-contractual nuclear obligations include the anticipated costs of 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.

Additionally included in the disposal of spent nuclear fuel rods are costs for transports to the final storage facility and the cost of proper conditioning prior to final storage, including the necessary containers.

The decommissioning costs and the cost of disposal of spent nuclear fuel rods and low-level nuclear waste also respectively include the actual final storage costs. Final storage costs consist mainly of investment and operating costs for the planned final storage facilities Gorleben and Konrad based on Germany's ordinance on advance payments for the establishment of facilities for the safe custody and final storage of radioactive wastes in the country ("Endlagervorausleistungsverordnung") and on data from the German Federal Office for Radiation Protection ("Bundesamt für Strahlenschutz"). Advance payments remitted to the Bundesamt für Strahlenschutz in the amount of €946 million (2011: €884 million) have been deducted from the provisions. These payments are made each year based on the amount spent by the Bundesamt für Strahlenschutz on the construction of the final storage facilities Gorleben and Konrad.

The cost estimates used to determine the provision amounts are all based on studies performed by external specialists and are updated annually. The amendments to the German Nuclear Energy Act of August 6, 2011, were taken into account in the measurement of the provisions in Germany.

Changes in estimates increased provisions in 2012 by €170 million (2011: €108 million) at the German operations; there were no reclassifications to provisions for contractual waste management obligations (2011: provisions reduced by €302 million). Provisions were utilized in the amount of €62 million (2011: €45 million), of which €23 million (2011: €18 million) relates to nuclear power plants that are being dismantled or are in shutdown mode, on the basis of issues for which retirement and decommissioning costs had been capitalized. As in 2011, there were no changes in estimates affecting provisions at the Swedish operations in 2012, and no provisions were utilized.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Non-Contractual Nuclear Waste Management Obligations

	December 31, 2012		December 31, 2011	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	6,865	420	6,483	374
Disposal of nuclear fuel rods and operational waste	2,721	759	2,491	728
Advance payments	946	–	884	–
Total	**8,640**	**1,179**	**8,090**	**1,102**

Provisions for Contractual Nuclear Waste Management Obligations

Of the total of €6.3 billion in provisions based on German and Swedish nuclear power legislation, €5.3 billion is attributable to the operations in Germany and €1.0 billion is attributable to the Swedish operations. The provisions comprise all those contractual nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are measured at amounts firmly specified in legally binding civil agreements.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

Advance payments made to other waste management companies in the amount of €68 million (2011: €44 million) have been deducted from the provisions attributed to Germany. The advance payments relate to the delivery of interim storage containers.

Concerning the disposal of spent nuclear fuel rods, the obligations recognized in the provisions comprise the contractual costs of finalizing reprocessing and the associated return of waste with subsequent interim storage at Gorleben and Ahaus, as well as costs incurred for interim on-site storage, including the necessary interim storage containers, arising from the "direct permanent storage" path. The provisions also include the contractual costs of decommissioning and the conditioning of low-level radioactive waste.

Changes in estimates increased provisions in 2012 by €303 million (2011: 353 million) at the German operations; there were no reclassifications to provisions for non-contractual waste management obligations (2011: provisions increased by

€302 million). Provisions were utilized in the amount of €369 million (2011: €224 million), of which €261 million (2011: €129 million) relates to nuclear power plants that are being dismantled or are in shutdown mode, on the basis of issues for which retirement and decommissioning costs had been capitalized. The Swedish operations recorded only minor effects on provisions resulting from changes in estimates (2011: provisions increased by €40 million). Provisions were utilized in the amount of €74 million (2011: €52 million), of which €27 million (2011: €20 million) is attributable to the Barsebäck nuclear power plant, which is in post-operation. Retirement and decommissioning costs had already been capitalized for the underlying issues.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Contractual Nuclear Waste Management Obligations

	December 31, 2012		December 31, 2011	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	3,104	348	2,995	342
Disposal of nuclear fuel rods and operational waste	2,260	651	2,104	676
Advance payments	68	–	44	–
Total	**5,296**	**999**	**5,055**	**1,018**

Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations and other deferred personnel costs. Since 2011, this item also includes provisions for restructuring in the context of the E.ON 2.0 program. These relate primarily to obligations under early-retirement arrangements and severance packages. Personnel costs for termination benefits, which resulted primarily from the E.ON 2.0 program, amounted to €0.3 billion in 2012.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, that are based on legally binding civil agreements and public regulations. Also reported here are provisions for environmental improvements at opencast mining and gas storage facilities and the dismantling of installed infrastructure.

Supplier-Related Obligations

Provisions for supplier-related obligations consist of provisions for potential losses on open purchase contracts, among others.

Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on rebates and on open sales contracts.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures and to the rehabilitation of contaminated sites. Also included here are provisions for other environmental improvement measures and for land reclamation obligations at mining sites.

Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes, as well as for a variety of potential settlement obligations.

(26) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2012 Current	December 31, 2012 Non-current	December 31, 2012 Total	December 31, 2011 Current	December 31, 2011 Non-current	December 31, 2011 Total
Financial liabilities	**4,007**	**21,937**	**25,944**	**5,885**	**24,029**	**29,914**
Trade payables	5,459	–	5,459	4,871	–	4,871
Capital expenditure grants	454	48	502	469	241	710
Construction grants from energy consumers	390	2,239	2,629	419	2,438	2,857
Liabilities from derivatives	5,567	1,739	7,306	9,140	2,417	11,557
Advance payments	306	354	660	363	371	734
Other operating liabilities	13,762	1,275	15,037	15,467	1,590	17,057
Trade payables and other operating liabilities	**25,938**	**5,655**	**31,593**	**30,729**	**7,057**	**37,786**
Total	**29,945**	**27,592**	**57,537**	**36,614**	**31,086**	**67,700**

Financial Liabilities

The following is a description of the E.ON Group's significant credit arrangements and debt issuance programs. Included under "Bonds" are the bonds currently outstanding, including those issued under the Debt Issuance Program.

Group Management

Covenants

The financing activities of E.ON SE and E.ON International Finance B.V. ("EIF"), Rotterdam, The Netherlands, involve the use of covenants consisting primarily of change-of-control clauses, negative pledges, pari-passu clauses and cross-default clauses, each referring to a restricted set of significant circumstances. Financial covenants (that is, covenants linked to financial ratios) are not employed.

€35 Billion Debt Issuance Program

E.ON SE and EIF have in place a Debt Issuance Program enabling the issuance from time to time of debt instruments through public and private placements to investors. The total amount available under the program is €35 billion. The program was extended in April 2012 for another year as planned.

At year-end 2012, the following EIF bonds were outstanding:

Major Bond Issues of E.ON International Finance B.V.[1]

Volume in the respective currency	Initial term	Repayment	Coupon
EUR 565 million[2]	4 years	Mar 2013	4.125%
EUR 1,080 million[3]	5 years	May 2013	5.125%
CHF 300 million	5 years	May 2013	3.625%
GBP 250 million[4]	5 years	Jan 2014	5.125%
EUR 1,426 million[5]	5 years	Jan 2014	4.875%
CHF 525 million[6]	5 years	Feb 2014	3.375%
EUR 786 million[7]	6 years	June 2014	5.250%
CHF 225 million	7 years	Dec 2014	3.250%
EUR 1,250 million	7 years	Sep 2015	5.250%
EUR 1,500 million	7 years	Jan 2016	5.500%
EUR 900 million	15 years	May 2017	6.375%
EUR 2,375 million[8]	10 years	Oct 2017	5.500%
USD 2,000 million[9]	10 years	Apr 2018	5.800%
GBP 850 million[10]	12 years	Oct 2019	6.000%
EUR 1,400 million[11]	12 years	May 2020	5.750%
GBP 975 million[12]	30 years	June 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[9]	30 years	Apr 2038	6.650%
GBP 700 million	30 years	Jan 2039	6.750%

[1]Listing: All bonds are listed in Luxembourg with the exception of the CHF-denominated bonds, which are listed on the SWX Swiss Exchange, and the two Rule 144A/Regulation S USD bonds, which are unlisted.
[2]After early redemption, the volume of this issue was lowered from originally EUR 750 million to approx. EUR 565 million.
[3]After early redemption, the volume of this issue was lowered from originally EUR 1,500 million to approx. EUR 1,080 million.
[4]After early redemption, the volume of this issue was lowered from originally GBP 350 million to approx. GBP 250 million.
[5]After early redemption, the volume of this issue was lowered from originally EUR 1,750 million to approx. EUR 1,426 million.
[6]The volume of this issue was raised from originally CHF 400 million to CHF 525 million.
[7]After early redemption, the volume of this issue was lowered from originally EUR 1,000 million to approx. EUR 786 million.
[8]The volume of this issue was raised in two steps from originally EUR 1,750 million to EUR 2,375 million.
[9]Rule 144A/Regulation S bond.
[10]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[11]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[12]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2012, were private placements with a total volume of approximately €1.5 billion (2011: €1.6 billion), as well as promissory notes with a total volume of approximately €0.8 billion (2011: €0.8 billion).

€10 Billion and $10 Billion Commercial Paper Programs

The euro commercial paper program in the amount of €10 billion allows E.ON SE and EIF (under the unconditional guarantee of E.ON SE) to issue from time to time commercial paper with maturities of up to two years less one day to investors.

The U.S. commercial paper program in the amount of $10 billion allows E.ON SE to issue from time to time commercial paper with maturities of up to 366 days and extendible notes with original maturities of up to 397 days (and a subsequent extension option for the investor) to investors. As of December 31, 2012, €180 million (2011: €869 million) was outstanding under the euro commercial paper program. No commercial paper was outstanding under the U.S. commercial paper program, as in the previous year.

€6 Billion Syndicated Revolving Credit Facility

Effective November 25, 2010, E.ON has arranged a syndicated revolving credit facility of €6 billion over a term of five years. The facility has not been drawn on; rather, it serves as the Group's long-term liquidity reserve, one purpose of which is to function as a backup facility for the commercial paper programs.

The bonds issued by E.ON SE and EIF have the maturities presented in the table below. Unlike 2011, 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 and E.ON International Finance B.V.

€ in millions	Total	Due in 2012	Due in 2013	Due in 2014	Due in 2015	Due in 2016	Due between 2017 and 2023	Due after 2023
December 31, 2012	20,724	–	2,097	3,173	1,250	1,650	7,948	4,606
December 31, 2011	23,379	2,676	2,097	3,166	1,250	1,650	7,965	4,575

Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	Generation		Renewables		Optimization & Trading	
€ in millions	2012	2011	2012	2011	2012	2011
Bonds	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Bank loans/Liabilities to banks	97	109	41	6	–	6
Liabilities from finance leases	44	43	–	–	734	573
Other financial liabilities	1,040	1,125	536	354	69	167
Financial liabilities	**1,181**	**1,277**	**577**	**360**	**803**	**746**

Among other things, financial liabilities to financial institutions include collateral received, measured at a fair value of €373 million (2011: €435 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 €838 million (2011: €839 million) and financial guarantees totaling €33 million (2011: €64 million). Additionally included in this line item are margin deposits received in connection with forward transactions on futures exchanges in the amount of €9 million (2011: €51 million), as well as collateral received in connection with goods and services in the amount of €22 million (2011: €20 million). E.ON can use this collateral without restriction.

Trade Payables and Other Operating Liabilities

Trade payables totaled €5,459 million as of December 31, 2012 (2011: €4,871 million).

Capital expenditure grants of €502 million (2011: €710 million) were paid primarily by customers for capital expenditures made on their behalf, while the E.ON Group retains ownership of the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

Exploration & Production		Germany		Other EU Countries		Group Management/ Consolidation		E.ON Group	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
–	–	–	–	117	281	20,517	23,075	20,634	23,356
–	–	–	–	–	–	180	869	180	869
–	–	175	263	165	359	373	446	851	1,189
–	–	92	69	1	–	78	93	949	778
2	3	116	171	158	67	1,409	1,835	3,330	3,722
2	**3**	**383**	**503**	**441**	**707**	**22,557**	**26,318**	**25,944**	**29,914**

Construction grants of €2,629 million (2011: €2,857 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 €10,612 million (2011: €12,166 million) and interest payable in the amount of €858 million (2011: €991 million). Also included in other operating liabilities are carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries, in the amount of €421 million (2011: €473 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 €338 million (2011: €348 million).

Of the trade payables and other operating liabilities reported, exploration activities accounted for €8 million (2011: €11 million).

(27) Contingencies and Other Financial Obligations

As part of its business activities, E.ON is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims (as discussed in more detail in Note 28), short- and long-term contractual, legal and other obligations and commitments.

Contingencies

The fair value of the E.ON Group's contingent liabilities arising from existing contingencies was €120 million as of December 31, 2012 (2011: €195 million). E.ON currently does not have reimbursement rights relating to the contingent liabilities disclosed.

E.ON has issued direct and indirect guarantees to third parties, which require E.ON to make contingent payments based on the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or an equity instrument of the guaranteed party, on behalf of external entities. These consist primarily of financial guarantees and warranties.

In addition, E.ON has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Group companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases, obligations are covered in the first instance by provisions of the disposed companies before E.ON itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON SE (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, E.ON has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

The guarantees of E.ON also include items related to the operation of nuclear power plants. With the entry into force of the German Nuclear Energy Act ("Atomgesetz" or "AtG"), as amended, and of the ordinance regulating the provision for coverage under the Atomgesetz ("Atomrechtliche Deckungsvorsorge-Verordnung" or "AtDeckV") of April 27, 2002, as amended, German nuclear power plant operators are required to provide nuclear accident liability coverage of up to €2.5 billion per incident.

The coverage requirement is satisfied in part by a standardized insurance facility in the amount of €255.6 million. The institution Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR") now only covers costs between €0.5 million and €15 million for claims related to officially ordered evacuation measures. Group companies have agreed to place their subsidiaries operating nuclear power plants in a position to maintain a level of liquidity that will enable them at all times to meet their obligations as members of the Nuklear Haftpflicht GbR, in proportion to their shareholdings in nuclear power plants.

To provide liability coverage for the additional €2,244.4 million per incident required by the above-mentioned amendments, E.ON Energie AG ("E.ON Energie") and the other parent companies of German nuclear power plant operators reached a Solidarity Agreement ("Solidarvereinbarung") on July 11, July 27, August 21, and August 28, 2001, extended by agreement dated March 25, April 18, April 28, and June 1, 2011. If an accident occurs, the Solidarity Agreement calls for the nuclear power plant operator liable for the damages to receive—after the operator's own resources and those of its parent companies are exhausted—financing sufficient for the operator to meet its financial obligations. Under the Solidarity Agreement, E.ON Energie's share of the liability coverage on December 31, 2012, remained unchanged from 2011 at 42.0 percent plus an additional 5.0 percent charge for the administrative costs of processing damage claims. Sufficient liquidity has been provided for within the liquidity plan.

In accordance with Swedish law, the companies of the Swedish generation unit and their parent company have issued guarantees to governmental authorities. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. These costs could arise if actual costs

exceed accumulated funds. In addition, the companies of the Swedish generation unit and their parent company are also responsible for any costs related to the disposal of low-level radioactive waste.

In Sweden, owners of nuclear facilities are liable for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. The liability per incident as of December 31, 2012, was limited to SEK 3,004 million, or €350 million (2011: SEK 3,189 million, or €358 million). This amount must be insured according to the Law Concerning Nuclear Liability. The necessary insurance for the affected nuclear power plants has been purchased. On July 1, 2010, the Swedish Parliament passed a law that requires the operator of a nuclear power plant in operation to have liability insurance or other financial security in an amount equivalent to €1.2 billion per facility. As of December 31, 2012, the conditions enabling this law to take effect were not yet in place.

The Generation global unit operates nuclear power plants only in Germany and Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to 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, 2012, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €5.6 billion (2011: €8.3 billion). Of these commitments, €2.3 billion are due within one year. This total mainly includes financial obligations for as yet outstanding investments in connection with new power plant construction projects and the expansion and modernization of existing generation assets, as well as with gas infrastructure projects, particularly at the Generation, Renewables, Optimization & Trading, Germany, Russia and Sweden units. On December 31, 2012, the obligations for new power plant construction reported under these purchase commitments totaled €2.1 billion. They also include the obligations relating to the construction of wind power plants.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

E.ON as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	2012	2011
Due within 1 year	227	264
Due in 1 to 5 years	605	818
Due in more than 5 years	879	1,093
Total	**1,711**	**2,175**

The expenses reported in the income statement for such contracts amounted to €243 million (2011: €273 million). They include contingent rents that were expensed when they arose in 2012. Furthermore, a lease-leaseback arrangement for power plants has resulted in cash flows, which are financed by restricted, offsetting investments totaling approximately €0.1 billion (2011: €0.5 billion) that are congruent in terms of amounts, maturities and currencies. The arrangement expires in 2030.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2012, relate primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. Financial obligations under these purchase contracts amounted to approximately €238.5 billion on December 31, 2012 (€21.2 billion due within one year).

Gas is usually procured on the basis of long-term purchase contracts with large international producers of natural gas. Such contracts are generally of a "take-or-pay" nature. The prices paid for natural gas are normally tied to the prices of

competing energy sources, as dictated by market conditions. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly. In the absence of an agreement on a pricing review, a neutral board of arbitration makes a final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Furthermore, the take-or-pay conditions in the individual contracts are also considered in the calculations. The decrease compared with December 31, 2011, in contractual obligations for the purchase of fossil fuels, and gas procurement in particular, is primarily attributable to the results of price renegotiations and to a reduction in minimum purchase requirements under long-term gas purchase contracts.

As of December 31, 2012, €8.0 billion in contractual obligations (€3.3 billion due within one year) are in place for the purchase of electricity; these relate in part to purchases from jointly operated power plants in the Generation and Renewables units. The purchase price of electricity from jointly operated power plants is generally based on the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital.

Other purchase commitments as of December 31, 2012, amounted to approximately €2.0 billion (€0.2 billion due within one year). In addition to purchase commitments primarily for heat and alternative fuels, there are long-term contractual obligations in place at the Generation unit for the purchase of nuclear fuel elements and of services relating to the interim and final storage of nuclear fuel elements.

Aside from the preceding, further financial obligations in place as of December 31, 2012, totaled approximately €3.5 billion (€1.3 billion due within one year). Among others, they include financial obligations from services to be procured, 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 (including product liability claims and allegations of price fixing), governmental investigations and proceedings, and other claims are currently pending or may be instituted or asserted in the future against companies of the E.ON Group. This in particular includes legal actions and proceedings concerning alleged price-fixing agreements and anticompetitive practices.

The entire sector is involved in a multitude of court proceedings throughout Germany in the matter of price-adjustment clauses in the retail electricity and gas supply business with high-volume customers. These proceedings include actions for the restitution of amounts collected through price increases imposed using price-adjustment clauses determined to be invalid. The legal issues involved have largely been addressed at the highest judicial level in Germany, in several different judgments rendered by the Federal Court of Justice ("Bundesgerichtshof") in 2012. Three references by the Federal Court of Justice to the European Court of Justice to establish the compatibility with European directives of certain provisions of German law for ordinary electricity customers, and of the Federal Court of Justice's case law regarding price-adjustment clauses for high-volume customers, have given rise to legal uncertainty. Although no companies of the E.ON Group are involved in these particular preliminary-ruling proceedings, claims for the restitution of amounts collected through price increases could still be asserted against Group companies if it is found that European law has been violated. The outcome of the preliminary-ruling proceedings, as well as the legislative and regulatory responses in Germany and those of the German courts, remains to be seen.

On July 8, 2009, the European Commission imposed a fine of €553 million on E.ON Ruhrgas and E.ON (as joint debtor) for alleged market-sharing activities with GdF Suez. E.ON Ruhrgas and E.ON filed an appeal against the Commission's decision with the General Court of the European Union in September 2009. Filing an appeal did not suspend the fine, which was therefore paid when due in October 2009. On June 29, 2012, the General Court issued a ruling partially overturning the Commission's decision, and reduced the fine. The decision has since become final and legally binding. Further proceedings in this matter cannot be ruled out.

Competition in the gas market and increasing trading volumes at virtual trading points and on gas exchanges could result in considerable risks for gas quantities purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are in part linked to the price of oil, whereas sales prices are guided by wholesale prices. In general, long-term gas-procurement contracts between producers and importers include the option to adjust the terms in line with constantly changing market conditions. In this regard, E.ON Ruhrgas continuously conducts intensive negotiations with producers. The possibility of further legal disputes cannot be excluded.

