Annual Report 2018

E.ON Group Financial Highlights

€ in millions	2018	2017	+/- %
Sales[1]	30,253	37,965	-20
Adjusted EBITDA[1, 2]	4,840	4,955	-2
– Regulated business	2,783	2,742	+1
– Quasi-regulated and long-term contracted business	895	828	+8
– Merchant business	1,162	1,385	-16
Adjusted EBIT[1, 2]	2,989	3,074	-3
– Regulated business	1,750	1,677	+4
– Quasi-regulated and long-term contracted business	494	486	+2
– Merchant business	745	911	-18
Net income/loss	3,524	4,180	-16
Net income/loss attributable to shareholders of E.ON SE	3,223	3,925	-18
Adjusted net income[1, 2]	1,505	1,427	+5
Investments[1]	3,523	3,308	+6
Cash provided by operating activities[1]	2,853	-2,952	–
Cash provided by operating activities before interest and taxes[1]	4,087	-2,235	–
Economic net debt (at year-end)[1]	16,580	19,248	-14
Debt factor[3]	3.4	3.9	-0.5[4]
Equity	8,518	6,708	+27
Total assets	54,324	55,950	-3
ROCE (%)[1]	10.4	10.6	-0.2[5]
Pretax cost of capital (%)	6.4	6.4	–
After-tax cost of capital (%)	4.7	4.7	–
Value added[1]	1,145	1,211	-5
Employees (at year-end)[1]	43,302	42,699	+1
– Percentage of female employees	32	32	–
– Percentage of female executives and senior managers	21.2	19.6	+1.6[5]
– Average turnover rate (%)	4.8	4.6	+0.2[5]
– Average age	42	42	–
– TRIF[6]	2.5	2.3	+9
Earnings per share[7, 8] (€)	1.49	1.84	-19
Adjusted net income per share[1, 7, 8]	0.69	0.67	+3
Equity per share[7, 9] (€)	2.66	1.85	+44
Dividend per share[10] (€)	0.43	0.30	+43
Dividend payout	932	650	+43
Market capitalization[9] (€ in billions)	18.7	19.6	-5

[1]Includes the discontinued operations in the Renewables segment (see Note 4 to the Consolidated Financial Statements).
[2]Adjusted for non-operating effects (see Glossary).
[3]Ratio of economic net debt and adjusted EBITDA.
[4]Change in absolute terms.
[5]Change in percentage points.
[6]For E.ON employees; for a definition of TRIF, see the Employees chapter.
[7]Attributable to shareholders of E.ON SE.
[8]Based on shares outstanding (weighted average).
[9]Based on shares outstanding at year-end.
[10]For the respective financial year; the 2018 figure represents management's dividend proposal.

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CEO Letter

Report of the Supervisory Board

Dear Shareholders,

Dr. Johannes Teyssen,
Chairman of the Management Board

At our Annual Shareholders Meeting in May 2018, a large majority of you gave us the green light to acquire innogy and thus to give your E.ON an even sharper profile and even better growth prospects. We will be the energy company fully dedicated to the new energy world in which climate protection and customer benefit go hand in hand. For my Management Board colleagues and me, your trust confers an obligation to resolutely bring the vision of the new E.ON to life.

About a year ago, E.ON and RWE reached an extensive asset-swap agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy and, in turn, transfer substantially all of our renewables business to RWE. Since then, we've taken all the intermediate steps as planned. In June we made a voluntary public takeover offer for the stock of innogy's other shareholders, who tendered about 9.4 percent of the stock to us. We're very satisfied with this result. The preparations for the integration and the antitrust approvals process are also fully on track.

Filing the transaction with the European Commission in January marked another milestone. We're firmly convinced that the takeover of innogy raises no antitrust issues overall and can be completed from mid-year onward. In addition, we've already made a series of decisions about the new E.ON's future organizational setup. It's clear, for example, that your company will continue to be called E.ON, have its headquarters in Essen, and have a very customer-proximate setup. In addition, we want to further enhance our innovativeness and to manage all of our network companies as we already do E.ON's. These early decisions will help us swiftly conclude the transaction after the approval from Brussels. And we continue to expect to realize all of the anticipated €600 to €800 million in synergies from 2022 onward. The planned integration measures will be carried out in a socially responsible manner, in keeping with the tradition of the companies involved.

Going forward, the new E.ON will be Europe's first company to focus exclusively on smart grids and innovative customer solutions. We want to implement one of the most creative transactions in German industrial history, to seize the growth potential in the new energy world every more effectively, and thus to become even more attractive for you, our shareholders.

We're conceiving the new E.ON to be radically customer-led. Our customers—municipalities, companies, and households—are the ones who will decide how successful we'll be in the new energy world. They determine which energy products and services are important and to whom they entrust their energy project or the management of their energy network. This viewpoint alone guides us. We're determined to provide our customers with the best there is in the new digital energy world. How far have we come in realizing this ambition?

E.ON is entering the new financial year and is approaching the next steps of the innogy takeover with strong earnings and confidence. We delivered an outstanding operating and financial performance for the third year in a row. As anticipated, our 2018 adjusted EBIT of roughly €3 billion was slightly lower than in the prior year and at the upper end of our forecast range. Adjusted net income of €1.5 billion actually surpassed the prior-year figure and was likewise at the upper end of our forecast range. What makes me particularly optimistic for the future is that 2018 was again a strong year operationally: our earnings were driven predominantly by the improvement of our business.

The Energy Networks segment is the undisputed mainstay of our earnings, delivering stable earnings of €1.8 billion. In this regulated business, efficiency is the decisive profitability driver. Consequently, I'm particularly proud that the German Federal Network Agency's most recent benchmarking assigned all of our regional network companies a particularly high efficiency factor of 100 percent. This again ranks them among the most efficient of Germany's nearly 900 electricity network operators. Two of our network companies were awarded an additional efficiency bonus by which they can increase their returns in the next regulation period. Through expansions and upgrades, we're already creating smart distribution grids that actively promote the convergence of power, heat, and mobility. We're thus paving the way for today's trend toward lower-carbon power generation to become the true energy transformation of tomorrow. This presupposes, however, that policymakers in Berlin and Brussels finally make the necessary decisions. Instead of a patchwork of climate- and energy-policy regulations and subsidy scheme, the right approach is a carbon tax. If this isn't possible at the EU level, then individual countries will have to take action. We'll advocate this on our customers' behalf because only then will their efforts to modernize and decarbonize their energy systems be worthwhile.

Our customers have long since embraced the objectives of the energy transition. Increasingly, they're opting for innovative, efficient, and distributed solutions. We provide them with the equipment, products, and services. Although this business is fragmented and competition is tough, we're a partner of choice for municipalities and for commercial and industrial customers. In 2018 we enlarged our customer base in nearly all markets. Even in the highly competitive retail business we managed to keep the overall number of customers stable and actually added about 100,000 customers on a net basis in Germany. This is doubtless partly because we've significantly improved our service and because customer satisfaction, which we measure regularly, again increased substantially. Moreover, new strategic partnerships—like the one with Microsoft—are further raising our profile in the new energy world.

Our Renewables segment delivered particularly strong earnings, even though the wind yield was low. The significant 15-percent earnings increase and our highly motivated employees demonstrate that E.ON has an outstanding performance culture that we can be proud of. It's this performance culture that, across our business, makes us a little bit better than many competitors and that gives me the certainty that we'll actively shape tomorrow's energy world.

We want to continue our success story. For 2019, we anticipate adjusted EBIT of €2.9 to €3.1 billion and adjusted net income of €1.4 to €1.6 billion. We want the positive development of our dividend to continue as well. We'll recommend to the Annual Shareholders Meeting a fixed dividend of 43 cents per share for the 2018 financial year. We intend to propose a fixed dividend of 46 cents per share for 2019 financial year. Our high proportion of regulated businesses and our clear commitment to a consistent dividend policy make E.ON a highly attractive investment, particularly once again for long-term, sustainability-oriented investors.

We've put ourselves into a solid starting position so that we can be even better at seizing the opportunities of the green, distributed, and digital energy world. Our ambition is and will remain to do the best job possible of making the great opportunities in the new energy world available to our customers and to you, our shareholders. Something that's particularly important to my Management Board colleagues and me, especially in the time ahead, is that leadership and cultural adaptation are essential for the integration of innogy to succeed and for the new company to be more than the sum of its parts. Success will depend on our willingness to learn and actively shape change. I'm convinced that E.ON will succeed in this task. I also sense that innogy is willing to try something new. E.ON has highly knowledgeable and dedicated employees who work hard every day to enhance our company's performance and to propel its reorientation. And we on the Management Board are convinced that openness and diversity, mutual respect, and a strong performance culture are the decisive factors that will make the new E.ON even more customer-oriented and successful. For our customers, for our employees, and for you, our shareholders.

Best wishes,

Dr. Johannes Teyssen

Dear Shareholders,

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

In 2018 E.ON again made German industrial history. The resolution adopted in March to take over innogy will begin a new chapter in our company's history. In addition, E.ON also sold its remaining stake in Uniper SE and thus completed its exit from conventional energy generation. The Supervisory Board would like to thank the Management Board and all employees for their enormous efforts connected with E.ON's new strategic course.

In the 2018 financial year the Supervisory Board carefully performed all its duties and obligations under law, the Company's Articles of Association, and its own policies and procedures. It thoroughly examined the Company's situation and devoted particular attention to its continually evolving energy-policy and economic environment.

We advised the Management Board intensively about the Company's management and continually monitored the Management Board's activities, assuring ourselves that the Company's management was legal, purposeful, and orderly. We were directly involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Management Board's reports. At the Supervisory Board's six regular meetings, we addressed in depth all issues relevant to the Company. In particular, we discussed the planned takeover of innogy SE and the related asset swap with RWE, the closing of the sale of the Company's remaining Uniper stake, the refinement of its corporate strategy, and the E.ON Group's medium-term plan for 2019–2021. Two Supervisory Board members were unable to attend Supervisory Board meetings in 2018. Apart from that, all members attended all meetings. A table showing attendance by member is on page 76 of this report.

The Management Board regularly provided us with timely and comprehensive information about significant business transactions in both written and oral form. At the meetings of the full Supervisory Board and its committees, we had sufficient opportunity to actively discuss the Management Board's reports, motions, and proposed resolutions. After thoroughly examining and discussing the resolutions proposed by the Management Board, 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.

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

Takeover of innogy SE and Extensive Asset Swap with RWE

At its meeting in March 2018, the Supervisory Board dealt comprehensively with the planned takeover of innogy SE. Supported by outside consultants, the Management Board gave the Supervisory Board a detailed presentation of the structure and the modalities of the planned takeover. The presentation described the financial parameters as well as the main economic and strategic aspects of the agreement with RWE. On this basis, the Supervisory Board is convinced that this decision was and is the right one for the Company. The transaction was a topic of discussion at all of the Supervisory Board's remaining meetings last year, at which the Management Board kept us continually informed about a variety of related matters, including the status of the voluntary public takeover offer, the merger-control procedure, and the progress of the preparations for the integration.

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

At our January meeting, we approved the Management Board's decision to sell E.ON's remaining 46.65-percent Uniper stake to Fortum, a Finnish energy company. Fortum's payment of the purchase price along with the antitrust approvals in June completed the execution of E.ON's decision to spin off its conventional generation business.

The Supervisory Board dealt in detail with the refinement of E.ON's corporate strategy. At our September meeting, we focused on the future strategic course of the Energy Networks and Customer Solutions segments. As a network operator, E.ON will remain a reliable partner of policymakers and the general public in the joint effort to make the energy transition a success. Alongside making the investments necessary to maintain and expand its networks, E.ON is focusing on developing innovative solutions for network operations. On the customer solutions side, E.ON will continue to be a leading provider of energy solutions for residential and business customers and for cities and communities. It identified heating solutions as an additional strategic focus area. E.ON's objective is to satisfy customers' needs in an efficient, smart, and sustainable energy world.

Other Key Topics of the Supervisory Board's Discussions

Policy and regulatory developments in countries in which E.ON is active constituted another key topic of our discussions. Alongside the overall- and economic-policy situation in the individual countries, we focused primarily on the developments in European and German energy policy and their respective consequences for E.ON's business areas. In particular, the Supervisory Board discussed the United Kingdom's upcoming departure from the European Union and the various Brexit scenarios' economic consequences for E.ON. In addition, we dealt repeatedly with the introduction of a price cap for electricity tariffs in the United Kingdom. Furthermore, developments in Turkey's macroeconomic environment and electricity market were topics of the Supervisory Board's deliberations.

Furthermore, in the context of the Group's current operating business, we discussed in detail national and international energy markets, the currencies that are important to E.ON, the impact of low interest rates on E.ON as well as the general business situation of the Group and its companies. We discussed E.ON SE's and the E.ON Group's asset, financial, and earnings situation, future dividend policy, workforce developments, and earnings opportunities and risks. In addition, we and the Management Board thoroughly discussed the E.ON Group's medium-term plan for 2019–2021. The Supervisory Board was provided information on a regular basis about the Company's health, (occupational) safety, and environmental performance (in particular, the development of key accident indicators) as well as the number of apprentices and measures to foster diversity.

We also thoroughly discussed current developments in E.ON's core businesses. Topics of discussion included the regulatory environment in individual markets, the development of customer numbers, new customer solutions, and the digitalization of E.ON's business. In addition, the Management Board reported on the successful initial public offering of Enerjisa Enerji A.S., the network and sales business in Turkey, in early February 2018.

Furthermore, the Supervisory Board discussed E.ON's future funding needs and, where necessary, adopted resolutions. We also discussed E.ON's current and future rating situation with the Management Board on a regular basis. Finally, we examined the Group's non-financial reporting (CSR), assured ourselves that it is legal, orderly, and purposeful, and approved it. The report defines climate protection, occupational health and safety, diversity, security of supply, customer satisfaction, the general significance of human rights, and the general significance of compliance as material topics for E.ON and describes the Company's management approach, key performance indicators, and risk estimates for each.

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

Corporate Governance

In the 2018 financial year the Supervisory Board again duly addressed the implementation of the recommendations of the German Corporate Governance Code (known by its German abbreviation, "DCGK").

In the declaration of compliance issued at the end of the year, we and the Management Board declared that E.ON is in full compliance with the recommendations of the "Government Commission German Corporate Governance Code" dated February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the Federal Gazette (*Bundesanzeiger*), since the last annual declaration on December 18, 2017, with no exceptions.

The current version of the declaration of compliance is in the Corporate Governance Report on page 73; the current as well as earlier versions are published online at www.eon.com.

One member of the Supervisory Board had a conflict of interest in the 2018 financial year in conjunction with the innogy transaction owing to his position with another company. In accordance with Supervisory Board rules, the member alerted the Chairman prior to the meeting on March 11, 2018, and officially resigned this position before the meeting, thus eliminating the conflict of interest. In addition, two members had a conflict of interest in conjunction with a possible transaction owing to their positions with other companies. In accordance with Supervisory Board rules, the members made this known prior to the meeting on December 18, 2018, and did not take part in the Supervisory Board's adoption of a resolution. Otherwise, the Supervisory Board is aware of no indications of conflicts of interest involving members of the Management Board or the Supervisory Board.

Two comprehensive education and training sessions on selected operational issues were conducted for Supervisory Board members in 2018.

The targets for the Supervisory Board's composition, including a competency profile and a diversity concept, with regard to Item 5.4.1 of the German Corporate Governance Code and Section 289f, Paragraph 2, Item 6 of the German Commercial Code and the status of their achievement are described in the Corporate Governance Report on pages 76 to 78.

In 2018 we conducted a regularly scheduled efficiency review of the Supervisory Board's work. Drawing on suggestions from the Supervisory Board members, we designed and implemented measures to improve the Supervisory Board's work. The measures are mainly aimed at improving the discussion culture and thus time management at Supervisory Board meetings as well as extending the preliminary discussions of the shareholder and employee representatives. In addition, in the future the Management Board's reports will devote more attention to the analysis of industry-specific and technological trends.

An overview of Supervisory Board members' attendance at meetings of the Supervisory Board and its committees is on page 76.

Committee Work

To fulfill its duties carefully and efficiently, the Supervisory Board has created the committees described in detail below. Information about the committees' composition and responsibilities is in the Corporate Governance Report on pages 78 and 79. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to adopt resolutions. Committee chairpersons reported the agenda and results of their respective committee's meetings to the full Supervisory Board on a regular basis, typically at the Supervisory Board meeting subsequent to their committee meeting.

In the 2018 financial year the Executive Committee met three times and conducted one written resolution procedure. All members took part in all of the committee's meetings and procedures. In particular, this committee prepared the meetings of the full Supervisory Board. At its March meeting, the committee discussed in detail the planned takeover of innogy. In addition, the Executive Committee discussed significant personnel matters, especially those relating to Management Board compensation. Furthermore, it prepared the Supervisory Board's resolution to appoint Dr. Thomas König to the Management Board and adopted a resolution based on the Management Board's proposal to change its members' respective task areas. Additionally, the Executive Committee was continually informed about the progress toward the Management Board's targets for 2018. The Committee also discussed the findings of the efficiency review. Finally, it discussed the medium-term plan for the period 2019–2021.

The Investment and Innovation Committee met four times. All members attended all meetings. The matters addressed by the committee included the planned sale of the remaining Uniper stake and the Management Board's planned funding measures. In particular, at its meetings the committee prepared the Supervisory Board's resolutions on these matters or, for matters for which it had the authority, made the decision itself. Furthermore, it discussed innovation topics related to the Energy Networks and Customer Solutions segments. It addressed in detail the opportunities and risks of selected innovative business activities.

The Audit and Risk Committee met four times in 2018. All members took part in all meetings. With due attention to the Independent Auditor's Report and in discussions with the independent auditor, the committee devoted particular attention to the 2017 Financial Statements of E.ON SE (prepared in accordance with the German Commercial Code), the E.ON Group's 2017 Consolidated Financial Statements (prepared in accordance with International Financial Reporting Standards, or "IFRS"), and the 2018 intermediate financial reports of E.ON SE. The committee discussed the recommendation for selecting an independent auditor for the 2018 financial year as well as the intermediate financial reports and assigned the tasks for the auditing services, established the audit priorities, determined the independent auditor's compensation, and verified the auditor's qualifications and independence in line with the recommendations of the German Corporate Governance Code. The committee assured itself that the independent auditor has no conflicts of interest. It also adopted a resolution regarding the mandatory rotation of the independent auditor. Topics of particularly detailed discussions included issues relating to accounting, the internal control system, and risk management. In addition, the committee thoroughly discussed the Combined Group Management Report and the proposal for profit appropriation and prepared the relevant recommendations for the Supervisory Board and reported them to the Supervisory Board. The committee also discussed in detail market conditions, the long-term changes in markets, and the resulting consequences for the underlying value of E.ON's operations. Other focus areas included an examination of E.ON's risk situation, its risk-bearing capacity, and the quality control of its risk-management system. This examination was based on consultations with the independent auditor and, among other things, reports from the Company's Risk Committee. On the basis of the quarterly risk reports, the Audit and Risk Committee noted that no risks were identified that might jeopardize the existence of the Company or individual segments. The committee also discussed the work done by Internal Audit including the audits conducted in 2018 as well as the audit plan and audit priorities for 2019. Furthermore, the committee discussed the health, safety, and environment report, compliance reports and E.ON's compliance system, as well as other issues related to auditing. The Management Board also reported on ongoing legal proceedings and on legal and regulatory risks for the E.ON Group's business. In addition, the committee discussed E.ON's current rating and its development on a regular basis. Other topics included the sale of the remaining Uniper stake, the progress of E.ON's wind farm projects, the relevance of cyber risks for E.ON's business, the Company's tax situation, reportable incidents at the E.ON Group, financing and insurance issues, and the Separate Combined Non-Financial Report.

The Nomination Committee met once in 2018 and carried out one written resolution procedure. All members of the committee took part. The purpose of the resolution process and the meeting was to prepare for the elections to the Supervisory Board and for its expansion.

Examination and Approval of the Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2018

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditor chosen by the Annual Shareholders Meeting and appointed by the Supervisory Board, audited and submitted an unqualified opinion on the Financial Statements of E.ON SE and the Combined Group Management Report for the year ended December 31, 2018. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON SE from the requirement to publish Consolidated Financial Statements in accordance with German law.

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

At the Supervisory Board's meeting on March 12, 2019, we thoroughly discussed—in the presence of the independent auditor and with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—E.ON SE's Financial Statements prepared in accordance with the German Commercial Code, Consolidated Financial Statements, and Combined Group Management Report as well as the Management Board's proposal for profit appropriation. In this context, we considered in detail the implications of the conclusion of the transaction agreement with RWE on the Company's financial statements. The independent auditor was available for supplementary questions and answers. After concluding our own examination we determined that there are no objections to the findings. We therefore acknowledged and approved the Independent Auditor's Report.

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

We examined the Management Board's proposal for profit appropriation, which includes a cash dividend of €0.43 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. After examining and weighing all arguments, we agree with the Management Board's proposal for profit appropriation.

In addition, we reviewed and approved the Separate Combined Non-Financial Report.

Personnel Changes on the Management Board

The Supervisory Board appointed Dr. Thomas König to the E.ON SE Management Board effective June 1, 2018.

Page 244 of this report shows E.ON SE Management Board members' respective task areas as of year-end 2018.

Personnel Changes on the Supervisory Board

As a result of the resolution by the 2018 Annual Shareholders Meeting to reduce the Supervisory Board from 18 to 14 members, shareholder representatives Prof. Dr. Ulrich Lehner, Dr. Theo Siegert, and Baroness Denise Kingsmill ended their service on the Supervisory Board effective May 9, 2018; employee representatives Tibor Gila and Silvia Šmátralová ended their service effective the same date. Employee representative Thies Hansen had already ended his service effective December 31, 2017. Klaus Fröhlich was elected as a new member of the Supervisory Board on the shareholder side effective May 29, 2018; Szilvia Pinczésné Márton, as a new member on the employee side effective May 9, 2018.

Personnel Changes on the Supervisory Board's Committees

Klaus Fröhlich was elected as a new member of the Investment and Innovation Committee effective May 29, 2018. Carolina Dybeck Happe left the committee effective May 9, 2018. Shareholder representative Carolina Dybeck Happe was elected as a new member of the Audit and Risk Committee effective May 9, 2018; employee representatives Elisabeth Wallbaum and Fred Schulz were reelected to the committee effective May 9 and May 29, 2018, respectively. Fred Schulz, who in the new elections to the Supervisory Board was reelected to the Supervisory Board pending the entry of the Supervisory Board's enlargement into the Commercial Register, was also reelected to the Executive Committee effective May 29, 2018. In addition, Andreas Schmitz was elected Chairman of the Audit and Risk Committee effective May 9, 2018. By being elected Vice-Chairman of the Supervisory Board effective May 9, 2018, Erich Clementi simultaneously became a member of the Executive Committee and the Nomination Committee.

Essen, March 12, 2019
The Supervisory Board

Best wishes,

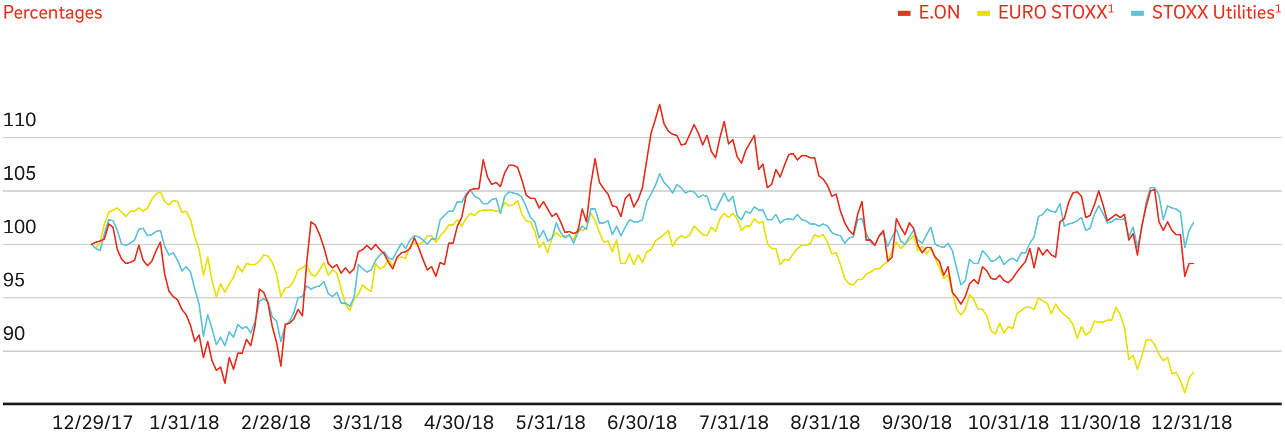
Dr. Karl-Ludwig Kley
Chairman

E.ON Stock

E.ON Stock in 2018

At the end of 2018, E.ON stock (including reinvested dividends) was 2 percent below its year-end closing price for 2017. It thereby somewhat underperformed its peer index, the STOXX Utilities (+2 percent), but outperformed the broader European stock market as measured by the EURO STOXX 50 index (-12 percent).

E.ON Stock Performance



[1]Based on the performance index.

E.ON Stock Key Figures

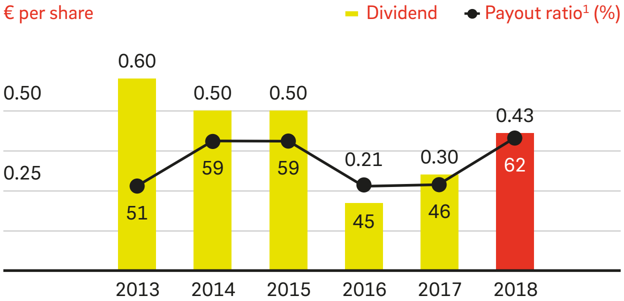
Per share (€)	2018	2017
Net income attributable to the shareholders of E.ON SE[1]	1.49	1.84
Earnings from adjusted net income[1, 2]	0.69	0.67
Dividend[3]	0.43	0.30
Dividend payout[3] (€ in millions)	932	650
Twelve-month high[4]	9.93	10.69
Twelve-month low[4]	7.89	6.64
Year-end closing price[4]	8.63	9.06
Number of shares outstanding (in millions)	2,167	2,167
Market capitalization[5] (€ in billions)	18.7	19.6
E.ON stock trading volume[6] (€ in billions)	28.9	26.3

[1]Based on shares outstanding (weighted average).
[2]Adjusted for non-operating effects.
[3]For the respective financial year; the 2018 figure represents management's dividend proposal.
[4]Xetra.
[5]Based on ordinary shares outstanding at year-end.
[6]On all German stock exchanges, including Xetra.

Dividend

At the 2019 Annual Shareholders Meeting, management will propose a cash dividend of €0.43 per share for the 2018 financial year (prior year: €0.30). The payout ratio (as a percentage of adjusted net income) would be 62 percent. Based on E.ON stock's year-end 2018 closing price, the dividend yield would be 5 percent.

Dividend per Share

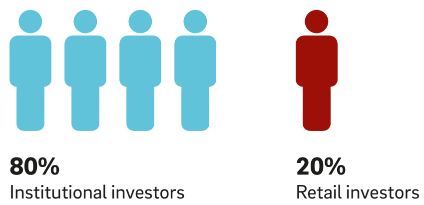


[1]Payout ratio in relation to adjusted net income; not adjusted for discontinued operations.

Shareholder Structure

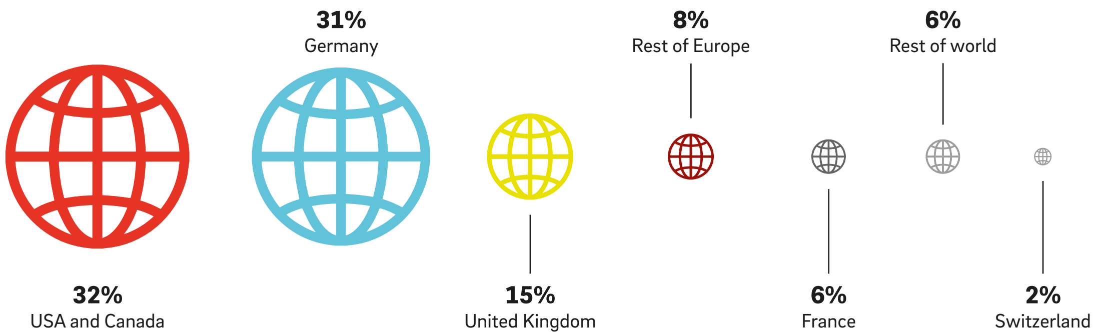
Our most recent survey shows that—based on the total number of shareholders identified and not including treasury shares—we have roughly 80 percent institutional investors and 20 percent retail investors. Investors in Germany hold about 31 percent of our stock, those outside Germany about 69 percent.

Shareholder Structure by Group[1]



[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2018).

Shareholder Structure by Country/Region[1]



[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2018).

Investor Relations

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

We used the forum of E.ON's quarterly reporting to provide the greatest-possible transparency on the developments at our business units.

The predominant issue in 2018 was the announcement that E.ON plans to take over innogy. As in the past, we continually informed our shareholders of the steps taken and the progress made toward the transaction.

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

Strategy and Objectives

Our Strategy: Partner for the New Energy World

E.ON's strategy focuses the Company systematically on the new energy world of increasingly empowered and proactive customers. The planned acquisition of innogy and the planned sale of the renewable energy business to RWE strengthens this strategy. The energy world is becoming more electric and customer-driven. Going forward, we intend to focus on energy networks in a distributed energy world and more on customer solutions that emphasize sustainability and energy efficiency.

Through the planned acquisition of innogy, E.ON is seizing the initiative and—for the benefit of customers, employees, business partners, shareholders, and society in general—taking advantage of the significant opportunities created by the transformation of the energy world. Examples include continual innovation, an unambiguous commitment to sustainability, the expansion of digital architecture across our organization, and a strong brand. Health and safety remain indispensable corporate values. Our unequivocal objective is to avoid accidents and to minimize adverse health impacts on our employees.

Transaction with RWE

In March 2018 E.ON and RWE reached an extensive asset-swap agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy and transfer to RWE substantially all of its renewable energy business. In response to a voluntary public takeover offer, innogy's other shareholders tendered 9.4 percent of innogy stock to E.ON (for more details on the planned transaction, see pages 22 and 23 of the Combined Group Management Report).

After the transaction closes, E.ON will focus on two business segments: regulated, highly efficient energy networks and innovative customer solutions. We will be able to combine our expertise and innovativeness in these two segments with innogy's. The takeover of innogy will also enable us to achieve significant cost advantages.

The planned acquisition is a fundamental step in the implementation of our strategy and offers the opportunity to achieve our strategic objectives within the constraints of our balance sheet. Success in energy networks and customer solutions can only be ensured through a systematic customer focus (municipalities, residential customers, and commercial customers). New distributed customer solutions are based on a deep understanding of the customer business as well as energy networks. Regulated network assets together with growth opportunities in customer solutions create an attractive and balanced portfolio.

Increasingly, the renewable energy business worldwide is exposed to market price risks and needs to interact with the wholesale market. Moreover, it is becoming more global, and critical mass is becoming a more important factor. Combining innogy and E.ON's renewables businesses at RWE will create a bigger platform, one that has the critical mass that is indispensable for successful business development on an international scale.

Objectives and Core Businesses

Going forward, E.ON will concentrate on energy networks and customer solutions. With a clear focus on two strong core businesses, we aim to become the partner of choice for energy and customer solutions.

- Energy Networks: distribution grids link our customers together and are the backbone of the energy transformation. After the integration of innogy, E.ON will operate distribution grids in eight European countries with a regulated asset base of €34 billion. The energy system is complex and increasingly characterized by distributed generation. It connects the electricity market, heat market, and mobility. This complex system is not possible without smart distribution grids. This means that grids no longer only distribute power. They are evolving into smart platforms that integrate processes, data, and generation assets. E.ON is already a leader in network efficiency and will continue to set new standards in the future.

- Customer Solutions: the integration of innogy's customer-solutions business will expand our customer base to around 50 million. Thus strengthened, E.ON intends to become the partner of choice for public, commercial, and residential customers and to create added value for them. We will continually improve or redefine our portfolio of products and services for innovative heating solutions, energy efficiency, distributed generation and storage, and sustainable mobility solutions. We intend to achieve this through a consistently convincing customer experience, a strong digital orientation, and high-quality service.

Resources and Capabilities

Each of these core businesses has its own viable business logic. But combining them in a single company offers significant advantages. It enables E.ON to acquire and leverage a comprehensive understanding of the transformation of the energy system and the interplay between the individual submarkets in regional and local energy supply systems. In an increasingly distributed and digital energy world, customer solutions and energy networks are already beginning to converge. For example, smart meters are already providing the basis for new energy-sales offerings, such as time-based electricity tariffs and energy-efficiency solutions.

Focusing on two core businesses will enable E.ON to retain its existing strengths and advantages and to build on them. Examples include our outstanding record of managing energy networks and systematically developing customer solutions. In 2018 our customer solutions business compiled several achievements in heat supply, e-mobility, energy efficiency, and energy storage. For example, E.ON and Berliner Stadtwerke were awarded the concession to provide heat and cooling to an urban development project at the site of Tegel airport in Berlin thanks to a plan featuring an innovative low-temperature network. The European Spallation Source ("ESS"), a major research institute in Lund, Sweden, chose E.ON as its partner for sustainable cooling, heat, and compressed air.

On the e-mobility side, at year-end 2018 E.ON could already offer its customers 4,000 charging points in Germany. In late 2018 E.ON joined EV100, a global initiative to accelerate the transition to electric vehicles ("EVs"), and pledged to convert all company vehicles under 3.5 metric tons to EVs by 2030. In other e-mobility milestones in 2018, we entered the Norwegian market, forged a strategic partnership with Nissan, and introduced a digital platform that makes our charging network easier to access and use. To promote energy efficiency, E.ON partnered with European banks to offer standardized loans that make it easier for property owners to finance energy-efficiency improvements. This creates additional incentives for efficient energy use. In energy storage, in early 2018 we launched E.ON SolarCloud, which enables customers with solar panels to use 100 percent of the green power they produce, even if they do not have a battery.

The network business achieved advances in 2018 as well. Avacon, an E.ON subsidiary in north-central Germany, is testing a smart grid hub that can control equipment like solar panels and battery storage devices remotely. Part of the EU's Interflex project, the hub is a cost-effective way to help ensure stable network operations. In the Czech Republic E.ON launched a project called ACON, which stands for "again connected networks." Its purpose is to enhance the distribution networks in the regions along the Czech-Slovak border and to upgrade them using smart-grid technology.

Corporate Initiatives

The agreement with RWE was the dominant event of 2018. Yet E.ON also moved forward with key corporate initiatives and launched new ones with the aim of enhancing its competitiveness and customer orientation. These initiatives lay an important foundation for E.ON's lasting success in the years ahead. All of them are designed for rapid results and implementation. Below are two examples of such initiatives.

- Launched at the end of 2016, the Phoenix program redesigned the setup of E.ON's corporate and support functions to make them closer to customers and to reduce unnecessary bureaucracy and inefficiency. We are giving our customer-proximate functions greater decision-making authority, enabling faster decision-making and implementation. We successfully completed the program in 2018, substantially reducing our cost base.

- Sustainability is not only an important criterion in the design of our corporate strategy, but also for our actions. In 2018 the Management Board pledged E.ON's support for the UN Sustainable Development Goals ("SDGs"), thereby underscoring our commitment to sustainability. E.ON's business operations contribute directly to the achievement of SDG 7 (affordable and clean energy), 11 (sustainable cities and communities), and 13 (climate action). In 2018 E.ON also launched a climate-protection initiative and set a target of making all its buildings climate-neutral by 2030.

Finance Strategy

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

People Strategy

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

Combined Group Management Report

- Adjusted EBIT and adjusted net income both at upper end of forecast range
- Economic net debt reduced significantly
- Management to propose dividend of €0.43 per share for the 2018 financial year
- Transaction with RWE for acquisition of innogy filed with European Commission
- 2019 adjusted EBIT expected to be between €2.9 and €3.1 billion, adjusted net income between €1.4 and €1.6 billion

Corporate Profile

Business Model

E.ON is an investor-owned energy company with approximately 43,000 employees. Led by corporate headquarters in Essen, our operations are segmented into three operating units: Energy Networks, Customer Solutions, and Renewables. Our non-strategic operations are reported under Non-Core Business.

Corporate Headquarters

Corporate headquarters' main task is to lead the E.ON Group. This involves charting E.ON's strategic course and managing and funding its existing business portfolio. Corporate headquarters' tasks include optimizing E.ON's overall business across countries and markets from a financial, strategic, and risk perspective and conducting stakeholder management.

Energy Networks

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

Customer Solutions

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

Renewables

This segment consists of Onshore Wind/Solar and Offshore Wind/Other. We plan, build, operate, and manage renewable generation assets. We market their output in several ways: in conjunction with renewable incentive programs, under long-term electricity supply agreements with key customers, and directly to the wholesale market. Substantially all of the operations in this segment are classified as discontinued operations effective June 30, 2018 (for more information, see pages 22 and 23 of the Combined Group Management Report and Note 4 to the Consolidated Financial Statements).

Non-Core Business

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

Special Events in the Reporting Period

Asset Swap with RWE

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

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

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

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

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

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

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

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

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

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

Sale of E.ON Elektrárne

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

Sale of E.ON Gas Sverige

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

Sale of Hamburg Netz

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

Initial Public Offering of Enerjisa Enerji

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

Management System

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

Key Performance Indicators

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

Adjusted earnings before interest and taxes ("adjusted EBIT") is E.ON's most important KPI for purposes of internal management control and as an indicator of its businesses' long-term earnings power. The E.ON Management Board is convinced that adjusted EBIT is the most suitable KPI for assessing operating performance because it presents a business's operating earnings independently of non-operating factors, interest, and taxes. The adjustments include net book gains, certain restructuring expenses, impairment charges, the marking to market of derivatives, and other non-operating earnings (see the explanatory information on pages 31 to 33 to the Combined Group Management Report and in Note 33 of the Consolidated Financial Statements).

Cash-effective investments are equal to the investment expenditures shown in our Consolidated Statements of Cash Flows. These include the investments of discontinued operations in the Renewables segment.

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

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

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

E.ON manages its capital structure by means of its debt factor (see the section entitled Finance Strategy on page 34). Debt factor is equal to our economic net debt divided by adjusted EBITDA and is therefore a dynamic debt metric. Economic net debt includes our net financial debt as well as our pension and asset-retirement obligations.

Other KPIs

Alongside our most important financial management KPIs, the Combined Group Management Report includes other financial and non-financial KPIs to highlight aspects of our business performance and our sustainability performance vis-à-vis all our stakeholders: our employees, customers, shareholders, bond investors, and the countries in which we operate. Operating cash flow and value added are examples of our other financial KPIs. Our sustainability KPIs include total recordable frequency index ("TRIF"), which measures reported work-related injuries and illnesses. The section entitled Employees contains explanatory information about this KPI.

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

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

Innovation

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

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

Strategic Co-Investments

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

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

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

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

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

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

Partnerships with Universities

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

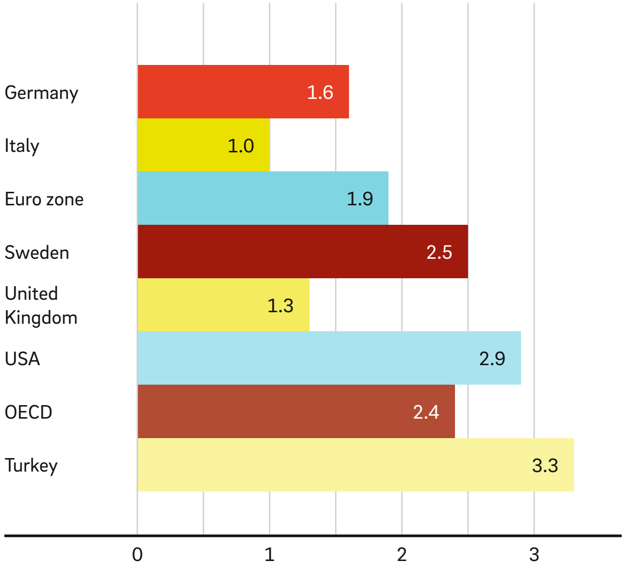
Macroeconomic and Industry Environment

Macroeconomic Environment

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

2018 GDP Growth in Real Terms

Annual change in percent



Source: OECD, 2018.

Energy Policy and Regulatory Environment

Global

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

Europe

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

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

Germany

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

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

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

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

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

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

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

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

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

Business Performance

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

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

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

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

Acquisitions, Disposals, and Discontinued Operations in 2018

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

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

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

Earnings Situation

Sales

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

Sales[1]

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

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

Other Line Items from the Consolidated Statements of Income

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

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

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

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

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

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

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

Adjusted EBIT

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

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

E.ON generates a significant portion of its adjusted EBIT in very stable businesses. Regulated, quasi-regulated, and long-term contracted businesses accounted for the overwhelming proportion of our adjusted EBIT in 2018.

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

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

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

Adjusted EBIT

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

Net Income/Loss

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

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

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

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

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

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

Net Income/Loss

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

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

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

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

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

Adjusted Net Income

Like EBIT, net income also consists of non-operating effects, such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude non-operating effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other material non-operating income and expenses (after taxes and non-controlling interests), and interest expense/income not affecting net income, which consists of the interest expense/income resulting from non-operating effects. Adjusted net income includes the earnings (adjusted to exclude non-operating effects) of the discontinued operations at Renewables as if they had not been reclassified and valued pursuant to IFRS 5. Pages 22 and 23 of the Combined Group Management Report and Notes 4 and 33 of the Consolidated Financial Statements contain more information.

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

Adjusted Net Income

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

Financial Situation

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

Finance Strategy

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

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

We manage E.ON's capital structure using our debt factor, which is equal to our economic net debt divided by adjusted EBITDA; it is therefore a dynamic debt metric. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset-retirement obligations. For the purpose of internal management control, economic net debt includes the discontinued operations at Renewables as well as the waste-disposal and dismantling obligations associated with E.ON's stakes in Emsland and Gundremmingen nuclear power stations at PreussenElektra, which are classified as a disposal group (see Note 4 to the Consolidated Financial Statements).

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

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

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

Economic Net Debt

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

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

Economic Net Debt

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

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

Reconciliation of Economic Net Debt

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

Funding Policy and Initiatives

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

Financial Liabilities

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

[1]Includes private placements.

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

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term notes. At year-end 2018 E.ON again had no CP outstanding.

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

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

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

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

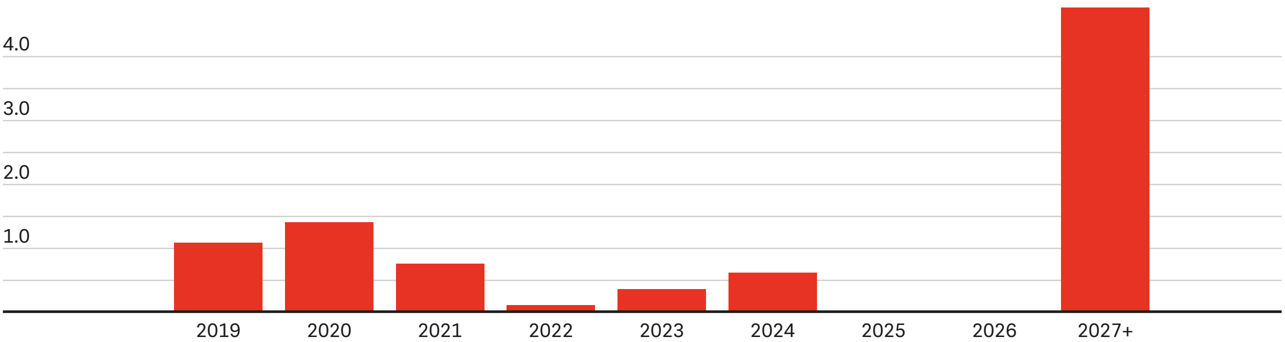
E.ON SE Ratings

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

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

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

€ in billions December 31, 2018



Investments

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

Investments

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

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

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

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

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

Cash Flow

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

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

Cash Flow[1]

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

[1]From continuing and discontinued operations.

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

Asset Situation

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

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

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

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

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

Consolidated Assets, Liabilities, and Equity

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

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

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

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

Balance Sheet of E.ON SE (Summary)

	December 31,	
€ in millions	2018	2017
Intangible assets and property, plant, and equipment	10	12
Financial assets	33,241	37,358
Non-current assets	**33,251**	**37,370**
Receivables from affiliated companies	7,472	7,697
Other receivables and assets	1,932	1,349
Liquid funds	3,041	2,025
Current assets	**12,445**	**11,071**
Accrued expenses	28	36
Asset surplus after offsetting of benefit obligations	–	1
Total assets	**45,724**	**48,478**
Equity	9,432	9,029
Provisions	1,480	2,127
Bonds	2,000	2,000
Liabilities to affiliated companies	32,456	34,350
Other liabilities	354	970
Deferred income	2	2
Total equity and liabilities	**45,724**	**48,478**

E.ON SE is the parent company of the E.ON Group. As such, its earnings, financial, and asset situation is affected by income from equity interests. The positive figure recorded for this item in 2018 reflects, in particular, the in-phase distribution of net income available for distribution from E.ON Beteiligungen GmbH resulting from the release of capital reserves, of which €2,320 million was recorded in earnings, and a profit transfer of €725 million from E.ON Beteiligungen GmbH. The primary countervailing factors were the expenditures from loss transfers of €1,017 million from E.ON Finanzanlagen GmbH and of €787 million from E.ON US Holding GmbH.

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

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

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

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

Income Statement of E.ON SE (Summary)

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

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

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

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

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

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

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

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

Other Financial and Non-Financial Performance Indicators

ROCE and Value Added

Cost of Capital

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

Our review of the parameters in 2018 led to no change in the after-tax cost of capital, which remained 4.7 percent. This was mainly because general interest-rate levels were almost unchanged, resulting in a stable risk-free interest rate and a constant market-risk premium. The table below shows the derivation of cost of capital before and after taxes.

Cost of Capital

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

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

Analyzing Value Creation by Means of ROCE and Value Added

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

Annual average capital employed represents the interest-bearing capital invested in our operating business. It is calculated by subtracting non-interest-bearing available capital from non-current and current operating assets. Depreciable non-current assets are included at their book value. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value. Changes to E.ON's portfolio during the course of the year are factored into average capital employed. For purposes of internal management control, average capital employed includes activities at Renewables classified as discontinued operations.

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

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

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

ROCE Performance in 2018

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

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

ROCE

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

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

Employees

People Strategy

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

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

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

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

Collaborative Partnership with Employee Representatives

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

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

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

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

innogy Integration and the Involvement of Employee Representatives

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

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

Specific points covered by the Agreement include:

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

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

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

Employee Development and Working Conditions

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

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

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

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

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

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

We believe that an attractive compensation package including appealing fringe benefits is essential for rewarding our employees. The compensation plans of nearly all our employees contain an element that reflects the company's performance. This element is typically based on the same key performance indicators that are also used in the Management Board's compensation plan.

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

Diversity

Going forward, diversity will remain a key element of E.ON's competitiveness. Diversity and an appreciative corporate culture promote creativity and innovation. This is a central aspect of the E.ON vision as well. E.ON brings together a diverse team of people who differ by nationality, age, gender, disability, religion, and/or cultural and social background. We foster and utilize diversity in specific ways and create an inclusive work environment. Diversity is a key success factor. Studies have shown that heterogeneous teams outperform homogenous ones. Diversity is equally crucial in view of demographic trends. Going forward, only those companies that embrace diversity will be able to remain attractive employers and be less affected by the shortage of skilled workers. In addition, a diverse workforce enables us to do an even better job of meeting our customers' needs and requirements. In 2006 we issued a Group Policy on Equal Opportunity and Diversity. In late 2016 E.ON along with the SE Works Council of E.ON SE renewed this commitment to diversity.

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

In 2008 E.ON publicly affirmed its commitment to fairness and respect by signing the German Diversity Charter, which now has about 2,700 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect.

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

In 2018 we again implemented numerous measures to promote diversity at E.ON. An important purpose of these measures is to foster the career development of female managers. We set new, ambitious targets to increase the proportion of women in management positions. By year-end 2026, we want the proportion of women in management positions to be the same—32 percent—as the proportion of women in our overall workforce was at year-end 2016. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We also have Group-wide recruiting and hiring guidelines for management positions. These guidelines require that at least one male and one female must be on the short list for a vacant management position. Through these measures, the proportion of women in management positions rose from just over 11 percent in 2010 to 21.2 percent at year-end 2018 for the Group as a whole and from 9 percent to 15.9 percent for Germany. Our units have had support mechanisms for female managers in place for a number of years. These mechanisms include mentoring programs for female next-generation managers, coaching, training to prevent unconscious bias, the provision of daycare, and flexible work schedules. Increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions.

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

Workforce Figures

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

Employees[1]

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

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

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

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

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

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

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

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

Employees by Country[1]

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

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

Gender and Age Profile, Part-Time Staff
As at the end of 2017, 32 percent of our employees were women at the end of 2018.

Proportion of Female Employees

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

[1]Includes E.ON Business Services.

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

Employees by Age

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

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

Part-Time Rate

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

[1]Includes E.ON Business Services.

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

Turnover Rate

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

[1]Includes E.ON Business Services.

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

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

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

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

The healthcare systems of the countries we operate in differ considerably in terms of their delivery of medical care, their health-insurance and pension systems, and their legal requirements for occupational health and safety. Nevertheless, the most common illnesses resulting in an inability to work are the same in all countries: musculoskeletal disorders, psychological problems, and respiratory infections. The leading causes of death are the same as well: heart disease and cancer. E.ON's health management focuses on preventing these diseases. We strive to prevent psychological problems by providing mental-health training and by conducting an employee-assistance program, which gives employees free access to outside health consultants and social counseling. Checkups and preventive care (fit-for-work examinations) by our company doctors help to reduce general and workplace-specific risks. We also conduct campaigns to raise awareness of diseases such as bowel cancer and the importance of early cancer detection. Flu vaccination programs help to prevent dangerous illnesses. Together, these programs address the increasing significance of health and well-being for maintaining our employees' ability to work, in particular by focusing on their mental health.

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

Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention.

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

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

Apprentices in Germany

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

Forecast Report

Business Environment

Macroeconomic Situation

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

Anticipated Earnings Situation

Forecast Earnings Performance

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

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

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

Our forecast by segment:

Adjusted EBIT[1]

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

[1]Adjusted for non-operating effects.