In September 2011, the European Commission conducted additional inspections at several gas utilities in Central and Eastern Europe, some of which are E.ON Group companies. The Commission is investigating potential anticompetitive practices by Gazprom, possibly acting in concert with other companies. The Commission makes note that such inspections do not indicate the existence of definitive proof of anticompetitive behavior. In September 2012, the European Commission initiated formal antitrust proceedings against Gazprom on the basis of Article 102 of the Treaty on the Functioning of the European Union (abuse of a dominant market position).

The reactor accident at Fukushima caused the political parties in Germany's coalition government to reverse their nuclear-energy policy. Having initially extended the operating lives of the country's nuclear power plants in the fall of 2010 as provided for in the coalition agreement, the German federal government then rescinded the extensions in the thirteenth amended version of the Nuclear Energy Act, and added further restrictive provisions. In addition to reversing the operating-life extensions from the eleventh amendment, the Nuclear Energy Act as most recently amended provides for a gradual phaseout through 2022, with the seven reactors that entered service before year-end 1980 and the Krümmel nuclear power plant to be shut down permanently, as provided for by the law, as soon as the amendment takes effect. This affected two nuclear facilities for which E.ON has operational responsibility: Unterweser and Isar 1. E.ON is implementing the political majority's decision on an earlier phaseout of nuclear energy. At the same time, however, E.ON contends that the nuclear phaseout as currently legislated is irreconcilable with constitutionally-protected property rights and the freedom to choose an occupation and operate a business. In any case, E.ON believes that such an intervention is unconstitutional unless compensation is granted for the rights thus taken, and for the corresponding stranded assets. Accordingly, in mid-November 2011, E.ON filed a constitutional complaint against the thirteenth amendment of the Nuclear Energy Act with the Federal Constitutional Court of Germany in Karlsruhe. The nuclear-fuel tax remains at its original level after the reversal of the operating-life extensions. Even at the time of the agreement on operating-life extensions, E.ON believed that the nuclear-fuel tax contravened Germany's constitution and European law. Retaining the tax despite the significant reduction in operating lives raises additional legal questions. E.ON is therefore instituting administrative proceedings and taking legal action against the tax. The proceedings regarding the nuclear power plants Gundremmingen B and C, Grohnde, Grafenrheinfeld, Emsland, Brokdorf and Isar 2 have already begun. Conclusive court rulings will not be handed down until some time in the future.

Because litigation and claims are subject to numerous uncertainties, their outcome cannot be ascertained; however, in the opinion of management, any potential obligations arising from these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

(29) Supplemental Disclosures of Cash Flow Information

Supplemental Disclosures of Cash Flow Information		
€ in millions	2012	2011
Non-cash investing and financing activities		
Exchanges in corporate transactions	12	35
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	147	164

The total consideration received by E.ON in 2012 for the disposal of consolidated equity interests and activities generated cash inflows of €3,005 million (2011: €4,597 million). Cash and cash equivalents divested in connection with the disposals amounted to €364 million (2011: €25 million). The sale of these activities led to reductions of €3,625 million (2011: €6,139 million) in assets and €1,159 million (2011: €2,279 million) in provisions and liabilities.

The purchase prices paid for subsidiaries totaled €16 million in 2011. The previous year's acquisitions included cash in the amount of €4 million. No significant cash acquisitions of consolidated equity investments and activities took place in 2012.

At €8,808 million, the E.ON Group's operating cash flow was significantly above the prior-year figure of €6,610 million, up 33 percent year on year. The main positive factor was a substantial reduction in working capital compared with the previous year, which was attributable in part to one-time effects relating to settlements from the 2011 fiscal year and to higher utilization of coal and gas inventories. The negative cash-flow effect of supplemental funding of pension plan assets in the United Kingdom in 2011, as well as lower interest payments than in the previous year and the partial reimbursement of the fine imposed on E.ON by the European Commission for an alleged market-sharing agreement with GdF Suez, were also positive factors in 2012. The effects were partly offset by higher tax payments than in 2011.

Spending on intangible assets, on property, plant and equipment and on equity investments was approximately 7 percent higher in 2012 than in the previous year. The amount of cash received from the disposal of equity investments was down about 31 percent from the previous year. This primarily reflects the significant proceeds obtained in 2011 from the disposal of Central Networks and from the sale of the remaining Gazprom shares, whereas proceeds from the sale of Open Grid Europe constituted the main positive factor in 2012. An offsetting positive factor was a reduction in cash outflows from changes in securities and fixed-term deposits.

Exploration activity resulted in operating cash flow of -€57 million (2011: -€5 million) and in cash flow from investing activities of -€32 million (2011: -€50 million).

(30) Derivative Financial Instruments and Hedging Transactions

Strategy and Objectives

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, planned transactions, or legally binding rights or obligations. Proprietary trading activities are concentrated on the Optimization & Trading global unit and are conducted within the confines of the risk management guidelines described below (see Note 31).

Hedge accounting in accordance with IAS 39 is employed primarily for interest rate derivatives used to hedge long-term debts, as well as for currency derivatives used to hedge net investments in foreign operations, long-term receivables and debts denominated in foreign currency, as well as planned capital investments. In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

Fair Value Hedges

Fair value hedges are used to protect against the risk from changes in market values. Gains and losses on these hedges are generally reported in that line item of the income statement which also includes the respective hedged items.

Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Interest rate swaps, cross-currency interest rate swaps and interest rate options are the principal instruments used to limit interest rate and currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing receivables and liabilities and from capital investments denominated in foreign currency and euro by using cash flow hedge accounting in the functional currency of the respective E.ON company.

In order to reduce future cash flow fluctuations arising from electricity transactions effected at variable spot prices, futures contracts are concluded and also accounted for using cash flow hedge accounting.

As of December 31, 2012, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 26 years (2011: up to 27 years) and up to four years (2011: up to five years) for interest cash flow hedges. Commodity cash flow hedges have maturities of up to two years (2011: up to three years).

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2012, produced a loss of €1 million (2011: €4 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—2012

		Expected gains/losses			
€ in millions	Carrying amount	2013	2014	2015–2017	>2017
OCI—Currency cash flow hedges	456	7	–	12	-475
OCI—Interest cash flow hedges	9	-1	-5	-12	9
OCI—Commodity cash flow hedges	-12	1	11	–	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Timing of Reclassifications from OCI[1] to the Income Statement—2011

		Expected gains/losses			
€ in millions	Carrying amount	2012	2013	2014–2016	>2016
OCI—Currency cash flow hedges	157	1	5	8	-171
OCI—Interest cash flow hedges	-71	1	–	9	61
OCI—Commodity cash flow hedges	-23	11	1	11	–

[1]OCI = Other comprehensive income. Figures are pre-tax.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. Interest cash flow hedges are reported under "Interest and similar expenses." The fair values of the derivatives used in cash flow hedges totaled -€404 million (2011: €134 million).

A loss of €237 million (2011: €63 million loss) was posted to other comprehensive income in 2012. In the same period, a loss of €79 million (2011: €284 million gain) was reclassified from OCI to the income statement.

Net Investment Hedges

The Company uses foreign currency loans, foreign currency forwards and foreign currency swaps to protect the value of its net investments in its foreign operations denominated in foreign currency. For the year ended December 31, 2012, the Company recorded an amount of -€106 million (2011: -€63 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 2011, no ineffectiveness resulted from net investment hedges in 2012.

Valuation of Derivative Instruments

The fair value of derivative instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. Fair values for each derivative financial instrument are determined as being equal to the price at which one party would assume the rights and duties of another party, and calculated using common market valuation methods with reference to available market data as of the balance sheet date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas, oil and coal forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for interest rate, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair values of caps, floors and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income is recognized in income at the date of payment or accrual.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking into consideration any timing components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 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 €49 million or an increase of €100 million, respectively.

At the beginning of 2012, a gain of €122 million from the initial measurement of derivatives was deferred. After the realization of €160 million in deferred gains, the remainder is a deferred loss of €38 million at year-end, which will be recognized in income during subsequent periods as the contracts are settled.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used:

Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

€ in millions	December 31, 2012 Nominal value	December 31, 2012 Fair value	December 31, 2011 Nominal value	December 31, 2011 Fair value
FX forward transactions	24,138.6	-26.7	25,865.2	366.7
Subtotal	**24,138.6**	**-26.7**	**25,865.2**	**366.7**
Cross-currency swaps	12,314.0	39.6	15,344.5	489.2
Cross-currency interest rate swaps	211.4	72.0	211.4	99.2
Subtotal	**12,525.4**	**111.6**	**15,555.9**	**588.4**
Interest rate swaps				
Fixed-rate payer	*2,309.3*	*-411.0*	*2,318.1*	*-359.7*
Fixed-rate receiver	*1,265.9*	*153.4*	*1,284.8*	*153.9*
Interest rate future	–	–	34.5	-0.6
Interest rate options	2,000.0	-102.1	2,000.0	-61.5
Subtotal	**5,575.2**	**-359.7**	**5,637.4**	**-267.9**
Other derivatives	9.1	0.1	9.1	2.2
Subtotal	**9.1**	**0.1**	**9.1**	**2.2**
Total	**42,248.3**	**-274.7**	**47,067.6**	**689.4**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

€ in millions	December 31, 2012 Nominal value	December 31, 2012 Fair value	December 31, 2011 Nominal value	December 31, 2011 Fair value
Electricity forwards	55,939.4	39.4	77,818.5	-301.4
Exchange-traded electricity forwards	7,168.2	70.0	9,700.3	-5.6
Electricity swaps	3,465.8	28.2	3,333.1	32.7
Exchange-traded electricity options	99.3	16.5	270.4	27.8
Coal forwards and swaps	5,717.1	-173.5	10,930.3	-18.5
Exchange-traded coal forwards	9,220.0	-233.6	11,589.6	-63.8
Oil derivatives	43,835.8	206.0	57,234.9	177.7
Exchange-traded oil derivatives	23,068.9	-100.8	21,948.2	57.4
Emissions-related derivatives	45.7	0.1	147.8	0.3
Exchange-traded emissions-related derivatives	2,314.1	-474.3	6,121.9	-451.7
Other derivatives	31.6	23.0	59.9	63.5
Total	**150,905.9**	**-599.0**	**199,154.9**	**-481.6**

(31) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2012

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	1,612	1,612	AfS	1,612	154	207
Financial receivables and other financial assets	5,750	5,729		6,010	–	–
Receivables from finance leases	*881*	*881*	*n/a*	*881*	–	–
Other financial receivables and financial assets	*4,869*	*4,848*	*LaR*	*5,129*	–	–
Trade receivables and other operating assets	26,754	24,192		24,192	1,221	5,008
Trade receivables	*16,104*	*16,104*	*LaR*	*16,104*	–	–
Derivatives with no hedging relationships	*5,975*	*5,975*	*HfT*	*5,975*	*1,221*	*4,550*
Derivatives with hedging relationships	*458*	*458*	*n/a*	*458*	–	*458*
Other operating assets	*4,217*	*1,655*	*LaR*	*1,655*	–	–
Securities and fixed-term deposits	8,027	8,027	AfS	8,027	7,217	810
Cash and cash equivalents	2,816	2,816	AfS	2,816	2,781	35
Restricted cash	449	449	AfS	449	449	–
Assets held for sale	5,261	1,555	AfS	1,555	–	1,483
Total assets	**50,669**	**44,380**		**44,661**	**11,822**	**7,543**
Financial liabilities	25,944	25,922		30,869	–	–
Bonds	*20,634*	*20,634*	*AmC*	*25,274*	–	–
Commercial paper	*180*	*180*	*AmC*	*180*	–	–
Bank loans/Liabilities to banks	*851*	*851*	*AmC*	*851*	–	–
Liabilities from finance leases	*949*	*949*	*n/a*	*1,322*	–	–
Other financial liabilities	*3,330*	*3,308*	*AmC*	*3,242*	–	–
Trade payables and other operating liabilities	31,593	25,833		25,833	2,594	4,605
Trade payables	*5,459*	*5,459*	*AmC*	*5,459*	–	–
Derivatives with no hedging relationships	*6,477*	*6,477*	*HfT*	*6,477*	*2,594*	*3,776*
Derivatives with hedging relationships	*829*	*829*	*n/a*	*829*	–	*829*
Put option liabilities under IAS 32[2]	*759*	*759*	*AmC*	*759*	–	–
Other operating liabilities	*18,069*	*12,309*	*AmC*	*12,309*	–	–
Total liabilities	**57,537**	**51,755**		**56,702**	**2,594**	**4,605**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 1. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.
[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 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, 2011

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	1,908	1,908	AfS	1,908	159	188
Financial receivables and other financial assets	5,408	5,382		5,667	–	–
Receivables from finance leases	*1,051*	*1,051*	*n/a*	*1,051*	–	–
Other financial receivables and financial assets	*4,357*	*4,331*	*LaR*	*4,616*	–	–
Trade receivables and other operating assets	34,556	31,584		31,584	2,946	8,564
Trade receivables	*18,065*	*18,065*	*LaR*	*18,065*		
Derivatives with no hedging relationships	*10,874*	*10,874*	*HfT*	*10,874*	*2,946*	*7,674*
Derivatives with hedging relationships	*890*	*890*	*n/a*	*890*	–	*890*
Other operating assets	*4,727*	*1,755*	*LaR*	*1,755*	–	–
Securities and fixed-term deposits	7,983	7,983	AfS	7,983	6,438	1,545
Cash and cash equivalents	3,852	3,852	AfS	3,852	3,747	105
Restricted cash	89	89	AfS	89	82	7
Assets held for sale	620	308	AfS	308	30	278
Total assets	**54,416**	**51,106**		**51,391**	**13,402**	**10,687**
Financial liabilities	29,914	29,854		34,736	–	–
Bonds	*23,356*	*23,356*	*AmC*	*28,026*	–	–
Commercial paper	*869*	*869*	*AmC*	*869*	–	–
Bank loans/Liabilities to banks	*1,189*	*1,189*	*AmC*	*1,189*	–	–
Liabilities from finance leases	*778*	*778*	*n/a*	*979*	–	–
Other financial liabilities	*3,722*	*3,662*	*AmC*	*3,673*	–	–
Trade payables and other operating liabilities	37,786	31,477		31,477	3,592	7,361
Trade payables	*4,871*	*4,871*	*AmC*	*4,871*	–	–
Derivatives with no hedging relationships	*10,841*	*10,841*	*HfT*	*10,841*	*3,592*	*6,645*
Derivatives with hedging relationships	*716*	*716*	*n/a*	*716*	–	*716*
Put option liabilities under IAS 32	*821*	*821*	*AmC*	*821*	–	–
Other operating liabilities	*20,537*	*14,228*	*AmC*	*14,228*	–	–
Total liabilities	**67,700**	**61,331**		**66,213**	**3,592**	**7,361**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 1. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.

The fair value of shareholdings in unlisted companies and of debt instruments that are not actively traded, such as loans received, loans granted and financial liabilities, is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied in the case of shareholdings with a carrying amount of €12 million (2011: €12 million) as cash flows could not be determined reliably for them. Fair values could not be derived on the basis of comparable transactions. The shareholdings are not material by comparison with the overall position of the Group.

The carrying amount of commercial paper, borrowings under revolving short-term credit facilities and trade payables is used as the fair value due to the short maturities of these items.

The determination of the fair value of derivative financial instruments is discussed in Note 30. Equity investments in the amount of €15 million were reclassified out of Level 3 of the fair value hierarchy in 2012 on the basis of reliable market data. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

€ in millions	Jan. 1, 2012	Purchases (including additions)	Sales (including disposals)	Settle-ments	Gains/ Losses in income state-ment	Transfers into Level 3	Transfers out of Level 3	Gains/ Losses in OCI	Dec. 31, 2012
Equity investments	1,561	73	-284	-1	-60	–	-15	49	1,323
Derivative financial instruments	-350	–	–	329	118	–	–	–	97
Total	**1,211**	**73**	**-284**	**328**	**58**	**0**	**-15**	**49**	**1,420**

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, 2012

€ in millions	Cash outflows 2013	Cash outflows 2014	Cash outflows 2015–2017	Cash outflows from 2018
Bonds	3,325	4,289	8,176	14,127
Commercial paper	180	–	–	–
Bank loans/Liabilities to banks	640	160	91	54
Liabilities from finance leases	126	87	296	1,734
Other financial liabilities	1,168	168	622	1,677
Financial guarantees	707	–	–	–
Cash outflows for financial liabilities	**6,146**	**4,704**	**9,185**	**17,592**
Trade payables	5,629	–	–	–
Derivatives (with/without hedging relationships)	33,840	7,916	2,354	21
Put option liabilities under IAS 32	215	30	122	408
Other operating liabilities	12,556	13	37	150
Cash outflows for trade payables and other operating liabilities	**52,240**	**7,959**	**2,513**	**579**
Cash outflows for liabilities within the scope of IFRS 7	**58,386**	**12,663**	**11,698**	**18,171**

Financial guarantees with a total nominal volume of €707 million (2011: €1,542 million) were issued to companies outside of the Group. This amount is the maximum amount that E.ON would have to pay in the event of claims on the guarantees; a book value of €33 million (2011: €64 million) has been recognized.

Cash Flow Analysis as of December 31, 2011

€ in millions	Cash outflows 2012	Cash outflows 2013	Cash outflows 2014–2016	Cash outflows from 2017
Bonds	3,913	3,350	8,750	17,976
Commercial paper	870	–	–	–
Bank loans/Liabilities to banks	758	57	287	153
Liabilities from finance leases	110	91	236	1,336
Other financial liabilities	1,653	282	712	1,236
Financial guarantees	1,542	–	–	–
Cash outflows for financial liabilities	**8,846**	**3,780**	**9,985**	**20,701**
Trade payables	4,748	–	–	–
Derivatives (with/without hedging relationships)	44,822	13,104	3,214	240
Put option liabilities under IAS 32	265	31	163	362
Other operating liabilities	13,984	34	28	186
Cash outflows for trade payables and other operating liabilities	**63,819**	**13,169**	**3,405**	**788**
Cash outflows for liabilities within the scope of IFRS 7	**72,665**	**16,949**	**13,390**	**21,489**

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 2012.

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	2012	2011
Loans and receivables	-156	-136
Available for sale	539	449
Held for trading	-982	-1,230
Amortized cost	-1,139	-1,292
Total	**-1,738**	**-2,209**

[1]The categories are described in detail in Note 1.

In addition to interest income and expenses from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables. Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest on financial liabilities, adjusted for capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives and of realized gains on currency derivatives is the most important factor in the net result for this category.

Risk Management

Principles

The prescribed processes, responsibilities and actions concerning financial and risk management are described in detail in internal risk management guidelines applicable throughout the Group. The units have developed additional guidelines of their own within the confines of the Group's overall guidelines. To ensure efficient risk management at the E.ON Group, the Trading (Front Office), Financial Controlling (Middle Office) and Financial Settlement (Back Office) departments are organized as strictly separate units. Risk controlling and reporting in the areas of interest rates, currencies, credit and liquidity management is performed by the Financial Controlling department, while risk controlling and reporting in the area of commodities is performed at Group level by a separate department.

E.ON uses a Group-wide treasury, risk management and reporting system. This system is a standard information technology solution that is fully integrated and is continuously updated. The system is designed to provide for the analysis and monitoring of the E.ON Group's exposure to liquidity, foreign exchange and interest risks. The units employ established systems for commodities. Credit risks are monitored and controlled on a Group-wide basis by Financial Controlling,

with the support of a standard software package. The commodity positions of most of the global and regional units are transferred to the Optimization & Trading unit for risk management and optimization purposes, based on a transfer-pricing mechanism. Special risk management, coordinated with Group Management, applies in a small number of exceptional cases.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Board of Management of E.ON 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. The funds are transferred internally to the other Group companies as needed.

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 planned liquidity requirements. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, and the maturity of bonds and commercial paper.

2. Price Risks

In the normal course of business, the E.ON Group is exposed to foreign exchange, interest and commodity price risks, and also to price risks in asset management. These risks create volatility in earnings, equity, debt and cash flows from period to period. E.ON has developed a variety of strategies to limit or eliminate these risks, including the use of derivative financial instruments.

3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions. Uniform credit risk management procedures are in place throughout the Group to identify, measure and control credit risks.

The following discussion of E.ON's risk management activities and the estimated amounts generated from profit-at-risk ("PaR"), value-at-risk ("VaR") and sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual, unforeseeable developments in the global financial markets. The methods used by the Company to analyze risks should not be considered forecasts of future events or losses, as E.ON also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk, 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. One method used to hedge translation risks is through borrowing in the corresponding local currency, which in particular also includes shareholder loans in foreign currency. In addition, derivative financial instruments are employed as needed. The hedges qualify for hedge accounting under IFRS as hedges of net investments in foreign operations. The Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The E.ON Group is also exposed to operating and financial transaction risks arising from transactions in foreign currency. Operating transaction risks for the Group companies arise primarily from physical and financial trading in commodities, from intragroup relationships and from capital spending in foreign currency. The subsidiaries are responsible for controlling their operating currency risks. E.ON 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 €115 million as of December 31, 2012 (2011: €132 million) and resulted primarily from the positions in British pounds, Swedish kronor and U.S. dollars.

Interest Risk Management

E.ON is exposed to profit risks arising from financial liabilities with floating interest rates, maturities and short-term borrowings, as well as interest rate derivatives that are based on floating interest rates. Positions based on fixed interest rates, on the other hand, are subject to changes in fair value resulting from the volatility of market rates. E.ON seeks a specific mix of fixed- and floating-rate debt over time. The long-term orientation of the business model in principle means fulfilling a high proportion of financing requirements at fixed rates, especially within the planning period. This also involves the use of interest rate swaps. With interest rate derivatives included, the share of financial liabilities with fixed interest rates was 100 percent as of December 31, 2012 (2011: 94 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €20.2 billion at year-end 2012, would decline to €16.7 billion in 2013 and to €15.3 billion in 2014. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 7.0 years as of December 31, 2012 (2011: 6.6 years).

As of December 31, 2012, the E.ON Group held interest rate derivatives with a nominal value of €5,575 million (2011: €5,637 million).

A sensitivity analysis was performed on the Group's short-term floating-rate borrowings, including hedges of both foreign exchange risk and interest risk. This measure is used for internal risk controlling and reflects the economic position of the E.ON Group. A one-percentage-point upward or downward change in interest rates (across all currencies) would cause interest charges to respectively increase or decrease by €29 million in the subsequent fiscal year (2011: €13 million increase or decrease).

Commodity Price Risk Management

E.ON is exposed to substantial risks resulting from fluctuations in the prices of commodities, both on the supply and demand side. This risk is measured based on potential negative deviation from the target EBITDA.

The maximum permissible risk is determined centrally by the Board of Management in its medium-term planning and translated into a decentralized limit structure in coordination with the units. Before fixing any limits, the investment plans and all other known obligations and quantifiable risks have been taken into account. Risk controlling and reporting, including portfolio optimization, is steered centrally for the Group by Group Management.

E.ON conducts commodity transactions primarily within the system portfolio, which includes core operations, existing sales and procurement contracts and any commodity derivatives used for hedging purposes or for power plant optimization. The risk in the system portfolio thus arises from the open position between planned procurement and generation and planned sales volumes. The risk of these open positions is measured using the profit-at-risk number, which quantifies the risk by taking into account the size of the open position and the prices, the volatility and the liquidity of the underlying commodities. PaR is defined as the maximum potential negative change in the value of the open position at a probability of 95 percent in the event that the open position has to be closed as quickly as possible.

The principal derivative instruments used by E.ON to cover commodity price risk exposures are electricity, gas, coal and oil swaps and forwards, as well as emissions-related derivatives. Commodity derivatives are used by the units for the purposes of price risk management, system optimization, equalization of burdens, and even for the improvement of margins. Proprietary trading is permitted only within very tightly defined limits. The risk measure and volume limit used for the proprietary trading portfolio is a value-at-risk number with a 95-percent confidence interval, depending on market liquidity.

The trading limits for proprietary trading as well as for all other trading activities are established and monitored by bodies that are independent from trading operations. A three-year planning horizon, with defined limits, is applied for the system portfolio. Limits used on hedging and proprietary trading activities include value-at-risk and profit-at-risk numbers, as well as stop-loss and volume limits. Additional key elements of the risk management system are a set of Group-wide commodity risk guidelines, the clear division of duties between scheduling, trading, settlement and controlling, as well as a risk reporting system independent from trading operations. Commodity positions and associated risks throughout the Group are reported to the members of the Risk Committee on a monthly basis.

As of December 31, 2012, the E.ON Group has entered into electricity, gas, coal, oil and emissions-related derivatives with a nominal value of €150,906 million (2011: €199,155 million).

The VaR for the proprietary trading portfolio amounted to €6 million as of December 31, 2012 (2011: €19 million). The PaR for the financial and physical commodity positions held in the system portfolios over a three-year planning horizon was €4,306 million as of December 31, 2012 (2011: €2,860 million). The increase is attributable, among other things, to the formation of E.ON Global Commodities and to the inclusion of the renegotiated gas purchase contracts, and hence to an internal risk management structure that has been adjusted accordingly.

The calculation of the PaR reflects the position of the E.ON Group over a planning horizon of three years, and in addition to the financial instruments included in the scope of IFRS 7, also encompasses the remaining commodity positions in alignment with internal risk controlling.

Credit Risk Management

In order to minimize credit risk arising from operating activities and from the use of financial instruments, the Company enters into transactions only with counterparties that satisfy the Company's internally established minimum requirements. Maximum credit risk limits are set on the basis of internal and, where available, external credit ratings. The setting and monitoring of credit limits is subject to certain minimum requirements, which are based on Group-wide credit risk management guidelines. Long-term operating contracts and asset management transactions are not comprehensively included in this process. They are monitored separately at the level of the responsible units.

In principle, each Group company is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the credit limit, additional credit risk monitoring and controls are performed both by the units and by Group Management. Monthly reports on credit limits, including their utilization, are submitted to the Risk Committee. Intensive, standardized monitoring of quantitative and qualitative early-warning indicators, as well as close monitoring of the credit quality of counterparties, enable E.ON to act early in order to minimize risk.

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Risk-management collateral was accepted in the amount of €6,201 million.

The levels and backgrounds of financial assets received as collateral are described in more detail in Notes 18 and 26.

Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. For currency and interest rate derivatives in the banking sector, this netting option is reflected in the accounting treatment. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements.

Exchange-traded forward and option contracts as well as exchange-traded emissions-related derivatives having an aggregate nominal value of €41,771 million as of December 31, 2012, (2011: €49,360 million) bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

Virtually all of the investments in debt instruments have an external investment-grade rating.

At E.ON, liquid funds are normally invested at banks with good credit ratings, in top-rated money market funds or in short-term securities (for example, commercial paper) of issuers with strong credit ratings. Bonds of public and private issuers are also selected for investment. Group companies that for legal reasons are not included in the cash pool invest money at leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels at the banks and at other significant counterparties.

Asset Management

For the purpose of financing long-term payment obligations, including those relating to asset retirement obligations (see Note 25), financial investments totaling €5.7 billion (2011: €4.9 billion) were held predominantly by German E.ON Group companies as of December 31, 2012.

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 €169 million (2011: €158 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG ("VKE") manages financial assets that are almost exclusively dedicated to the coverage of employee retirement benefits at E.ON Group companies in Germany; these assets totaled €0.7 billion at year-end 2012 (2011: €0.6 billion). The assets at VKE do not constitute plan assets under IAS 19 (see Note 24) and are shown as non-current and current assets on the balance sheet. The majority of the diversified portfolio, consisting of money market instruments, bonds, real estate and equities, is held in investment funds managed by external fund managers. VKE is subject to the provisions of the Insurance Supervision Act ("Versicherungsaufsichtsgesetz" or "VAG") and its operations are supervised by the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"). Financial investments and continuous risk management are conducted within the regulatory confines set by BaFin. The three-month VaR with a 98-percent confidence interval for these financial assets was €19.3 million (2011: €18.7 million).

(32) Transactions with Related Parties

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties, the most significant of which are associated companies accounted for under the equity method and their subsidiaries. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries, which are of lesser importance as regards the extent of the transactions described in the following discussion. Transactions with related parties are summarized as follows:

Related-Party Transactions

€ in millions	2012	2011
Income	**2,557**	**2,473**
Associated companies	*2,288*	*2,191*
Joint ventures	*98*	*154*
Other related parties	*171*	*128*
Expenses	**1,717**	**2,292**
Associated companies	*1,154*	*1,654*
Joint ventures	*204*	*228*
Other related parties	*359*	*410*
Receivables	**1,797**	**1,798**
Associated companies	*1,431*	*1,297*
Joint ventures	*45*	*302*
Other related parties	*321*	*199*
Liabilities	**1,714**	**2,909**
Associated companies	*1,422*	*2,123*
Joint ventures	*64*	*81*
Other related parties	*228*	*705*

Income from transactions with related companies is generated mainly through the delivery of gas and electricity to distributors and municipal entities, especially municipal utilities. The relationships with these entities do not generally differ from those that exist with municipal entities in which E.ON does not have an interest.

Expenses from transactions with related companies are generated mainly through the procurement of gas, coal and electricity.

Receivables from related companies consist mainly of trade receivables.

Liabilities of E.ON payable to related companies as of December 31, 2012, include €720 million (2011: €859 million) in trade payables to operators of jointly-owned nuclear power plants. These payables bear interest at 1.0 percent or at one-month EURIBOR less 0.05 percent per annum (2011: 1.0 percent or at one-month EURIBOR less 0.05 percent per annum) and have no fixed maturity. E.ON continues to have in place with these power plants a cost-transfer agreement and a cost-plus-fee agreement for the procurement of electricity. The settlement of such liabilities occurs mainly through clearing accounts. In addition, E.ON reported financial liabilities of €340 million on December 31, 2012, (2011: €891 million) resulting from fixed-term deposits undertaken by the jointly-owned nuclear power plants at E.ON.

Under IAS 24, compensation paid to key management personnel (members of the Board of Management and of the Supervisory Board of E.ON SE) must be disclosed. The total expense for 2012 amounted to €15.7 million (2011: €13.5 million) in short-term benefits and €0 million (2011: €0 million) in termination benefits, as well as €2.8 million (2011: €2.4 million) in post-employment benefits.

The service cost of post-employment benefits is equal to the service cost of the provisions for pensions.

The expense determined in accordance with IFRS 2 for the tranches of the E.ON Share Performance Plan in existence in 2012 was €2.0 million (2011: €0.6 million).

Provisions for the E.ON Share Performance Plan amounted to €3.2 million as of December 31, 2012 (2011: €1.2 million).

Members of the Supervisory Board received a total of €4.6 million for their activity in 2012 (2011: €4.8 million).

Furthermore, no transactions with key management personnel at non-market terms have taken place.

Detailed, individualized information on compensation can be found in the Compensation Report on pages 83 through 92.

(33) Segment Information

Led by its Group Management in Düsseldorf, Germany, the E.ON Group is segmented into global and regional units, which are reported here in accordance with IFRS 8. Since the beginning of 2012, the businesses of the existing Gas and Trading global units are reported collectively within the new Optimization & Trading segment. The exploration and production business previously held within the Gas global unit has become its own segment. Furthermore, a number of gas distribution companies previously assigned to the Gas global unit are being reported within the Germany regional unit since the beginning of the year. The corresponding prior-year figures have been adjusted.

Global Units

The global units are reported separately in accordance with IFRS 8.

Generation

This global unit consists of the Group's conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables

E.ON also takes a global approach to managing its carbon-sourcing and renewables businesses. The objective at this unit is to extend the Group's leading position in the growing renewables market.

Optimization & Trading

As the link between E.ON and the world's wholesale energy markets, the Optimization & Trading global unit buys and sells electricity, natural gas, liquefied natural gas (LNG), oil, coal, freight, biomass, and carbon allowances. It additionally manages and develops assets at different levels in the gas market's value chain.

Exploration & Production

E.ON's exploration and production business is a segment active in the focus regions North Sea (U.K., Norway), Russia and North Africa.

Regional Units

E.ON's distribution and sales operations in Europe are managed by eleven regional units in total.

For segment reporting purposes, the Germany, U.K., Sweden, Czechia and Hungary regional units are reported separately. E.ON's power generation business in Russia is additionally reported as a special-focus region.

Those units not reported separately are instead reported collectively as "Other regional units." They include the Italy, Spain, France, Netherlands, Slovakia and Romania units, and the Bulgaria regional unit through the end of June 2012.

Group Management/Consolidation contains E.ON SE itself, the interests held directly by E.ON SE, and the consolidation effects that take place at Group level.

Since January 1, 2011, EBITDA has been the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude extraordinary effects. The adjustments include net book gains and restructuring/cost-management expenses, as well as impairments and other non-operating income and expenses.

Economic net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding extraordinary effects, namely, the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Restructuring and cost-management expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments.

Due to the adjustments, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

The following table shows the reconciliation of our EBITDA to net income/loss as reported in the IFRS Consolidated Financial Statements:

Net Income

€ in millions	2012	2011
EBITDA[1]	**10,786**	**9,293**
Depreciation and amortization	-3,544	-3,689
Impairments (-)/Reversals (+)[2]	-215	-166
EBIT[1]	**7,027**	**5,438**
Economic interest income (net)	-1,321	-1,776
Net book gains/losses	322	1,221
Restructuring/cost-management expenses	-618	-1,387
Impairments (-)/Reversals (+)[2]	-1,688	-3,004
Other non-operating earnings	-408	-3,403
Income/Loss (-) from continuing operations before taxes	**3,314**	**-2,911**
Income taxes	-710	1,036
Income/Loss (-) from continuing operations	**2,604**	**-1,875**
Income from discontinued operations, net	37	14
Net income	**2,641**	**-1,861**
Attributable to shareholders of E.ON SE	*2,217*	*-2,219*
Attributable to non-controlling interests	*424*	*358*

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

Net book gains in 2012 were €0.9 billion, or 74 percent, below the prior-year level. In 2012, E.ON recorded book gains primarily on the disposal of its stake in Horizon Nuclear Power in the United Kingdom and on the sale of securities, network segments in Germany, a stake in a gas pipeline in the United Kingdom and an office building in Munich. The 2011 figure reflects, in particular, gains on the sale of Gazprom stock, the sale of the U.K. network business, the disposal of the gas distribution network in Sweden and the sale of securities.

Restructuring and cost-management expenses totaled €0.6 billion in 2012, €0.8 billion less than in 2011. In 2012, most of this expenditure was attributable to the E.ON 2.0 cost-reduction program. E.ON 2.0 expenses consist primarily of obligations under early-retirement arrangements and severance packages at non-German subsidiaries, and were roughly €0.4 billion lower than in 2011. As in 2011, the remaining restructuring and cost-management expenses resulted mainly from restructuring measures at German regional utilities and the withdrawal of generating units.

In 2012, E.ON's global and regional units were adversely affected by a generally deteriorated market environment and by regulatory intervention. This necessitated the recognition of impairment charges totaling €1.7 billion, particularly at the Generation, Renewables and Optimization & Trading units, and in the Other EU Countries segment. €0.3 billion was charged to goodwill, and another €1.7 billion to property, plant, and equipment, intangible assets and equity investments. These impairment charges were partially offset by reversals of impairments in the amount of €0.3 billion, mainly in the Generation segment.

Other non-operating earnings of -€0.4 billion (2011: -€3.4 billion) include, among other things, the marking to market of derivatives used to shield the operating businesses from price fluctuations. As of December 31, 2012, this marking to market produced a negative effect of -€0.5 billion, compared with a negative effect of -€1.8 billion at year-end 2011. Non-operating earnings were also adversely affected by a number of smaller items in 2012. Positive effects on non-operating earnings in 2012 included the reduction of the fine that the European Commission had imposed on E.ON for an alleged market-sharing agreement with GdF Suez. In 2011, there were additional negative effects from the reclassification from equity of currency translation effects in the course of simplifying E.ON's corporate structure, from impairment charges related to the amendment of the Nuclear Energy Act in Germany, from prepayment penalties incurred in connection with debt reduction at E.ON and from write-downs on production licenses in the Exploration & Production segment.

An additional adjustment to the internal profit analysis relates to net interest income, which is presented based on economic considerations. Economic net interest income is calculated by taking the net interest income from the income statement and adjusting it using economic criteria and excluding certain extraordinary (that is, non-operating) effects.

At -€1,321 million, economic net interest income increased over its 2011 level of -€1,776 million. The improvement in economic net interest income is primarily attributable to the reversal of provisions recognized in previous years. The influence in 2011 of a one-time positive effect associated with the renewable energy support fund had an offsetting effect in 2012.

Economic Net Interest Income

€ in millions	2012	2011
Interest and similar expenses (net) as shown in the Consolidated Statements of Income	-1,412	-2,094
Non-operating interest expense (+)/ income (-)	91	318
Economic interest income (net)	**-1,321**	**-1,776**

Transactions within the E.ON Group are generally effected at market prices.

Financial Information by Business Segment

€ in millions	Generation 2012	Generation 2011	Renewables 2012	Renewables 2011	Optimization & Trading 2012	Optimization & Trading 2011
External sales	3,135	3,737	804	781	63,252	48,447
Intersegment sales	10,107	11,242	1,674	1,658	36,849	36,220
Sales	**13,242**	**14,979**	**2,478**	**2,439**	**100,101**	**84,667**
EBITDA[1]	**2,403**	**2,114**	**1,271**	**1,459**	**1,421**	**160**
Earnings from companies accounted for under the equity method[2]	*8*	*8*	*14*	*11*	*466*	*380*
Operating cash flow before interest and taxes	**2,734**	**2,644**	**1,180**	**1,376**	**954**	**-381**
Investments	**1,555**	**1,711**	**1,791**	**1,114**	**319**	**581**

[1]Adjusted for extraordinary 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 EBITDA.

Financial Information by Business Segment—Presentation of Other EU Countries

€ in millions	U.K. 2012	U.K. 2011	Sweden 2012	Sweden 2011	Czechia 2012	Czechia 2011
External sales	9,607	8,467	2,660	2,716	2,851	2,629
Intersegment sales	94	87	162	206	167	136
Sales	**9,701**	**8,554**	**2,822**	**2,922**	**3,018**	**2,765**
EBITDA[1]	**289**	**523**	**714**	**672**	**478**	**470**
Earnings from companies accounted for under the equity method[2]	*–*	*–*	*9*	*5*	*50*	*41*
Operating cash flow before interest and taxes	**278**	**154**	**595**	**622**	**407**	**230**
Investments	**141**	**212**	**397**	**422**	**172**	**200**

[1]Adjusted for extraordinary 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 EBITDA.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow

€ in millions	2012	2011	Difference
Operating cash flow before interest and taxes	**10,189**	**7,859**	**2,330**
Interest payments	-851	-1,200	349
Tax payments	-530	-49	-481
Operating cash flow	**8,808**	**6,610**	**2,198**

The investments presented here are the purchases of investments reported in the Consolidated Statements of Cash Flows.

	Exploration & Production		Germany		Other EU Countries without Consolidation		Russia		Group Management/ Consolidation		E.ON Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	1,213	1,235	38,777	35,262	22,925	21,788	1,879	1,615	108	89	132,093	112,954
	173	283	1,521	2,033	1,171	1,244	–	–	-51,495	-52,680	0	0
	1,386	**1,518**	**40,298**	**37,295**	**24,096**	**23,032**	**1,879**	**1,615**	**-51,387**	**-52,591**	**132,093**	**112,954**
	523	**727**	**2,819**	**2,457**	**2,032**	**2,259**	**729**	**553**	**-412**	**-436**	**10,786**	**9,293**
	72	*54*	*78*	*83*	*124*	*117*	–	–	*-9*	–	*753*	*653*
	531	**817**	**2,868**	**1,719**	**1,874**	**1,575**	**690**	**610**	**-642**	**-501**	**10,189**	**7,859**
	573	**645**	**1,070**	**912**	**1,063**	**1,210**	**289**	**322**	**337**	**29**	**6,997**	**6,524**

	Hungary		Other regional units		Other EU Countries without Consolidation	
	2012	2011	2012	2011	2012	2011
	1,910	1,916	5,897	6,060	22,925	21,788
	64	32	684	783	1,171	1,244
	1,974	**1,948**	**6,581**	**6,843**	**24,096**	**23,032**
	186	**223**	**365**	**371**	**2,032**	**2,259**
	–	–	*65*	*71*	*124*	*117*
	215	**197**	**379**	**372**	**1,874**	**1,575**
	143	**147**	**210**	**229**	**1,063**	**1,210**

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2012	2011
Electricity	62,035	59,946
Gas	61,654	46,068
Other	8,404	6,940
Total	**132,093**	**112,954**

The "Other" item consists in particular of revenues generated from services and from other trading activities.