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

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

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

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

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

Anticipated Financial Situation

Planned Funding Measures

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

Dividend

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

Planned Investments

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

Cash-Effective Investments: 2019 Plan

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

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

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

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

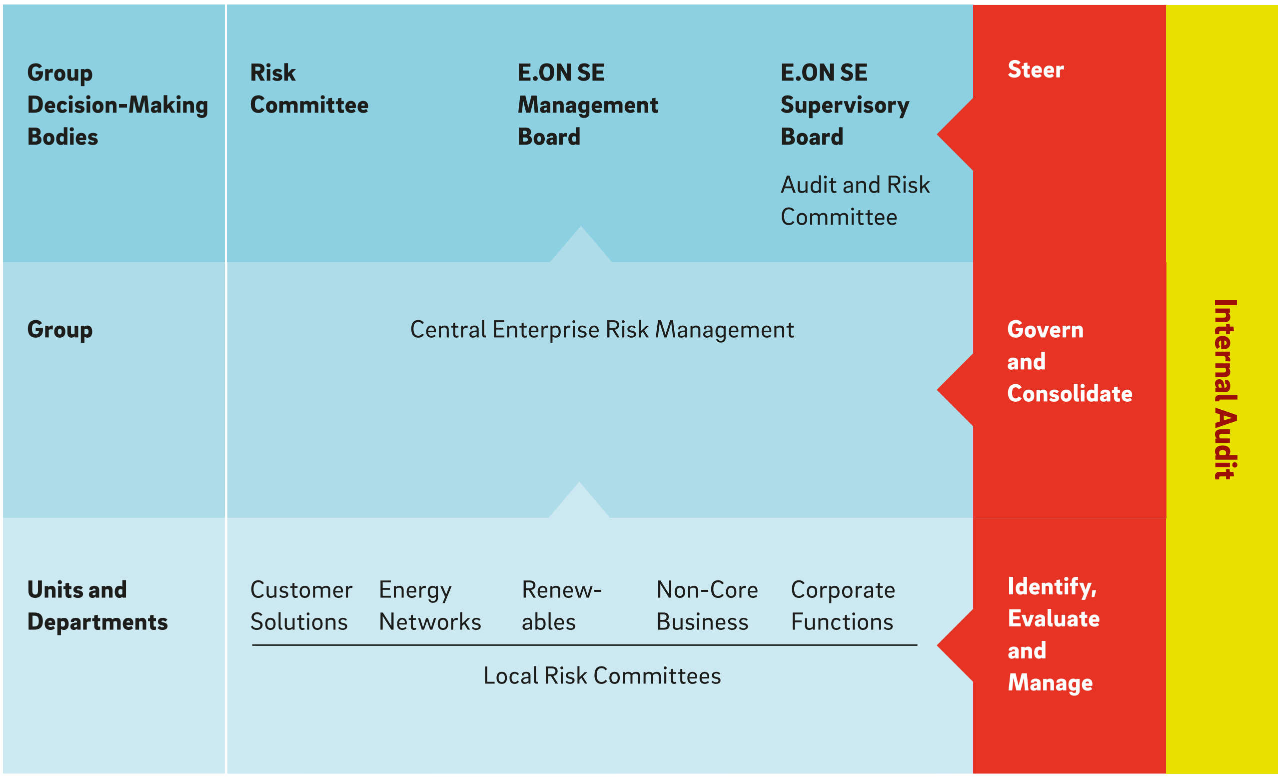
Employees

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

General Statement of E.ON's Future Development

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

Enterprise Risk Management System in the Narrow Sense



Objective

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

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

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

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

Scope

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

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

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

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

General Measures to Limit Risks

We take the following general preventive measures to limit risks.

Managing Legal and Regulatory Risks

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

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

Managing Operational and IT Risks

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

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

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

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

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

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

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

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

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

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

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

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

Enterprise Risk Management ("ERM")

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

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

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

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

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

Risks and Chances

Methodology

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

Risk Category

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

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

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

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

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

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

Impact Classes

Low	x < €10 million
Moderate	€10 million ≤ x < €50 million
Medium	€50 million ≤ x < €200 million
Major	€200 million ≤ x < €1 billion
High	x ≥ €1 billion

General Risk Situation

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

Risk Category

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

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

Risks and Chances by Category

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

Legal and Regulatory Risks

The political, legal, and regulatory environment in which the E.ON Group does business is a source of external risks, such as the uncertainty surrounding Brexit and the possibility that the United Kingdom could leave the European Union without an agreement. This would confront E.ON with direct and indirect consequences that could potentially lead to financial disadvantages. Other risks result from decisions by governments to phase out power generation using certain energy sources. In the recent past, these decisions have been supplemented by energy-policy decisions at the European and national level. These include, in particular, the EU package of climate-protection measures and the recommendations regarding the phaseout of hard-coal- and lignite-fired power generation made by the commission appointed by the German federal government. In addition, in the wake of the economic and financial crisis in many EU member states, interventionist policies and regulations have been adopted in recent years, such as additional taxes, additional reporting requirements (for example, EMIR, REMIT, MiFID2), price moratoriums, regulatory price reductions, and changes to support schemes for renewables. Such intervention could pose major risks to, as well as opportunities for, E.ON's operations in these countries. There may also be final risks from obligations arising from regulatory requirements following the Uniper split. This risk category also includes the risk of litigation, fines, and claims, governance- and compliance-related issues as well as risks and chances related to contracts and permits. Changes to this environment can lead to considerable uncertainty with regard to planning and, under certain circumstances, to impairment charges but can also create chances. This results in a major risk position and a medium chance position.

PreussenElektra

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

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

On December 6, 2016, Germany's Federal Constitutional Court in Karlsruhe ruled that the thirteenth amended version of the Act is fundamentally constitutional. The Act's only unconstitutional elements are that certain NPP operators will be unable to produce their electricity allotment from 2002 and that it contains no mechanism for compensating operators for investments to extend NPP operating lifetimes. Lawmakers established a new compensation mechanism in the sixteenth amended version of the Act. In addition, NPPs need to acquire production rights, also known as a residual electricity allotment, in order to operate until their closure dates prescribed by law. These matters could yield major chances and major risks.

Customer Solutions

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

Energy Networks

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

Renewables

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

Operational and IT Risks

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

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

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

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

HSE, HR, and Other Risks

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

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

Market Risk

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

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

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

Strategic Risks

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

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

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

Finance and Treasury Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owed on existing accounts receivable, and from replacement risks in open transactions. For example, E.ON's historical connection with Uniper continues to pose major, albeit unlikely, risks. In addition, in unlikely cases joint and several liability for jointly operated power plants could lead to a major risk.

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

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

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

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

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

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

Management Board's Evaluation of the Risk and Chances Situation

The overall risk and chances situation of the E.ON Group's operating business at year-end 2018 remained nearly unchanged relative to year-end 2017. Although the average annual risk for the E.ON Group's adjusted EBIT is classified as major, from today's perspective we do not perceive any risk position that could threaten the existence of the E.ON Group or individual segments.

Energy Networks

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

Energy Passthrough[1]

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

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

Power and Gas Passthrough

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

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

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

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

System Length and Connections

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

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

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

Sales and Adjusted EBIT

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

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

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

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

Energy Networks

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

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

Customer Solutions

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

Power Sales[1]

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

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

Gas Sales[1]

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

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

Power and Gas Sales Volume

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

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

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

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

Customer Numbers

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

Sales and Adjusted EBIT

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

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

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

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

Customer Solutions

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

Renewables

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

Fully Consolidated and Attributable Generating Capacity

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

Generating Capacity

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

Power Production and Sales

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

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

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

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

Power Generation

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

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

Renewables

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

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

Non-Core Business

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

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

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

Power Generation

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

Sales and Adjusted EBIT

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

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

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

Non-Core Business

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

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

General Principles

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

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

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

Accounting Process

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

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

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

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

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

The following explanations about our internal control system and our general IT controls apply equally to the Consolidated Financial Statements and to E.ON SE's Financial Statements.

Internal Control System

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting requirements and procedures for the entire E.ON Group. These guidelines encompass a definition of the guidelines' scope of application; a Risk Catalog (ICS Model); standards for establishing, documenting, and evaluating internal controls; a Catalog of ICS Principles; a description of the test activities of our Internal Audit division;

and a description of the final Sign-Off process. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Financial Statements, the Combined Group Management Report, the Half-Year Financial Report, and the Quarterly Statements.

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

The Catalog of ICS Principles, which is another key component of our internal control system, defines the minimum requirements for the system to function. These principles encompass overarching principles for matters such as authorization, the separation of functions, and master data management as well as specific requirements for managing risks in a range of issue areas and processes, such as contractor management, project management, audit, and transactions.

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

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

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

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

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

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

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

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

Composition of Share Capital

The share capital totals €2,201,099,000.00 and consists of 2,201,099,000 registered shares without nominal value. Each share of stock grants the same rights and one vote at a Shareholders Meeting.

Restrictions on Voting Rights or the Transfer of Shares

Shares acquired by an employee under the Company-sponsored employee stock purchase program are subject to a blackout period that begins the day ownership of such shares is transferred to the employee and that ends on December 31 of the next calendar year plus one. As a rule, an employee may not sell such shares until the blackout period has expired. The employee stock purchase program was not offered in 2018.

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

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

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

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

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

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

Management Board's Power to Issue or Buy Back Shares
Pursuant to a resolution of the Shareholders Meeting of May 10, 2017, the Company is authorized, until May 9, 2022, to acquire treasury shares. The shares acquired and other treasury shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

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

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

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

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

- to be sold and transferred against cash consideration
- to be sold and transferred against contributions in kind
- to be used in order to satisfy the rights of creditors of bonds with conversion or option rights or, respectively, conversion obligations issued by the Company or its Group companies
- to be offered, with or without consideration, for purchase and transferred to individuals who are or were employed by the Company or one of its affiliates as well as to board members of affiliates of the Company
- to be used for the purpose of a scrip dividend where shareholders may choose to contribute their dividend entitlement to the Company in the form of a contribution in kind in exchange for new shares.

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

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

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

By shareholder resolution adopted at the Annual Shareholders Meeting of May 10, 2017, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 9, 2022, the Company's share capital by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (authorized capital pursuant to Sections 202 et seq. AktG; Authorized Capital 2017). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

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

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

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

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

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

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

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

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

Other Disclosures Relevant to Takeovers

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

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

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

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

The Board of Management and the Supervisory Board furthermore declare that E.ON SE has been in compliance in full with the recommendations of the "Government Commission German Corporate Governance Code," dated February 7, 2017, published by the Federal Ministry of Justice and for Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) since the last declaration on December 18, 2017.

Essen, December 18, 2018

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

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

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

Relevant Information about Management Practices

Corporate Governance

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

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

Transparent Management

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

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

- Half-Year Financial Report and Quarterly Statements
- Annual Report
- Annual press conference
- Press releases
- Telephone conferences held on release of the quarterly and annual results
- Numerous events for financial analysts in and outside Germany.

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

The Company issues ad hoc statements when events or changes occur at E.ON SE that could have a significant impact on the price of E.ON stock.

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

Managers' Transactions
Persons with executive responsibilities, in particular members of E.ON SE's Management Board and Supervisory Board, and persons closely related to them, must disclose specific dealings in E.ON stock or bonds, related derivates, or other related financial instruments pursuant to Article 19 of the EU Market Abuse Regulation in conjunction with Section 26, Paragraph 2, of the German Securities Trading Act. Such dealings that took place in 2018 have been disclosed on the Internet at www.eon.com.

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

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

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

In 2018 the Management Board consisted of four members initially and, after the appointment of Thomas König effective June 1, 2018, of five members. It had one Chairman. No Management Board member has more than three supervisory board memberships in listed non-Group companies or on the supervisory bodies of non-Group companies that require a similar commitment. Someone who has reached the general retirement age should not be a member of the Management Board. The Management Board has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

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

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

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

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

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

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

Supervisory Board

Pursuant to E.ON SE’s then-valid Articles of Association, effective the conclusion of the 2018 Annual Shareholders Meeting the Supervisory Board was reduced to 12 members. At the recommendation of the Supervisory Board and Management Board, the 2018 Annual Shareholders Meeting adopted a resolution to expand the Supervisory Board to 14 members. After the effective date of this change to the Articles of Association, the E.ON SE Supervisory Board has 14 members. Pursuant to E.ON SE’s Articles of Association, it is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. As a rule, the Annual Shareholders Meeting decides on the elections by individual vote. Pursuant to the agreement regarding employees’ involvement in E.ON SE, the other currently seven members of the Supervisory Board are appointed by the SE Works Council, with the provision that at least three different countries are represented and one member is selected by a trade union that is represented at E.ON SE or one of its subsidiaries in Germany. Persons are not eligible as Supervisory Board members if they:

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

The members of the E.ON SE Supervisory Board fulfill these requirements. Pursuant to the AktG, at least one member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board believes that, in particular, Andreas Schmitz meets this requirement. The Supervisory Board believes that its members in their entirety are familiar with the sector in which the Company operates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit and Risk Committee consists of four members. The Supervisory Board believes that, in their entirety, the members of the Audit and Risk Committee are familiar with the sector in which the Company operates. According to the AktG, the Audit and Risk Committee must include one Supervisory Board member who has expertise in accounting or auditing. The Supervisory Board believes that in particular Andreas Schmitz fulfills this requirement. Pursuant to the recommendations of the German Corporate Governance Code, the Chairperson of the Audit and Risk Committee should have special knowledge and experience in the application of accounting principles and internal control processes. In addition, this person should be independent and should not be a former Management Board member whose service on the Management Board ended less than two years ago. The Supervisory Board believes that the Chairman of the Audit and Risk Committee, Andreas Schmitz, fulfills these requirements. In particular, the Audit and Risk Committee deals with accounting issues (including the accounting process), risk management, compliance, the necessary independence of the independent auditor, the issuance of the audit mandate to the independent auditor, the definition of the audit priorities, the agreement regarding the independent auditor's fees, and any additional services performed by the independent auditor. The committee's monitoring of risk management encompasses reviewing the effectiveness of the internal control system, internal risk management, and the internal audit system. The committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and the Consolidated Financial Statements. It is responsible for the preliminary review of the Financial Statements of E.ON SE, the Management Report, the Consolidated Financial Statements, the Combined Group Management Report and the proposal for profit appropriation of profits as well as—if these are not already part of the

(Combined Group) Management Report—the separate Non-Financial Report and the separate Combined Non-Financial Report. It discusses the half-yearly reports and quarterly statements or financial reports with the Management Board prior to their publication. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and the Group's units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. The Audit and Risk Committee may commission an external review of the contents of the Non-Financial Statement or the separate Non-Financial Report or the Combined Non-Financial Statement or the separate Combined Non-Financial Report. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditor detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

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

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

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

- inform the Chairperson of the Audit and Risk Committee, or to note in the audit report, if the audit has led to findings that contradict the Declaration of Compliance with the German Corporate Governance Code by the Management Board or Supervisory Board.

The Investment and Innovation Committee consists of six members. It advises the Management Board on all issues of Group financing and investment planning as well as issues relating to market developments and innovation. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies whose value exceeds €300 million but does not exceed €600 million. In addition, it decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds €1 billion but not €2.5 billion if such measures are not covered by the Supervisory Board's resolutions regarding finance plans. If the value of any such transactions or measures exceeds the aforementioned thresholds, the committee prepares the Supervisory Board's decision.

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

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 8 to 9) contains information about the activities of the Supervisory Board and its committees in the year under review. Pages 242 and 243 show the composition of the Supervisory Board and its committees.

Shareholders and Annual Shareholders Meeting
E.ON SE shareholders exercise their rights and vote their shares at the Annual Shareholders Meeting. The convening of the Annual Shareholders Meeting and the reports and documents required by law for the Annual Shareholders Meeting, including the Annual Report, are published on the Company's Internet page together with the agenda and the explanation of the conditions of participation, shareholders' rights, and any countermotions and election proposals submitted by shareholders. The Company's financial calendar, which is published in the Annual Report, in the quarterly statements or financial reports, and on the Internet at www.eon.com, regularly informs shareholders about important Company dates.

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

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

At the Annual Shareholders Meeting on May 9, 2018, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2018 financial year and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Report for the 2018 financial year and the first quarter of 2019. The independent auditors with signing authority for the Annual Financial Statements of E.ON SE and the Consolidated Financial Statements are Markus Dittmann (since the 2014 financial year) and Aissata Touré (since the 2015 financial year).

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

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

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

Diversity Concept for the Management Board

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

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

Appointment Objectives

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

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

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

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

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

Achievement of Objectives

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

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

This compensation report describes the basic features of the compensation plans for members of the E.ON SE Management Board and Supervisory Board and provides information about the compensation granted and paid in 2018. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code, German Accounting Standards, and International Financial Reporting Standards) and the recommendations of the German Corporate Governance Code dated February 7, 2017.

Basic Features of the Management Board Compensation Plan

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

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

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

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

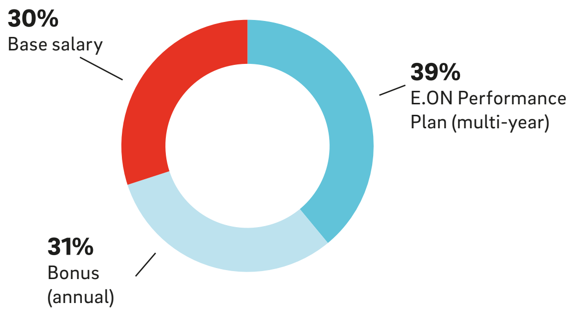
Summary Overview of Compensation Components

Compensation component	Metric/Parameter
Non-performance-based compensation	
Base salary	• Management Board Chairman: €1,240,000 • Management Board members: €700,000–€800,000
Fringe benefits	Chauffeur-driven company car, telecommunications equipment, insurance premiums, medical examination
Performance-based compensation	
Annual bonus	• Target bonus at 100 percent target attainment: – Target bonus for Management Board Chairman: €1,417,500 – Target bonus for Management Board members: €675,00–€825,000 • Cap: 200 percent of target bonus • Amount of bonus depends on: – Company performance: actual earnings per share ("EPS") versus budget – Individual performance factor: collective performance and individual performance (up/down or "bonus/malus adjustment") • Annual bonus corresponds to 45 percent of performance-based compensation
Possibility of special compensation	May be awarded, at the Supervisory Board's discretion, for outstanding achievements as part of the annual bonus as long as the total bonus remains under the cap
Long-term variable compensation: E.ON Share Matching Plan (granted until 2016)	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Management Board Chairman: €1,260,000 (excluding LTI components from annual bonuses) – Target value for Management Board members: €600,000–€733,333 (excluding LTI components from annual bonuses) • Cap: 200 percent of the target value • Number of virtual shares: 1/3 from the annual bonus (LTI component) + base matching (1:1) + performance matching (1:0 to 1:2) depending on ROCE during vesting period • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period
Long-term variable compensation: E.ON Performance Plan (granted from 2017)	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Management Board Chairman: €1,732,500 – Target value for Management Board members: €825,000–€1,008,333 • Final number of virtual shares depends on E.ON stock's TSR relative to the TSR of companies in the STOXX® Europe 600 Utilities index; ¼ of TSR performance is locked in annually • Allocation limit; that is, the maximum number of virtual shares: 150 percent • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period • Cap: 200 percent of the target value • Annual target allocation corresponds to 55 percent of performance-based compensation
Pension benefits	
Final-salary-based benefits[1]	• Lifelong pension payment equaling a maximum of 75 percent of fixed compensation from the age of 60 • Pension payments for widows and children equaling 60 percent and 15 percent, respectively, of pension entitlement
Contribution-based benefits	• Virtual contributions equaling a maximum of 21 percent of fixed compensation and target bonus • Virtual contributions capitalized using interest rate based on long-term German treasury notes • Payment of pension account balance from age 62 as a lifelong pension, in installments, or in a lump sum
Other compensation provisions	
Share Ownership Guidelines	• Obligation to buy and hold E.ON stock until the end of service on the Management Board • Investment in E.ON stock equaling a percentage of base compensation: – 200 percent (Management Board Chairperson) – 150 percent (other Management Board members) • Until the required investment is reached, obligation to invest net payouts from long-term compensation in E.ON stock
Settlement cap	Maximum of two years' total compensation or the total compensation for the remainder of the service agreement
Settlement for change-of-control	Settlement equal to two or three target salaries (base salary, target bonus, and fringe benefits), reduced by up to 20 percent
Non-compete clause	For six months after termination of service agreement, prorated compensation equal to fixed compensation and target bonus, at a minimum 60 percent of most recently received compensation
Clawback rule	The Supervisory Board's right pursuant to Section 87, Paragraph 2 of the German Stock Corporation Act to reduce compensation if the Company's situation deteriorates

[1]Only applies to Dr. Johannes Teyssen.

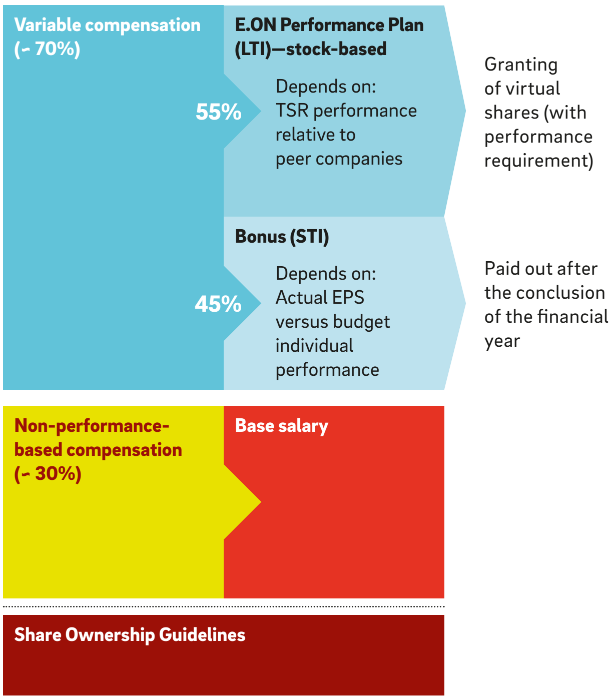
Components and Compensation Structure

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



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

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



Non-Performance-Based Compensation

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

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

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

Performance-Based Compensation

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

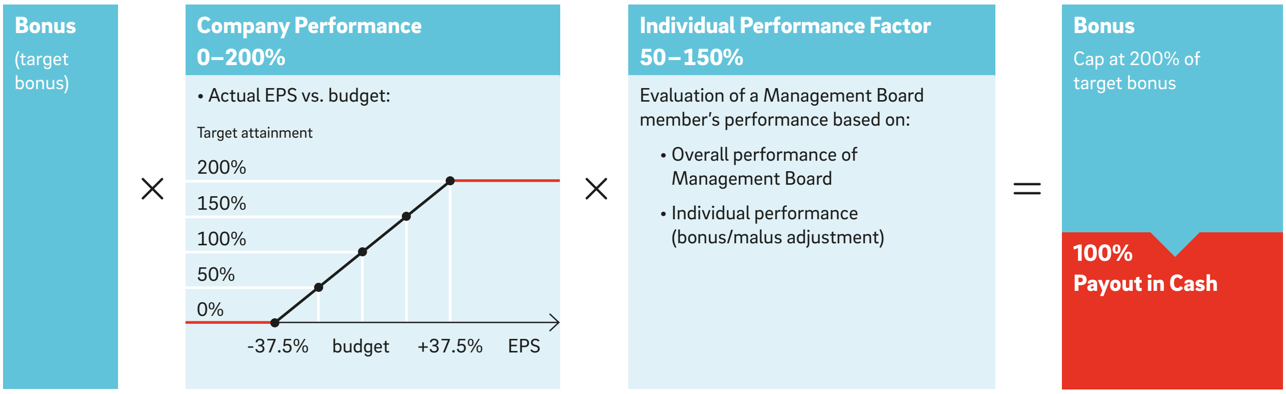
55 percent of performance-based compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act.

Annual Bonus

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

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

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



The Company's performance is assessed on the basis of earnings per share ("EPS"), E.ON's key performance indicator. EPS used for this purpose will be derived from adjusted net income as disclosed in this report. The EPS target for each year is set by the Supervisory Board, taking into account the approved budget. Because the budget is derived from the Company's corporate strategy, no specific target figures are disclosed for competitive reasons. The target is fully achieved if actual EPS is equal to the target. If actual EPS is 37.5 percentage points or more below the target, this constitutes zero percent attainment. If actual EPS is 37.5 percentage points or more above the target, this constitutes 200 percent attainment. Linear interpolation is used to translate intermediate EPS figures into percentages.

The Supervisory Board determines the degree to which Management Board members have attained the targets of their individual performance factors, giving adequate consideration to their individual and collective contributions. The factors range between 50 and 150 percent. The amount of the bonus can therefore be adjusted up or down depending on performance (in the sense of a "bonus/malus adjustment").

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

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

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

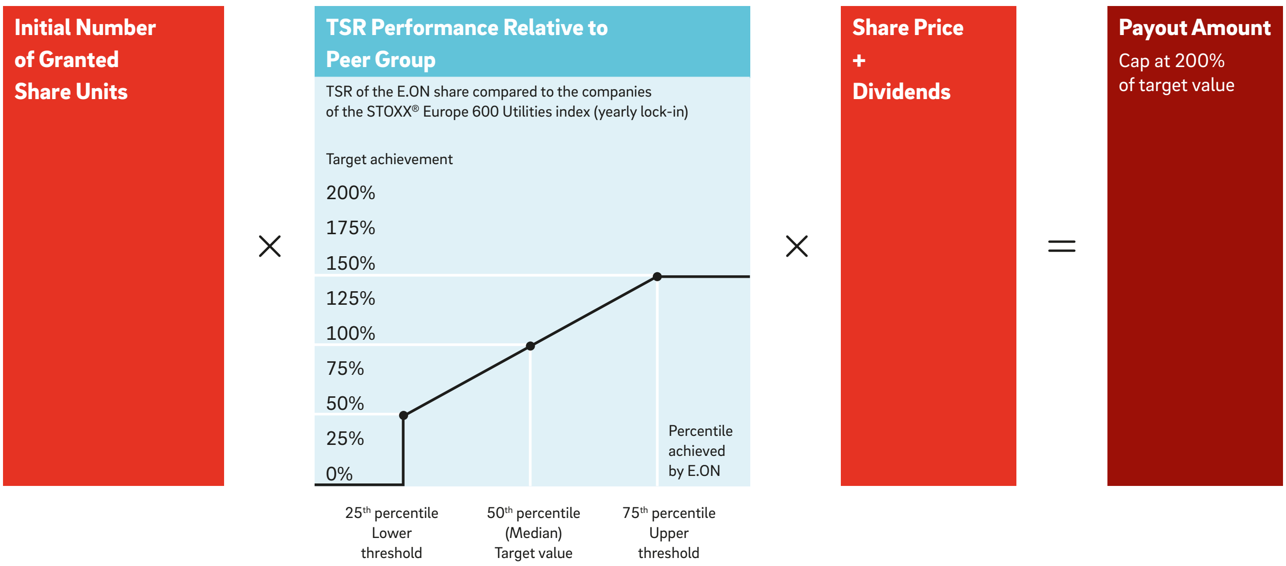
Long-Term Variable Compensation
Long-term variable compensation currently consists of tranches from several financial years granted under two different plans. First, tranches of the E.ON Performance Plan—Performance Plan, first tranche (2017–2020) and second tranche (2018–2021)—were granted in 2017 and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

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

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

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

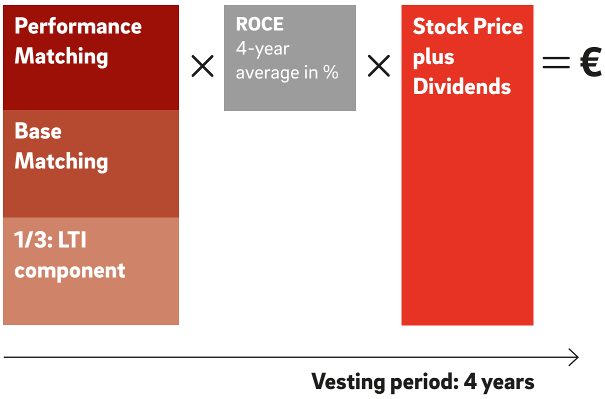
During a tranche's vesting period, E.ON's TSR performance is measured once a year in comparison with the companies in the peer group and set for that year. E.ON SE's TSR performance in a given year determines the final number of one fourth of the virtual shares granted at the beginning of the vesting period. For this purpose, the TSRs of all companies are ranked, and E.ON SE's relative position is determined based on the percentile reached. Target attainment is 100 percent if E.ON SE's TSR is equal to the median of the peer group. The lower threshold is the 25th percentile; a TSR performance below this threshold would reduce the number of virtual shares granted by one quarter. If E.ON's performance is at or above the 75th percentile (upper cap) the quarter of virtual shares granted for that particular year increases to a maximum of 150 percent. Linear interpolation is used to translate intermediate figures into percentage.