The following table breaks down external sales (by customer and seller location), intangible assets and property, plant and equipment, as well as companies accounted for under the equity method, by geographic area:

Geographic Segment Information

	Germany		United Kingdom		Sweden		Europe (other)		Other		Total	
€ in millions	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales by location of customer	56,860	47,519	34,110	31,924	4,798	4,511	34,901	28,308	1,424	692	132,093	112,954
External sales by location of seller	102,032	83,511	9,910	8,759	2,783	2,800	17,139	17,661	229	223	132,093	112,954
Intangible assets	1,474	1,897	243	190	204	223	4,642	4,746	306	316	6,869	7,372
Property, plant and equipment	16,722	20,900	6,319	5,307	9,723	9,097	18,656	17,627	2,753	2,938	54,173	55,869
Companies accounted for under the equity method	2,161	4,485	2	208	283	278	1,615	1,354	6	-	4,067	6,325

E.ON's customer structure did not result in any major concentration in any given geographical region or business area. Due to the large number of customers the Company serves and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

Gas is procured primarily from Russia, Norway, Germany and the Netherlands.

(34) Compensation of Supervisory Board and Board of Management

Supervisory Board

Total remuneration to members of the Supervisory Board in 2012 amounted to €4.6 million (2011: €4.8 million).

As in 2011, there were no loans to members of the Supervisory Board in 2012.

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on pages 83 and 84 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on pages 208 and 209.

Board of Management

Total remuneration to members of the Board of Management in 2012 amounted to €21.7 million (2011: €17.6 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

Total payments to former members of the Board of Management and their beneficiaries amounted to €9.7 million (2011: €9.5 million). Provisions of €154.3 million (2011: €137.7 million) have been established for the pension obligations to former members of the Board of Management and their beneficiaries.

As in 2011, there were no loans to members of the Board of Management in 2012.

The Board of Management's compensation structure and the amounts for each member of the Board of Management are presented on pages 85 through 92 in the Compensation Report.

Additional information about the members of the Board of Management is provided on page 210.

(35) 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, 2012)

Name, location	Stake (%)
2PRCE Energies SARL, FR, La Ciotat[2]	100.0
AB Lietūvos Dūjos, LT, Vilnius[4]	38.9
AB Svafo, SE, Stockholm[5]	22.0
Abfallwirtschaft Schleswig-Flensburg GmbH, DE, Schleswig[5]	49.0
Abfallwirtschaft Südholstein GmbH (AWSH), DE, Elmenhorst[5]	49.0
Abfallwirtschaftsgesellschaft Dithmarschen mbH, DE, Heide[5]	49.0
Abfallwirtschaftsgesellschaft Höxter mbH, DE, Höxter[5]	49.0
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[5]	49.0
Abwasser und Service Burg, Hochdonn GmbH, DE, Burg[5]	44.0
Abwasser und Service Mittelangeln GmbH, DE, Sartrup[5]	33.0
Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[5]	49.0
Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[5]	49.0
Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[5]	49.0
Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[5]	27.0
Abwasserentsorgung Berkenthin GmbH, DE, Berkenthin[5]	44.0
Abwasserentsorgung Bleckede GmbH, DE, Bleckede[5]	49.0
Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[5]	49.0
Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[5]	49.0
Abwasserentsorgung Kappeln GmbH, DE, Kappeln[5]	49.0
Abwasserentsorgung Kropp GmbH, DE, Kropp[5]	49.0
Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[5]	49.0
Abwasserentsorgung Schladen GmbH, DE, Schladen[5]	49.0
Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[5]	49.0
Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[5]	25.1
Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[5]	35.0
Abwasserentsorgung Uetersen GmbH, DE, Uetersen[5]	49.0
Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[5]	49.0
Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[5]	49.0
Abwassergesellschaft Ilmenau mbH, DE, Melbeck[5]	49.0
Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[5]	25.0
Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[5]	30.0
adebton GmbH, DE, Potsdam[2]	100.0
Adria LNG d.o.o. za izradu studija, HR, Zagreb[5]	39.2
Aerodis, S.A., FR, Paris[1]	100.0
Alamo Solar, LLC, US, Delaware[2]	100.0
Åliden Vind AB, SE, Malmö[2]	100.0
AMGA – Azienda Multiservizi S.p.A., IT, Udine[4]	21.9
Amrumbank-West GmbH, DE, Munich[1]	100.0
Anacacho Wind Farm, LLC, US, Wilmington[1]	100.0
ANCO Sp. z o.o., PL, Jarocin[2]	100.0
Aquila Power Investments Limited, GB, Coventry[1]	100.0
Aquila Sterling Limited, GB, Coventry[1]	100.0
Arena One GmbH, DE, Munich[1, 8]	100.0
AS EESTI GAAS, EE, Tallinn[5]	33.7
AS Latvijās Gāze, LV, Riga[4]	47.2
AV Packaging GmbH, DE, Munich[7]	0.0
AVA Velsen GmbH, DE, Saarbrücken[5]	49.0
Avacon Hochdrucknetz GmbH, DE, Helmstedt[2]	100.0
Avon Energy Partners Holdings, GB, Coventry[1]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Stralsund[2]	98.0
AWP GmbH, DE, Paderborn[2]	100.0
B.V. NEA, NL, Dodewaard[5]	25.0
Bad Driburg-Solar GmbH & Co. KG, DE, Bad Driburg[5]	48.9
Bad Driburg-Solar-Verwaltungsgesellschaft mbH, DE, Bad Driburg[5]	49.0
Badlantic Betriebsgesellschaft mbH, DE, Ahrensburg[5]	49.0
Barras Eléctricas Galaico-Asturianas, S.A., ES, Lugo[1]	54.9
Barras Eléctricas Generación, S.L., ES, Lugo[1]	55.0
BauMineral GmbH, DE, Herten[1, 8]	100.0
Bayernwerk AG, DE, Munich[2]	100.0
BBL Company V.O.F., NL, Groningen[4]	20.0
Bergeforsens Kraftaktiebolag, SE, Bispgården[4]	40.0
Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Karlsruhe[5]	44.0
Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2]	100.0
BEW Bayreuther Energie- und Wasserversorgungs-GmbH, DE, Bayreuth[4]	24.9
BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[5]	25.1
BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[5]	40.7
BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[5]	46.5
Bietergemeinschaft Tönsmeier MVA BI-HF, DE, Porta Westfalica[5]	50.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Bioenergie Bad Füssing GmbH & Co. KG, DE, Bad Füssing[5]	25.0
Bioenergie Bad Füssing Verwaltungs-GmbH, DE, Bad Füssing[5]	25.0
Bioenergie Merzig GmbH, DE, Merzig[2]	51.0
Bioenergie Northeim-Osterode Verwaltungs-GmbH, DE, Northeim[5]	49.0
Bioenergie Südharz GmbH & Co. KG, DE, Northeim[5]	49.0
Bioerdgas Hallertau GmbH, DE, Wolnzach[2]	64.9
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Roggenhagen GmbH, DE, Potsdam[2]	60.0
Biogas Steyerberg GmbH, DE, Sarstedt[2]	100.0
Bioheizwerk Rötz GmbH, DE, Rötz[5]	25.0
BioMass Nederland b.v., NL, Maasvlakte[1]	100.0
Biomasseheizkraftwerk Emden GmbH, DE, Emden[2]	70.0
Biomasseheizkraftwerk Landesbergen GmbH, DE, Landesbergen[5]	50.0
Bioplyn Cetín, s.r.o., SK, Bratislava[2]	71.5
Bioplyn Hont, s.r.o., SK, Bratislava[2]	89.1
Bioplyn Horovce, s.r.o., SK, Bratislava[2]	95.5
Bioplyn Ladzany, s.r.o., SK, Bratislava[2]	98.3
BIOPLYN Trebon spol. s.r.o., CZ, Třeboň[5]	24.7
BioSolar Otrokovice s.r.o., CZ, Otrokovice[2]	100.0
Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[5]	40.0
Biowärme Surheim GmbH, DE, Regensburg[2]	100.0
Biunisi Solar S.r.l., IT, Sassari[2]	100.0
Björn Kraft Oy, FI, Kotka[1]	100.0
BKW Biokraftwerke Fürstenwalde GmbH, DE, Fürstenwalde/Spree[5]	48.8
Blåsjön Kraft AB, SE, Arbrå[4]	50.0
Blomberger Versorgungsbetriebe GmbH/E.ON Westfalen Weser AG-GbR, DE, Blomberg[5]	50.0
BMV Energie Beteiligungs GmbH, DE, Fürstenwalde/Spree[2]	100.0
BMV Energie GmbH & Co. KG, DE, Fürstenwalde/Spree[2]	100.0
Braila Power S.A., RO, Chiscani village[2]	66.5
Brännälven Kraft AB, SE, Arbrå[4]	19.1
Brattmyrliden Vind AB, SE, Malmö[2]	100.0
Breitbandnetz GmbH & Co. KG, DE, Breklum[5]	25.1
BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[5]	33.3
Bursjöliden Vind AB, SE, Malmö[2]	100.0
Bützower Wärme GmbH, DE, Bützow[5]	20.0
Carbiogas b.v., NL, Nuenen[5]	33.3
CART Partecipazioni in liquidazione S.r.l., IT, Orio al Serio (BG)[2]	100.0
CEC Energieconsulting GmbH, DE, Kirchlengern[2]	62.5

Name, location	Stake (%)
Celle-Uelzen Netz GmbH, DE, Celle[1]	97.5
Centrale Solare di Fiumesanto S.r.l., IT, Sassari[1]	100.0
Centro Energia Ferrara S.p.A, IT, Rome[4]	58.4
Centro Energia Teverola S.p.A, IT, Rome[4]	58.4
Champion WF Holdco, LLC, US, Wilmington[1]	100.0
Champion Wind Farm, LLC, US, Wilmington[1]	100.0
CHN Contractors Limited, GB, Coventry[1]	100.0
CHN Electrical Services Limited, GB, Coventry[1]	100.0
CHN Group Ltd, GB, Coventry[1]	100.0
CHN Special Projects Limited, GB, Coventry[1]	100.0
Citigen (London) Limited, GB, Coventry[1]	100.0
Colonia-Cluj-Napoca-Energie S.R.L., RO, Cluj[5]	33.3
COMPAÑIA EÓLICA ARAGONESA, S.A., ES, Zaragoza[4]	50.0
Cordova Wind Farm, LLC, US, Wilmington[2]	100.0
Cottam Development Centre Limited, GB, Coventry[1]	100.0
Croplin d.o.o., HR, Zagreb[5]	50.0
Csornai Kogenerációs Erőmű Kft., HU, Győr[5]	50.0
CT Services Holdings Limited, GB, Coventry[1]	100.0
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[5]	50.0
DD Brazil Holdings SARL, LU, Luxembourg[1]	100.0
DD Turkey Holdings, SARL, LU, Luxembourg[2]	100.0
Debreceni Kombinált Ciklusú Erőmű Kft., HU, Debrecen[1]	100.0
Delcomm Limited, GB, Coventry[1]	100.0
Deutsche Flüssigerdgas Terminal oHG, DE, Essen[2]	90.0
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[5]	42.5
DFTG - Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2]	90.0
Diamond Power Generation Limited, GB, Coventry[1]	100.0
Distribuidora de Gas Cuyana S.A., AR, Mendoza[2]	53.2
Distribuidora de Gas del Centro S.A., AR, Córdoba[1]	58.7
Donaukraftwerk Jochenstein AG, DE, Passau[4]	50.0
Donau-Wasserkraft Aktiengesellschaft, DE, Munich[1]	100.0
DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[4]	26.0
DOTI Management GmbH, DE, Oldenburg[5]	26.0
DOTTO MORCONE S.R.L., IT, Milan[2]	100.0
Dutchdelta Finance SARL, LU, Luxembourg[1]	100.0
E-Bio Kyjov s.r.o., CZ, Otrokovice[5]	24.5
E WIE EINFACH GmbH, DE, Cologne[1]	100.0
e.dialog GmbH, DE, Potsdam[2]	100.0
e.discom Telekommunikation GmbH, DE, Rostock[2]	100.0
e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1]	100.0
e.distherm Wärmedienstleistungen GmbH, DE, Potsdam[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
E.ON Human Resources International GmbH, DE, Munich[1, 8]	100.0
E.ON Provence Biomasse SARL, FR, Paris[2]	100.0
E.ON Achtzehnte Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Anlagenservice GmbH, DE, Gelsenkirchen[1]	100.0
E.ON Argentina S.A., AR, Buenos Aires[1]	100.0
E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8]	100.0
E.ON Austria GmbH, AT, Vienna[1]	75.1
E.ON Avacon AG, DE, Helmstedt[1]	68.7
E.ON Avacon Vertrieb GmbH, DE, Helmstedt[1]	100.0
E.ON Avacon Wärme GmbH, DE, Sarstedt[1]	100.0
E.ON Bayern AG, DE, Regensburg[1]	100.0
E.ON Bayern Vertrieb GmbH, DE, Regensburg[1]	100.0
E.ON Bayern Verwaltungs AG, DE, Munich[2]	100.0
E.ON Bayern Wärme 1. Beteiligungs-GmbH, DE, Regensburg[2]	100.0
E.ON Bayern Wärme GmbH, DE, Munich[1]	100.0
E.ON Belgium N.V., BE, Brussels[1]	100.0
E.ON Benelux CCS Project B.V., NL, Rotterdam[2]	100.0
E.ON Benelux Geothermie B.V., NL, Rotterdam[1]	100.0
E.ON Benelux Holding b.v., NL, Rotterdam[1]	100.0
E.ON Benelux Levering b.v., NL, Eindhoven/Noord-Brabant[1]	100.0
E.ON Benelux N.V., NL, Rotterdam[1]	100.0
E.ON Best Service GmbH, DE, Hamburg[1]	100.0
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 Brasil Energia LTDA., BR, City of São Paulo, State of São Paulo[1]	100.0
E.ON Business Services GmbH, DE, Berlin[2]	85.0
E.ON Business Services SRL, RO, Cluj[2]	100.0
E.ON Carbon Sourcing GmbH, DE, Essen[1, 8]	100.0
E.ON Carbon Sourcing North America LLC, US, Wilmington[2]	100.0
E.ON Castilla La Mancha, S.L., ES, Albacete[2]	100.0
E.ON Casting Renovables, S.L., ES, Teruel[2]	50.0
E.ON Česká republika, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Climate & Renewables Canada Ltd., CA, Saint John[1]	100.0
E.ON Climate & Renewables Carbon Sourcing Limited, GB, Coventry[2]	100.0
E.ON Climate & Renewables Carbon Sourcing Pte Ltd, SG, Singapore[2]	100.0
E.ON Climate & Renewables Central Europe GmbH, DE, Munich[1]	100.0
E.ON Climate & Renewables France Solar S.A.S., FR, La Ciotat[1]	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 Italia Solar S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables North America LLC, US, Wilmington[1]	100.0
E.ON Climate & Renewables UK Biomass Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Blyth Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Developments Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Humber Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK London Array Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Operations Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Rampion Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg East Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg West Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Zone Six Limited, GB, Coventry[1]	100.0
E.ON Comercializadora de Último Recurso S.L., ES, Santander[1]	100.0
E.ON Connecting Energies GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Czech Holding AG, DE, Munich[1, 8]	100.0
E.ON Czech Holding Verwaltungs-GmbH, DE, Munich[1, 8]	100.0
E.ON Danmark A/S, DK, Herlev[1]	100.0
E.ON Dél-dunántúli Áramhálózati Zrt., HU, Pécs[1]	100.0
E.ON Dél-dunántúli Gázhálózati Zrt., HU, Pécs[1]	100.0
E.ON Direkt GmbH, DE, Essen[1]	100.0
E.ON Distribuce, a.s., CZ, České Budějovice[1]	100.0
E.ON Distribución, S.L., ES, Santander[1]	100.0
E.ON Dreiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON E&P Algeria GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON E&P Norge AS, NO, Stavanger[1]	100.0
E.ON E&P UK Energy Trading Limited, GB, London[1]	100.0
E.ON E&P UK EU Limited, GB, London[1]	100.0
E.ON E&P UK Limited, GB, London[1]	100.0
E.ON edis AG, DE, Fürstenwalde/Spree[1]	71.5

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
E.ON edis Contracting GmbH, DE, Fürstenwalde/Spree[2]	100.0
E.ON edis energia Sp. z o.o., PL, Warsaw[1]	100.0
E.ON edis Vertrieb GmbH, DE, Fürstenwalde/Spree[1]	100.0
E.ON Elektrárne s.r.o., SK, Tracovice[1]	100.0
E.ON Elnät Stockholm AB, SE, Malmö[1]	100.0
E.ON Elnät Sverige AB, SE, Malmö[1]	100.0
E.ON Energia S.p.A., IT, Milan[1]	100.0
E.ON Energía, S.L., ES, Santander[1]	100.0
E.ON Energiaszolgáltató Kft., HU, Budapest[1]	100.0
E.ON Energiatermelő Kft., HU, Debrecen[1]	100.0
E.ON Energie 25. Beteiligungsgesellschaft mbH München, DE, Munich[2, 8]	100.0
E.ON Energie 27. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 31. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 33. Beteiligungsgesellschaft mbH München, DE, Munich[2]	100.0
E.ON Energie 37. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 39. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie AG, DE, Munich[1, 8]	100.0
E.ON Energie Odnawialne Sp. z o.o., PL, Szczecin[1]	100.0
E.ON Energie Real Estate investment GmbH, DE, Munich[2]	100.0
E.ON Energie România S.A., RO, Târgu Mureş[1]	51.0
E.ON Energie S.A.S., FR, Paris[1]	100.0
E.ON Energie, a.s., CZ, České Budějovice[1]	100.0
E.ON Energies Renouvelables S.A.S., FR, Paris[1]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0
E.ON Energy from Waste AG, DE, Helmstedt[1]	100.0
E.ON Energy from Waste Delfzijl B.V., NL, Farmsum[1]	100.0
E.ON Energy from Waste Göppingen GmbH, DE, Göppingen[1]	100.0
E.ON Energy from Waste Großräschen GmbH, DE, Großräschen[1]	100.0
E.ON Energy from Waste Hannover GmbH, DE, Hanover[1]	85.0
E.ON Energy from Waste Helmstedt GmbH, DE, Helmstedt[1]	100.0
E.ON Energy from Waste Heringen GmbH, DE, Heringen[1]	100.0
E.ON Energy from Waste Leudelange SARL, LU, Leudelange[1]	100.0
E.ON Energy from Waste Polska Sp. z o.o., PL, Warsaw[2]	100.0
E.ON Energy from Waste Premnitz GmbH, DE, Premnitz[1]	100.0
E.ON Energy from Waste Saarbrücken GmbH, DE, Saarbrücken[1]	100.0
E.ON Energy from Waste Stapelfeld GmbH, DE, Stapelfeld[1]	100.0
E.ON Energy From Waste UK Limited, GB, Coventry – West Midlands[2]	100.0
E.ON Energy Gas (Eastern) Limited, GB, Coventry[1]	100.0
E.ON Energy Gas (Northwest) Limited, GB, Coventry[2]	100.0
E.ON Energy Projects GmbH, DE, Munich[1, 8]	100.0
E.ON Energy Sales GmbH, DE, Essen[1]	100.0
E.ON Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON Energy Storage GmbH, DE, Essen[2]	100.0
E.ON Energy Trading Bulgaria EOOD – w likwidazia, BG, Sofia[2]	100.0
E.ON Energy Trading NL Staff Company 2 B.V., NL, Voorburg[2]	100.0
E.ON Energy Trading NL Staff Company B.V., NL, Rotterdam[2]	100.0
E.ON Energy Trading S.p.A., IT, Milan[1]	100.0
E.ON Energy Trading SE, DE, Düsseldorf[1]	100.0
E.ON Energy Trading Srbija d.o.o., RS, Belgrade[2]	100.0
E.ON Energy Trading UK Staff Company Limited, GB, Coventry[1]	100.0
E.ON Energy UK Limited, GB, Coventry[2]	100.0
E.ON Erőművek Termelő és Üzemeltető Kft., HU, Budapest[1]	100.0
E.ON España, S.L., ES, Madrid[1]	100.0
E.ON Észak-dunántúli Áramhálózati Zrt., HU, Győr[1]	100.0
E.ON Europa, S.L., ES, Madrid[1]	100.0
E.ON Exploration & Production GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Facility Management GmbH, DE, Munich[1, 8]	100.0
E.ON Fastigheter Sverige AB, SE, Malmö[1]	100.0
E.ON Fernwärme GmbH, DE, Gelsenkirchen[1]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[1]	100.0
E.ON Földgáz Storage ZRt., HU, Budapest[1]	100.0
E.ON Földgáz Trade ZRt., HU, Budapest[1]	100.0
E.ON Försäkring Sverige AB, SE, Malmö[1]	100.0
E.ON Försäljning Sverige AB, SE, Malmö[1]	100.0
E.ON France Management S.A.S., FR, Paris[2]	100.0
E.ON France S.A.S., FR, Paris[1]	100.0
E.ON Gas & Power S.R.L., RO, Bucharest[2]	100.0
E.ON Gas Mobil GmbH, DE, Essen[2]	100.0
E.ON Gas Storage GmbH, DE, Essen[1]	100.0
E.ON Gas Storage UK Limited, GB, Coventry[1]	100.0
E.ON Gas Sverige AB, SE, Malmö[1]	100.0
E.ON Gashandel Sverige AB, SE, Malmö[1]	100.0
E.ON Gasification Development AB, SE, Malmö[1]	100.0
E.ON Gaz Distributie S.A., RO, Târgu Mureş[1]	51.0
E.ON Gazdasági Szolgáltató Kft., HU, Győr[1]	100.0
E.ON Generación, S.L., ES, Santander[1]	100.0
E.ON Generation Belgium N.V., BE, Vilvoorde[1]	100.0
E.ON Generation GmbH, DE, Hanover[1]	100.0
E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Düsseldorf[1, 8]	100.0
E.ON Hálózati Szolgáltató Kft., HU, Pécs[1]	100.0
E.ON Hanse AG, DE, Quickborn[1]	73.8
E.ON Hanse Vertrieb GmbH, DE, Hamburg[1]	100.0
E.ON Hanse Wärme GmbH, DE, Hamburg[1]	100.0
E.ON Hungária Zrt., HU, Budapest[1]	100.0
E.ON Iberia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Iberia Services, S.L., ES, Málaga[1]	100.0
E.ON Inhouse Consulting GmbH, DE, Munich[2, 8]	100.0
E.ON INTERNATIONAL FINANCE B.V., NL, Rotterdam[1]	100.0
E.ON Invest GmbH, DE, Grünwald, Landkreis Munich[2]	100.0
E.ON IT Bulgaria EOOD, BG, Sofia[2]	100.0
E.ON IT Czech Republic s.r.o., CZ, České Budějovice[2]	100.0
E.ON IT GmbH, DE, Hanover[1]	100.0
E.ON IT Hungary Kft., HU, Budapest[2]	100.0
E.ON IT Italia S.r.l., IT, Milan[2]	100.0
E.ON IT Netherlands B.V., NL, Rotterdam[2]	100.0
E.ON IT România S.R.L, RO, Iasi[2]	100.0
E.ON IT Slovakia spol. s.r.o., SK, Bratislava[2]	51.0
E.ON IT Sverige AB, SE, Malmö[2]	100.0
E.ON IT UK Limited, GB, Coventry[1]	100.0
E.ON Italia S.p.A., IT, Milan[1]	100.0
E.ON JobCenter Sverige AB, SE, Malmö[1]	100.0
E.ON Kainuu Oy, FI, Kajaani[1]	50.6
E.ON Kärnkraft Finland AB, FI, Kajaani[1]	100.0
E.ON Kärnkraft Sverige AB, SE, Malmö[1]	100.0
E.ON Kernkraft GmbH, DE, Hanover[1]	100.0
E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1]	99.8
E.ON Kraftwerke 6. Beteiligungs-GmbH, DE, Hanover[2]	100.0
E.ON Kraftwerke GmbH, DE, Hanover[1]	100.0
E.ON Kundsupport Sverige AB, SE, Malmö[1]	100.0
E.ON Limited, GB, Coventry[1]	100.0
E.ON Mälarkraft Värme AB, SE, Håbo[1]	99.8
E.ON Masdar Integrated Carbon LLC, AE, Kalif A City, Abu Dhabi[5]	50.0
E.ON Metering GmbH, DE, Munich[2]	100.0
E.ON Mitte 1. Vermögensverwaltungs GmbH, DE, Kassel[2]	100.0
E.ON Mitte 2. Vermögensverwaltungs GmbH, DE, Kassel[2]	100.0
E.ON Mitte AG, DE, Kassel[1]	73.3
E.ON Mitte Natur GmbH, DE, Dillenburg[1]	100.0
E.ON Mitte Vertrieb GmbH, DE, Kassel[1]	100.0
E.ON Mitte Wärme GmbH, DE, Kassel[1]	100.0
E.ON Moldova Distributie S.A., RO, Iasi[1]	51.0
E.ON NA Capital LLC, US, Wilmington[1]	100.0
E.ON NA Investments LLC, US, Wilmington[1]	100.0
E.ON Netz GmbH, DE, Bayreuth[1]	100.0
E.ON New Build & Technology B.V., NL, Rotterdam[2]	100.0
E.ON New Build & Technology BVBA, BE, Vilvoorde[2]	100.0
E.ON New Build & Technology GmbH, DE, Gelsenkirchen[1]	100.0
E.ON New Build & Technology Limited, GB, Coventry[1]	100.0
E.ON Nord Sverige AB, SE, Malmö[1]	100.0
E.ON Nordic AB, SE, Malmö[1]	100.0
E.ON North America, Inc., US, Wilmington[1]	100.0
E.ON Perspekt GmbH, DE, Düsseldorf[2]	100.0
E.ON Polska Sp. z o.o. w likwidacji, PL, Warsaw[2]	100.0
E.ON Portfolio Solution GmbH, DE, Düsseldorf[2]	100.0
E.ON Power Plants Belgium BVBA, BE, Brussels[2]	100.0
E.ON Produktion Danmark A/S, DK, Herlev[1]	100.0
E.ON Produzione Centrale Livorno Ferraris S.p.A., IT, Milan[1]	75.0
E.ON Produzione S.p.A., IT, Sassari[1]	100.0
E.ON 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 Red S.L., ES, Santander[1]	100.0
E.ON Regenerabile România S.R.L, RO, Iasi[2]	100.0
E.ON Renovables Financiera, S.L., ES, Madrid[2]	80.0
E.ON Renovables, S.L., ES, Madrid[1]	100.0
E.ON Renovaveis Portugal, SGPS S.A., PT, Lisbon[1]	100.0
E.ON Retail Limited, GB, Coventry[1]	100.0
E.ON Risk Consulting GmbH, DE, Düsseldorf[1]	100.0
E.ON România S.R.L., RO, Târgu Mureş[1]	90.2
E.ON Ruhrgas AG, DE, Essen[1]	100.0
E.ON Ruhrgas Austria GmbH, AT, Vienna[1]	100.0
E.ON Ruhrgas BBL B.V., NL, Voorburg[1]	100.0
E.ON Ruhrgas Dutch Holding B.V., NL, Den Haag[2]	100.0
E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas International GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.0
E.ON Ruhrgas Personalagentur GmbH, DE, Essen[2]	100.0
E.ON Ruhrgas Polska Sp. z o.o., PL, Warsaw[2]	100.0
E.ON Ruhrgas Portfolio GmbH, DE, Essen[2]	100.0
E.ON Russia Beteiligungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Russia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Service GmbH, DE, Essen[2]	100.0
E.ON Service Plus GmbH, DE, Landshut[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
E.ON Servicii S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicios, S.L., ES, Santander[1]	100.0
E.ON Servisní, s.r.o., CZ, České Budějovice[1]	83.7
E.ON Siebzehnte Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Slovensko, a.s., SK, Bratislava[1]	100.0
E.ON Smart Living AB, SE, Malmö[1]	100.0
E.ON Suomi Oy, FI, Helsinki[1]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0
E.ON Thüringer Energie AG, DE, Erfurt[1]	53.0
E.ON Thüringer Energie Dritte Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Thüringer Energie Fünfte Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Thüringer Energie Vierte Vermögensverwaltungs-GmbH, DE, Erfurt[2]	100.0
E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[1]	100.0
E.ON Trend s.r.o., CZ, České Budějovice[1]	100.0
E.ON Turkey Enerji Anonim Şirketi, TR, Ankara[2]	100.0
E.ON Ügyfélszolgálati Kft., HU, Budapest[1]	100.0
E.ON UK CHP Limited, GB, Coventry[1]	100.0
E.ON UK CoGeneration Limited, GB, Coventry[1]	100.0
E.ON UK Community Solar Limited, GB, Coventry[2]	100.0
E.ON UK Directors Limited, GB, Coventry[2]	100.0
E.ON UK Energy Services Limited, GB, Coventry[1]	100.0
E.ON UK Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON UK Gas Limited, GB, Coventry[1]	100.0
E.ON UK Holding Company Limited, GB, Coventry[1]	100.0
E.ON UK Industrial Shipping Limited, GB, Coventry[2]	100.0
E.ON UK Ironbridge Limited, GB, Coventry[2]	100.0
E.ON UK Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON UK plc, GB, Coventry[1]	100.0
E.ON UK Power Technology Limited, GB, Coventry[1]	100.0
E.ON UK Property Services Limited, GB, Coventry[1]	100.0
E.ON UK PS Limited, GB, Coventry[1]	100.0
E.ON UK Retail Limited, GB, Coventry[2]	100.0
E.ON UK Secretaries Limited, GB, Coventry[2]	100.0
E.ON UK Technical Services Limited, GB, Edinburgh[1]	100.0
E.ON UK Trustees Limited, GB, Coventry[1]	100.0
E.ON US Corporation, US, Wilmington[1]	100.0
E.ON US Energy LLC, US, Red Bank[1]	100.0
E.ON US Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Varme Danmark ApS, DK, Herlev[1]	100.0
E.ON Värme Sverige AB, SE, Malmö[1]	100.0
E.ON Värme Timrå AB, SE, Sundsvall[1]	90.9
E.ON Värmekraft Sverige AB, SE, Karlshamn[1]	100.0
E.ON Vattenkraft Sverige AB, SE, Sundsvall[1]	100.0
E.ON Vertrieb Deutschland GmbH, DE, Munich[1]	100.0
E.ON Vierundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Vind Sverige AB, SE, Malmö[1]	100.0
E.ON Wasserkraft GmbH, DE, Landshut[1]	100.0
E.ON Westfalen Weser 3. Vermögensverwaltungs-UG (haftungsbeschränkt), DE, Hameln[2]	100.0
E.ON Westfalen Weser AG, DE, Paderborn[1]	62.8
E.ON Westfalen Weser Energie-Service GmbH, DE, Kirchlengern[1]	100.0
E.ON Westfalen Weser Vertrieb GmbH, DE, Paderborn[1]	100.0
E.ON Zwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
East Midlands Electricity Distribution Holdings, GB, Coventry[1]	100.0
East Midlands Electricity Distribution Limited, GB, Coventry[2]	100.0
East Midlands Electricity Generation (Corby) Limited, GB, Coventry[1]	100.0
East Midlands Electricity Limited, GB, Coventry[1]	100.0
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EAV Beteiligungs-GmbH, DE, Helmstedt[1]	100.0
EBG 1. Beteiligungsgesellschaft mbH, DE, Essen[2]	100.0
EBS Kraftwerk GmbH, DE, Hürth[5]	50.0
EBY Eigenbetriebe GmbH, DE, Regensburg[1]	100.0
EBY Gewerbeobjekt GmbH, DE, Regensburg[2]	100.0
EBY Immobilien GmbH & Co. KG, DE, Regensburg[2]	100.0
EBY Port 3 GmbH, DE, Regensburg[1]	100.0
EBY Port 5 GmbH, DE, Regensburg[2]	100.0
EC Serwis sp. z o.o., PL, Slupsk[1]	100.0
EC&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 Investco Mgmt II, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt, LLC, US, Wilmington[1]	100.0
EC&R NA Solar PV, LLC, US, Wilmington[2]	100.0
EC&R O&M, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm I&II, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm III, LLC, US, Wilmington[1]	100.0
EC&R Papalote Creek I, LLC, US, Wilmington[1]	100.0
EC&R Papalote Creek II, LLC, US, Wilmington[1]	100.0
EC&R QSE, LLC, US, Wilmington[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
EC&R Services, LLC, US, Wilmington[1]	100.0
EC&R Sherman, LLC, US, Wilmington[2]	100.0
Economy Power Limited, GB, Coventry[1]	100.0
E-Eko Malenovice s.r.o., CZ, Otrokovice[2]	100.0
EEP 1. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EEP 2. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EEP 3. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EFG Erdgas Forchheim GmbH, DE, Forchheim[5]	24.9
EFM GmbH & Co. Beta KG, DE, Karlsfeld[1, 8]	100.0
EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[5]	39.9
EFR-CEE Szolgáltató Kft., HU, Budapest[5]	37.0
EGF EnergieGesellschaft Frankenberg mbH, DE, Frankenberg/Eder[5]	40.0
EH-SZER Energetikai és Távközlési Hálózatépítő és Szerelő Kft., HU, Győr[1]	100.0
Eisenacher Versorgungs-Betriebe GmbH (EVB), DE, Eisenach[4]	25.1
Ekopur d.o.o., SI, Ljubljana[2]	100.0
EKS-Service Kft., HU, Budapest[5]	50.0
Elecdey ASCOY, S.A., ES, Murcia[5]	19.5
Elecdey CARCELÉN, S.A., ES, Albacete[4]	23.0
Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2]	100.0
Elevate Holdco Funding, LLC, US, Delaware[2]	100.0
Elevate Wind Holdco, LLC, US, Wilmington[2]	100.0
ELICA S.R.L., IT, Milan[2]	100.0
Elmregia GmbH, DE, Schöningen[5]	49.0
Első Magyar Szélerőmű Kft., HU, Kulcs[2]	74.7
Eltel Networks Pohjoinen Oy, FI, Kajaani[4]	25.0
Elverket Vallentuna AB, SE, Vallentuna[4]	43.4
EME Distribution No. 2 Limited, GB, Coventry[1]	100.0
Empec Ustka Sp. z o.o., PL, Ustka[4]	48.5
ENACO Energieanlagen- und Kommunikationstechnik GmbH, DE, Maisach, Landkreis Fürstenfeldbruck[5]	26.0
ENAG/Maingas Energieanlagen GmbH, DE, Eisenach[5]	50.0
Energest S.r.l., IT, Mira (VE)[2]	100.0
Energetika Malenovice, a.s., CZ, Zlin-Malenovice[2]	100.0
ENERGETIKA SERVIS s.r.o., CZ, České Budějovice[2]	80.0
Energetyka Cieplna miasta Skarżysko-Kamienna Sp. z o.o., PL, Skarżysko-Kamienna[2]	63.9
Energetyka Cieplna Opolszczyzny S.A., PL, Opole[5]	45.7
Energia Eolica Sud s.r.l., IT, Milan[2]	100.0
Energías Renovables de Euskadi, S.L., ES, Bilbao[5]	30.0
Energie Region Kassel GmbH & Co. KG, DE, Vellmar[1]	100.0
Energie Region Kassel Verwaltungs GmbH, DE, Vellmar[2]	100.0
Energie- und Medienversorgung Schwarza GmbH (EMS), DE, Rudolstadt/Schwarza[1]	100.0
Energie und Wasser Potsdam GmbH, DE, Potsdam[4]	35.0
Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[5]	50.1
Energie-Agentur Weyhe GmbH, DE, Weyhe[5]	50.0
Energieerzeugungswerke Geesthacht GmbH, DE, Geesthacht[5]	33.4
Energienetze Bayern GmbH, DE, Regensburg[1]	100.0
Energienetze Schaafheim GmbH, DE, Regensburg[2]	100.0
Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[5]	69.5
Energieversorgung Apolda GmbH, DE, Apolda[4]	49.0
Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[5]	50.0
Energieversorgung Greiz GmbH, DE, Greiz[4]	49.0
Energieversorgung Inselsberg GmbH, DE, Waltershausen[5]	20.0
Energieversorgung Nordhausen GmbH, DE, Nordhausen[4]	40.0
Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[5]	50.0
Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[5]	50.0
Energieversorgung Rudolstadt GmbH, DE, Rudolstadt[5]	23.9
Energieversorgung Sehnde GmbH, DE, Sehnde[5]	30.0
Energie-Wende-Garching GmbH & Co. KG, DE, Garching, Landkreis Munich[5]	50.0
Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching, Landkreis Munich[5]	50.0
Energiewerke Isernhagen GmbH, DE, Isernhagen[4]	49.0
Energiewerke Zeulenroda GmbH, DE, Zeulenroda-Triebes[5]	49.0
Energos Deutschland GmbH, DE, Helmstedt[2]	100.0
Energy Collection Services Limited, GB, Coventry[1]	100.0
Enertec Hameln GmbH, DE, Hameln[1]	100.0
Enfield Energy Centre Limited, GB, Coventry[1]	100.0
Enfield Energy Services (Europe) Limited, GB, Coventry[1]	100.0
Enfield Operations (UK) Limited, GB, Coventry[1]	100.0
ENSECO GmbH, DE, Unterschleißheim, Landkreis Munich[5]	49.0
Entsorgungsgemeinschaft Oberhavel GbR, DE, Helmstedt[2]	74.9
Entsorgungszentrum Salzgitter GmbH, DE, Salzgitter[5]	50.0
Eólica de Levante, S.L., ES, Alicante[5]	25.0
Eólica de São Julião, Lda, PT, Lisbon[4]	45.0
EÓLICA MARÍTIMA Y PORTUARIA, SOCIEDAD LIMITADA, ES, Oviedo[2]	70.0
Eoliser Serviços de Gestão para parques eólicos, Lda, PT, Lisbon[1]	100.0
EOS PAX IIA, S.L., ES, Santiago de Compostela[4]	48.5
EPOS Bioenergie Verwaltungs-GmbH, DE, Herford[2]	100.0
EPS Polska Holding Sp. z o.o., PL, Warsaw[2]	100.0
EPS Polska Sp. z o.o. w likw., PL, Warsaw[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH (EVG), DE, Erfurt[3]	50.0
Ergon Energia S.r.l. in liquidazione, IT, Brescia[4]	50.0
Ergon Energy Limited, GB, Coventry[1]	100.0
Ergon Holding Company Limited, GB, Coventry[1]	100.0
Ergon Holdings Ltd, MT, St. Julians[1]	100.0
Ergon Insurance Ltd, MT, St. Julians[1]	100.0
Ergon Nominees Limited, GB, Coventry[1]	100.0
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
Ergosud S.p.A., IT, Rome[4]	50.0
ERKA Vermögensverwaltungsgesellschaft mbH, DE, Düsseldorf[2]	100.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[5]	47.5
Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[7]	75.2
Etzel Gas-Lager Management GmbH, DE, Friedeburg-Etzel[5]	75.2
European Nuclear Energy Leadership Academy GmbH, DE, Garching[5]	26.3
Evantec GmbH, DE, Munich[2]	100.0
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[5]	49.0
EVU Services GmbH, DE, Neumünster[5]	100.0
EW Eichsfeldgas GmbH, DE, Worbis[2]	49.0
ew wärme GmbH, DE, Bad Heiligenstadt[5]	49.0
EWC Windpark Cuxhaven GmbH, DE, Munich[5]	50.0
ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[5]	50.2
Exporting Commodities International LLC, US, Marlton[4]	30.0
EZH-Systems Inc., US, Delaware[2]	100.0
EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[5]	28.9
EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[5]	28.8
Falkenbergs Biogas AB, SE, Malmö[4]	65.0
Farma Wiatrowa Barzowice Sp. z o.o., PL, Warsaw[1]	100.0
Farma Wiatrowa Łebcz Sp. z o.o., PL, Warsaw[1]	100.0
Fennovoima Oy, FI, Helsingfors[4]	34.0
Ferngas Nordbayern GmbH, DE, Nuremberg[1]	100.0
Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[5]	50.0
Fernwärmeversorgung Herne GmbH, DE, Herne[5]	50.0
Fidelia Communications Inc., US, Delaware[2]	100.0
FIDELIA Holding LLC, US, Wilmington[1]	100.0
Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach i. Isartal, Landkreis Munich[2]	90.0
FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach i. Isartal, Landkreis Munich[2]	90.0
FITAS Verwaltung GmbH & Co. Vermietungs-KG, DE, Pullach[2]	99.9
Flatlands Wind Farm, 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
Freya Bunde-Etzel GmbH & Co. KG, DE, Bonn[4]	60.0
G.E.I. – Gestione Energetica Impianti S.p.A., IT, Crema[4]	48.9
GAL Beteiligungs GmbH, DE, Porta Westfalica[5]	50.0
Gasag Berliner Gaswerke Aktiengesellschaft, DE, Berlin[4]	36.9
Gasnetzgesellschaft Laatzen-Süd mbH, DE, Laatzen[5]	49.0
Gasspeicher Lehrte GmbH, DE, Helmstedt[2]	100.0
Gasum Oy, FI, Espoo[4]	20.0
Gas-Union GmbH, DE, Frankfurt/Main[4]	25.9
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[5]	50.0
Gasversorgung Biedenkopf GmbH, DE, Biedenkopf[5]	49.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[5]	50.0
Gasversorgung Frankenwald GmbH (GFW), DE, Helmbrechts[5]	50.0
Gasversorgung im Landkreis Gifhorn GmbH (GLG), DE, Wolfsburg-Fallersleben[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[4]	64.0
Gasversorgung Vorpommern GmbH, DE, Trassenheide[5]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[5]	49.0
Gasversorgung Wismar Land Vertrieb GmbH, DE, Lübow[5]	49.0
Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[5]	50.0
Gaswerk Bad Sooden-Allendorf GmbH, DE, Bad Sooden-Allendorf[5]	49.0
GCE Energies SARL, FR, La Ciotat[2]	100.0
Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1]	100.0
Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
Gelsenwasser Beteiligungs-GmbH, DE, Munich[2, 8]	100.0
Gem. Ges. zur Förderung des E.ON Energy Research Center mbH, DE, Aachen[5]	50.0
Gemeindewerke Gräfelfing GmbH & Co. KG, DE, Gräfelfing[2]	100.0
Gemeindewerke Gräfelfing Verwaltungs GmbH, DE, Gräfelfing[2]	100.0
Gemeindewerke Leck GmbH, DE, Leck[5]	49.9
Gemeindewerke Uetze GmbH, DE, Uetze[5]	49.0
Gemeindewerke Wedemark GmbH, DE, Wedemark[5]	49.0
Gemeindewerke Wietze GmbH, DE, Wietze[5]	49.0
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG, DE, Emmerthal[1]	100.0
Gemeinschaftskernkraftwerk Grohnde Management GmbH, DE, Emmerthal[2]	83.2
Gemeinschaftskernkraftwerk Isar 2 GmbH, DE, Essenbach[2]	75.0
Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1]	50.2