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

E.ON Share Matching Plan (Granted until 2016)

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



Following the Supervisory Board's decision to allocate a new tranche, Management Board members initially received vested virtual shares equivalent to the amount of the LTI component of their bonus. The determination of the LTI component took into consideration the overall target attainment of the old compensation plan's bonus for the preceding financial year. The number of virtual shares was calculated on the basis of the amount of the LTI component and E.ON's average stock price during the first 60 days prior to the four-year vesting period. Furthermore, Management Board members could receive, on the basis of annual Supervisory Board decisions, a base matching of additional non-vested virtual shares in addition to the virtual shares that resulted from their LTI component. In addition, Management Board members could, depending on the company's performance during the vesting period, receive performance matching of up to two additional non-vested virtual shares per share that resulted from base matching.

The arithmetical total target value allocated at the start of the vesting period, which began on April 1 of the year in which a tranche was allocated, was therefore the sum of the value of the LTI component, base matching, and performance matching (depending on the degree of attainment of a predefined company performance target).

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

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

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

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

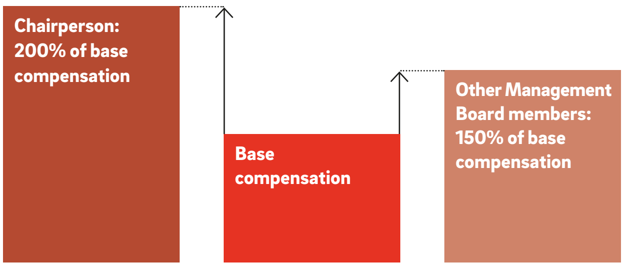
Overall Cap

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

Share Ownership Guidelines

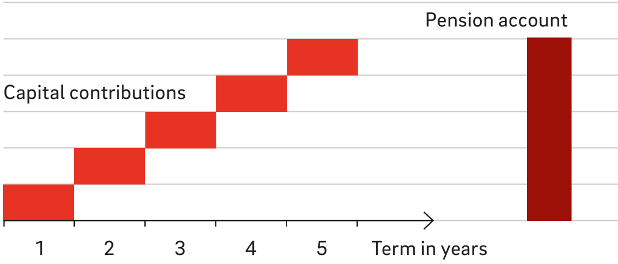
To strengthen E.ON's capital-market focus and shareholder-oriented culture, effective 2017 share ownership guidelines apply to Management Board members. The guidelines obligate Management Board members to invest in E.ON stock equaling 200 percent of base compensation (for the Management Board Chairperson)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

Until the required investment is reached, Management Board members are obligated to invest amounts equivalent to the net payouts from their long-term compensation in actual E.ON stock. At December 31, 2018, the Management Board fulfilled the share ownership guidelines at a rate of 84.42 percent.



Pension Entitlements

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



The Company makes virtual contributions to Management Board members' pension accounts in an amount equal to a percentage of their pensionable income (base salary and annual bonus). The contribution percentage is at most 21 percent. The annual contribution consists of a fixed base percentage (16 percent) and a matching contribution (5 percent). The requirement for the matching contribution to be granted is that the Management Board member contributes, at a minimum, the same amount by having it withheld from his compensation. The company-funded matching contribution is suspended if and as long as the E.ON Group's ROCE is less than its cost of capital for three years in a row. The contributions are capitalized using actuarial principles (based on a standard retirement age of 62) and placed in Management Board members' pension accounts. The interest rate used for each year is based on the return of long-term German treasury notes. At the age of 62 at the earliest, a Management Board member (or his survivors) may choose to have the pension account balance paid out as a lifelong pension, in installments, or in a lump sum. Individual Management Board members' actual resulting pension entitlement cannot be calculated precisely in advance. It depends on a number of uncertain parameters, in particular the changes in their individual salary, their total years of service, the attainment of company targets, and interest rates. For a Management Board member enrolled in the plan at the age of 50, the company-financed, contribution-based pension payment is currently estimated to be between 30 and 35 percent of his or her base salary (without factoring in pension benefits accrued prior to being appointed to the Management Board).

The Company has agreed to a pension plan based on final salary for the Management Board member, Dr. Johannes Teyssen, who was appointed to the Management Board before 2010. Following the end of his service for the Company, Dr. Johannes Teyssen is entitled to receive lifelong monthly pension payments in three cases: reaching the age of 60, permanent incapacitation, and a so-called third pension situation. The criteria for this situation are met if the termination or non-extension of Dr. Johannes Teyssen's service agreement is not due to his misconduct or rejection of an offer of extension that is at least on a par with his existing service agreement. In the third pension situation, Dr. Johannes Teyssen would receive an early pension during the period between the end of his service and his reaching 60 years of age (transitional allowance). Dr. Johannes Teyssen's pension entitlements provide for annual pension payments equal to 75 percent of his annual base salary. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, in the case of a Management Board member's death, the pension plan includes benefits for the widow and each child that are equal to 60 percent and 15 percent, respectively, of the deceased's pension entitlement. Together, pension payments to a widow or widower and children may not exceed 100 percent of the deceased Management Board member's pension.

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

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

Settlement Payments for Termination of Management Board Duties

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

In the event of a premature loss of a Management Board position due to a change of control, Management Board members are entitled to settlement payments. The change-of-control agreements stipulate that a change in control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the Company, as a dependent entity, concludes a corporate agreement; the Company is merged with a non-affiliated company. Management Board members are entitled to a settlement payment if, within 12 months of the change of control, their service agreement is terminated by mutual consent, expires, or is terminated by them (in the latter case, however, only if their position on the Management Board is materially affected by the change in control). Management Board members' settlement payment consists of their base salary and target bonus plus fringe benefits for two years. In accordance with the German Corporate Governance Code, the settlement payments for Management Board members may not exceed 100 percent of the above-described settlement cap.

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

Management Board Compensation in 2018

The Supervisory Board reviewed the Management Board's compensation plan and the components of individual members' compensation. It determined that the Management Board's compensation is appropriate from both a horizontal and vertical perspective and passed a resolution on the performance-based compensation described below. It made its determination of customariness from a horizontal perspective by comparing the compensation with that of companies of a similar size. Its review of appropriateness included a vertical comparison of the Management Board's compensation with that of the Company's top management and the rest of its workforce. In the Supervisory Board's view, in the 2018 financial year there was no reason to adjust the Management Board's compensation.

Performance-Based Compensation in 2018

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

The Supervisory Board issued the second tranche of the E.ON Performance Plan (2018–2021) for the 2018 financial year and granted Management Board members virtual shares of E.ON stock. The present value assigned to the virtual shares of E.ON stock at the time of granting—€6.41 per share—is shown in the following tables entitled "Stock-based Compensation" and "Total Compensation of the Management Board." The value performance of this tranche will be determined by the performance of E.ON stock, per-share dividends, and E.ON TSR relative to the TSR of the companies in its peer index, the STOXX® Europe 600 Utilities, for the years 2018 through 2021. The actual payments made to Management Board members in 2022 may deviate, under certain circumstances considerably, from the calculated figures disclosed here.

The long-term variable compensation of Management Board members resulted in the following expenses in 2018:

Stock-based Compensation

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

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

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

Management Board Pensions in 2018

The following table provides an overview of the current pension obligations to Management Board members, the additions to provisions for pensions, and the cash value of pension obligations for the 2018 financial year. The cash value of pension obligations is calculated pursuant to IFRS and the German Commercial Code. An actuarial interest rate according to IFRS of 2.0 percent (prior year: 2.1 percent) was used for discounting; the actuarial interest rate pursuant to the German Commercial Code was 3.21 percent (prior year: 3.68 percent).

Pensions of Management Board Members Pursuant to IFRS

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	75	75	930,000	930,000	1,378,642	1,369,019	520,125	504,248	26,250,050	24,767,846
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	332,609	398,343	27,917	26,775	1,450,521	1,329,403
Dr. Thomas König[1, 2] (since June 1, 2018)	–	–	–	–	79,088	–	24,281	–	2,234,273	–
Dr. Marc Spieker[1]	–	–	–	–	237,498	50,303	17,431	16,367	861,135	830,032
Dr. Karsten Wildberger[1]	–	–	–	–	290,723	356,636	10,881	6,144	719,674	518,162

[1]Contribution Plan E.ON Management Board.
[2]Dr. König was already employed by the Company in the prior year. Due to his previous years of service, the cash value of his pension entitlement was €1,982,076 at December 31, 2017.

Pensions of Management Board Members Pursuant to the German Commercial Code

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Johannes Teyssen	75	75	930,000	930,000	2,558,564	1,823,372	696,853	686,225	21,494,788	18,936,224
Dr.-Ing. Leonhard Birnbaum[1]	–	–	–	–	156,636	95,578	40,104	39,868	1,246,423	1,089,787
Dr. Thomas König[1, 2] (since June 1, 2018)	–	–	–	–	356,229	–	58,302	–	1,940,535	–
Dr. Marc Spieker[1]	–	–	–	–	66,048	148,005	23,324	19,481	699,857	633,809
Dr. Karsten Wildberger[1]	–	–	–	–	190,863	188,871	15,278	9,074	606,025	415,162

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

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

Total Compensation in 2018

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

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

Total Compensation of the Management Board

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

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

The following table shows the compensation granted and allocated in 2018 in the format recommended by the German Corporate Governance Code:

Table of Compensation Granted and Allocated

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

[1]The maximum amount disclosed under benefits granted represents the sum of the contractual (individual) caps for the various elements of the compensation of Management Board members.
[2]The overall cap on Management Board compensation, which was introduced in the 2013 financial year and is described on page 88, applies as well.

Table of Compensation Granted and Allocated

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

[1, 2]See footnotes above.

Table of Compensation Granted and Allocated

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

[1, 2]See footnotes on page 93.

Table of Compensation Granted and Allocated

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

[1, 2]See footnotes on page 93.

Table of Compensation Granted and Allocated

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

[1, 2] See footnotes on page 93.

As in the prior year, E.ON SE and its subsidiaries granted no loans to, made no advance payments to, nor entered into any contingencies on behalf of the members of the Management Board in the 2018 financial year. Page 244 contains additional information about the members of the Management Board.

Payments Made to Former Members of the Management Board

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

Compensation Plan for the Supervisory Board

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

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

Supervisory Board Compensation in 2018

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

Supervisory Board Compensation

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

Other

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

Separate Combined Non-Financial Report

Editorial Note

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

Business Model

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

General Information

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

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

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

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

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

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

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

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

Annual Sustainability Report

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

Sustainability Ratings and Rankings

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

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

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

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

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

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

Aspect 1: Environmental Matters

Climate Protection

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

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

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

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

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

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

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

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

CO_2 Emissions (total CO_2 equivalents in million metric tons)

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

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

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

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

Environmental Management

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

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

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

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

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

Aspect 2: Employee Matters

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

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

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

Occupational Health and Safety

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

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

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

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

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

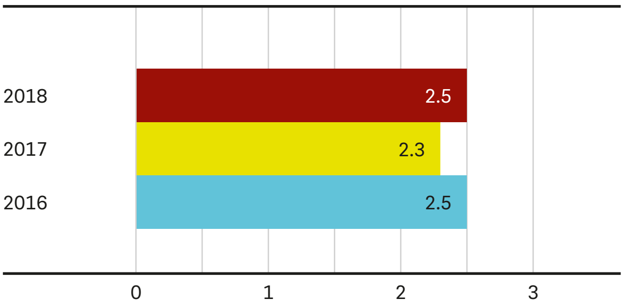
In several countries where we operate, employees who have questions or concerns about their physical or mental health cancontact a free, independent, and strictly confidential health advisory service (employee assistance program). In Germany, this service is a central component of the Group Works Health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

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

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

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

Employee TRIF[1]



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

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

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

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

Aspect 3: Social Matters

Security of Supply

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

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

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

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

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

SAIDI power[1]

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

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

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

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

Customer Experience

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

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

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

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

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

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

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

Data Protection

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

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

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

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

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

Aspect 4: Human Rights

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

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

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

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

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

Aspect 5: Anti-corruption

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2018	2017[1]
Sales including electricity and energy taxes		30,258	38,291
Electricity and energy taxes		-693	-994
Sales[2]	(5)	**29,565**	**37,297**
Changes in inventories (finished goods and work in progress)		16	4
Own work capitalized	(6)	394	513
Other operating income	(7)	5,107	7,371
Cost of materials[2]	(8)	-22,813	-29,961
Personnel costs	(11)	-2,460	-3,033
Depreciation, amortization and impairment charges	(14)	-1,575	-1,700
Other operating expenses	(7)	-4,550	-6,279
Income from companies accounted for under the equity method		269	720
Income from continuing operations before financial results and income taxes		**3,953**	**4,932**
Financial results	(9)	-669	28
Income/Loss from equity investments		*44*	*-5*
Income from other securities, interest and similar income		*523*	*1,370*
Interest and similar expenses		*-1,236*	*-1,337*
Income taxes	(10)	-46	-803
Income from continuing operations		**3,238**	**4,157**
Income/Loss from discontinued operations, net	(4)	286	23
Net income		**3,524**	**4,180**
Attributable to shareholders of E.ON SE		*3,223*	*3,925*
Attributable to non-controlling interests		*301*	*255*
in €			
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted[3]	(13)		
from continuing operations		1.37	1.83
from discontinued operations		0.12	0.01
from net income		**1.49**	**1.84**
Weighted-average number of shares outstanding (in millions)		2,167	2,129

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]The presentation of our sales and costs of materials in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary on Note 2).
[3]Based on weighted-average number of shares outstanding.

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

€ in millions	2018	2017
Net income	**3,524**	**4,180**
Remeasurements of defined benefit plans	-488	317
Remeasurements of defined benefit plans of companies accounted for under the equity method	-1	40
Income taxes	-54	165
Items that will not be reclassified subsequently to the income statement	**-543**	**522**
Cash flow hedges	53	198
Unrealized changes—hedging reserve[1]	*-15*	*-48*
Unrealized changes—reserve for hedging costs[1]	*59*	*64*
Reclassification adjustments recognized in income	*9*	*182*
Fair value measurement of financial instruments	-63	-125
Unrealized changes	*-24*	*-61*
Reclassification adjustments recognized in income	*-39*	*-64*
Currency—translation adjustments	-84	-25
Unrealized changes—hedging reserve[1]*/other*	*-99*	*-27*
Unrealized changes—reserve for hedging costs[1]	*2*	*2*
Reclassification adjustments recognized in income	*13*	*–*
Companies accounted for under the equity method	-40	-477
Unrealized changes	*-369*	*-474*
Reclassification adjustments recognized in income	*329*	*-3*
Income taxes	-8	57
Items that might be reclassified subsequently to the income statement	**-142**	**-372**
Total income and expenses recognized directly in equity	**-685**	**150**
Total recognized income and expenses (total comprehensive income)	**2,839**	**4,330**
Attributable to shareholders of E.ON SE	*2,610*	*4,055*
Continuing operations	*2,413*	*3,984*
Discontinued operations	*197*	*71*
Attributable to non-controlling interests	*229*	*275*

[1]IFRS 9, which we are applying for the first time in 2018, requires us to divide the unrealized change in cash flow hedges and in the curreny-translation adjustments into two categories. We adjusted the prior-year figures accordingly.

E.ON SE and Subsidiaries Balance Sheets—Assets

€ in millions	Note	December 31, 2018	2017
Goodwill	(14)	2,054	3,337
Intangible assets	(14)	2,162	2,243
Property, plant and equipment	(14)	18,057	24,766
Companies accounted for under the equity method	(15)	2,603	3,547
Other financial assets	(15)	2,904	3,541
Equity investments		*664*	*792*
Non-current securities		*2,240*	*2,749*
Financial receivables and other financial assets	(17)	427	452
Operating receivables and other operating assets	(17)	1,474	1,371
Deferred tax assets	(10)	1,195	907
Income tax assets	(10)	7	–
Non-current assets		**30,883**	**40,164**
Inventories	(16)	684	794
Financial receivables and other financial assets	(17)	284	236
Trade receivables and other operating assets	(17)	5,445	5,781
Income tax assets	(10)	229	514
Liquid funds	(18)	5,357	5,160
Securities and fixed-term deposits		*774*	*670*
Restricted cash and cash equivalents		*659*	*1,782*
Cash and cash equivalents		*3.924*	*2,708*
Assets held for sale	(4)	11,442	3,301
Current assets		**23,441**	**15,786**
Total assets		**54,324**	**55,950**

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

		December 31,	
€ in millions	Note	2018	2017
Capital stock	(19)	2,201	2,201
Additional paid-in capital	(20)	9,862	9,862
Retained earnings	(21)	-2,461	-4,552
Accumulated other comprehensive income[1]	(22)	-2,718	-2,378
Treasury shares	(19)	-1,126	-1,126
Equity attributable to shareholders of E.ON SE		**5,758**	**4,007**
Non-controlling interests (before reclassification)		3,190	3,195
Reclassification related to put options		-430	-494
Non-controlling interests	(23)	**2,760**	**2,701**
Equity		**8,518**	**6,708**
Financial liabilities	(26)	8,323	9,922
Operating liabilities	(26)	4,506	4,690
Income tax liabilities	(10)	304	969
Provisions for pensions and similar obligations	(24)	3,247	3,620
Miscellaneous provisions	(25)	12,459	14,381
Deferred tax liabilities	(10)	1,706	1,616
Non-current liabilities		**30,545**	**35,198**
Financial liabilities	(26)	1,563	3,099
Trade payables and other operating liabilities	(26)	7,637	8,099
Income tax liabilities	(10)	262	673
Miscellaneous provisions	(25)	2,117	2,041
Liabilities associated with assets held for sale	(4)	3,682	132
Current liabilities		**15,261**	**14,044**
Total equity and liabilities		**54,324**	**55,950**

[1]Thereof relating to discontinued operations (December 31, 2018): €2 million.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2018	2017[1]
Net income	**3,524**	**4,180**
Income/Loss from discontinued operations, net	-286	-23
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	1,575	1,700
Changes in provisions	-397	-526
Changes in deferred taxes	205	73
Other non-cash income and expenses	57	-139
Gain/Loss on disposal of intangible assets and property, plant and equipment, equity investments and securities (> 3 months)	-926	-479
Intangible assets and property, plant and equipment	*-51*	*-47*
Equity investments	*-795*	*-176*
Securities (> 3 months)	*-80*	*-256*
Changes in operating assets and liabilities and in income taxes	-1,457	1,994
Inventories and carbon allowances	*63*	*-45*
Trade receivables	*-243*	*119*
Other operating receivables and income tax assets	*-232*	*979*
Trade payables	*-47*	*-173*
Other operating liabilities and income taxes	*-998*	*1,114*
Payment to the fund for nuclear-waste management	–	-10,289
Cash provided by (used for) operating activities of continuing operations	**2,295**	**-3,509**
Cash provided by (used for) operating activities of discontinued operations	558	557
Cash provided by (used for) operating activities (operating cash flow)	**2,853**	**-2,952**
Proceeds from disposal of	4,306	750
Intangible assets and property, plant and equipment	*118*	*139*
Equity investments	*4,188*	*611*
Purchases of investments in	-2,487	-2,095
Intangible assets and property, plant and equipment	*-2,280*	*-2,051*
Equity investments	*-207*	*-44*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	2,630	6,354
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-3,533	-3,290
Changes in restricted cash and cash equivalents	1,122	-940
Cash provided by (used for) investing activities of continuing operations	**2,038**	**779**
Cash provided by (used for) investing activities of discontinued operations	-1,027	-1,170
Cash provided by (used for) investing activities	**1,011**	**-391**
Payments received/made from changes in capital[2]	6	1,361
Cash dividends paid to shareholders of E.ON SE	-650	-345
Cash dividends paid to non-controlling interests	-233	-205
Proceeds from financial liabilities	1,819	3,844
Repayments of financial liabilities	-3,674	-4,966
Cash provided by (used for) financing activities of continuing operations	**-2,732**	**-311**
Cash provided by (used for) financing activities of discontinued operations	95	851
Cash provided by (used for) financing activities	**-2,637**	**540**

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[2]No material netting has taken place in either of the years presented here.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2018	2017[1]
Net increase/decrease in cash and cash equivalents	**1,227**	**-2,803**
Effect of foreign exchange rates on cash and cash equivalents	–	-8
Cash and cash equivalents at the beginning of the year[3]	2,763	5,574
Cash and cash equivalents from the deconsolidation of discontinued operations	-66	-90
Cash and cash equivalents at the end of the period[4]	**3,924**	**2,673**
Supplementary information on cash flows from operating activities		
Income taxes paid (less refunds)	-628	-483
Interest paid	-784	-979
Interest received	178	745
Dividends received	331	364

[1]The comparative prior-year figures have been adjusted to account for the reporting of discontinued operations (see also Note 4).
[3]Cash and cash equivalents at the beginning of the year also includes holdings of €90 million in companies in the Renewables segment (which is reported as a discontinued operation), and €55 million from Hamburg Netz GmbH, which was deconsolidated in the first quarter of 2018.
[4]Cash and cash equivalents of continuing operations at year-end also include the holdings of €55 million in Hamburg Netz GmbH, which was deconsolidated in the first quarter of 2018.

Statement of Changes in Equity

				Changes in accumulated other comprehensive income				
				Currency translation adjustments		Fair value measure-ment of financial instruments	Cash flow hedges	
€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Hedging reserve[1]/ other	Reserve for hedging costs[1]		Hedging reserve[1]	Reserve for hedging costs[1]
Balance as of January 1, 2017	**2,001**	**9,201**	**-8,495**	**-1,156**	**6**	**353**	**-1,114**	**-137**
Change in scope of consolidation								
Treasury shares repurchased/sold		-478	-3					
Capital increase	200	1,139						
Capital decrease								
Dividends			-452					
Share additions/reductions			13					
Net additions/disposals from reclassification related to put options								
Total comprehensive income			4,385	-507	2	-60	171	64
Net income/loss			*3,925*					
Other comprehensive income			*460*	*-507*	*2*	*-60*	*171*	*64*
Remeasurements of defined benefit plans			*460*					
Changes in accumulated other comprehensive income				*-507*	*2*	*-60*	*171*	*64*
Balance as of December 31, 2017	**2,201**	**9,862**	**-4,552**	**-1,663**	**8**	**293**	**-943**	**-73**
IFRS 9, IFRS 15 adjustment	–	–	-9	–	–	-203	–	–
Balance as of January 1, 2018	**2,201**	**9,862**	**-4,561**	**-1,663**	**8**	**90**	**-943**	**-73**
Change in scope of consolidation								
Treasury shares repurchased/sold								
Capital increase								
Capital decrease								
Dividends			-650					
Share additions/reductions			3					
Net additions/disposals from reclassification related to put options								
Total comprehensive income			2,747	-112	2	-51	-35	59
Net income/loss			*3,223*					
Other comprehensive income			*-476*	*-112*	*2*	*-51*	*-35*	*59*
Remeasurements of defined benefit plans			*-476*					
Changes in accumulated other comprehensive income				*-112*	*2*	*-51*	*-35*	*59*
Balance as of December 31, 2018	**2,201**	**9,862**	**-2,461**	**-1,775**	**10**	**39**	**-978**	**-14**

[1]IFRS 9, which we are applying for the first time in 2018, requires us to divide the unrealized change in cash flow hedges and in net investment hedges into two categories. We adjusted the prior-year figures accordingly.

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-1,714	**-1,055**	**2,896**	**-554**	**2,342**	**1,287**
					0
588	107				107
	1,339	228		228	1,567
					0
	-452	-225		-225	-677
	13	21		21	34
			60	60	60
	4,055	275		275	4,330
	3,925	*255*		*255*	*4,180*
	130	*20*		*20*	*150*
	460	*62*		*62*	*522*
	-330	*-42*		*-42*	*-372*
-1,126	**4,007**	**3,195**	**-494**	**2,701**	**6,708**
–	-212	–	–	–	-212
-1,126	**3,795**	**3,195**	**-494**	**2,701**	**6,496**
		-43		-43	-43
					0
		84		84	84
					0
	-650	-280		-280	-930
	3	5		5	8
			64	64	64
	2,610	229		229	2,839
	3,223	*301*		*301*	*3,524*
	-613	*-72*		*-72*	*-685*
	-476	*-67*		*-67*	*-543*
	-137	*-5*		*-5*	*-142*
-1,126	**5,758**	**3,190**	**-430**	**2,760**	**8,518**

(1) Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements of E.ON SE, Essen, registered in the Commercial Register of Essen District Court under number HRB 28196, have been prepared in accordance with Section 315e (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRIC") that were adopted by the European Commission for use in the EU as of the end of the fiscal year, and whose application was mandatory as of December 31, 2018.

Principles

The Consolidated Financial Statements of the E.ON Group ("E.ON" or the "Group") are generally prepared at cost, with the exception of financial assets that are measured at fair value through OCI (FVOCI) and of financial assets and liabilities (including derivative financial instruments) that are recognized in income and measured at fair value through profit or loss (FVPL).

Scope of Consolidation

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

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

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

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

Associated Companies

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

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

Interests in associated companies accounted for using the equity method are reported on the balance sheet at cost, adjusted for changes in the Group's share of the net assets after the date of acquisition and for any impairment charges. Losses that might potentially exceed the Group's interest in an associated company when attributable long-term loans are taken into consideration are generally not recognized. Any difference between the cost of the investment and the pro rata remeasured value of its net assets is recognized in the Consolidated Financial Statements as part of the carrying amount.

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

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

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

Joint Ventures

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

Joint Operations

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

Business Combinations

Business combinations are accounted for using the purchase method, under which the purchase price is offset against the proportional share in the acquired company's net assets. The values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. The fair values are determined using published exchange or market prices at the time of acquisition in the case of marketable securities, for example, and in the case of land, buildings and major technical equipment, generally using independent expert reports that have been prepared by third parties. If exchange or market prices are unavailable for consideration, fair values are derived from market prices for comparable assets or comparable transactions. If these values are not directly observable, fair value is determined using appropriate valuation methods. In such cases, E.ON determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated through the end of an asset's useful life using a growth rate based on industry and internal projections. In certain justified exceptional cases, a longer detailed planning period is used as the calculation basis. The discount rate reflects the specific risks inherent in the acquired activities.

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

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

Gains and losses from disposals of shares to subsidiaries are also recognized in equity, provided that such disposals do not coincide with a loss of control.

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

Foreign Currency Translation

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

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

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

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

Currencies

	ISO-Code	€1, rate at year-end		€1, annual average rate	
		2018	2017	2018	2017
British pound	GBP	0.89	0.89	0.88	0.88
Danish krone	DKK	7.47	7.44	7.45	7.44
Romanian leu	RON	4.66	4.66	4.65	4.57
Swedish krona	SEK	10.25	9.84	10.26	9.64
Czech crown	CZK	25.72	25.54	25.65	26.33
Turkish lira	TRY	6.06	4.55	5.71	4.12
Hungarian forint	HUF	320.98	310.33	318.89	309.19
U.S. dollar	USD	1.15	1.20	1.18	1.13

Recognition of Income

a) Revenues

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

Due to the changed revision criteria for principal-agent relationships, revenues no longer include the fees for the promotion of Renewables because under IFRS 15 these revenues are netted with the corresponding cost of materials (net disclosure). E.ON acts as an agent if another party is essentially responsible for fulfilling the contract (in the case of the fee mandated by the German Renewable Energy Sources Act, E.ON only transmits electricity generated from renewable energy sources by third parties), E.ON bears no inventory or default risk, E.ON cannot influence the pricing, and E.ON receives a commission as remuneration.

Revenues are generally recognized when E.ON fulfills its performance obligation by transferring a promised good or service to a customer. An asset is deemed to be transferred when the customer obtains control of the asset. The majority of the E.ON Group's performance obligations are fulfilled over time. The relatively subordinate point-in-time revenue recognition occurs primarily in the "Build & Sell" segment. Revenue is recognized when control is transferred to the customer, which means that no significant discretionary decisions are required. For all such revenues, progress is measured using output-based methods. The methods used appropriately reflect the pattern of transfer of goods to customers or provision of services for customers. Revenues from the sale of goods and services are measured using the transaction prices allocated to these goods and services. 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. Monthly advance payments for B2C customers are generally determined on the basis of historical consumption data and peak payments are settled at the end of the year. In B2B, a bottom-up approach is used to calculate individual rates. E.ON's sales transactions generally are not based on any material finance components. The average target payment period is between 14 and 45 days. Refunds to customers are an exception and are only granted if the customer is disconnected from the power supply for an extended period of time. Similarly, as a rule, no warranties are granted in the Core Business. Warranties are only granted in the "Build & Sell" activities.

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

Electricity and energy taxes are levied on electricity and natural gas delivered to retail customers and are 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 payable are deducted from sales revenues on the face of the income statement if those taxes are levied upon delivery of energy to the retail customer.

Earnings per Share

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

Goodwill and Intangible Assets

Goodwill

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

Newly created goodwill is allocated to those cash-generating units expected to benefit from the respective business combination. The cash-generating units to which goodwill is allocated are generally equivalent to the operating segments, since goodwill is reported, and considered in performance metrics for controlling, only at that level. Goodwill impairment testing is performed in euro, while the underlying goodwill is always carried in the functional currency.

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

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

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

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

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

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

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

Intangible Assets
IAS 38, “Intangible Assets,” (“IAS 38”) requires that intangible assets be amortized over their expected useful lives unless their lives are considered to be indefinite. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and are generally amortized using the straight-line method over their expected useful lives. The useful lives of marketing-related intangible assets range between 5 and 30 years, between 2 and 50 years for customer-related intangible assets and between 3 and 50 years for contract-based intangible assets, unless depreciation based on use reflects an appropriate level of depletion. Technology-based intangible assets are generally amortized over a useful life of between 3 and 33 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

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

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

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

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

Research and Development Costs

Under IFRS, expenditure on research is expensed as incurred, while costs incurred during the development phase of new products, services and technologies are to be recognized as assets when the general criteria for recognition specified in IAS 38 are present. In the 2017 and 2018 fiscal years, E.ON capitalized costs for internally generated software and other technologies in this context.

Emission Rights

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets. Because emission rights are not depleted as part of the production process, they are reported as intangible assets not subject to amortization. Emission rights are capitalized at cost at the time of acquisition.

A provision is recognized for emissions produced. The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed.

Property, Plant and Equipment

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

Useful Lives of Property, Plant and Equipment

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

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

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

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

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a financing rate uniform within the Group of 5.37 percent was applied for 2018 (2017: 5.47 percent). Other borrowing costs are expensed.

Government Grants

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

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

Government grants for costs are posted as income over the period in which the costs are incurred.

Leasing

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

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

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

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

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

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

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

Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are measured in accordance with IFRS 9, "Financial Instruments" ("IFRS 9"). They are recognized at fair value, including transaction costs, on the settlement date when acquired, provided they are not recognized at fair value through profit and loss.

E.ON replaced the previous categories under IAS 39 of financial assets held for trading (HfT), available-for-sale securities (AfS) and loans and receivables (LaR), which had been valid until December 31, 2017, with the new categories under IFRS 9 of financial assets measured at amortized cost (AmC), financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit and loss (FVPL).

The classification of financial assets is based on the business model and the characteristics of the cash flows.

If a financial asset is held for the purpose of collecting contractual cash flows and the cash flows of the financial asset represent exclusively interest and principal payments, then the financial asset is measured at amortized cost (AmC).

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it is used both to collect contractual cash flows and for sales purposes and the cash flows of the financial asset consist exclusively of interest and principal payments.

Unrealized gains and losses from financial assets measured at fair value through other comprehensive income (FVOCI), net of related deferred taxes, are reported as a component of equity (other comprehensive income) until realized. Realized gains and losses are determined by analyzing each transaction individually.

Debt instruments that do not exclusively serve to collect contractual cash flows or to both generate contractual cash flows and sales revenue, or whose cash flows do not exclusively consist of interest and principal payments are measured at fair value through profit and loss (FVPL). For equity instruments that are not held for trading purposes, E.ON has uniformly exercised the option of recognizing changes in fair value through profit or loss (FVPL).

Under IFRS 9, impairments of financial assets must no longer be recognized only for losses already incurred, but also for expected future credit defaults. The amount of the impairment loss calculated in the determination of expected credit losses is recognized on the income statement.

The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). For information on the treatment of impairments under IFRS 9, please see Note 31.

Non-derivative financial liabilities (including trade payables) within the scope of IFRS 9 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 the subsequent measurement, the residual carrying amount is adjusted by the amortization and accretion of any premium or discount remaining until maturity. The premium or discount is recognized in financial results over its term.

If E.ON has already received consideration but the obligation to deliver a good or service still exists, a contractual liability is recognized in accordance with IFRS 15.

Derivative Financial Instruments and Hedging

Derivative financial instruments and separated embedded derivatives are measured at fair value as of the balance sheet date at initial recognition and in subsequent periods. Under IFRS 9, they are classified as at fair value through profit and loss (FVPL) as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognized in net income.

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

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

E.ON has designated some of these derivatives as part of a hedging relationship. IFRS 9 sets requirements for the admissibility of hedging instruments and the underlyings, the formal designation and documentation of hedging relationships, the hedging strategy, as well as fulfilling requirements of effectiveness in order to qualify for hedge accounting. The designated hedged items and hedging instruments are subject to the same risk. This economic relationship ensures that the amounts of the hedged items and hedging instruments are offset against each other and that the hedging relationships are therefore effective. The hedge ratio of the hedges is 1:1. Ineffectiveness arises only if the measurement parameters of the hedged item and the hedging instrument differ from one another. All components of derivative gains and losses from the measurement of hedge ineffectiveness are taken into consideration during recognition.

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 IFRS 9, 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. In accordance with IFRS 9, the currency basis spread (hedging costs) will from now on be separated from the hedging instrument and reported separately as an excluded component in accumulated other comprehensive income in the reserve for hedging costs as a component of equity.

The hedging result is reclassified into income during the period in which the cash flows of the hedged asset are recognized in income. The result is recognized immediately in income if it becomes probable that the hedged underlying transaction will no longer occur. For hedging instruments used to establish cash flow hedges, the change in fair value of the ineffective portion is recognized immediately in the income statement to the extent required.

To hedge the foreign currency risk arising from the Company's net investment in foreign operations, derivative as well as non-derivative financial instruments are used. Gains or losses due to changes in fair value and from foreign currency translation are recognized within equity, as a component of other comprehensive income, under currency translation adjustments.

E.ON currently uses hedges in the framework of cash flow hedges and hedges of a net investment.

Changes in fair value of derivative instruments that are 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.

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

Contracts that are entered into for purposes of receiving or delivering non-financial items in accordance with E.ON's anticipated procurement, sale or use requirements, and held as such, can be classified as own-use contracts. They are not accounted for as derivative financial instruments at fair value through profit and loss (FVPL) in accordance with IFRS 9, but as open transactions subject to the rules of IAS 37.

IFRS 7, “Financial Instruments: Disclosures,” (“IFRS 7”) and IFRS 13 both require comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments. Additional information on financial instruments is provided in Notes 30 and 31.

Primary and derivative financial instruments are netted on the balance sheet if under IAS 32 E.ON has both an unconditional right—even in the event of the counterparty's insolvency—and the intention to settle offsetting positions simultaneously and/or on a net basis.

Inventories

Inventories are measured 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, Contract Assets and Other Assets

A receivable is recognized under IFRS 15 when the goods or services are delivered, provided that the right to consideration is unconditional, i.e., is only related to the passage of time. However, if the right to receive the consideration is contingent upon conditions other than the passage of time, a contract asset is recognized. An asset is recognized under other assets under IFRS 15 if the cost of obtaining the contract is expected to be recovered and the amortization period is longer than one year. 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. Impairments must also be recognized for expected future credit losses.

Liquid Funds

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

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

Assets Held for Sale and Liabilities Associated with Assets Held for Sale and Discontinued Operations

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

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

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

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

Equity Instruments

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

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

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

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

Share-Based Payment

Share-based payment plans issued in the E.ON Group are accounted for in accordance with IFRS 2, "Share-Based Payment" ("IFRS 2"). From 2013 to 2016, share-based payments were based on the E.ON Share Matching Plan. Under this plan, the number of allocated rights was governed by the development of the financial measure ROCE (ROACE until 2015).

In 2015 and 2016, virtual shares were granted exclusively to members of the Management Board of E.ON SE in the framework of base and performance matching in accordance with the share matching plan. Executives who in previous years had participated in the share matching plan were granted a multi-year bonus extending over a term of four years, whose payout amount depends on the performance of the E.ON share up to the payment date, instead of base and performance matching. The members of the Management Board of E.ON SE were granted virtual shares under the E.ON Share Matching Plan for the last time in 2017.

In fiscal years 2017 and 2018, virtual shares were granted to members of the Management Board of E.ON SE and certain E.ON Group executives under the E.ON Performance Plan. The E.ON Performance Plan uses a fair value determined by an external service provider using a Monte Carlo simulation.

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

Provisions for Pensions and Similar Obligations

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

Included in gains and losses from the remeasurements of the net defined benefit liability or asset are actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables. Additionally included is the difference between the actual return on plan assets and the expected interest income on plan assets included in the net interest result. Remeasurements effects are recognized in full in the period in which they occur and are not reported within the Consolidated Statements of Income, but are instead recognized within the Statements of Recognized Income and Expenses as part of equity.

The employer service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel costs; the net interest on the net liability or asset from defined benefit pension plans determined based on the discount rate applicable at the start of the fiscal year is reported under financial results.

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

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

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

Provisions for Asset Retirement Obligations and Other Miscellaneous Provisions

In accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets,” (“IAS 37”) provisions are recognized when E.ON has a legal or constructive present obligation towards third parties as a result of a past event, it is probable that E.ON will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable and likely to occur on the balance sheet date at year-end must also be included in the measurement. Long-term obligations are generally discounted at the market interest rate applicable as of the respective balance sheet date, provided that it is not negative. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted. Advance payments remitted are deducted from the provisions.

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

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

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

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

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

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

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

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

Income Taxes

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

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

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

Deferred taxes for the E.ON Group's major German companies are - unchanged from the previous year - calculated using an aggregate tax rate of 30 percent. This tax rate includes, in addition to the 15 percent corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax and the average trade tax rate of 14 percent. Foreign subsidiaries use applicable national tax rates.

Note 10 shows the major temporary differences so recorded.

Consolidated Statements of Cash Flows

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

Segment Information

In accordance with the so-called management approach required by IFRS 8, "Operating Segments," ("IFRS 8") the internal reporting organization used by management for making decisions on operating matters is used to identify the Company's reportable segments. The internal performance measure used as the segment result is EBIT adjusted to exclude certain non-operating effects (see Note 33).

Structure of the Consolidated Balance Sheets and Statements of Income

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

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

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

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

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

Estimates are particularly necessary for the measurement of the value of property, plant and equipment and of intangible assets, especially in connection with purchase price allocations, the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and miscellaneous provisions, for impairment testing in accordance with IAS 36, for the determination of the fair value of certain financial instruments, and in the application of IFRS 15.

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

(2) New Standards and Interpretations

Significant Standards and Interpretations Applicable in 2018

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") have issued the following standards and interpretations that have been adopted by the EU into European law and whose application is mandatory in the reporting period from January 1, 2018, through December 31, 2018.

Since January 1, 2018, E.ON has applied IFRS 9, "Financial Instruments," (IFRS 9) and IFRS 15, "Revenue from Contracts with Customers" (IFRS 15). IFRS 9 replaces the accounting for financial instruments previously regulated in IAS 39, "Financial Instruments: Recognition and Measurement." In accordance with the transition provisions of IFRS 9, E.ON has applied the standard retrospectively without changing the prior-year figures, with the exception of certain aspects of hedge accounting.

IFRS 15 replaces the previous standards and interpretations IAS 11, "Construction Contracts," IAS 18, "Revenue," IFRIC 13 "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue—Barter Transactions Involving Advertising Services." The E.ON Group applies IFRS 15 using the modified retrospective method.

The transition effects from the first-time application of IFRS 9 and IFRS 15 were recognized directly in equity. The effects of the transition on the balance sheet, retained earnings and accumulated other comprehensive income are shown in the following tables:

Reconciliation of the Consolidated Balance Sheet Due to the Effects of IFRS 9 and IFRS 15

€ in millions	Dec. 31, 2017	Effects from IFRS 9	Effects from IFRS 15	Jan. 1, 2018
Non-current assets	**40,164**	**-35**	**88**	**40,217**
of which other intangible assets	*2,243*	–	*6*	*2,249*
of which property, plant and equipment	*24,766*	–	*-14*	*24,752*
of which equity investments	*792*	*-46*	–	*746*
of which financial receivables and other financial assets	*452*	*-1*	*8*	*459*
of which operating receivables and other operating assets	*1,371*	–	*39*	*1,410*
of which deferred tax assets	*907*	*12*	*49*	*968*
Current assets	**15,786**	**-66**	**31**	**15,751**
of which trade receivables and other operating assets	*5,781*	*-66*	*31*	*5,746*
Total assets	**55,950**	**-101**	**119**	**55,968**
Equity	**6,708**	**-101**	**-111**	**6,496**
of which retained earnings	*-4,552*	*102*	*-111*	*-4,561*
of which accumulated other comprehensive income	*-2,378*	*-203*	–	*-2,581*
of which non-controlling interests (before reclassification)	*3,195*	–	–	*3,195*
Non-current liabilities	**35,198**	**–**	**199**	**35,397**
of which operating liabilities	*4,690*	–	*196*	*4,886*
of which deferred tax liabilities	*1,616*	–	*3*	*1,619*
Current liabilities	**14,044**	**–**	**31**	**14,075**
of which trade payables and other operating liabilities	*8,099*	–	*31*	*8,130*
Total equity and liabilities	**55,950**	**-101**	**119**	**55,968**

Reconciliation of Retained Earnings—IFRS 9 and IFRS 15

€ in millions	
Retained earnings, December 31, 2017	**-4,552**
Effects from IFRS 9	**102**
Reclassification from accumulated other comprehensive income (fair value measurement of financial instruments)	*196*
Allocation to provisions for expected future credit losses	*-67*
Deferred tax liabilities	*-27*
Non-controlling interests	*–*
Effects from IFRS 15	**-111**
Retained earnings, January 1, 2018	**-4,561**

Reconciliation of Accumulated Other Comprehensive Income (Fair Value Measurement of Financial Instruments)—IFRS 9

€ in millions	
Fair value measurement of financial instruments, December 31, 2017	**293**
Reclassification to retained earnings	-196
Revaluation due to change in scope	-46
Deferred tax liabilities	39
Non-controlling interests	–
Fair value measurement of financial instruments, January 1, 2018	**90**

The first-time application of IFRS 9 and IFRS 15 had no material effect on earnings per share under IAS 33.

IFRS 9—Effect of First-Time Adoption

Classification and measurement

IFRS 9 introduces new regulations for the classification and measurement of financial assets. E.ON has replaced the previous categories under IAS 39 of financial assets held for trading (HfT), available-for-sale securities (AfS) and loans and receivables (LaR) with the new categories under IFRS 9 of financial assets measured at amortized cost (AmC), financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit and loss (FVPL). The classification of financial assets is based on the business model and the characteristics of the cash flows.

If a financial asset is held for the purpose of collecting contractual cash flows and the cash flows of the financial asset represent exclusively interest and principal payments, then the financial asset is measured at amortized cost (AmC).

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it is used both to collect contractual cash flows and for sales purposes and the cash flows of the financial asset consist exclusively of interest and principal payments.

Derivatives and debt instruments that do not exclusively serve to collect contractual cash flows or to both generate contractual cash flows and sales revenue, or whose cash flows do not exclusively consist of interest and principal payments are measured at fair value through profit and loss (FVPL). For equity instruments that are not held for trading purposes, E.ON has uniformly exercised the option of recognizing changes in fair value through profit and loss (FVPL). Changes in fair value previously recognized in accumulated other comprehensive income were reclassified to retained earnings at the date of transition. The classification into different measurement categories for certain financial instruments resulted in particular from the reassessment of business models.

The following table presents a reconciliation of the carrying amounts of financial assets and the corresponding measurement categories from IAS 39 to IFRS 9 at the date of first-time adoption.

Reconciliation of the Measurement Categories of Financial Assets from IAS 39 to IFRS 9

€ in millions	Carrying amounts, December 31, 2017	IAS 39 measurement category	Revaluation due to change in scope	Revaluation due to the application of the impairment model	Carrying amounts, January 1, 2018	IFRS 9 measurement category
Equity investments	792	AfS			746	
Other share investments					*154*	*FVPL*
Equity investments that fall within the scope of IFRS 10 and IFRS 11 and are accounted for at cost on materiality grounds			*-46*		*592*	*n/a*
Financial receivables and other financial assets	688			-1	687	
Receivables from finance leases	*329*	*n/a*		*-1*	*328*	*n/a*
Other financial receivables and financial assets	*359*	*LaR*			*359*	
					241	*AmC*
					118	*n/a*[1]
Trade receivables and other operating assets	7,152			-66	7,086	
Trade receivables	*3,879*	*LaR*		*-66*	*3,813*	
					3,757	*AmC*
					56	*n/a*[1]
Derivatives with no hedging relationships	*1,401*	*HfT*			*1,401*	*FVPL*
Derivatives with hedging relationships	*279*	*n/a*			*279*	*n/a*
Other operating assets	*1,593*				*1,593*	
	846	*LaR*			*820*	*AmC*
	747	*n/a*			*773*	*n/a*
Securities and fixed-term deposits	3,419	AfS			3,419	
					991	*FVPL*
					2,225	*FVOCI*
					203	*AmC*
Cash and cash equivalents	2,708	LaR			2,708	
					2,192	*AmC*
					516	*FVPL*
Restricted cash and cash equivalents	1,782	LaR			1,782	AmC
Assets held for sale	3,301	n/a			3,301	n/a
Total financial assets	**19,842**		**-46**	**-67**	**19,729**	

[1]Relates to receivables from equity investments that fall within the scope of IFRS 10 and IFRS 11 and are accounted for at cost on materiality grounds.

The first-time application of IFRS 9 had no effect on financial liabilities.

Impairment of financial assets

According to IFRS 9, impairments of financial assets must no longer be recognized only for losses already incurred, but also for expected future credit defaults. E.ON takes into account expected future credit losses on initial recognition of financial assets carried at amortized cost, financial assets measured at fair value through other comprehensive income, and receivables from finance leases.

The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). The probability of default describes the probability that a debtor will not meet their payment obligations and the receivable will therefore default. Exposure at default is the amount of the financial asset to be allocated to E.ON at the time of default. Loss given default is the expectation of what portion of a financial asset is no longer recoverable in the event of default and is determined taking into account guarantees, other loan collateral and, if appropriate, insolvency ratios.

For trade receivables, expected credit losses are recognized over their entire residual term using the simplified method. For other financial assets, E.ON first determines the credit loss expected within the first twelve months. In derogation of this, in the event of a significant increase in the default risk, the expected credit loss over the entire residual term of the respective instrument is recognized. A significant increase in the default risk is assumed if the internally determined counterparty risk has been downgraded by at least three levels since initial recognition. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, E.ON determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. In the E.ON Group, a default or the classification of a receivable as uncollectible is assumed after 180 or 360 days, depending on the region.

The effects of determining expected future credit losses in connection with the initial application of the new impairment model are shown in the following table:

Reconciliation of Valuation Allowances—IFRS 9

€ in millions	Accumulated valuation allowances under IAS 39 as of December 31, 2017	Change in valuation allowances due to the application of the new impairment model in accordance with IFRS 9	Accumulated valuation allowances as of January 1, 2018
Trade receivables	-737	-66	-803
Financial receivables and other financial assets	-99	-1	-100

Derivatives and Hedging

All derivative financial instruments in place as of December 31, 2017, which were used as hedging transactions in a cash flow hedge or in a hedge of a net investment, meet the requirements of IFRS 9 for hedge accounting and are therefore being carried forward unchanged, taking into account a change in designation. However, in accordance with IFRS 9, the currency basis spread (hedging costs) will from now on be separated from the hedging instrument and reported separately as an excluded component in accumulated other comprehensive income in the reserve for hedging costs as a component of equity.

This change was applied retrospectively to all foreign currency derivatives that are part of cash flow hedges or hedges of a net investment and resulted in a reclassification of €73 million from the hedging reserve to the hedging cost reserve as of January 1, 2018. The corresponding prior-year figures were restated retrospectively.

IFRS 15—Effect of First-Time Adoption

The amended revision criteria for principal/agent relationships result in a material change in the income statement for certain passthroughs for the promotion of Renewables. These passthroughs are no longer recognized as sales revenues with an offsetting entry in cost of materials, but instead are netted directly. The netting effects led to a €7.9 billion reduction in the income statement in 2018; the change has no impact on earnings. Starting from the fourth quarter of 2018, netting was carried out both for the direct marketing model as well as, for the first time, the EEG feed-in model (the previous quarters were adjusted accordingly; €3.1 billion reduction in revenue for 2018 as a whole). The change has no impact on earnings. Other conversion effects from IFRS 15 related primarily to the divergence of cash flows and revenue recognition, which led to the recognition of contract assets (€9 million) and contract liabilities (€227 million), as well as the compulsory capitalization of directly attributable costs of contract acquisition, which are expected to be amortized over the term of the contract (€61 million). This reduced retained earnings by €111 million as of January 1, 2018, taking deferred taxes into account.

The E.ON Group recognizes the majority of its revenue from contracts with customers over time and not point in time. Revenue is broken down in detail in the information by segment (see Note 33) into external and internal revenue per segment, as well as by material regions and technologies. This overview also shows how sales are reflected in operating cash flow before interest and taxes.