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[3]	50.0
Gemeinschaftskraftwerk Staudinger Verwaltungs-GmbH, DE, Großkrotzenburg[2]	100.0
Gemeinschaftskraftwerk Staudinger GmbH & Co. KG, DE, Großkrotzenburg[1]	100.0
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1]	66.7
Gemeinschaftskraftwerk Weser GmbH & Co. oHG, DE, Emmerthal[1]	66.7
Generale Servizi in liquidazione S.r.l., IT, Gandino (BG)[2]	100.0
Geólica Magallón, S.L., ES, Zaragoza[4]	36.2
Geothermie-Wärmegesellschaft Braunau-Simbach mbH, AT, politische Gemeinde Braunau am Inn[5]	20.0
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH, DE, Kiel[5]	33.3
GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[5]	41.7
GHD E.ON Bayern AG & Co. KG, DE, Dingolfing[2]	75.0
GLG Netz GmbH, DE, Gifhorn[1]	100.0
GNR Gesellschaft zur energetischen Nutzung nachwachsender Rohstoffe mbH, DE, Brakel[5]	33.3
GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[4]	48.0
GOLLIPP Bioerdgas GmbH & Co KG, DE, Gollhofen[5]	50.0
GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Nuremberg[5]	50.0
Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2]	100.0
GRE Gesellschaft zur rationellen Energienutzung Horn-Bad Meinberg mbH, DE, Horn-Bad Meinberg[5]	50.0
Grenzkraftwerke Gesellschaft mit beschränkter Haftung, DE, Simbach am Inn[5]	50.0
GreyLogix GmbH, DE, Flensburg[5]	74.2
Guyane Conhilac Energies SARL, FR, La Ciotat[2]	100.0
Hamburg Netz GmbH, DE, Hamburg[1]	74.9
Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2]	100.0
Hams Hall Management Company Limited, GB, Coventry[4]	46.6
Harzwasserwerke GmbH, DE, Hildesheim[4]	20.8
Havelstrom Zehdenick GmbH, DE, Zehdenick[5]	49.0
Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[5]	50.0
Helioenergy Electricidad Dos, S.A, ES, Sevilla[4]	50.0
Helioenergy Electricidad Uno, S.A., ES, Sevilla[4]	50.0
HEMAB Elförsäljning AB, SE, Malmö[1]	100.0
Hermann Seippel-Unterstützungseinrichtung GmbH, DE, Essen[2]	100.0
HEUREKA-Gamma AG, CH, Baden-Dättwil[2]	100.0
HGC Hamburg Gas Consult GmbH, DE, Hamburg[2]	100.0
Hibernia Gamma Beteiligungsgesellschaft mbH, DE, Frankfurt/Main[4]	39.4
HIBERNIA Industriewerte GmbH & Co. oHG, DE, Düsseldorf[2]	100.0
Hochtemperatur-Kernkraftwerk GmbH (HKG), Gemeinsames europäisches Unternehmen, DE, Hamm[5]	26.0
HOCHTIEF Energy Management Harburg GmbH, DE, Hamburg[5]	35.0
Holford Gas Storage Limited, GB, Edinburgh[1]	100.0
Holsteiner Wasser GmbH, DE, Neumünster[5]	50.0
HSE AVG Beteiligungs-GmbH, DE, Darmstadt[5]	50.0
HSN Magdeburg GmbH, DE, Magdeburg[1]	74.9
HUGE Kft., HU, Budapest[2]	100.0
Inadale Wind Farm, LLC, US, Wilmington[1]	100.0
Induboden GmbH, DE, Düsseldorf[2]	100.0
Induboden GmbH & Co. Grundstücksgesellschaft OHG, DE, Düsseldorf[1]	100.0
Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[1]	100.0
Industriekraftwerk Greifswald GmbH, DE, Kassel[5]	49.0
Industry Development Services Limited, GB, Coventry[1]	100.0
Informační služby – energetika, a.s., CZ, Prague[2]	100.0
InfraServ-Bayernwerk Gendorf GmbH, DE, Burgkirchen/Alz[5]	50.0
Infrastructure Alliance Limited, JE, St. Helier[1]	100.0
Infrastrukturgesellschaft Stadt Nienburg/Weser mbH, DE, Nienburg/Weser[5]	49.9
Innwerk AG, DE, Landshut[2]	100.0
INTERARGEM GbR, DE, Bielefeld[2]	66.7
Interargem GmbH, DE, Bielefeld[1]	61.2
Inversora de Gas Cuyana S.A., AR, Mendoza[2]	24.0
Inversora de Gas del Centro S.A., AR, Córdoba[1]	75.0
Inwestycyjna Spólka Energetyczna-IRB Sp. z o.o., PL, Warsaw[5]	50.0
Isam-Immobilien-GmbH, DE, Munich[2]	100.0
Jihočeská plynárenská, a.s., CZ, České Budějovice[2]	100.0
Jihomoravská plynárenská, a.s., CZ, Brno[5]	43.7
Kajaanin Lämpö Oy, FI, Helsingfors[4]	50.0
Kalmar Energi Försäljning AB, SE, Kalmar[4]	40.0
Kalmar Energi Holding AB, SE, Kalmar[4]	50.0
Karlshamn Kraft AB, SE, Karlshamn[1]	70.0
Kärnkraftsäkerhet & Utbildning AB, SE, Nyköping[5]	25.0
Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1]	80.0
Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[4]	33.3
Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[4]	25.0
Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[4]	50.0
Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1]	66.7
Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
KGN Kommunalgas Nordbayern GmbH, DE, Bamberg[1]	100.0
KGW – Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1]	69.8
Klåvbens AB, SE, Olofström[5]	50.0
Kokereigasnetz Ruhr GmbH, DE, Essen[2]	100.0
Kolbäckens Kraft KB, SE, Sundsvall[1]	100.0
Komáromi Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
KommEnergie Erzeugungs GmbH, DE, Eichenau, Landkreis Fürstenfeldbruck [5]	100.0
KommEnergie GmbH, DE, Eichenau, Landkreis Fürstenfeldbruck[5]	67.0
Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[5]	49.0
Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[5]	25.0
Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[5]	25.0
KomSolar Invest GmbH, DE, Erfurt[5]	49.0
Kraftverkehrsgesellschaft Paderborn mbH -KVP-, DE, Paderborn[2]	100.0
Kraftwerk Buer Betriebsgesellschaft mbH, DE, Gelsenkirchen[5]	50.0
Kraftwerk Buer GbR, DE, Gelsenkirchen[5]	50.0
Kraftwerk Burghausen GmbH, DE, Munich[1]	100.0
Kraftwerk Hattorf GmbH, DE, Munich[1]	100.0
Kraftwerk Obernburg GmbH, DE, Erlenbach am Main[3]	50.0
Kraftwerk Plattling GmbH, DE, Munich[1]	100.0
Kraftwerk Schkopau Betriebsgesellschaft mbH, DE, Schkopau[1]	55.6
Kraftwerk Schkopau GbR, DE, Schkopau[1]	58.1
Kraftwerk Schwedt GmbH & Co. KG, DE, Schwedt[1]	99.0
Kraftwerk Schwedt Verwaltungsgesellschaft mbH, DE, Schwedt[2]	100.0
Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[5]	41.7
Kreiswerke Main-Kinzig GmbH, DE, Gelnhausen[5]	24.5
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald, Landkreis Munich[1]	90.0
LandE GmbH, DE, Wolfsburg-Fallersleben[1]	69.6
Landgas Göhren GmbH, DE, Göhren[5]	40.6
Landwehr Wassertechnik GmbH, DE, Schöppenstedt[2]	100.0
Lighting for Staffordshire Holdings Limited, GB, Coventry[1]	60.0
Lighting for Staffordshire Limited, GB, Coventry[1]	100.0
Lillo Energy NV, BE, Beveren/Antwerp[5]	50.0
Limited Liability Company E.ON IT, RU, Moscow[2]	100.0
Łobeska Energetyka Cieplna Sp. z o.o., PL, Łobez[2]	100.0
London Array Limited, GB, Coventry[5]	30.0

Name, location	Stake (%)
LSW LandE-Stadtwerke Wolfsburg GmbH & Co. KG, DE, Wolfsburg[4]	57.0
LSW LandE-Stadtwerke Wolfsburg Verwaltungs-GmbH, DE, Wolfsburg[5]	57.0
Lubmin-Brandov Gastransport GmbH, DE, Essen[1]	100.0
LUMEN DISTRIBUCE s.r.o., CZ, České Budějovice[5]	34.0
LUMEN DISTRIBUČNÍ SOUSTAVY, s.r.o., CZ, České Budějovice[5]	34.0
Lumen Energy a.s., CZ, Prague[5]	40.0
LUMEN SYNERGY s.r.o., CZ, České Budějovice[5]	34.0
Luminar S.r.l., IT, Milan[1]	100.0
Luna Lüneburg GmbH, DE, Lüneburg[5]	49.0
Maasvlakte CCS Project B.V., NL, Rotterdam[5]	50.0
Maasvlakte I b.v., NL, Rotterdam[2]	100.0
Maasvlakte II b.v., NL, Rotterdam[2]	100.0
Magic Valley Wind Farm I, LLC, US, Wilmington[1]	100.0
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, Munich[2]	75.0
Maricopa West Solar PV, LLC, US, Delaware[2]	100.0
MCE Energies SARL, FR, La Ciotat[2]	100.0
MEC Koszalin Sp. z o.o., PL, Koszalin[4]	30.8
MEON Pensions GmbH & Co. KG, DE, Grünwald[1, 8]	100.0
MEON Verwaltungs GmbH, DE, Grünwald[2]	100.0
Mer. Wind S.r.l., IT, Milan[1]	100.0
Měření dodávek plynu, a.s., CZ, Prague[2]	100.0
Metegra GmbH, DE, Laatzen[5]	25.0
Meter Services Limited, GB, Coventry[2]	100.0
Metering Services Limited, GB, Coventry[2]	100.0
METHA-Methanhandel GmbH, DE, Essen[1]	100.0
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG, DE, Grünwald[7]	90.0
Midlands Electricity Limited, GB, Coventry[2]	100.0
Midlands Gas Limited, GB, Coventry[1]	100.0
Midlands Generation (Overseas) Limited, GB, Coventry[1]	100.0
Midlands Power (UK) Limited, GB, Coventry[1]	100.0
Midlands Power International Limited, GB, Coventry[1]	100.0
Midlands Sales Limited, GB, Coventry[2]	100.0
Mittlere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Montan GmbH Assekuranz-Makler, DE, Düsseldorf[4]	44.3
Monte Elva Solar S.r.l., IT, Sassari[1]	100.0
Mosoni-Duna Menti Szélerőmű Kft., HU, Győr[2]	100.0
MPX Energia S.A., BR, Rio de Janeiro[4]	11.7
Müllheizkraftwerk Rothensee GmbH, DE, Magdeburg[7]	51.0
Munkabol Vind AB, SE, Malmö[2]	100.0
Munnsville Investco, LLC, US, Wilmington[1]	100.0
Munnsville WF Holdco, LLC, US, Wilmington[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Munnsville Wind Farm, LLC, US, Wilmington[1]	100.0
MVA Bielefeld-Herford GmbH, DE, Bielefeld[1]	100.0
Nafta a.s., SK, Bratislava[4]	40.5
Nahwärme Bad Oeynhausen-Löhne GmbH, DE, Bad Oeynhausen[2]	65.4
Nahwärmeversorgung Kirchlengern GmbH, DE, Kirchlengern[5]	50.0
Naturgas Emmerthal GmbH & Co. KG, DE, Emmerthal[2]	84.6
Netz- und Windservice (NWS) GmbH, DE, Schwerin[2]	100.0
Netz Veltheim GmbH, DE, Porta Westfalica[1]	66.7
Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[5]	34.8
Netzgesellschaft Gehrden mbH, DE, Gehrden[5]	49.0
Netzgesellschaft Hemmingen mbH, DE, Hemmingen[5]	49.0
Netzgesellschaft Herrenwald Verwaltung GmbH, DE, Stadtallendorf[2]	51.0
Netzgesellschaft Hildesheimer Land GmbH & Co. KG, DE, Gießen[5]	49.0
Netzgesellschaft Hildesheimer Land Verwaltung GmbH, DE, Gießen[5]	49.0
Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[5]	40.0
Netzgesellschaft Stuhr/Weyhe mbH, DE, Weyhe[5]	49.0
Neue Energien Bad Salzungen GmbH, DE, Bad Salzungen[5]	40.0
Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1]	50.1
NHG Netzgesellschaft Herrenwald GmbH & Co. KG, DE, Stadtallendorf[1]	51.0
Nord Stream AG, CH, Zug[4]	15.5
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH, DE, Helmstedt[2]	51.0
NORD-direkt GmbH, DE, Neumünster[2]	100.0
Nordzucker Bioerdgas GmbH & Co. KG, DE, Braunschweig[2]	50.0
Nordzucker Bioerdgas Verwaltung-GmbH, DE, Braunschweig[2]	50.0
Northeolic Montebuño, S.L., ES, Madrid[2]	100.0
Nyíregyházi Kombinált Ciklusú Erőmű Kft., HU, Nyíregyháza[1]	100.0
OAO E.ON Russia, RU, Surgut[1]	83.7
OAO Severneftegazprom, RU, Krasnoselkup[4]	25.0
OAO Shaturskaya Upravlyayushchaya Kompaniya, RU, Shatura[1]	51.0
oaza-Krupka, a.s., CZ, Liberec VI[5]	49.0
Obere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[5]	49.0
Offshore Trassenplanungs GmbH, DE, Hanover[2]	50.0
Offshore-Windpark Beta Baltic GmbH, DE, Munich[2]	100.0
Offshore-Windpark Delta Nordsee GmbH, DE, Munich[2]	100.0
OKG AB, SE, Oskarshamn[1]	54.5
OLT Offshore LNG Toscana S.p.A., IT, Milan[4]	46.8
OOO E.ON E&P Russia, RU, Moscow[2]	100.0
OOO E.ON Russia, RU, Moscow[2]	100.0
OOO E.ON Russia Power, RU, Moscow[2]	100.0
OOO Teplosbyt, RU, Shatura[1]	100.0
Orcan Energy GmbH, DE, Munich[1]	16.2
Oskarshamns Energi AB, SE, Oskarshamn[4]	50.0
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, DE, Simbach am Inn[3]	50.0
Östersjöfrakt AB, SE, Örebro[1]	80.0
Östrand Energi AB, SE, Sundsvall[1]	100.0
Ostrowski Zaklad Ceoplowinczy S.A., PL, Ostrow Wielkopolski[4]	48.6
PADES Personalservice GmbH, DE, Munich[2]	100.0
Panrusgáz Zrt., HU, Budapest[5]	50.0
Parque Eólico Barlavento, S.A., PT, Lisbon[1]	90.0
Patriot Wind Farm, LLC, US, Delaware[2]	100.0
PEG Infrastruktur AG, CH, Zug[1]	100.0
Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg, Landkreis Weilheim-Schongau[2]	100.0
Peißenberger Wärmegesellschaft mbH, DE, Peißenberg, Landkreis Weilheim-Schongau[5]	50.0
Perstorps Fjärrvärme AB, SE, Perstorp[4]	50.0
Pioneer Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Powerforum Zrt., HU, Budapest[5]	50.0
Powergen (East Midlands) Investments, GB, Coventry[1]	100.0
Powergen (East Midlands) Loan Notes, GB, Coventry[1]	100.0
Powergen Group Holdings Limited, GB, Coventry[1]	100.0
Powergen Group Investments, GB, Coventry[1]	100.0
Powergen Holdings B.V., NL, Amsterdam[1]	100.0
Powergen Holdings SARL, LU, Luxembourg[1]	100.0
Powergen International Limited, GB, Coventry[1]	100.0
Powergen Ireland Limited, GB, Coventry[1]	100.0
Powergen Limited, GB, Coventry[1]	100.0
Powergen LS SE, GB, Coventry[1]	100.0
Powergen Luxembourg Holdings SARL, LU, Luxembourg[1]	100.0
Powergen Power No. 1 Limited, GB, Coventry[1]	100.0
Powergen Power No. 2 Limited, GB, Coventry[1]	100.0
Powergen Power No. 3 Limited, GB, Coventry[1]	100.0
Powergen Retail Limited, GB, Coventry[1]	100.0
Powergen Retail Supply Limited, GB, Coventry[1]	100.0
Powergen Serang Limited, GB, Coventry[2]	100.0
Powergen UK Holding Company Limited, GB, Coventry[1]	100.0
Powergen UK Investments, GB, Coventry[1]	100.0
Powergen UK Limited, GB, Coventry[1]	100.0
Powergen UK Securities, GB, Coventry[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Powergen US Holdings Limited, GB, Coventry[1]	100.0
Powergen US Investments, GB, Coventry[1]	100.0
Powergen US Securities Limited, GB, Coventry[1]	100.0
Powergen Weather Limited, GB, Coventry[2]	100.0
Pragoplyn, a.s., CZ, Prague[1]	100.0
Pražská plynárenská Distribuce, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[1]	100.0
Pražská plynárenská Holding a.s., CZ, Prague[5]	49.0
Pražská plynárenská Servis distribuce, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2]	100.0
Pražská plynárenská Správa majetku, s.r.o., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2]	100.0
Pražská plynárenská, a.s., CZ, Prague[1]	49.3
Promec Sp. z o.o., PL, Skarżysko-Kamienna[2]	100.0
Prometheus, energetické služby, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2]	100.0
Przedsiębiorstwo Energetyki Cieplnej w Barlinku Sp. z o.o., PL, Barlinek[2]	100.0
Przedsiębiorstwo Energetyki Cieplnej w Słubicach Sp. z o.o., PL, Słubice[2]	100.0
PT Power Jawa Barat, ID, Jakarta[4]	40.0
Purena GmbH, DE, Wolfenbüttel[1]	94.5
Pyron Wind Farm, LLC, US, Wilmington[1]	100.0
Q-Energie b.v., NL, Eindhoven[2]	53.3
Raab Karcher Electronic Systems plc, GB, Coventry[1]	100.0
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4]	30.0
Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	77.4
RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Würzburg[2]	62.7
RDE Verwaltungs-GmbH, DE, Würzburg[2]	100.0
REGAS GmbH & Co KG, DE, Regensburg[5]	50.0
REGAS Verwaltungs-GmbH, DE, Regensburg[5]	50.0
REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[5]	35.5
regiocom Berlin GmbH, DE, Berlin[5]	50.0
regiocom GmbH, DE, Magdeburg[5]	50.0
regiocom Halle GmbH, DE, Halle (Saale)[5]	50.0
regiocom Salzwedel GmbH, DE, Salzwedel[5]	50.0
regiolicht Niedersachsen GmbH, DE, Helmstedt[2]	100.0
Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[5]	33.3
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG, DE, Regensburg[4]	35.5
RGE Holding GmbH, DE, Essen[1]	100.0
Rhein-Main-Donau Aktiengesellschaft, DE, Munich[1]	77.5
Ringhals AB, SE, Varberg[4]	29.6
R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[5]	20.0
R-KOM Regensburger Telekommunikationsverwaltungsgesellschaft mbH, DE, Regensburg[5]	20.0
RMD Wasserstraßen GmbH, DE, Munich[2]	100.0
RMD-Consult GmbH Wasserbau und Energie, DE, Munich[2]	100.0
Roscoe WF Holdco, LLC, US, Wilmington[1]	100.0
Roscoe Wind Farm, LLC, US, Wilmington[1]	100.0
Rosengård Invest AB, SE, Malmö[5]	28.1
Rota Gas S.r.l., IT, Mercato San Severino (SA)[5]	49.0
RuhrEnergie GmbH, EVR, DE, Gelsenkirchen[1]	100.0
S.C. Congaz S.A., RO, Constanța[5]	28.6
S.C. Salgaz S.A., RO, Salonta[2]	60.1
Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2]	100.0
San Juan de Bargas Eólica, S.L., ES, Zaragoza[4]	47.0
Sand Bluff WF Holdco, LLC, US, Wilmington[1]	100.0
Sand Bluff Wind Farm, LLC, US, Wilmington[1]	100.0
SBI Jordberga AB, SE, Linköping[5]	20.0
Scarweather Sands Limited, GB, Coventry[5]	50.0
SCF2 S.R.L, IT, Rome[2]	100.0
SCHLESWAG Abwasser GmbH, DE, Neumünster[5]	100.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	94.3
Schleswig-Holstein Netz GmbH, DE, Rendsburg[2]	100.0
Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1]	100.0
Sea Power & Fuel S.r.l., IT, Genoa[5]	50.0
Seattle Holding B.V., NL, Zoetermeer[4]	50.0
SEC Energia Sp. z o.o., PL, Szczecin[2]	100.0
SEC Gryfice Sp. z o.o., PL, Szczecin[2]	100.0
SEC Połczyn-Zdrój Sp. z o.o., PL, Polczyn Zdrój[2]	100.0
SEE-Sul Energia Eólica, Lda, PT, Lisbon[1]	100.0
SERVICE plus GmbH, DE, Neumünster[2]	100.0
Service Plus Recycling GmbH, DE, Neumünster[2]	100.0
Settlers Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Sinergia Andaluza, S.L., ES, Granada[5]	25.0
SINERGIA ARAGONESA, S.L., ES, Zaragoza[2]	60.0
SKO ENERGO FIN, s.r.o., CZ, Mlada Boleslav[4]	42.5
SKO ENERGO, s.r.o., CZ, Mlada Boleslav[5]	21.0
Slovak Gas Holding B.V., NL, Zoetermeer[3]	50.0
SO.MET. ENERGIA S.r.l., IT, Costigliole d'Asti (AT)[1]	60.0
Sociedad Eólica Salmantina, S.L, ES, Salamanca[1]	100.0
Société des Eaux de l'Est S.A., FR, Saint-Avold (Creutzwald)[5]	25.0
Société Nationale d'Electricité et de Thermique, S.A. (SNET), FR, Paris[1]	100.0
Söderåsens Bioenergi AB, SE, Billesholm[4]	51.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Solar Energy s.r.o., CZ, Znojmo[5]	25.0
Sollefteåforsens AB, SE, Sundsvall[4]	50.0
Sønderjysk Biogasproduktion I/S, DK, Vojens[5]	50.0
SQC Kvalificeringscentrum AB, SE, Stockholm[5]	33.3
Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[5]	29.0
Städtische Werke Magdeburg GmbH & Co. KG, DE, Magdeburg[4]	26.7
Städtische Werke Magdeburg Verwaltungs-GmbH, DE, Magdeburg[5]	26.7
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[4]	24.9
Stadtnetze Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[5]	24.9
Stadtversorgung Pattensen GmbH & Co. KG, DE, Pattensen[5]	49.0
Stadtversorgung Pattensen Verwaltung GmbH, DE, Pattensen[5]	49.0
Stadtwerk Haßfurt GmbH, DE, Haßfurt[5]	24.9
Stadtwerke Arnstadt GmbH, DE, Arnstadt[5]	44.0
Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[5]	36.0
Stadtwerke Bad Langensalza GmbH, DE, Bad Langensalza[5]	40.0
Stadtwerke Barth GmbH, DE, Barth[5]	49.0
Stadtwerke Bebra GmbH, DE, Bebra[5]	20.0
Stadtwerke Bergen GmbH, DE, Bergen[5]	49.0
Stadtwerke Blankenburg GmbH, DE, Blankenburg[5]	30.0
Stadtwerke Bogen GmbH, DE, Bogen[5]	41.0
Stadtwerke Brandenburg an der Havel GmbH, DE, Brandenburg an der Havel[4]	36.8
Stadtwerke Bredstedt GmbH, DE, Bredstedt[5]	49.9
Stadtwerke Burgdorf GmbH, DE, Burgdorf[5]	49.0
Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[5]	25.0
Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[5]	49.0
Stadtwerke Eisenberg GmbH, DE, Eisenberg[5]	49.0
Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt/Oder[4]	39.0
Stadtwerke Garbsen GmbH, DE, Garbsen[4]	24.9
Stadtwerke Geesthacht GmbH, DE, Geesthacht[5]	24.9
Stadtwerke Gelnhausen GmbH, DE, Gelnhausen[1]	100.0
Stadtwerke Gotha GmbH, DE, Gotha[4]	48.0
Stadtwerke Göttingen AG, DE, Göttingen[2]	48.9
Stadtwerke Husum GmbH, DE, Husum[5]	49.9
Stadtwerke Lage GmbH, DE, Lage[5]	45.0
Stadtwerke Leinefelde GmbH, DE, Leinefelde-Worbis[5]	49.0
Stadtwerke Lichtenau GmbH, DE, Lichtenau[5]	25.0
Stadtwerke Lübz GmbH, DE, Lübz[5]	25.0
Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[5]	29.0
Stadtwerke Mühlhausen GmbH, DE, Mühlhausen[5]	23.9
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[5]	24.9
Stadtwerke Neustadt an der Orla GmbH, DE, Neustadt an der Orla[5]	20.0
Stadtwerke Niebüll GmbH, DE, Niebüll[5]	49.9
Stadtwerke Parchim GmbH, DE, Parchim[5]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[5]	35.0
Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[5]	49.0
Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[5]	39.0
Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[4]	37.8
Stadtwerke Sondershausen GmbH, DE, Sondershausen[5]	23.9
Stadtwerke Stadtroda GmbH, DE, Stadtroda[5]	24.9
Stadtwerke Suhl/Zella-Mehlis GmbH, DE, Suhl[4]	44.4
Stadtwerke Tornesch GmbH, DE, Tornesch[5]	49.0
Stadtwerke Vilshofen GmbH, DE, Vilshofen[5]	41.0
Stadtwerke Weilburg GmbH, DE, Weilburg an der Lahn[5]	20.0
Stadtwerke Weimar Stadtversorgungs-GmbH, DE, Weimar[4]	49.0
Stadtwerke Wismar GmbH, DE, Wismar[4]	49.0
Stadtwerke Wittenberge GmbH, DE, Wittenberge[5]	22.7
Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[4]	26.0
Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[5]	49.4
Statco Six Limited, GB, London[1]	100.0
Stensjön Kraft AB, SE, Stockholm[4]	50.0
Stony Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Stony Creek Wind Farm, LLC, US, Wilmington[1]	100.0
store-x Storage Capacity Exchange GmbH, DE, Leipzig[5]	32.0
Strom Germering GmbH, DE, Germering, Landkreis Fürstenfeldbruck[2]	90.0
Stromnetzgesellschaft Bad Salzdetfurth-Diekholzen mbH, DE, Bad Salzdetfurth[5]	49.0
Stromversorgung Ahrensburg GmbH, DE, Ahrensburg[2]	100.0
Stromversorgung Angermünde GmbH, DE, Angermünde[5]	49.0
Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	100.0
strotög GmbH Strom für Töging, DE, Töging am Inn[5]	50.0
SüdWasser GmbH, DE, Erlangen[2]	100.0
SULPUR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Erfurt KG i.L., DE, Schönefeld[2]	83.3
Sunshine 1 S.r.l., IT, Milan[2]	100.0
Surschiste, S.A., FR, Mazingarbe[2]	100.0
SV Civitella S.r.l., IT, Milan[1]	100.0
SV VII S.r.l., IT, Milan[1]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Svensk Kärnbränslehantering AB, SE, Stockholm[5]	34.0
Svenskt Gastekniskt Center AB, SE, Malmö[5]	30.0
SVH Schlackenverwertung Helmstedt GmbH, DE, Helmstedt[5]	50.0
SVH Stromversorgung Haar GmbH, DE, Haar, Landkreis Munich[5]	50.0
SVI-Stromversorgung Ismaning GmbH, DE, Ismaning, Landkreis Munich[5]	25.1
SVO Holding GmbH, DE, Celle[1]	50.1
SVO Vertrieb GmbH, DE, Celle[1]	100.0
SWE Energie GmbH, DE, Erfurt[4]	29.0
SWE Netz GmbH, DE, Erfurt[4]	29.0
SWE Technische Service GmbH, DE, Erfurt[5]	25.1
SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[4]	25.1
SWS Energie GmbH, DE, Stralsund[4]	49.0
Sydkraft EC Slupsk Sp. z o.o., PL, Slupsk[1]	98.9
Sydkraft Polen AB, SE, Malmö[1]	100.0
Sydkraft Term Sp. z o.o., PL, Poznań[1]	100.0
Sydkraft Zlotow Sp. z o.o, PL, Zlotow[1]	85.0
Synergy Energia S.A., BR, Rio de Janeiro[3]	50.0
Szczecinska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1]	66.4
Szombathelyi Erőmű Zrt., HU, Győr[2]	55.0
Szombathelyi Távhöszolgáltató Kft., HU, Szombathely[5]	25.0
Tapolcai Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
Tauerngasleitung GmbH, AT, Wals-Siezenheim[5]	46.7
Tech Park Solar, LLC, US, Delaware[2]	100.0
Technische Werke Delitzsch GmbH, DE, Delitzsch[5]	25.1
TEN Thüringer Energienetze GmbH, DE, Erfurt[1]	100.0
Teplárna Kyjov, a.s., CZ, Kyjov[2]	99.3
Teplárna Otrokovice a.s., CZ, Otrokovice[1]	100.0
Teplárna Tábor, a.s., CZ, Tábor[1]	51.5
Terminal Alpi Adriatico S.r.l., IT, Rome[1]	100.0
Terrakomp GmbH, DE, Helmstedt[2]	100.0
THB Thüringer Breitband GmbH, DE, Weimar[2]	100.0
The Power Generation Company Limited, GB, Coventry[2]	100.0
Thor Cogeneration Limited, GB, Coventry[1]	100.0
Thor Holdings Limited, GB, Coventry[1]	100.0
Thüringer Energie Netzservice Geschäftsführungsgesellschaftmbh, DE, Erfurt[2]	100.0
Thüringer Energie Netzservice GmbH & Co. KG, DE, Erfurt[2]	100.0
Thüringer Netkom GmbH, DE, Weimar[2]	100.0
Tipton Wind, LLC, US, Delaware[2]	100.0
TPG Wind Limited, GB, Coventry[4]	50.0
Tractaments de Juneda, S.A., ES, Lérida[4]	26.4
Trans Adriatic Pipeline AG, CH, Baar[5]	15.0

Name, location	Stake (%)
TREA Breisgau Betriebsgesellschaft mbH, DE, Eschbach[2]	74.9
TREA Breisgau Energieverwertung GmbH, DE, Eschbach[5]	30.0
TXU Europe (AH Online) Limited, GB, Coventry[1]	100.0
TXU Europe (AHG) Limited, GB, Coventry[1]	100.0
TXU Europe (AHGD) Limited, GB, Coventry[1]	100.0
TXU Europe (AHST) Limited, GB, Coventry[1]	100.0
TXU Europe Group Trustee Limited, GB, Coventry[1]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[5]	48.0
Umspannwerk Miltzow-Mannhagen GbR, DE, Horst[5]	36.8
Umwelt- und Wärmeenergiegesellschaft Strasburg GmbH, DE, Strasburg[2]	100.0
Unión de Generadores de Energía, S.A., ES, Zaragoza[4]	50.0
Untere Iller AG, DE, Landshut[2]	60.0
Uranit GmbH, DE, Jülich[3]	50.0
Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1]	100.0
Utility Debt Services Limited, GB, Coventry[2]	100.0
Valencia Solar LLC, US, Delaware[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
Verkehrs-Servicegesellschaft Paderborn/Höxter mbH, DE, Paderborn[2]	55.5
Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[5]	49.0
Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[5]	49.0
Versorgungskasse Energie (VVaG), DE, Hanover[1]	94.0
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[5]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Győr[2]	100.0
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, DE, Gelsenkirchen-Buer[2]	55.1
Visioncash, GB, Coventry[1]	100.0
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft, DE, Wolfsburg[3]	95.0
Wärme- und Wasserversorgung Friedensstadt GmbH, DE, Trebbin[5]	50.0
Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[5]	40.0
Wärmeversorgung Sollstedt GmbH, DE, Sollstedt[5]	49.0
Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2]	50.1
Warmtebedrijf Exploitatie N.V., NL, Rotterdam[5]	50.0
Wasser GmbH Salzhemmendorf, DE, Salzhemmendorf[5]	49.0
Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Vienenburg[5]	49.0
Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[5]	50.0
Wasserversorgung Sarstedt GmbH, DE, Sarstedt[5]	49.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake (%)
Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[5]	49.8
Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[5]	49.8
Wasserwerks-Betriebsgemeinschaft Klein Heidorn GbR, DE, Neustadt a. Rbge.[5]	50.0
Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[5]	49.0
WAZV-Abwasserentsorgung GmbH, DE, Nentershausen[5]	49.0
WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2]	70.0
Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Berneck[2]	93.5
Western Gas Limited, GB, Coventry[1]	100.0
WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1]	50.2
WEVG Verwaltungs GmbH, DE, Salzgitter[2]	50.2
WGS Wärmegesellschaft mbH Saalfeld, DE, Saalfeld[5]	24.0
Wildcat Wind Farm I, LLC, US, Wilmington[1]	100.0
Wildcat Wind Farm II, LLC, US, Wilmington[2]	100.0
WINDENERGIEPARK WESTKÜSTE GmbH, DE, Kaiser-Wilhelm-Koog[2]	80.0
Windkraft Thüringen GmbH, DE, Ilmenau[2]	14.3
Windpark Anhalt-Süd (Köthen) OHG, DE, Potsdam[2]	83.3
Windpark Mutzschen OHG, DE, Potsdam[2]	77.8
Windpark Naundorf OHG, DE, Potsdam[2]	66.7
Windy Hills Limited, GB, Country Tyrone[1]	100.0
WPG Westfälische Propan-GmbH, DE, Detmold[5]	22.2
WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[5]	22.2
Yorkshire Windpower Limited, GB, Coventry[4]	50.0
ZAO Gazprom YRGM Development, RU, Salekhard[7]	25.0
Západoslovenská energetika a.s. (ZSE), SK, Bratislava[4]	49.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2012)

Name, location	Stake %
Consolidated investment funds	
ACTIVEST A 5 Fonds, DE, Unterföhring[7]	100.0
ACTIVEST B 18 Fonds, DE, Unterföhring[7]	100.0
E.ON Treasury 1, DE, Unterföhring[7]	100.0
EBW Fonds, DE, Unterföhring[7]	100.0
EDEN Fonds, DE, Unterföhring[7]	100.0
GRP Fonds, DE, Unterföhring[7]	100.0
GSB Fonds, DE, Unterföhring[7]	100.0
GSBW 1 Fonds, DE, Unterföhring[7]	100.0
HANSE 2 Fonds, DE, Unterföhring[7]	100.0
MEA Fonds, DE, Unterföhring[7]	100.0
ON Balance 1 Fonds, DE, Unterföhring[7]	100.0
OP-ONE Fonds, DE, Unterföhring[7]	100.0
SEW Fonds, DE, Unterföhring[7]	100.0
TASSILO Fonds, DE, Unterföhring[7]	100.0
VKE Fonds, DE, Unterföhring[7]	100.0
WEB Fonds, DE, Unterföhring[7]	100.0

Name, location	Stake %	Equity € in millions	Earnings € in millions
Other companies in which share investments are held			
AB Lesto, LT, Vilnius[6, 9]	11.8	1,022.0	-13.5
Bloom Energy Corporation, US, Wilmington[6]	0.2	91.5	-23.6
Baumgarten-Oberkappel-Gasleitungsgesellschaft m.b.H., AT, Vienna[6]	15.0	37.5	22.0
Enovos International S.A., LU, Esch-sur-Alzette[6]	10.0	717.3	40.3
Transitgas AG, CH, Zurich[6]	3.0	88.9	2.6
Holdigaz SA, CH, Vevey[6, 10]	2.2	85.1	18.4
Powernext, S.A., FR, Paris[6]	5.0	18.8	5.1
European Energy Exchange AG, DE, Leipzig[6]	3.5	57.6	7.5
Electrorisk Verzekeringsmaatschappij N.V., NL, Rotterdam[6]	18.9	11.3	0.3
Forsmarks Kraftgrupp AB, SE, Östhammar[6, 9]	8.5	37.2	0.0
Teplárna Strakonice, a.s., CZ, Strakonice[6,]	1.8	19.9	0.3

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint venture pursuant to IAS 31 (valued using the equity method). · [4]Associated company (valued using the equity method). · [5]Associated company (valued at cost for reasons of immateriality). · [6]Other companies in which share investments are held. · [7]Included as consolidated associated company pursuant to SIC-12. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b of the German Commercial Code. · [9]IFRS figures. · [10]Short fiscal year.