Additional Standards and Interpretations Applicable in 2018

In addition to the new standards described in detail above, other standards and interpretations are to be applied that do not have a material impact on E.ON's Consolidated Financial Statements as of December 31, 2018:

- IFRIC 22, "Foreign Currency Transactions and Advance Consideration"
- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2014–2016 Cycle), Application of the Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2, "Classification and Measurement of Share-Based Payment"
- Amendments to IFRS 4, "Applying IFRS 9 with IFRS 4"
- Amendments to IAS 40, "Transfers of Investment Property"

Significant Standards and Interpretations Not Yet Applicable in 2018

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not yet being applied by E.ON because their application is not yet mandatory or, in some cases, because adoption by the EU remains outstanding at this time.

IFRS 16, "Leases"

In January 2016, the IASB published the accounting standard IFRS 16, "Leases," which replaces the previous standard IAS 17, "Leases," and IFRIC 4, "Determining Whether an Arrangement Contains a Lease." The application of IFRS 16 is required for fiscal years beginning on or after January 1, 2019.

E.ON is applying the modified retrospective approach to its transition to IFRS 16; prior-year figures have not been restated. Low-value leased assets and short-term leases (less than twelve months) are accounted for using the options to facilitate application. The Group has also decided to apply various simplification options for the transition. Agreements entered into before January 1, 2019, and still valid at the date of transition have not been reviewed to determine whether they qualify as leases under IFRS 16. E.ON is conducting a Group-wide project for the implementation of IFRS 16. The analysis of existing agreements, the drafting of agreements and the impact analysis were largely completed at the end of 2018.

The effects of the introduction of IFRS 16 on the individual components of the consolidated financial statements and the presentation of the financial position and performance of the Group can be described as follows:

- The first-time application of the standard will lead to an increase in both property, plant and equipment (accounting for the rights of use) and financial liabilities (recognition of the corresponding lease liabilities) in the balance sheet, particularly taking into account the financial obligations arising from operating leases reported under Note 27. Taking into account existing accruals and deferrals, the impact of the transition on the amount of leasing liabilities and rights of use for continuing activities at the time of first-time application is expected to be €0.5 to €0.7 billion. As a result of this change in the balance sheet, the equity ratio of the Group will decline slightly and net financial debt will increase slightly.

- In the future, instead of other operating expenses, depreciation on rights of use and interest expenses will be recognized in the income statement from the accretion of lease liabilities (unless they relate to expenses from short-term and low-value leases). This will lead to slightly improved earnings before interest and taxes (EBIT).

- The revised presentation of lease payments arising from operating leases will result in improved cash flows from operating activities and a deterioration in cash flow from financing activities. Interest payments are presented in cash flow from operating activities.

Additional Standards and Interpretations Not Yet Applicable

Additional standards and interpretations have been adopted in addition to the new standards outlined in detail above, but no material impact on E.ON's consolidated financial statements is expected:

- Amendments to IAS 1 and IAS 8, "Definition of Material," published in October 2018, not yet transposed into European law, expected first-time application in fiscal year 2020

- Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement," published in February 2018, not yet transposed into European law, expected first-time application in fiscal year 2019

- Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures," published in January 2017, transposed into European law, first-time application in fiscal year 2019

- Amendments to IFRS 3, "Definition of a Business," published in October 2018, not yet transposed into European law, expected first-time application in fiscal year 2020

- Amendments to IFRS 9, "Prepayment Features with Negative Compensation," published in October 2017, transposed into European law, first-time application in fiscal year 2019

- IFRS 17, "Insurance Contracts," published in May 2017, not yet transposed into European law, expected first-time application in fiscal year 2021

- IFRIC 23, "Uncertainty over Income Tax Treatments," published in June 2017, not yet transposed into European law, first-time application in fiscal year 2019

- Omnibus Standard to Amend Multiple International Financial Reporting Standards (2015–2017 Cycle), published in December 2017, not yet transposed into European law, expected first-time application in fiscal year 2019

- Amendments to the references to the accounting framework, published in March 2018, not yet transposed into European law, expected first-time application in fiscal year 2020

(3) Scope of Consolidation

The number of consolidated companies changed as follows in 2018:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2017	**77**	**149**	**226**
Additions	8	5	13
Disposals/Mergers	1	6	7
Consolidated companies as of December 31, 2017	**84**	**148**	**232**
Additions	5	4	9
Disposals/Mergers	5	4	9
Consolidated companies as of December 31, 2018	**84**	**148**	**232**

In 2018, a total of 17 domestic and 14 foreign associated companies were consolidated under the equity method (2017: 18 domestic companies and 12 foreign companies). In 2018, one domestic company reported as joint operations was presented pro rata on the consolidated financial statements (2017: one domestic company).

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2018

Exchange of Business Activities with RWE
On March 12, 2018, E.ON SE entered into an agreement with RWE AG to acquire the 76.8-percent stake in innogy SE held by RWE. The acquisition is to take place within the framework of a comprehensive exchange of business activities and investments. In this context, E.ON will transfer to RWE most of its Renewables business and the minority interests held by E.ON subsidiary PreussenElektra in the Emsland and Gundremmingen nuclear power plants operated by RWE. However, certain Renewables business activities of e.disnatur, in Germany and Poland, and a 20-percent interest in the Rampion offshore wind farm will remain with the E.ON Group. In exchange for the shareholding in innogy, RWE will be granted a 16.67-percent shareholding in E.ON SE by way of a 20-percent capital increase against contribution in kind from existing authorized capital. RWE will also make a cash payment of €1.5 billion to E.ON. Furthermore, RWE will receive the innogy gas storage businesses and the stake in the Austrian energy supplier Kelag. The transaction, which was notified to the EU Commission in January 2019, will be completed in multiple steps and is subject to the usual antitrust approvals.

Renewables
The parts of the Renewables business to be transferred to RWE have been presented as discontinued operations since June 30, 2018. The expenses and income attributable to these activities were reported separately on the face of the Group's income statement under income/loss from discontinued operations, net. The prior-year figures were adjusted accordingly. The relevant assets and liabilities are reported in a separate line on the balance sheet; prior-year figures are not to be adjusted. The cash flows of the parts of the Renewables business to be transferred are also reported separately in the cash flow statement. As in the income statement, the previous year's figures were adjusted accordingly in the cash flow statement.

All intragroup receivables, payables, expenses and income between the companies of the discontinued operation and the remaining E.ON Group companies will be eliminated. For deliveries, goods and services that were previously intragroup in nature, but which after deconsolidation will be continued either between the companies to be transferred or with third parties, the elimination entries required for the consolidation of income and expenses were allocated entirely to the discontinued operation.

The key figures presented in the segment reporting also include the business activities in the Renewables segment which are to be transferred to RWE. These figures are presented as if the transferred operation had not been reclassified in accordance with IFRS 5. Note 33 provides additional information and presents the corresponding reconciliations.

Pursuant to IFRS 5.18, the carrying amounts of all of the discontinued operation's assets and liabilities must be measured in accordance with applicable IFRS immediately before their reclassification. In the course of this measurement, no material impairments or need for reversals were recognized. In addition, the carrying amount of the discontinued operation as a whole must be tested for impairment by comparing it with the fair value less costs to sell. The fair value less costs to sell is determined from the transaction price agreed with RWE for the parts of the Renewables business to be transferred less the expected transaction costs. The comparison did not result in the recognition of any additional impairment as of December 31, 2018.

In fiscal year 2018, E.ON generated revenues of €81 million (2017: €83 million), interest income of €83 million (2017: €72 million), no material interest expenses (2017: €1 million), and other income of €243 million (2017: €309 million) and other expenses of €1,050 million (2017: €975 million), with the fully consolidated companies to be transferred in the Renewables segment.

The following table shows the main items of the income statement of the discontinued operation in the Renewables segment (after allocation of elimination entries):

Income Statement—Renewables (Summary)

€ in millions	2018	2017
Sales	688	668
Other income	140	218
Other expense	-386	-1,227
Income/Loss from discontinued operations before income taxes	**442**	**-341**
Income taxes	-156	364
Income/Loss from discontinued operations, net	**286**	**23**

The following table shows major balance sheet line items for the discontinued operation in the Renewables segment:

Major Balance Sheet Line Items—Renewables (Summary)

€ in millions	Dec. 31, 2018
Intangible assets and goodwill	1,549
Property, plant and equipment	7,321
Miscellaneous assets	2,408
Assets held for sale	**11,278**
Liabilities	-2,057
Provisions	-675
Liabilities associated with assets held for sale	**-2,732**

The preceding figures do not include receivables from or liabilities to the E.ON Group.

Minority Interests in Nuclear Power Plants

In addition to the transfer of the majority of the Renewables business, under the agreement RWE will acquire the minority interests held by E.ON in the nuclear power plants operated by RWE, Kernkraftwerke Lippe-Ems GmbH and Kernkraftwerk Gundremmingen GmbH. The minority interests included in the Non-Core Business segment and related liabilities were classified as a disposal group from June 30, 2018. In total, assets in the amount of €0.2 billion, provisions in the amount of €0.8 billion and liabilities in the amount of €0.2 billion were reclassified to the disposal group.

Uniper

E.ON and Finnish energy company Fortum Corporation, Espoo, Finland, entered into an agreement in September 2017 that enabled E.ON to decide to sell its 46.65-percent stake in Uniper to Fortum at a total value of €22 per share at the beginning of 2018. In this connection Fortum published a takeover offer for all of the shares of Uniper on November 7, 2017. In January 2018, E.ON decided to offer its shareholding in Uniper for sale in the framework of the takeover bid. After all regulatory approvals and conditions for the completion of the voluntary public takeover bid had been met, the sale of the stake in Uniper to Fortum was completed on June 26, 2018. The purchase price was €3.8 billion. This includes the dividends paid by Uniper to E.ON in 2018.

After derecognition of the Uniper shares of approximately €3.0 billion reported as assets held for sale prior to completion of the transaction and the recognition in income of effects from the equity valuation previously recognized in other comprehensive income, the gain on disposal amounted to €0.6 billion. Upon completion of the transaction, derivative financial instruments with a negative fair value of €0.5 billion were also derecognized through profit and loss. The derivative financial instruments were related to the reciprocal rights and obligations arising from the agreement with Fortum. This also resulted in derivative financial instruments with a market value of -€0.7 billion as of December 31, 2017. This amount was recognized in the income statement in 2017. The fair value of the 46.65-percent shareholding in Uniper totaled €4.4 billion as of December 31, 2017.

E.ON Elektrárne

On July 26, 2018, E.ON sold its interest in E.ON Elektrárne s.r.o. to Západoslovenská energetika a.s. (ZSE). The parties agreed not to disclose the sale price. The transaction also resulted in the repayment of shareholder loans. ZSE is owned by the Slovak state (51 percent) and the E.ON Group (49 percent). The assets of E.ON Elektrárne s.r.o. primarily include the Malženice gas and steam power plant. The transaction was closed on August 15, 2018.

E.ON Gas Sverige

On April 25, 2018, the E.ON Group completed the sale of its Swedish gas distribution company E.ON Gas Sverige AB, which is part of the Energy Networks segment. The transaction was completed with retroactive economic effect to January 1, 2018. The buyer was the European Diversified Infrastructure Fund II. The gain on deconsolidation amounted to around €0.1 billion.

Hamburg Netz

In July 2017, the Hamburg Senate approved the exercise of a call option agreed in 2014 (following a corresponding referendum) with the Free and Hanseatic City of Hamburg on the previous E.ON majority stake in Hamburg Netz GmbH (74.9 percent, HHNG). E.ON held this stake in the Energy Networks segment through HanseWerk AG (E.ON's ownership interest: 66.5 percent).

After the exercise of this option on October 20, 2017, the corresponding HHNG shares were transferred to the buyer effective January 1, 2018. As of December 31, 2017, the balance sheet items related to HHNG were classified as a disposal group in accordance with IFRS 5. The cash inflow of €0.3 billion that occurred in 2017 is recorded in the consolidated cash flow statement for 2017 under disposals and does not have an effect on economic net debt as of December 31, 2017. HHNG was deconsolidated in the first quarter of 2018. The gain on deconsolidation amounted to €154 million.

Enerjisa

On February 8, 2018, a 20-percent stake (10 percent E.ON stake) in Enerjisa Enerji A.Ş. was floated on the stock exchange. The issue price was TRY 6.25 per 100 shares. Enerjisa Enerji A.Ş. continues to retain the status of a joint venture between E.ON and Sabanci (40 percent each).

Discontinued Operations and Assets Held for Sale in 2017

In addition to the disposals of Uniper and Hamburg Netz described above, the following significant transactions were carried out in 2017:

E.ON Värme Lokala Energilösningar

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

(5) Revenues

At €30.3 billion, revenues in 2018 were roughly 20 percent lower than in the previous year. Revenues in the Energy Networks Germany segment were significantly lower than in the previous year. The main factors reducing sales were the netting effects in connection with IFRS 15 (€7.6 billion) and the sale of Hamburg Netz with effect from January 1, 2018. Revenues also declined at Customer Solutions Germany. Sales declined primarily due to the expiration of procurement contracts for certain Uniper wholesale customers, price adjustments and a decline in electricity sales to residential and smaller business customers. The sale of E.ON Gas Sverige AB in the second quarter of 2018 also had a negative impact on sales in Energy Networks Sweden. By contrast, sales in the UK rose as a result of price increases and weather-driven volume increases in the gas business.

Revenues recognized in the current reporting period arising from performance obligations that have been fully or partially settled in prior reporting periods amounted to €1.0 billion. The total amount of benefit obligations already contracted but still outstanding (excluding expected contract renewals and expected new contracts) was €9.5 billion as of December 31, 2018. The majority of these benefit obligations are expected to be met within the next three years.

Revenues are broken down into intragroup and external revenues in the segment information (Note 33). They are also broken down into key regions and technologies. The overview also shows the effect of revenues on operating cash flow before interest and taxes.

(6) Own Work Capitalized

Own work capitalized amounted to €394 million in 2018 (2017: €513 million) and resulted primarily from capitalized work performed in connection with IT projects and network assets.

(7) Other Operating Income and Expenses

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

Other Operating Income

€ in millions	2018	2017
Income from exchange rate differences	1,607	1,962
Gain on derivative financial instruments	1,303	593
Gain on disposal of non-current assets and securities	1,068	674
Refund of nuclear-fuel tax	–	2,850
Gain on the reversal of provisions	388	449
Reversal of valuation allowances on loans and receivables	53	76
Miscellaneous	688	767
Total	**5,107**	**7,371**

Other operating income declined by 31 percent from €7,371 million in the previous year to €5,107 million. The decline is mainly due to the refund of nuclear-fuel taxes paid in the amount of €2,850 million that was received in the previous year.

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

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €1,170 million (2017: €1,359 million) and from receivables and payables denominated in foreign currency in the amount of €47 million (2017: €121 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €389 million (2017: €480 million).

Gains and losses on derivative financial instruments relate to gains from fair value measurement from derivatives under IFRS 9. Material impacts on the reporting date resulted in particular from the derecognition in income of financial derivatives in connection with the disposal of Uniper (see Note 4).

Corresponding items from exchange rate differences and derivative financial instruments are included in other operating expenses.

The gain on the disposal of equity investments and securities consisted primarily of gains on the disposal of Uniper in the amount of €593 million. In addition, there were gains on the disposal of Hamburg Netz in the amount of €154 million and E.ON Gas Sverige AB in the amount of €134 million.

Income from the reversal of provisions resulted primarily from the adjustment of long-term environmental remediation obligations due to the clarification of measures and payment dates.

Gains were realized on the sale of securities in the amount of €91 million (2017: €424 million).

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

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

Other Operating Expenses

€ in millions	2018	2017
Loss from exchange rate differences	1,626	1,668
Loss on derivative financial instruments	630	1,828
Taxes other than income taxes	68	91
Loss on disposal of non-current assets and securities	141	192
Miscellaneous	2,085	2,500
Total	**4,550**	**6,279**

Other operating expenses of €4,550 million were 28 percent below the prior-year level of €6,279 million. This is principally because expenditures relating to derivative financial instruments decreased substantially, from €1,828 million to €630 million. This was primarily due to derivative expenses in the prior year (€680 million) related to the reciprocal rights and obligations arising from the agreement with Fortum. Expenses from exchange rate differences in the amount of €1,626 million remained almost at the same level as the previous year of €1,668 million.

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €1,122 million (2017: €1,180 million) and from receivables and payables denominated in foreign currency in the amount of €293 million (2017: €123 million). In addition, there were effects from foreign currency translation on the balance sheet date in the amount of €211 million (2017: €365 million).

Miscellaneous other operating expenses included expenses for external consulting, audit and non-audit services in the amount of €162 million (2017: €214 million), advertising and marketing expenses in the amount of €176 million (2017: €151 million), write-downs of trade receivables in the amount of €181 million (2017: €200 million), rents and leases in the amount of €130 million (2017: €128 million) and other services rendered by third parties in the amount of €537 million (2017: €427 million). This item also includes IT expenditures, insurance premiums and travel expenses. In addition, other operating expenses decreased owing to prior-year obligation to pass on a portion (€327 million) of the refunded nuclear-fuel tax to minority shareholders of our jointly owned power stations.

(8) Cost of Materials

The principal components of expenses for raw materials and supplies and for purchased goods are the purchase of gas and electricity. Network usage charges and fuel supply are also included in this line item. Expenses for purchased services consist primarily of maintenance costs.

Cost of materials of €22,813 million was well below the prior-year level of €29,961 million. The decrease is primarily attributable to the netting effects described above (€7.9 billion) in connection with the first-time application of IFRS 15 in 2018.

Cost of Materials

€ in millions	2018	2017
Expenses for raw materials and supplies and for purchased goods	20,875	28,216
Expenses for purchased services	1,938	1,745
Total	**22,813**	**29,961**

(9) Financial Results

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

Financial Results

€ in millions	2018
Income/Loss from companies in which equity investments are held	74
Fair value through P&L	*59*
Other	*15*
Impairment charges/reversals on other financial assets	-30
Income/Loss from equity investments	**44**
Income/Loss from securities, interest and similar income	523
Amortized cost	*109*
Fair value through P&L	*111*
Fair value through OCI	*21*
Other interest income	*282*
Interest and similar expenses	-1,236
Amortized cost	*-593*
Fair value through P&L	*-126*
Other interest expenses	*-517*
Net interest income/loss	**-713**
Financial results	**-669**

Financial Results

€ in millions	2017
Income/Loss from companies in which equity investments are held	59
Impairment charges/reversals on other financial assets	-64
Income/Loss from equity investments	**-5**
Income/Loss from securities, interest and similar income	1,370
Available for sale	*121*
Loans and receivables	*99*
Held for trading	*8*
Other interest income	*1,142*
Interest and similar expenses	-1,337
Amortized cost	*-718*
Held for trading	*-33*
Other interest expenses	*-586*
Net interest income/loss	**33**
Financial results	**28**

The decline in financial results relative to the previous year is primarily attributable to the discontinuation of the refund of interest from judicial proceedings in connection with the refund of the nuclear-fuel tax in the prior year.

Other interest income in the prior year consists primarily of income from the above-mentioned interest relating to judicial proceedings. Other interest expenses include the accretion of provisions for asset retirement obligations in the amount of €61 million (2017: €55 million). Also contained in this item is the net interest cost from provisions for pensions in the amount of €62 million (2017: €82 million).

Interest expenses also include €3 million (2017: €29 million) of lower positive earnings effects from non-controlling interests in fully consolidated partnerships, which are to be recognized as liabilities in accordance with IAS 32, and with legal structures that give their shareholders a statutory right of withdrawal combined with an entitlement to a settlement payment.

Interest expense was reduced by capitalized interest on debt totaling €12 million (2017: €5 million).

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

(10) Income Taxes

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

Income Taxes

€ in millions	2018	2017
Domestic income taxes	-110	507
Foreign income taxes	-49	223
Current taxes	**-159**	**730**
Domestic	80	-58
Foreign	125	131
Deferred taxes	**205**	**73**
Total income taxes	**46**	**803**

The tax expense in 2018 amounted to €46 million (2017: €803 million). In 2018, the tax rate was 1 percent (2017: 16 percent). In the reporting year, higher tax-free earnings components or deferred tax liabilities and the reversal of tax provisions for previous years led to a reduction in the tax rate. Significant changes in the tax rate compared with the previous year are also due to the one-off effects in 2017 of the nuclear-fuel tax refund and the resulting income tax burden in Germany. The nuclear-fuel tax effects led to the use of tax loss carryforwards and were subject to the so-called minimum taxation.

Of the amount reported as current taxes, -€570 million is attributable to previous years (2017: -€43 million).

Deferred taxes resulted from changes in temporary differences, which totaled €376 million (2017: -€334 million), loss carryforwards of -€171 million (2017: €412 million) and tax credits amounting to €0 million (2017: -€5 million).

Income tax assets amounted to €236 million (previous year: €514 million), of which €229 million was short-term (previous year: €514 million), while income tax liabilities amounted to €566 million (previous year: €1,642 million), of which €262 million was short-term (previous year: €673 million). These items consist primarily of income taxes for the respective current year and for prior-year periods that have not yet been definitively examined by the tax authorities.

As of December 31, 2018, €5 million (2017: €5 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (outside basis differences). Accordingly, deferred tax liabilities were not recognized for temporary differences of €259 million (2017: €717 million) at subsidiaries and associated companies, as E.ON is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

Changes in tax rates resulted in tax income of €46 million in total (2017: tax expense of €129 million).

Income taxes relating to discontinued operations (see also Note 4) are reported in the income statement under "Income from discontinued operations." In the fiscal year they amounted to tax expense of €156 million (2017: tax income of €364 million).

The base income tax rate of 30 percent applicable in Germany, which is unchanged from the previous year, is composed of corporate income tax (15 percent), trade tax (14 percent) and the solidarity surcharge (1 percent). The differences from the effective tax rate are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2018		2017	
	€ in millions	%	€ in millions	%
Income/Loss from continuing operations before taxes	**3,284**	**100.0**	**4,960**	**100.0**
Expected income taxes	985	30.0	1,488	30.0
Foreign tax rate differentials	-129	-3.9	-36	-0.7
Changes in tax rate/tax law	-46	-1.4	129	2.6
Tax effects on tax-free income	-124	-3.8	-240	-4.8
Tax effects of non-deductible expenses and permanent differences	-212	-6.5	411	8.3
Tax effects on income from companies accounted for under the equity method	22	0.7	71	1.4
Tax effects of goodwill impairment and elimination of negative goodwill	–	–	–	–
Tax effects of changes in value and non-recognition of deferred taxes	89	2.7	-978	-19.7
Tax effects of other taxes on income	31	1.0	70	1.4
Tax effects of income taxes related to other periods	-571	-17.4	-145	-2.9
Other	1	–	33	0.7
Effective income taxes/tax rate	**46**	**1.4**	**803**	**16.2**

Deferred tax assets and liabilities as of December 31, 2018, and December 31, 2017, break down as shown in the following table:

Deferred Tax Assets and Liabilities

	December 31, 2018		December 31, 2017	
€ in millions	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Intangible assets	89	365	179	393
Property, plant and equipment	115	1,579	206	2,036
Financial assets	174	110	162	185
Inventories	14	–	9	–
Receivables	241	921	362	764
Provisions	2,605	78	2,572	119
Liabilities	1,298	528	1,368	646
Loss carryforwards	1,068	–	1,020	–
Tax credits	17	–	16	–
Other	480	315	471	249
Subtotal	**6,101**	**3,896**	**6,365**	**4,392**
Changes in value	-2,716	–	-2,682	–
Deferred taxes (gross)	**3,385**	**3,896**	**3,683**	**4,392**
Netting	-2,190	-2,190	-2,776	-2,776
Deferred taxes (net)	**1,195**	**1,706**	**907**	**1,616**
Current	*563*	*227*	*272*	*178*

Of the deferred taxes reported, a total of -€564 million was charged directly to equity in 2018 (2017: -€595 million charge). A further €49 million in current taxes (2017: €49 million) was also recognized directly in equity. Currency translation differences with an impact on income tax within this item were reclassified to other comprehensive income.

Income taxes recognized in other comprehensive income for the years 2018 and 2017 break down as follows:

Income Taxes on Components of Other Comprehensive Income

	2018			2017		
€ in millions	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Cash flow hedges	53	-15	38	198	3	201
Securities	-63	–	-63	-125	56	-69
Currency translation adjustments	-84	–	-84	-25	–	-25
Remeasurements of defined benefit plans	-488	-54	-542	317	165	482
Companies accounted for under the equity method	-41	7	-34	-437	-2	-439
Total	**-623**	**-62**	**-685**	**-72**	**222**	**150**

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

Tax Loss Carryforwards

	December 31,	
€ in millions	2018	2017
Domestic tax loss carryforwards	2,614	4,113
Foreign tax loss carryforwards	5,466	5,141
Total	**8,080**	**9,254**

Since January 1, 2004, domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. This minimum corporate taxation also applies to trade tax loss carryforwards. The domestic tax loss carryforwards result from adding corporate tax loss carryforwards amounting to €495 million (2017: €1,323 million) and trade tax loss carryforwards amounting to €2,119 million (2017: €2,790 million).

The foreign tax loss carryforwards consist of corporate tax loss carryforwards amounting to €5,064 million (2017: €4,791 million) and tax loss carryforwards from local income taxes amounting to €402 million (2017: €350 million).

Of the foreign tax loss carryforwards, a significant portion relates to previous years.

Deferred taxes were not recognized, or no longer recognized, on a total of €4,006 million (2017: €3,568 million) in tax loss carryforwards that for the most part do not expire. Deferred tax assets were not recognized, or no longer recognized, on non-expiring domestic corporate tax loss carryforwards of €477 million (2017: €1,299 million) or on domestic trade tax loss carryforwards of €2,092 million (2017: €2,756 million).

Deferred tax assets were not recognized, or are no longer recognized, in the amount of €9,831 million (2017: €9,980 million) for temporary differences which are recognized in income and equity.

As of December 31, 2018, and December 31, 2017, E.ON reported deferred tax assets for companies that incurred losses in the current or the prior-year period that exceed the deferred tax liabilities by €21 million and €9 million, respectively. The basis for recognizing deferred tax assets is an estimate by management of the extent to which it is probable that the respective companies will achieve taxable earnings in the future against which the as yet unused tax losses, tax credits and deductible temporary differences can be offset.

(11) Personnel-Related Information

Personnel Costs

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

Personnel Costs

€ in millions	2018	2017
Wages and salaries	2,086	2,407
Social security contributions	316	325
Pension costs and other employee benefits	58	301
Pension costs	*53*	*296*
Total	**2,460**	**3,033**

Personnel costs of €2,460 million were €573 million lower than the prior-year figure of €3,033 million, mainly because of lower expenses from the Group’s new strategic direction and reorganization program from the prior year. In addition, an adjustment to the pension commitments in the United Kingdom resulted in negative past service cost.

Share-Based Payment

The expenses for share-based payment in 2018 (the E.ON Share Matching Plan, the multi-year bonus and the E.ON Performance Plan) amounted to €21.9 million (2017: €53.1 million).

Employee Stock Purchase Program

The voluntary employee stock purchase program, which through 2015 provided employees of German Group companies the opportunity to purchase E.ON shares at preferential terms, was again suspended in 2018, as it had been in 2016 and 2017.

From fiscal years 2003 to 2017, employees in the United Kingdom had the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire additional bonus shares. The program was suspended in 2018. The expense of issuing these matching shares amounted to €0.5 million in 2017.

Long-Term Variable Compensation

Members of the Management Board of E.ON SE and certain executives of the E.ON Group receive share-based payment as part of their voluntary long-term variable compensation. The purpose of such compensation is to reward their contribution to E.ON's growth and to further the long-term success of the Company. This variable compensation component, comprising a long-term incentive effect along with a certain element of risk, provides for a sensible linking of the interests of shareholders and management.

The following discussion includes reports on the E.ON Share Matching Plan introduced in 2013, on the multi-year bonus granted in 2015 and 2016 and on the E.ON Performance Plan introduced in 2017.

E.ON Share Matching Plan

From 2013 to 2016, E.ON granted virtual shares to members of the Management Board of E.ON SE and certain executives of the E.ON Group under the E.ON Share Matching Plan. At the end of its four-year term, each virtual share is entitled to a cash payout linked to the final E.ON share price established at that time. The calculation inputs for this long-term variable compensation package are equity deferral, base matching and performance matching.

The equity deferral is determined by multiplying an arithmetic portion of the beneficiary's contractually agreed target bonus by the beneficiary's total target achievement percentage from the previous year. The equity deferral is converted into virtual shares and vests immediately. In the United States, virtual shares were granted in the amount of the equity deferral for the first time in 2015. Beneficiaries were additionally granted virtual shares in the context of base matching and performance matching. For members of the Management Board of E.ON SE, the proportion of base matching to the equity deferral was determined at the discretion of the Supervisory Board; for all other beneficiaries it was 2:1. The performance-matching target value at allocation was equal to that for base matching in terms of amount. Performance matching will result in a payout only on achievement of a minimum performance as specified at the beginning of the term by the Management Board and the Supervisory Board.

In 2015 and 2016, virtual shares from the third and fourth tranche were granted in the context of base matching and performance matching exclusively to members of the Management Board of E.ON SE. Executives were granted a multi-year bonus, the terms of which are described further below, instead of the base and performance matching.

In 2017 virtual shares were granted for the last time under the E.ON Share Matching Plan, only to members of the Management Board of E.ON SE and only to the extent of the "equity deferral." The total of these allocations is shown below as the fifth tranche of the E.ON Share Matching Plan. Additional information can be found on pages 87 and 88 of the compensation report.

Under the plan's original structure, the amount paid out under performance matching was to be equal to the target value at issuance if the E.ON share price was maintained at the end of the term and if the average ROACE performance matched a target value specified by the Management Board and the Supervisory Board. If the average ROACE during the four-year term exceeded the target value, the number of virtual shares granted under performance matching increased up to a maximum of twice the target value. If the average ROACE had fallen short of the target value, the number of virtual shares, and thus also the amount paid out, were to decrease.

In 2016, the plan was changed to the effect that for periods from 2016 onwards, ROCE was used instead of ROACE for measuring performance. Accordingly, new targets were defined for 2016 and/or subsequent years. At the same time, the previous ROACE target achievement for the previous years will be included in the total performance of the respective tranches on a pro-rata basis. In the event of a defined underperformance, there is no payout under performance matching.

A payout generally will not take place until after the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, all virtual shares—except for those that resulted from the equity deferral—expire.

At the end of the term, the sum of the dividends paid to the ordinary shareholders during the term is added to each virtual share. The maximum amount to be paid out to a plan participant is limited to twice the sum of the equity deferral, base matching and the target value under performance matching.

60-day average prices are used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements. To offset the change in value resulting from the spinoff of Uniper SE, both the 60-day average price of the E.ON share and the total dividends paid to a shareholder starting from 2017 will be multiplied by a correction factor at the end of the term.

The plan also contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

The following are the base parameters of the tranches of the share matching plan active in 2018:

E.ON Share Matching Virtual Shares

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

The 60-day average of the E.ON share price as of the balance sheet date is used to measure the fair value of the virtual shares. In addition, the change in ROCE is simulated for performance matching. The provision for the third, fourth and fifth tranches of the E.ON Share Matching Plan as of the balance sheet date is €14.1 million (2017: €48.0 million). The income for the third, fourth and fifth tranches amounted to €0.7 million in the 2018 fiscal year (2017: expense of €22.1 million).

Multi-Year Bonus

In 2015 and 2016, E.ON extended to those executives who in previous years had been granted virtual shares in the context of base matching and performance matching a multi-year bonus extending over a term of four years. Beneficiaries were informed individually of the target value of the multi-year bonus.

For executives in the E.ON Group, the amount paid out is equal to the target value if the E.ON share price at the end of the term is equal to the E.ON share price after the spinoff of Uniper. If the share price at the end of the term is higher or lower than the share price after the spinoff, the amount paid out relative to the target value will increase or decrease in equal proportion to the change in the share price, but in no event shall the payout be higher than twice the target value.

A payout generally will not take place until after the end of the four-year term. This is true even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, there is no entitlement to a multi-year bonus payout.

60-day average prices are used to determine both the share price after the spinoff and the final price in order to mitigate the effects of incidental, short-lived price movements.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

The provision for the multi-year bonus as of the balance sheet date is €47.3 million (2017: €36.4 million). The expense amounted to €12.8 million in the 2018 fiscal year (2017: €23.9 million).

E.ON Performance Plan (EPP)

In 2017 and 2018, E.ON granted the members of the Management Board of E.ON SE and certain executives of the E.ON Group virtual shares for the first time under the E.ON Share Performance Plan. The vesting period of each tranche is four years. Vesting periods start on January 1 of each year.

The beneficiary will receive virtual shares in the amount of the agreed target. The conversion into virtual shares will be based on the fair market value on the date when the shares are granted. The fair market value will be determined by applying methods accepted in financial mathematics, taking into account the expected future payout and consequently the volatility and risk associated with the EPP. The number of virtual shares allocated may change during the four-year vesting period, depending on the total shareholder return ("TSR") of E.ON stock compared with the TSR of the companies in a peer group ("relative TSR").

The TSR is the return on E.ON stock, which takes into account the stock price plus the assumption of reinvested dividends, adjusted for changes in capital. The peer group used for relative TSR will be the other companies in E.ON's peer index, the STOXX® Europe 600 Utilities.

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

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

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

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

The following are the base parameters of the tranches of the E.ON Performance Plan active in 2018:

E.ON Performance Plan Virtual Shares

	2nd tranche	1st tranche
Date of issuance	Jan. 1, 2018	Jan. 1, 2017
Term	4 years	4 years
Target value at issuance	€6.41	€5.84

The provision for the first and second tranche of the E.ON Performance Plan as of the balance sheet date is €16.2 million (2017: €6.5 million). The expense for the first and second tranches amounted to €9.8 million in the 2018 fiscal year (2017: €6.6 million).

Employees

During 2018, E.ON employed an average of 42,949 persons (2017: 42,657), not including an average of 816 apprentices (2017: 876).

The breakdown by segment is shown in the following table:

Employees[1]

Headcount	2018	2017
Energy Networks	17,519	17,336
Customer Solutions	19,751	19,408
Renewables	1,332	1,142
Corporate Functions & Other[2]	2,456	2,829
Employees, core business	**41,058**	**40,715**
Non-core business (PreussenElektra)	1,891	1,942
Total employees, E.ON Group	**42,949**	**42,657**

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

(12) Other Information

German Corporate Governance Code

On December 18, 2018, the Management Board and the Supervisory Board of E.ON SE made a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG"). The declaration has been made permanently and publicly accessible to stockholders on the Company's Web site (www.eon.com).

Fees and Services of the Independent Auditor

During 2018 and 2017, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") GmbH, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

Independent Auditor Fees

€ in millions	2018	2017
Financial statement audits	20	19
Domestic	*15*	*14*
Other attestation services	3	4
Domestic	*2*	*3*
Tax advisory services	–	1
Domestic	–	–
Other services	1	1
Domestic	*1*	*1*
Total	**24**	**25**
Domestic	*18*	*18*

The auditor's fees relate to the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates. They also include fees for auditing reviews of the IFRS interim financial statements and other tests directly required by the audit.

The fees for other auditing services include all attestation services that are not auditing services and are not used in connection with the audit. In 2018, these costs are for the legally required attestation services (e.g., as a result of the Renewable Energy Act (EEG), the Act on Combined Heat and Power Generation (KWKG)) and the other half of the costs will be for other voluntary attestation services (primarily in connection with new IT systems).

The fees for tax consulting services mainly relate to services in the area of tax compliance.

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

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 216 through 229.

(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	2018	2017
Income/Loss from continuing operations	3,238	4,157
Less: Non-controlling interests	-263	-256
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**2,975**	**3,901**
Income/Loss from discontinued operations, net	286	23
Less: Non-controlling interests	-38	1
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**248**	**24**
Net income/loss attributable to shareholders of E.ON SE	**3,223**	**3,925**
in €		
Earnings per share (attributable to shareholders of E.ON SE)		
from continuing operations	1.37	1.83
from discontinued operations	0.12	0.01
from net income/loss	**1.49**	**1.84**
Weighted-average number of shares outstanding (in millions)	2,167	2,129

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[1]

	Acquisition and production costs						
€ in millions	Jan. 1, 2018	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Dec. 31, 2018
Goodwill	**5,171**	**-2**	**-1,322**	**0**	**0**	**0**	**3,847**
Marketing-related intangible assets	2	-1	–	–	–	–	1
Customer-related intangible assets	591	-4	–	–	-47	–	540
Contract-based intangible assets	1,815	7	-702	55	-1	62	1,236
Technology-based intangible assets	594	-5	-33	33	-4	28	613
Internally generated intangible assets	328	-5	-4	15	-30	92	396
Intangible assets subject to amortization	**3,330**	**-8**	**-739**	**103**	**-82**	**182**	**2,786**
Intangible assets not subject to amortization	455	-5	-3	735	-734	6	454
Advance payments on intangible assets	368	2	-112	278	-5	-161	370
Intangible assets	**4,153**	**-11**	**-854**	**1,116**	**-821**	**27**	**3,610**
Real estate and leasehold rights	589	-7	-13	3	-31	-2	539
Buildings	3,060	-20	-270	28	-41	40	2,797
Technical equipment, plant and machinery	49,144	-328	-10,845	1,181	-298	1,637	40,491
Other equipment, fixtures, furniture and office equipment	951	-4	-33	87	-176	10	835
Advance payments and construction in progress	2,674	-4	-277	1,279	-66	-1,685	1,921
Property, plant and equipment	**56,418**	**-363**	**-11,438**	**2,578**	**-612**	**0**	**46,583**

[1]The first-time application of IFRS 15 in 2018 resulted in adjustments to the initial inventories (see Note 2).

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2018

	Energy Networks			Customer Solutions				Non-Core Business			
€ in millions	Germany	Sweden	ECE/ Turkey	Germany Sales	UK	Other	Renew-ables	Preussen Elektra	Genera-tion Turkey	Corpo-rate Func-tions/ Other[1]	E.ON Group
Net carrying amount of goodwill as of January 1, 2018	**589**	**97**	**56**	**183**	**845**	**102**	**1,286**	**0**	**0**	**179**	**3,337**
Changes resulting from acquisitions and disposals	–	-2	–	–	–	–	–	–	–	–	-2
Impairment charges	–	–	–	–	–	–	–	–	–	–	0
Other changes[2]	–	-5	–	-31	-7	29	-1,267	–	–	–	-1,281
Net carrying amount of goodwill as of December 31, 2018	**589**	**90**	**56**	**152**	**838**	**131**	**19**	**0**	**0**	**179**	**2,054**
Growth rate (in %)[3, 4]	n.a.	–	–	–	1.25	–	–	–	–	–	–
Cost of capital (in %)[3, 4]	n.a.	–	–	–	7.6	–	–	–	–	–	–
Other non-current assets[5]											
Impairment	5	–	–	1	27	38	21	–	–	23	115
Reversals	–	–	23	–	–	4	9	–	–	–	36

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

Accumulated depreciation									Net carrying amounts
Jan. 1, 2018	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	Dec. 31, 2018	Dec. 31, 2018
-1,834	**2**	**39**	**0**	**0**	**0**	**0**	**0**	**-1,793**	**2,054**
-2	1	–	–	–	–	–	–	-1	0
-437	4	–	-32	47	–	-26	–	-444	96
-811	-8	549	-33	–	–	-2	3	-302	934
-485	3	17	-48	2	-1	-4	–	-516	97
-114	3	1	-73	30	-1	-30	–	-184	212
-1,849	**3**	**567**	**-186**	**79**	**-2**	**-62**	**3**	**-1,447**	**1,339**
-2	-2	2	–	–	–	1	–	-1	453
-53	-2	57	–	2	1	-5	–	0	370
-1,904	**-1**	**626**	**-186**	**81**	**-1**	**-66**	**3**	**-1,448**	**2,162**
-72	3	1	-1	10	–	–	–	-59	480
-1,842	13	166	-73	29	-1	-3	–	-1,711	1,086
-29,021	169	3,830	-1,297	203	-20	-15	33	-26,118	14,373
-658	2	19	-81	120	2	–	–	-596	239
-73	–	9	–	29	24	-31	–	-42	1,879
-31,666	**187**	**4,025**	**-1,452**	**391**	**5**	**-49**	**33**	**-28,526**	**18,057**

Goodwill, Intangible Assets and Property, Plant and Equipment

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

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

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

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

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

Goodwill and Non-Current Assets

The changes in goodwill within the segments, as well as the allocation of impairments and their reversals to each reportable segment, are presented in the tables on pages 156 through 159.

Impairments

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

To perform the impairment tests, the Company first determines the fair values less costs to sell of its cash-generating units. Because there were no binding sales transactions or market prices for the respective cash-generating units in 2018, fair values were calculated based on discounted cash flow methods.

Valuations are based on the medium-term corporate planning authorized by the Management Board. The calculations for impairment-testing purposes are generally based on the three planning years of the medium-term plan plus two additional detailed planning years. In certain justified exceptional cases, a longer detailed planning period is used as the calculation basis. The cash flow assumptions extending beyond the detailed planning period are determined using growth rates that generally correspond to the inflation rates in each of the currency areas where the cash-generating units are tested. In 2018, the inflation rate used for the euro area was 1.25 percent (2017: 1.5 percent). The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2018, ranged between 3.5 and 8.7 percent after taxes (2017: 3.5 and 8.7 percent).

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

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

The goodwill impairment testing performed in 2018 resulted in the recognition of no impairment charges. In 2017, there was an impairment charge of €6 million for the Energy Networks Romania cash-generating unit on the recoverable amount of €418 million (after-tax interest rate 5.68 percent).

The goodwill of all cash-generating units whose respective goodwill as of the balance sheet date is material in relation to the total carrying amount of all goodwill shows a surplus of recoverable amounts over the respective carrying amounts and, therefore, based on current assessment of the economic situation, only a significant change in the material valuation parameters would necessitate the recognition of goodwill impairment.

In fiscal year 2018, a total of €49 million in impairments was charged to property, plant and equipment, primarily from €20 million in impairments in the UK.

Impairments on intangible assets amounted to approximately €66 million in 2018. Developments in the retail customer business at ECT UK (around €26 million) and the impairment of capitalized IT costs at the holding company (around €16 million) had the greatest impact.

Reversals of impairments on property, plant and equipment and intangible assets recognized in previous years amounted to €36 million in 2018, significantly influenced by developments in Hungary.

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

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

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

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

Intangible Assets

Most of the change relates to the reclassification of discontinued operations in the Renewables segment in accordance with IFRS 5.

In 2018, the Company recorded an amortization expense of €186 million (2017: €174 million). Impairment charges on intangible assets amounted to €66 million (2017: €156 million).

Reversals of impairments on intangible assets in the amount of €3 million (2017: €3 million) were recognized in the reporting year.

Intangible assets include emission rights and Green Certificates from different trading systems with a carrying amount of €137 million (2017: €146 million).

€2 million in research and development costs as defined by IAS 38 were expensed in 2018 (2017: €5 million).

Property, Plant and Equipment

Most of the change relates to the reclassification of discontinued operations in the Renewables segment in accordance with IFRS 5.

Borrowing costs in the amount of €12 million were capitalized in 2018 (2017: €43 million) as part of the historical cost of property, plant and equipment.

Depreciation amounted to €1,452 million in 2018 (2017: €1,638 million).

In addition, write-downs on property, plant and equipment in the amount of €49 million (2017: €796 million) were made in the year under review. Reversals of impairments on property, plant and equipment in the amount of €33 million (2017: €14 million) were recognized in the reporting year.

The property, plant and equipment capitalized in the framework of finance leases had the following carrying amounts as of December 31, 2018:

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

	December 31,	
€ in millions	2018	2017
Land	3	4
Buildings	22	24
Technical equipment, plant and machinery	297	271
Other equipment, fixtures, furniture and office equipment	–	55
Net carrying amount of capitalized lease assets	**322**	**354**

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	2018	2017	2018	2017	2018	2017
Due within 1 year	52	56	20	19	32	37
Due in 1 to 5 years	160	202	62	67	98	135
Due in more than 5 years	255	246	58	61	197	185
Total	**467**	**504**	**140**	**147**	**327**	**357**

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 €19 million in 2018 (2017: €13 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	2018	2017
Nominal value of outstanding lease installments		
Due within 1 year	39	20
Due in 1 to 5 years	81	45
Due in more than 5 years	22	39
Total	**142**	**104**

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, 2018			December 31, 2017		
€ in millions	E.ON Group	Associates[1]	Joint ventures[1]	E.ON Group	Associates[1]	Joint ventures[1]
Companies accounted for under the equity method	2,603	1,421	1,182	3,547	1,469	2,078
Equity investments	664	250	20	792	256	5
Non-current securities	2,240	–	–	2,749	–	–
Total	**5,507**	**1,671**	**1,202**	**7,088**	**1,725**	**2,083**

[1]The associates and joint ventures presented as equity investments are associated companies and joint ventures accounted for at cost on materiality grounds.

Companies accounted for under the equity method consist solely of associates and joint ventures. The decline in joint ventures is primarily due to the ongoing measurement of the Turkish activities and the reclassification of AWE-Arkona-Windpark Entwicklungs-GmbH as assets held for sale.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2018, impairment charges on companies accounted for under the equity method amounted to €7 million (2017: €8 million).

Impairments on other financial assets amounted to €30 million (2017: €63 million). The carrying amount of other financial assets with impairment losses was €16 million as of the end of the fiscal year (2017: €133 million).

Shares in Companies Accounted for under the Equity Method

The carrying amounts of the immaterial associates accounted for under the equity method totaled €363 million (2017: €458 million), and those of the joint ventures totaled €102 million (2017: €637 million). The significant decline in the carrying amounts resulted from the reclassification of the investments of the Renewables segment to assets held for sale.

Investment income generated from companies accounted for under the equity method amounted to €235 million in 2018 (2017: €277 million). The prior-year figure includes the Uniper SE dividend and the shareholdings of the Renewables segment.

The following table summarizes significant line items of the aggregated statements of comprehensive income of the associates and joint ventures that are accounted for under the equity method:

Summarized Financial Information for Individually Non-Material Associates and Joint Ventures Accounted for under the Equity Method

	Associates		Joint ventures		Total	
€ in millions	2018	2017	2018	2017	2018	2017
Proportional share of net income from continuing operations	68	77	46	56	114	133
Proportional share of other comprehensive income	–	-11	-5	-33	-5	-44
Proportional share of total comprehensive income	**68**	**66**	**41**	**23**	**109**	**89**

The tables below show significant line items of the aggregated balance sheets and of the aggregated statements of comprehensive income of the material companies accounted for under the equity method. The material associates in the E.ON Group are Nord Stream AG, Gasag Berliner Gaswerke AG, Západoslovenská energetika a.s. and, until the end of September 2017, Uniper SE. Since the end of September 2017, Uniper SE has been reported as an investment held for sale and no longer as a company accounted for at equity, so that income from the equity method of accounting only accrued in the first nine months of fiscal year 2017. The tables below present a reconciliation to the pro rata equity result or the carrying amount of the investment in Uniper SE on the basis of the data published by Uniper as of September 30, 2017.

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

Material Associates—Balance Sheet Data as of December 31

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2018	2017[1]	2018	2017	2018	2017	2018	2017
Non-current assets[2]	–	18,767	5,775	6,100	1,845	1,761	887	837
Current assets	–	18,353	801	696	225	249	241	214
Current liabilities (including provisions)	–	16,395	392	374	351	305	233	520
Non-current liabilities (including provisions)	–	13,744	3,300	3,705	883	913	793	452
Equity	–	6,981	2,884	2,717	836	792	102	79
Non controlling interests	–	627	–	–	70	67	–	–
Ownership interest (in %)	–	46.65	15.50	15.50	36.85	36.85	49.00	49.00
Proportional share of equity	–	2,964	447	421	282	267	50	39
Consolidation adjustments	–	-10	10	10	80	81	190	193
Carrying amount of equity investment	**0**	**2,954**	**457**	**431**	**362**	**348**	**240**	**232**

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

Material Associates—Earnings Data

	Uniper Group		Nord Stream AG		Gasag Berliner Gaswerke AG		Západoslovenská energetika a.s.	
€ in millions	2018	2017[1]	2018	2017	2018	2017	2018	2017
Sales	–	52,938	1,074	1,076	1,198	1,105	1,135	1,065
Net income/loss from continuing operations	–	1,119	434	426	35	89	92	91
Non-controlling interests in the net income/loss from continuing operations	–	99	–	–	7	8	–	–
Net income from discontinued operations	–	–	–	–	–	-54	–	–
Dividend paid out	–	201	334	265	13	8	71	51
Other comprehensive income	–	-263	82	134	4	15	1	–
Total comprehensive income	–	856	516	560	39	50	93	91
Ownership interest (in %)	–	46.65	15.50	15.50	36.85	36.85	49.00	49.00
Proportional share of total comprehensive income after taxes	–	370	80	87	14	18	46	45
Proportional share of net income after taxes	–	476	67	66	10	9	45	45
Consolidation adjustments	–	-10	-2	1	–	–	–	3
Equity-method earnings	**0**	**466**	**65**	**67**	**10**	**9**	**45**	**48**

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

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

Material Joint Ventures—Balance Sheet Data as of December 31

	Enerjisa Enerji A.Ş.		Enerjisa Üretim Santralleri A.Ş.	
€ in millions	2018	2017	2018	2017
Non-current assets	2,820	3,279	2,233	3,076
Current assets	1,056	903	331	194
Current liabilities (including provisions)	1,235	1,063	505	602
Non-current liabilities (including provisions)	1,541	1,732	888	1,314
Cash and cash equivalents	93	38	180	8
Current financial liabilities	563	433	337	455
Non-current financial liabilities	1,015	1,221	879	1,219
Equity	1,100	1,387	1,171	1,354
Ownership interest (in %)	40.00	50.00	50.00	50.00
Proportional share of equity	440	694	586	677
Consolidation adjustments	11	11	43	59
Carrying amount of equity investment	**451**	**705**	**629**	**736**

Material Joint Ventures—Earnings Data

	Enerjisa Enerji A.Ş.		Enerjisa Üretim Santralleri A.Ş.	
€ in millions	2018	2017	2018	2017
Sales	3,029	2,715	875	915
Net income/loss from continuing operations	111	205	-33	-205
Write-downs	-55	-64	-108	-130
Interest income/expense	-246	-210	-53	-78
Income taxes	-95	-65	65	47
Dividend paid out	65	–	–	–
Other comprehensive income	-355	-438	-486	-188
Total comprehensive income	-244	-233	-519	-393
Ownership interest (in %)	40.00	50.00	50.00	50.00
Proportional share of total comprehensive income after taxes	-98	-116	-260	-196
Proportional share of net income after taxes	44	103	-17	-102
Consolidation adjustments	8	5	–	-11
Equity-method earnings	**52**	**108**	**-17**	**-113**

The material associates and the material joint ventures are active in diverse areas of the gas and electricity industries. Disclosures of company names, registered offices and equity interests as required by IFRS 12 for material joint arrangements and associates can be found in the list of shareholdings pursuant to Section 313 (2) HGB (see Note 35).

As of December 31, 2018, the investment in Enerjisa Enerji A.Ş. is marketable. The pro rata market value amounted to €398 million as of December 31, 2018. At the end of 2017, no associates were marketable, and a 20-percent shareholding in Enerjisa Enerji A.Ş. was listed on the stock exchange on February 8, 2018.

Of investments in associates, the shareholding in Nord Stream AG (carrying amount in 2018: €457 million; 2017: €431 million) was restricted because it was pledged as collateral for financing as of the balance sheet date.