Supervisory Board (and Information on Other Directorships Held by Supervisory Board Members)

Werner Wenning
Chairman of the Supervisory Board, E.ON SE
Chairman of the Supervisory Board, Bayer AG
- Bayer AG (Chairman)
- Deutsche Bank AG
- HDI V.a.G.
- Talanx AG
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Freudenberg & Co. KG (Shareholders' Committee)

Prof. Dr. Ulrich Lehner
Member of the Shareholders' Committee, Henkel AG & Co. KGaA
Deputy Chairman of the Supervisory Board, E.ON SE
- Deutsche Telekom AG (Chairman)
- Henkel Management AG
- Porsche Automobil Holding SE
- ThyssenKrupp AG
- Dr. Oetker KG (Advisory Board)
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Novartis AG (Administrative Council)

Erhard Ott
Member of the National Board, Unified Service Sector Union, ver.di
Deputy Chairman of the Supervisory Board, E.ON SE
- Bremer Lagerhaus-Gesellschaft AG

Werner Bartoschek
(until November 15, 2012)
Chairman of the Group Works Council, E.ON Ruhrgas AG
- E.ON Ruhrgas AG

Sven Bergelin
(until November 15, 2012)
Director of the National Energy and Mining Industry Group, Unified Service Sector Union, ver.di
- E.ON Energie AG
- E.ON Kernkraft GmbH

Oliver Biniek
(until November 15, 2012)
Chairman of the Works Council, E.ON Anlagenservice GmbH
- E.ON Anlagenservice GmbH
- E.ON Generation GmbH

Gabriele Gratz
Chairwoman of the Works Council, E.ON Ruhrgas AG
- E.ON Ruhrgas AG

Ulrich Hocker
(until November 15, 2012)
President of German Investor Protection Association e.V. (DSW)
- Deutsche Telekom AG (until May 24, 2012)
- Feri Finance AG
- Gildemeister AG
- Phoenix Mecano AG (Chairman of the Board of Directors)

Baroness Denise Kingsmill, CBE
Attorney, Member of the House of Lords
- APR Energy plc
- Betfair plc (until October 2012)
- International Consolidated Airlines Group S.A.
- Korn/Ferry International Limited (until September 2012)

Eugen-Gheorghe Luha
(since November 15, 2012)
President of Gaz România Trade Union Federation, Chairman of Romanian employee representatives

Bård Mikkelsen
(until November 15, 2012)
Businessman, former President and CEO of Statkraft AS
- Bore Tech AB (Chairman) (until September 1, 2012)
- Clean Energy Invest AS (Chairman)
- Ganger Rolf ASA/Bonheur ASA (Shareholders' Committee)
- Powel AS (Chairman)
- Saferoad AS
- Store Norske Spitsbergen Kulkompani AS (Chairman) (until June 14, 2012)

René Obermann
Chairman of the Board of Management, Deutsche Telekom AG
- T-Systems International GmbH (Chairman)
- T-Mobile US Inc. (Chairman)

Unless otherwise indicated, information as of December 31, 2012, or as of the date on which membership in the E.ON Supervisory Board ended.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Hans Prüfer
(until November 15, 2012)
Chairman of the Combined Works Council, E.ON Avacon AG

Klaus Dieter Raschke
Chairman of the Group Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Kernkraft GmbH
- E.ON Generation GmbH
- Versorgungskasse Energie VVaG

Dr. Walter Reitler
(until November 15, 2012)
Chairman of Group Spokesperson Committee E.ON AG
- E.ON Energie AG

Hubertus Schmoldt
(until November 15, 2012)
Economist
- Bayer AG (until April 27, 2012)
- DOW Olefinverbund GmbH
- RAG Aktiengesellschaft

Eberhard Schomburg
(since November 15, 2012)
Chairman of the SE Works Council
- E.ON Energie AG
- E.ON Kraftwerke GmbH

Dr. Henning Schulte-Noelle
(until November 15, 2012)
Former Chairman of the Supervisory Board, Allianz SE
- Allianz SE (Chairman) (until May 9, 2012)

Dr. Karen de Segundo
Attorney
- British American Tobacco plc
- Lonmin plc
- Pöyry Oyj

Dr. Theo Siegert
Managing Partner, de Haen-Carstanjen & Söhne
- Deutsche Bank AG (until May 31, 2012)
- Henkel AG & Co. KGaA
- Merck KGaA
- DKSH Holding Ltd. (Administrative Board)
- E. Merck OHG (Shareholders' Committee)

Willem Vis
(since November 15, 2012)
Competence Manager Generation, E.ON Benelux N.V.

Dr. Georg Frhr. von Waldenfels
(until November 15, 2012)
Attorney
- Georgsmarienhütte Holding GmbH
- Rothenbaum Sport GmbH (Chairman) (until November 15, 2012)

Hans Wollitzer
(until November 15, 2012)
Chairman of the Company Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Bayern AG

Supervisory Board Committees

Executive Committee
Werner Wenning, Chairman
Prof. Dr. Ulrich Lehner, Deputy Chairman
Erhard Ott, Deputy Chairman
Klaus Dieter Raschke

Audit and Risk Committee
Dr. Theo Siegert, Chairman
Klaus Dieter Raschke, Deputy Chairman
Eberhard Schomburg
Werner Wenning

Finance and Investment Committee
Werner Wenning, Chairman
Gabriele Gratz, Deputy Chairwoman
Dr. Karen de Segundo
Willem Vis

Nomination Committee
Werner Wenning, Chairman
Prof. Dr. Ulrich Lehner
Dr. Karen de Segundo

Unless otherwise indicated, information as of December 31, 2012, or as of the date on which membership in the E.ON Supervisory Board ended.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Board of Management (and Information on Other Directorships Held by Board of Management Members)

Dr. Johannes Teyssen
Born 1959 in Hildesheim
Chairman and Chief Executive Officer since 2010
Member of the Board of Management since 2004
Group Executive Human Resources, Investor Relations, Political Affairs & Corporate Communications, Sustainability Management, Group Audit, and Corporate Strategy & Development
- E.ON Energie AG[1] (until June 30, 2012)
- E.ON Ruhrgas AG[1] (until August 21, 2012)
- Deutsche Bank AG
- Salzgitter AG

Jørgen Kildahl
Born 1963 in Bærum, Norway
Member of the Board of Management since 2010
Commercial Operations, Renewables, Generation, Exploration & Production, Operational Efficiency, Optimization & Trading
- E.ON Energy Trading SE[1] (Chairman)
- E.ON Generation GmbH[2] (Chairman)
- E.ON Ruhrgas AG[1] (Chairman)
- E.ON Sverige AB[2]

Prof. Dr. Klaus-Dieter Maubach
Born 1962 in Schwelm
Member of the Board of Management since 2010
Corporate Incident & Crisis Management, Health/Safety & Environment, Engineering & Major Projects, E.ON Connecting Energies, Technology & Innovation
- E.ON Energy Trading SE[1]
- E.ON New Build & Technology GmbH[1] (Chairman)
- E.ON Ruhrgas AG[1]
- E.ON Sverige AB[2]

Dr. Bernhard Reutersberg
Born 1954 in Düsseldorf
Member of the Board of Management since 2010
Coordination of regional units, distribution and retail businesses, E.ON 2.0
- E.ON Energie AG[1] (Chairman)
- E.ON Benelux N.V.[2] (Chairman)
- E.ON España S.L.[2]
- E.ON France S.A.S.[2] (Chairman)
- E.ON Hungaria Zrt.[2] (Chairman)
- E.ON Italia S.p.A.[2]
- E.ON Sverige AB[2] (Chairman)
- Nord Stream AG
- OAO E.ON Russia[2] (Chairman)

Dr. Marcus Schenck
Born 1965 in Memmingen
Member of the Board of Management since 2006
E.ON International Energy, Finance, Mergers & Acquisitions, Accounting & Controlling, Taxes, Insurance
- E.ON Energy Trading SE[1]
- E.ON IT GmbH[1]
- E.ON Ruhrgas AG[1] (until August 21, 2012)
- Commerzbank AG
- SMS Group GmbH
- AXA S.A.

Regine Stachelhaus
Born 1955 in Böblingen
Member of the Board of Management since 2010
Consulting, Procurement & Real Estate Management, IT, Human Resources (Labor & Social Issues), Legal Affairs & Compliance
- E.ON Energie AG[1] (until June 30, 2012)
- E.ON IT GmbH[1] (Chairwoman)
- E.ON Ruhrgas AG[1]

Unless otherwise indicated, information as of December 31, 2012.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2, of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

[1]Exempted E.ON Group directorship. [2]Other E.ON Group directorship.

Explanatory Report of the Board of Management on the Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, as well as Section 289, Paragraph 5, of the German Commercial Code

The Board of Management has read and discussed the disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Combined Group Management Report for the year ended December 31, 2012, and issues the following declaration regarding these disclosures:

The disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Company's Combined Group Management Report are correct and conform with the Board of Management's knowledge. The Board of Management therefore confines itself to the following statements:

Beyond the disclosures contained in the Combined Group Management Report (and legal restrictions such as the exclusion of voting rights pursuant to Section 136 of the German Stock Corporation Act), the Board of Management is not aware of any restrictions regarding voting rights or the transfer of shares. The Company is not aware of shareholdings in the Company's share capital exceeding ten out of one hundred voting rights, so that information on such shareholdings is not necessary. There is no need to describe shares with special control rights (since no such shares have been issued) or special restrictions on the control rights of employees' shareholdings (since employees who hold shares in the Company's share capital exercise their control rights directly, just like other shareholders).

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

The Board of Management also read and discussed the disclosures in the Combined Group Management Report pursuant to Section 289, Paragraph 5, of the German Commercial Code. The disclosures contained in the Combined Group Management Report on the key features of our internal control and risk management system for accounting processes are complete and comprehensive.

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

Düsseldorf, February 2013

E.ON SE
Board of Management

Dr. Teyssen	Kildahl	Prof. Dr. Maubach
Dr. Reutersberg	Dr. Schenck	Stachelhaus

Summary of Financial Highlights[1]

€ in millions	2008	2009	2010	2011	2012
Sales and earnings					
Sales	84,873	79,974	92,863	112,954	132,093
EBITDA[2]	12,836	12,975	13,346	9,293	10,786
EBIT[2]	9,483	9,291	9,454	5,438	7,027
Net income/Net loss	1,621	8,669	6,281	-1,861	2,641
Net income/Net loss attributable to shareholders of E.ON AG	1,283	8,420	5,853	-2,219	2,217
Value measures					
ROACE/through 2009 ROCE (%)	13.6	12.2	14.4	8.4	11.1
Cost of capital (%)	9.1	9.1	8.3	8.3	7.7
Value added[3]	3,128	2,362	4,000	90	2,156
Asset structure					
Non-current assets	108,622	113,046	106,657	102,221	96,563
Current assets	48,107	39,568	46,224	50,651	43,863
Total assets	156,729	152,614	152,881	152,872	140,426
Capital structure					
Equity	38,451	43,986	45,585	39,613	38,819
Capital stock	*2,001*	*2,001*	*2,001*	*2,001*	*2,001*
Minority interests	*3,960*	*3,607*	*3,932*	*3,876*	*3,862*
Non-current liabilities	66,323	70,775	69,580	67,129	65,001
Provisions	*22,757*	*21,692*	*23,631*	*25,672*	*28,575*
Financial liabilities	*25,036*	*30,657*	*28,880*	*24,029*	*21,937*
Other liabilities and other	*18,530*	*18,426*	*17,069*	*17,428*	*14,489*
Current liabilities	51,955	37,853	37,716	46,130	36,606
Provisions	*4,260*	*4,715*	*4,950*	*4,985*	*4,073*
Financial liabilities	*16,022*	*7,120*	*3,611*	*5,885*	*4,007*
Other liabilities and other	*31,673*	*26,018*	*31,527*	*35,260*	*28,526*
Total assets	156,824	152,614	152,881	152,872	140,426
Cash flow and investments					
Cash provided by operating activities of continuing operations	6,397	8,590	10,614	6,610	8,808
Cash-effective investments	17,756	8,655	8,286	6,524	6,997
Financial ratios					
Equity ratio (%)	25	29	30	26	28
Long-term capital as a percentage of non-current assets (%)	96	102	108	104	108
Economic net debt (at year-end)	-44,946	-44,665	-37,701	-36,385	-35,879
Debt factor[4]	3.4	3.4	2.8	3.9	3.3
Cash provided by operating activities of continuing operations as a percentage of sales	7.8	11.1	11.4	5.9	6.7
Stock					
Earnings per share attributable to shareholders of E.ON SE (€)	0.69	4.42	3.07	-1.16	1.49
Equity[5] per share (€)	18.11	21.19	21.86	18.76	18.34
Twelve-month high per share (€)	50.93	30.47	29.36	25.11	19.52
Twelve-month low per share (€)	23.50	18.19	21.13	12.88	13.80
Year-end closing price per share[6] (€)	28.44	29.23	22.94	16.67	14.09
Dividend per share[7] (€)	1.50	1.50	1.50	1.00	1.10
Dividend payout	2,857	2,858	2,858	1,905	2,097
Market capitalization[6,8] (€ in billions)	54.2	55.7	43.7	31.8	26.9
E.ON SE long-term ratings					
Moody's	A2	A2	A2	A3	A3
Standard & Poor's	A	A	A	A	A-
Employees					
Employees at year-end	90,428	85,108	85,105	78,889	72,083

[1]Adjusted for discontinued operations. [2]Adjusted for extraordinary effects. [3]Starting with 2010, the figure is as of the balance-sheet date. [4]Ratio between economic net debt and EBITDA. [5]Attributable to shareholders of E.ON SE [6]End of December. [7]For the respective financial year; the 2012 figure is management's proposed dividend. [8]Based on shares outstanding.

Glossary of Financial Terms

Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of a number of variables, such as projected future salaries and pensions. An actuarial gain or loss is recorded when the actual numbers turn out to be different from the projections.

ADR
Abbreviation for American depositary receipt. These are depositary certificates issued by U.S. banks and traded on U.S. stock exchanges in place of a foreign stock. ADRs make it easier for foreign companies to gain access to U.S. investors.

Beta factor
Indicator of a stock's relative risk. A beta coefficient of more than one indicates that a stock has a higher risk than the overall market; a beta coefficient of less than one indicates that it has a lower risk.

Bond
Debt instrument that gives the holder the right to repayment of the bond's face value plus an interest payment. Bonds are issued by public entities, credit institutions, and companies and are sold through banks. They are a form of medium- and long-term debt financing.

Capital employed
Represents the interest-bearing capital tied up in the E.ON Group. It is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Other shareholdings are included at their acquisition cost, not their fair value.

Capital stock
The aggregate face value of all shares of stock issued by a company; entered as a liability in the company's balance sheet.

Cash flow statement
Calculation and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing, and financing activities.

Cash provided by operating activities
Cash provided by, or used for, operating activities of continuing operations.

Commercial paper ("CP")
Unsecured, short-term debt instruments issued by commercial firms and financial institutions. CPs are usually quoted on a discounted basis, with repayment at par value.

Consolidation
Accounting approach in which a parent company and its affiliates are presented as if they formed a single legal entity. All intracompany income and expenses, intracompany accounts payable and receivable, and other intracompany transactions are offset against each other. Share investments in affiliates are offset against their capital stock, as are all intracompany credits and debts, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items in the annual financial statements yields the consolidated balance sheets and the consolidated statements of income.

Contractual trust arrangement ("CTA")
Model for financing pension obligations under which company assets are converted to assets of a pension plan administered by an independent trust that is legally separate from the company.

Cost of capital
Weighted average of the costs of debt and equity financing (weighted-average cost of capital: "WACC"). The cost of equity is the return expected by an investor in a given stock. The cost of debt is based on the cost of corporate debt and bonds. The interest on corporate debt is tax-deductible (referred to as the tax shield on corporate debt).

Credit default swap ("CDS")
A credit derivative used to hedge the default risk on loans, bonds, and other debt instruments.

Debt factor
Ratio between economic net debt and EBITDA. Serves as a metric for managing E.ON's capital structure.

Debt issuance program
Contractual framework and standard documentation for the issuance of bonds.

Discontinued operations
Businesses or parts of a business that are planned for divestment or have already been divested. They are subject to special disclosure rules.

EBIT
Adjusted earnings before interest and taxes. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

EBITDA
Adjusted earnings before interest, taxes, depreciation, and amortization. E.ON's key earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

Economic net debt
Key figure that supplements net financial position with pension obligations and asset retirement obligations (less prepayments to the Swedish nuclear fund). The calculation of economic net debt includes the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management) in order to also reflect the foreign-currency effects of financial transactions which, for accounting reasons, would not be included in the components of net financial position.

Equity method
Method for valuing shareholdings in associated companies whose assets and liabilities are not fully consolidated. The proportional share of the company's annual net income (or loss) is reflected in the shareholding's book value. This change is usually shown in the owning company's income statement.

Fair value
The price at which assets, debts, and derivatives pass from a willing seller to a willing buyer, each having access to all the relevant facts and acting freely.

Financial derivative
Contractual agreement based on an underlying value (reference interest rate, securities prices, commodity prices) and a nominal amount (foreign currency amount, a certain number of stock shares).

Goodwill
The value of a subsidiary as disclosed in the parent company's consolidated financial statements resulting from the consolidation of capital (after the elimination of hidden reserves and liabilities). It is calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's book value with its fair value. A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

International Financial Reporting Standards ("IFRS")
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS for fiscal years that begin on or after January 1, 2005, and by January 1, 2007, at the latest.

Investments
Cash-effective capital investments.

Net financial position
Difference between a company's total financial assets (cash and securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies).

Option
The right, not the obligation, to buy or sell an underlying asset (such as a security or currency) at a specific date at a predetermined price from or to a counterparty or seller. Buy options are referred to as calls, sell options as puts.

Other non-operating earnings
Income and expenses that are unusual or infrequent, such as book gains or book losses from significant disposals as well as restructuring expenses (see EBIT).

Prepayments and accrued income
Line item used to account for aperiodic expenses and income. Prepayments, which are recorded on the liability side of the balance sheet, occur when payment is made before the balance-sheet date, but the expense is after the balance-sheet date. Accrued income, which is recorded on the liabilities side of the balance sheet, occurs when payment is received before the balance-sheet date, but the income is recorded after the balance-sheet date.

Profit at risk ("PaR")
Risk measure that indicates, with a certain degree of confidence (for example, 95 percent) and depending on liquidity, that the negative deviation of the profit margin due to changes in market prices will not exceed a certain value during the holding period. For E.ON's business the most relevant market prices are those for power, gas, coal, and carbon certificates.

Purchase price allocation
In a business combination accounted for as a purchase, the values at which the acquired company's assets and liabilities are recorded in the acquiring company's balance sheet.

Rating
Standardized performance categories for an issuer's short- and long-term debt instruments based on the probability of interest payment and full repayment. Ratings provide investors and creditors with the transparency they need to compare the default risk of various financial investments.

Return on equity
The return earned on an equity investment (in this case, E.ON stock), calculated after corporate taxes but before an investor's individual income taxes.

ROACE
Acronym for return on average capital employed. A key indicator for monitoring the performance of E.ON's business, ROACE is the ratio between E.ON's EBIT and average capital employed. Average capital employed represents the interest-bearing average capital tied up in the E.ON Group.

ROCE
Acronym for return on capital employed. ROCE is the ratio between E.ON's EBIT and capital employed. Capital employed represents the interest-bearing capital tied up in the E.ON Group.

Stock appreciation rights ("SAR")
Virtual stock options in which compensation is in cash instead of in stock. At E.ON, the exercise gain equals the difference between the price of E.ON stock on the exercise date and at the time the SAR were issued.

Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

Tax shield
Deductions that reduce an enterprise's tax burden. For example, the interest on corporate debt is tax-deductible. An enterprise takes this into consideration when choosing between equity and debt financing (see Cost of capital).

Underlying net income
An earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain extraordinary effects. The adjustments include effects from the marking to market of derivatives, book gains and book losses on disposals, restructuring expenses, and other non-operating income and expenses of a non-recurring or rare nature (after taxes and minority interests). Underlying net income also excludes income/loss from discontinued operations, net.

Value added
Key measure of E.ON's financial performance based on residual wealth calculated by deducting the cost of capital (debt and equity) from operating profit. It is equivalent to the return spread (ROCE minus the cost of capital) multiplied by capital employed, which represents the interest-bearing capital tied up in the E.ON Group.

Value at risk ("VaR")
Risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99 percent) over a certain period of time (for example, one day). Due to the correlation of individual transactions, the risk faced by a portfolio is lower than the sum of the risks of the individual investments it contains.

Working capital
The difference between a company's current assets and current liabilities.

Further information

E.ON SE
E.ON-Platz 1
40479 Düsseldorf
Germany

T +49 211-4579-0
F +49 211-4579-501
info@eon.com
www.eon.com

Media Relations
T +49 211-4579-453
presse@eon.com

Investor Relations
T +49 211-4579-345
investorrelations@eon.com

Creditor Relations
T +49 211-4579-563
creditorrelations@eon.com

Only the German version of this Annual Report is legally binding.

Production Jung Produktion, Düsseldorf
Typesetting Addon Technical Solutions, Düsseldorf
Printing Aumüller Druck, Regensburg

Financial Calendar

May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payout
May 8, 2013	Interim Report: January – March 2013
August 13, 2013	Interim Report: January – June 2013
November 13, 2013	Interim Report: January – September 2013
March 12, 2014	Release of the 2013 Annual Report
April 30, 2014	2014 Annual Shareholders Meeting
May 2, 2014	Dividend Payout
May 13, 2014	Interim Report: January – March 2014
August 13, 2014	Interim Report: January – June 2014
November 12, 2014	Interim Report: January – September 2014