There are no further material restrictions apart from those contained in standard legal and contractual provisions.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

€ in millions	December 31, 2018	2017
Raw materials and supplies	511	617
Goods purchased for resale	111	130
Work in progress and finished products	62	47
Total	**684**	**794**

Write-downs totaled €9 million in 2018 (2017: €8 million). Reversals of write-downs amounted to €14 million in 2018 (2017: €11 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

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

Receivables and Other Assets

	December 31, 2018		December 31, 2017	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	38	291	37	292
Other financial receivables and financial assets	246	136	199	160
Financial receivables and other financial assets	**284**	**427**	**236**	**452**
Trade receivables	3,896	–	3,879	–
Contract assets	324	1,213	452	1,228
Other assets	3	7	–	–
Receivables from derivative financial instruments	23	142	–	–
Other operating assets	1,199	112	1,450	143
Trade receivables and other operating assets	**5,445**	**1,474**	**5,781**	**1,371**
Total	**5,729**	**1,901**	**6,017**	**1,823**

Receivables arising from IFRS 15 primarily consist of trade receivables.

In 2018, there were unguaranteed residual values of €8 million (2017: €9 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, 2018, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €53 million (2017: €50 million).

Other assets under IFRS 15 changed as follows:

Other Assets[1]

€ in millions	2018
Amortization and impairment	138
Balance as of December 31	**165**

[1]New account due to IFRS 15 implementation, no prior-year figures.

The following table shows the opening and closing balances of contractual assets under IFRS 15:

Contract Assets[1]

€ in millions	2018
Balance as of January 1	9
Balance as of December 31	**10**

[1]New account due to IFRS 15 implementation, no prior-year figures.

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	2018	2017	2018	2017	2018	2017
Due within 1 year	69	69	33	33	36	36
Due in 1 to 5 years	252	236	99	103	153	133
Due in more than 5 years	153	188	13	28	140	160
Total	**474**	**493**	**145**	**164**	**329**	**329**

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

In addition, the E.ON Group's contingent assets as of December 31, 2018, amount to €0 million (prior year: €87 million).

(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	2018	2017
Securities and fixed-term deposits	774	670
Current securities with an original maturity greater than 3 months	*774*	*647*
Fixed-term deposits with an original maturity greater than 3 months	*–*	*23*
Restricted cash and cash equivalents	659	1,782
Cash and cash equivalents	3,924	2,708
Total	**5,357**	**5,160**

In 2018, there was €17 million in restricted cash (2017: €17 million) with a maturity greater than three months.

The reinsurance of domestic pension obligations via VKE i.L. was terminated in 2017. The cash and cash equivalents held by VKE i.L. at the end of 2017 were reported as restricted cash. The transfer of cash and cash equivalents to suitable follow-on solutions essentially explains the decline in restricted cash in the 2018 reporting year. The shares of VKE i.L.'s assets attributable to the E.ON Group were mostly transferred to the Contractual Trust Arrangement (CTA), which created additional plan assets in accordance with IAS 19 (see Note 24). Non-consolidated shares of the assets of VKE i.L. were transferred to the respective follow-on solutions of the member companies concerned and thus deconsolidated.

Cash and cash equivalents include €2,881 million (2017: €1,869 million) in checks, cash on hand and balances at financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Capital Stock

The capital stock is subdivided into 2,201,099,000 registered shares with no par value (no-par-value shares) and amounts to €2,201,099,000 (2017: €2,201,099,000). The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company (SE) and through a capital increase carried out on March 20, 2017, partially using the Authorized Capital 2012, which expired on May 2, 2017.

Pursuant to a resolution by the Annual Shareholders Meeting of May 10, 2017, the Company is authorized to purchase own shares until May 9, 2022. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of December 31, 2018, was 2,167,149,433 (December 31, 2017: 2,167,149,433). As of December 31, 2018, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2017: 33,949,567) having a book value of €1,126 million (equivalent to 1.54 percent or €33,949,567 of the capital stock).

The Company has further been authorized by the Annual Shareholders Meeting to buy shares using put or call options, or a combination of both. When derivatives in the form of put or call options, or a combination of both, are used to acquire shares, the option transactions must be conducted with a financial institution or a company operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or 7 of the German Banking Act (KWG) or at market terms on the stock exchange. No shares were acquired in 2018 using this purchase model.

Neither a scrip dividend nor an employee stock purchase program was offered in the 2018 fiscal year.

Authorized Capital

By shareholder resolution adopted at the Annual Shareholders Meeting of May 10, 2017, the Management Board was authorized, subject to the Supervisory Board's approval, to increase until May 9, 2022, the Company's capital stock by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (authorized capital pursuant to Sections 202 et seq. AktG, Authorized Capital 2017).

Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

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

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

Conditional Capital

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

The conditional capital increase will be used to grant registered no-par value shares to the holders of convertible bonds or bonds with warrants, profit participation rights or income bonds (or combinations of these instruments), in each case with option rights, conversion rights, option obligations and/or conversion obligations, which are issued by the Company or a group company of the Company as defined by Section 18 of the German Stock Corporation Act (AktG), under the authorization approved by the Annual Shareholders Meeting on May 10, 2017, under agenda item 9, through May 9, 2022. The new shares will be issued at the conversion or option price to be determined in accordance with the authorization resolution.

The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights or profit participating bonds that have been issued or guaranteed by E.ON SE or a Group company of E.ON SE as defined by Section 18 AktG under the authorization approved by the Annual Shareholders meeting of May 10, 2017, under agenda item 9, and to the extent that no cash settlement has been granted in lieu of conversion or exercise of an option.

The Conditional Capital 2017 was not used.

Voting Rights

The following notices pursuant to Section 33 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received since the beginning of 2018:

Information on Stockholders of E.ON SE

Reporting entity	Date of notice	Threshold exceeded	Over and under	Gained voting rights on	Allocation	Voting rights	
						Percentages	Absolute
Norwegian Ministry of Finance, Oslo, Norway[1]	Feb. 9, 2018	3%	under	Feb. 8, 2018	indirect	2.96	65,045,991
Amundi S.A., Paris, France[2]	May 2, 2018	3%	under	Apr. 27, 2018	indirect	2.93	64,505,533
BlackRock Inc., Wilmington, U.S.	Aug. 2, 2018	5%	over	Jul. 30, 2018	indirect	6.50	143,099,216
Canada Pension Plan Investment Board, Toronto, Canada	Oct. 4, 2018	3%	over	Sep. 27, 2018	direct/indirect	3.13	68,831,843
Capital Income Builder, Wilmington, U.S.	Nov. 13, 2018	3%	over	Nov. 8, 2018	direct	3.04	66,805,993
The Capital Group Companies Inc., Los Angeles, U.S.	Jan. 31, 2019	5%	over	Jan. 28, 2019	indirect	5.01	110,324,229

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

(20) Additional Paid-in Capital

Additional paid-in capital was unchanged during 2018, at €9,862 million (2017: €9,862 million).

(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, 2018	2017
Legal reserves	45	45
Other retained earnings	-2,506	-4,597
Total	**-2,461**	**-4,552**

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, 2018, these German-GAAP retained earnings totaled €2,554 million (2017: €1,884 million). Of this amount, legal reserves of €45 million (2017: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG.

The amount of retained earnings available for distribution is €2,509 million (2017: €1,839 million).

A proposal to distribute a cash dividend for 2018 of €0.43 per share will be submitted to the Annual Shareholders Meeting. For 2017, shareholders at the May 9, 2018, Annual Shareholders Meeting voted to distribute a dividend of €0.30 for each dividend-paying ordinary share. Based on a €0.43 dividend, the total profit distribution is €932 million (2017: €650 million).

(22) Changes in Other Comprehensive Income

The change in other comprehensive income is primarily the result of exchange rate differences recognized on the balance sheet.

The table at right illustrates the share of OCI attributable to companies accounted for under the equity method.

The sale of the investment in Uniper SE and the IPO of Enerjisa Enerji A.Ş. resulted primarily in the recognition of cumulative exchange rate differences in the amount of €329 million. Exchange rate losses from the devaluation of the Turkish lira, which were recognized directly in equity, had an offsetting effect.

Share of OCI Attributable to Companies Accounted for under the Equity Method

€ in millions	2018	2017
Balance as of December 31 (before taxes)	**-1,441**	**-1,401**
Taxes	3	-3
Balance as of December 31 (after taxes)	**-1,438**	**-1,404**

(23) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the table at right:

The increase in non-controlling interests in the Non-Core Business resulted primarily from capital increases in the Renewables segment.

The table below illustrates the share of OCI that is attributable to non-controlling interests:

Non-Controlling Interests

	December 31,	
€ in millions	2018	2017
Energy Networks	1,729	1,677
Germany	*1,418*	*1,306*
Sweden	*–*	*–*
ECE/Turkey	*311*	*371*
Customer Solutions	84	163
Germany	*-1*	*90*
UK	*2*	*1*
Other	*83*	*72*
Renewables	663	580
Non-Core Business	–	1
Corporate Functions/Other	284	280
E.ON Group	**2,760**	**2,701**

Share of OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Securities	Currency translation adjustments	Remeasurements of defined benefit plans
Balance as of January 1, 2017	**8**	**9**	**-97**	**-262**
Changes	-8	-10	-25	61
Balance as of December 31, 2017	**–**	**-1**	**-122**	**-201**
Changes	–	1	-7	-48
Balance as of December 31, 2018	**–**	**–**	**-129**	**-249**

In compliance with IFRS 12, the following tables include subsidiaries with significant non-controlling interests and provide an overview of significant items on the aggregated balance sheet and on the aggregated income statement, and significant cash flow items. The list of shareholdings pursuant to Section 313 (2) HGB (see Note 35) contains information on the registered office of the company and disclosures on equity interests.

Subsidiaries with Material Non-Controlling Interests—Balance Sheet Data as of December 31

	Delgaz Grid S.A.		E.DIS AG[1]		Avacon AG[1]		Schleswig-Holstein Netz AG	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Non-controlling interests in equity	311	371	517	504	557	568	241	227
Non-controlling interests in equity (in %)	43.5	43.5	33.0	33.0	38.5	38.5	48.5	48.1
Dividends paid out to non-controlling interests	86	31	33	33	58	74	–	–
Operating cash flow	104	121	-42	12	-97	-68	228	167
Non-current assets	1,053	986	1,483	1,505	1,621	1,652	1,460	1,414
Current assets	103	118	192	268	236	314	329	326
Non-current liabilities	411	236	9	12	75	107	464	470
Current liabilities	125	111	64	191	257	294	722	683

[1]Holding Company without operational business.

Subsidiaries with Material Non-Controlling Interests—Earnings Data

	Delgaz Grid S.A.		E.DIS AG[1]		Avacon AG[1]		Schleswig-Holstein Netz AG	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Share of earnings attributable to non-controlling interests	26	34	47	56	24	82	33	6
Sales	390	398	2	1	12	12	912	2,540
Net income/loss	61	85	134	158	87	238	66	11
Comprehensive Income	61	63	132	160	84	248	22	22

[1]Holding Company without operational business.

There are no major restrictions beyond those under customary corporate or contractual provisions.

(24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the active and former employees of the E.ON Group, which amounted to €15.3 billion, were covered by plan assets having a fair value of €12.1 billion as of December 31, 2018. This corresponds to a funded status of 79 percent.

Until the beginning of the 2018 fiscal year, Versorgungskasse Energie VVaG i.L. (VKE i.L.), which is included in the Consolidated Financial Statements, administered a fund holding assets of €1.1 billion that did not constitute plan assets under IAS 19 but which were also primarily intended for the hedging of retirement benefit obligations at E.ON Group companies in Germany (see Note 31). In the first quarter of 2018, the assets were transferred to the Contractual Trust Arrangement (CTA) for the affected Group companies and thus additional plan assets were created.

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

Provisions for Pensions and Similar Obligations

	December 31,	
€ in millions	2018	2017
Present value of all defined benefit obligations		
Germany	10,180	9,979
United Kingdom	5,080	5,690
Other countries	41	44
Total	**15,301**	**15,713**
Fair value of plan assets		
Germany	7,164	6,945
United Kingdom	4,880	5,137
Other countries	10	11
Total	**12,054**	**12,093**
Net defined benefit liability/asset (-)		
Germany	3,016	3,034
United Kingdom	200	553
Other countries	31	33
Total	**3,247**	**3,620**

Description of the Benefit Plans

In addition to their entitlements under government retirement systems and the income from private retirement planning, most active and former E.ON Group employees are also covered by occupational benefit plans. Both defined benefit plans and defined contribution plans are in place at E.ON. Benefits under defined benefit plans are generally paid upon reaching retirement age, or in the event of disability or death.

E.ON regularly reviews the pension plans in place within the Group for financial risks. Typical risk factors for defined benefit plans are longevity and changes in nominal interest rates, as well as inflation developments and rising wages and salaries. In order to avoid exposure to future risks from occupational benefit plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies beginning in 1998.

The existing entitlements under defined benefit plans as of the balance sheet date cover about 47,000 retirees and their beneficiaries (2017: 48,000), about 14,000 former employees with vested entitlements (2017: 14,000) and about 28,000 active employees (2017: 27,000). The corresponding present value of the defined benefit obligations is attributable to retirees and their beneficiaries in the amount of €9.2 billion (2017: €9.3 billion), to former employees with vested entitlements in the amount of €2.4 billion (2017: €2.5 billion) and to active employees in the amount of €3.7 billion (2017: €3.9 billion).

The features and risks of defined benefit plans are shaped by the general legal, tax and regulatory conditions prevailing in the respective country. The configurations of the major defined benefit and defined contribution plans within the E.ON Group are described in the following discussion.

Germany

Active employees at the German Group companies are predominantly covered by cash balance plans. In addition, some final-pay arrangements, and a small number of fixed-amount arrangements, still exist under individual contracts.

The majority of the reported benefit obligation toward active employees is centered on the "BAS Plan," a pension unit system launched in 2001, and on a "provision for the future" ("Zukunftssicherung") plan, a variant of the BAS Plan that emerged from the harmonization in 2004 of numerous benefit plans granted in the past. In the "Zukunftssicherung" benefit plan, vested final-pay entitlements are considered in addition to the defined contribution pension units when determining the benefit. These plans are closed to new hires.

The plans described in the preceding paragraph generally provide for ongoing pension benefits that generally are payable upon reaching the age threshold, or in the event of disability or death.

The only benefit plan open to new hires is the E.ON IQ contribution plan (the "IQ Plan"). This plan is a "units of capital" system that provides for the alternative payout options of a prorated single payment and payments of installments in addition to the payment of a regular pension.

The benefit expense for all the cash balance plans mentioned above is dependent on compensation and is determined at different percentage rates based on the ratio between compensation and the contribution limit in the statutory retirement pension system in Germany. Through December 31, 2016, the cash balance plans contained different interest rate assumptions for the pension and capital units. Since January 1, 2017, a standardized interest rate model has been used for the BAS Plan, the

"Zukunftssicherung" plan and the IQ plan, in which the interest rate is adjusted to market developments and hedged via minimum interest rates. The pension units for previous years remain in place unchanged. Based on market developments, an annual determination is made as to whether the minimum interest rates or possibly a higher interest rate is used for the formation of pension or capital units. Future pension increases at a rate of 1 percent are guaranteed for a large number of active employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate of inflation, usually in a three-year cycle.

To fund the pension plans for the German Group companies, plan assets were established in the form of Contractual Trust Arrangements ("CTAs"). The major part of these plan assets is administered by E.ON Pension Trust e.V. as trustee in accordance with specified investment principles. Additional domestic plan assets are managed by smaller German pension funds.

Only at the pension funds and for the assets formerly administered by VKE i.L. and now transferred to the CTA do regulatory provisions, or contractual provisions based on those regulatory provisions, exist in relation to capital investment or funding requirements.

United Kingdom

In the United Kingdom, there are various pension plans. Until 2005 and 2008, respectively, employees were covered by defined benefit plans, which for the most part were final-pay plans and make up the majority of the pension obligations currently reported for the United Kingdom. These plans were closed to employees newly hired after these dates. Since then, new hires are offered a defined contribution plan. Aside from the payment of contributions, this plan entails no additional actuarial risks for the employer.

Benefit payments to the beneficiaries of the currently existing defined benefit pension plans are adjusted for inflation on a limited basis.

Plan assets in the United Kingdom are administered in a pension trust. The trustees are selected by the members of the plan or appointed by the entity. In that capacity, the trustees are particularly responsible for the investment of the plan assets.

The Pensions Regulator in the United Kingdom requires that a so-called "technical valuation" of the plan's funding status be performed every three years. The actuarial assumptions underlying the valuation are agreed upon by the trustees and E.ON UK plc. They include presumed life expectancy, wage and salary growth rates, investment returns, inflationary assumptions and interest rate levels. The most recent completed technical valuation took place as of March 31, 2015, and resulted in a technical funding deficit of £967 million. In the framework of the agreed deficit repair plan, annual payments of £65 million will be made to the pension trust through 2026. The remeasurement of the technical funding status was begun on the measurement date of March 31, 2018, and was not yet completed as of the reporting date.

Other Countries

The remaining pension obligations are spread across various international activities of the E.ON Group.

However, these benefit plans in Sweden, Romania, the Czech Republic, Italy and the United States are of minor significance from a Group perspective.

Description of the Benefit Obligation

The following table shows the changes in the present value of the defined benefit obligations for the periods indicated:

Changes in the Defined Benefit Obligations

€ in millions	2018 Total	2018 Germany	2018 United Kingdom	2018 Other countries	2017 Total	2017 Germany	2017 United Kingdom	2017 Other countries
Defined benefit obligation as of January 1	**15,713**	**9,979**	**5,690**	**44**	**16,392**	**10,412**	**5,933**	**47**
Employer service cost	135	84	50	1	150	89	60	1
Past service cost	-150	9	-159	–	46	36	10	–
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Interest cost on the present value of the defined benefit obligations	358	206	151	1	379	213	165	1
Remeasurements	-66	298	-362	-2	-48	-61	11	2
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*-47*	*98*	*-145*	–	*-122*	–	*-121*	*-1*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*-11*	*158*	*-167*	*-2*	*205*	–	*202*	*3*
Actuarial gains (-)/losses (+) arising from experience adjustments	*-8*	*42*	*-50*	–	*-131*	*-61*	*-70*	–
Employee contributions	–	–	–	–	–	–	–	–
Benefit payments	-663	-410	-250	-3	-684	-420	-259	-5
Changes in scope of consolidation	58	57	–	1	2	2	–	–
Exchange rate differences	-40	–	-40	–	-209	–	-207	-2
Other	-44	-43	–	-1	-315	-292	-23	–
Defined benefit obligation as of December 31	**15,301**	**10,180**	**5,080**	**41**	**15,713**	**9,979**	**5,690**	**44**

The net actuarial gains shown in the table for the development of the present value of the defined benefit obligations are attributable to an increase in the discount rate used in the UK and the inclusion of updated mortality tables in the calculation of the pension obligations reported for the UK. Actuarial losses resulting from the calculation of pension obligations in Germany on the basis of a lower discount rate and new mortality tables had a largely offsetting effect.

The actuarial assumptions used to measure the defined benefit obligations and to compute the net periodic pension cost at E.ON's German and U.K. subsidiaries as of the respective balance sheet date are as follows:

Actuarial Assumptions

Percentages	December 31, 2018	2017	2016
Discount rate			
Germany	2.00	2.10	2.10
United Kingdom	2.90	2.70	2.90
Wage and salary growth rate			
Germany	2.50	2.50	2.50
United Kingdom	2.00	3.40	3.40
Pension increase rate			
Germany[1]	1.75	1.75	1.75
United Kingdom	3.20	3.20	3.20

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

The discount rate assumptions used by E.ON reflect the currency-specific rates available at the end of the respective fiscal year for high-quality corporate bonds with a duration corresponding to the average period to maturity of the respective obligation.

To measure the E.ON Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations:

Actuarial Assumptions (Mortality Tables)

Germany	2018 G versions of the Heubeck biometric tables (2018)
United Kingdom	"S2" series base mortality tables with the CMI 2017 projection model for future improvements

Changes in the actuarial assumptions described previously would lead to the following changes in the present value of the defined benefit obligations:

Sensitivities

	Change in the present value of the defined benefit obligations			
	December 31, 2018		December 31, 2017	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-7.35*	*8.34*	*-7.77*	*8.69*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.25*	*-0.24*	*0.33*	*-0.32*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.72*	*-1.66*	*1.89*	*-1.85*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-3.16*	*3.54*	*-3.14*	*3.51*

A 10-percent decrease in mortality would result in a higher life expectancy of beneficiaries, depending on the age of each individual beneficiary. As of December 31, 2018, the life expectancy of a 63-year-old male E.ON retiree would increase by approximately one year if mortality were to decrease by 10 percent.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged.

When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Description of Plan Assets and the Investment Policy

The defined benefit plans are funded by plan assets held in specially created pension vehicles that legally are distinct from the Company. The fair value of these plan assets changed as follows:

Changes in the Fair Value of Plan Assets

	2018				2017			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Fair value of plan assets as of January 1	**12,093**	**6,945**	**5,137**	**11**	**12,383**	**7,073**	**5,299**	**11**
Interest income on plan assets	296	158	138	–	297	148	149	–
Remeasurements	-554	-318	-236	–	268	247	20	1
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*-554*	*-318*	*-236*	–	*268*	*247*	*20*	*1*
Employee contributions	–	–	–	–	–	–	–	–
Employer contributions	937	807	130	–	195	61	134	–
Benefit payments	-657	-406	-250	-1	-668	-408	-259	-1
Changes in scope of consolidation	9	9	–	–	–	–	–	–
Exchange rate differences	-39	–	-39	–	-186	–	-186	–
Other	-31	-31	–	–	-196	-176	-20	–
Fair value of plan assets as of December 31	**12,054**	**7,164**	**4,880**	**10**	**12,093**	**6,945**	**5,137**	**11**

The plan assets include virtually no owner-occupied real estate or equity and debt instruments issued by E.ON Group companies. Each of the individual plan asset components has been allocated to an asset class based on its substance.

The plan assets thus classified break down as shown in the following table:

Classification of Plan Assets

Percentages	December 31, 2018 Total	Germany	United Kingdom	Other countries	December 31, 2017 Total	Germany	United Kingdom	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	17	19	14	–	18	22	13	–
Debt securities[1]	46	45	49	–	51	47	55	–
Government bonds	*34*	*26*	*47*	–	*35*	*27*	*46*	–
Corporate bonds	*8*	*12*	*2*	–	*11*	*13*	*9*	–
Other investment funds	18	6	34	–	16	6	30	–
Total listed plan assets	**81**	**70**	**97**	**–**	**85**	**75**	**98**	**–**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	5	6	3	–	4	6	2	–
Debt securities	–	–	–	–	1	2	–	–
Real estate	7	11	–	–	4	6	–	–
Qualifying insurance policies	–	–	–	100	2	4	–	100
Cash and cash equivalents	5	9	–	–	2	3	–	–
Other	2	4	–	–	2	4	–	–
Total unlisted plan assets	**19**	**30**	**3**	**100**	**15**	**25**	**2**	**100**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]In Germany, 7 percent (2017: 7 percent) of plan assets are invested in other debt securities, in particular mortgage bonds ("Pfandbriefe"), in addition to government and corporate bonds.

The fundamental investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding benefit plans. This investment policy stems from the corresponding governance guidelines of the Group. An increase in the net defined benefit liability or a deterioration in the funded status following an unfavorable development in plan assets or in the present value of the defined benefit obligations is identified in these guidelines as a risk that is controlled as part of a risk-budgeting concept. E.ON therefore regularly reviews the development of the funded status in order to monitor this risk.

To implement the investment objective, the E.ON Group primarily pursues an investment approach that takes into account the structure of the benefit obligations. This long-term investment strategy seeks to manage the funded status, with the result that any changes in the defined benefit obligation, especially those caused by fluctuating inflation and interest rates are, to a certain degree, offset by simultaneous corresponding changes in the fair value of plan assets. The investment strategy may also involve the use of derivatives (for example, interest rate swaps and inflation swaps, as well as currency hedging instruments) to facilitate the control of specific risk factors of pension liabilities. In the table above, derivatives have been allocated, based on their substance, to the respective asset classes. In order to improve the funded status of the E.ON Group as a whole, a portion of the plan assets will also be invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments and the discount rate.

The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed in a comprehensive approach against the backdrop of existing investment principles, the current funded status, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The parameters used in the studies are additionally reviewed regularly, at least once each year. Asset managers are tasked with implementing the target portfolio structure. They are monitored for target achievement on a regular basis.

Description of the Pension Cost

The net periodic pension cost for defined benefit plans included in the provisions for pensions and similar obligations is shown in the table below:

Net Periodic Pension Cost

	2018				2017			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Employer service cost	133	82	50	1	148	87	60	1
Past service cost	-150	9	-159	–	46	36	10	–
Gains (-) and losses (+) on settlements	–	–	–	–	–	–	–	–
Net interest on the net defined benefit liability/asset	62	48	13	1	82	65	16	1
Total	**45**	**139**	**-96**	**2**	**276**	**188**	**86**	**2**

The negative past service cost primarily results from the amendment of pension plans in the U.K. Restructuring measures in Germany had a partially offsetting effect.

In addition to the total net periodic pension cost for defined benefit plans, an amount of €59 million in fixed contributions to external insurers or similar institutions was paid in 2018 (2017: €56 million) for pure defined contribution plans.

Contributions to state plans totaled €0.2 billion (2017: €0.2 billion).

Description of Contributions and Benefit Payments

In 2018 E.ON made employer contributions to plan assets totaling €937 million (2017: €195 million) to fund existing defined benefit obligations. The employer contributions paid include the one-off effect of the transfer of the assets of VKE i.L. to the CTA for the German Group companies concerned.

For the following fiscal year, it is expected that Group-wide employer contributions to plan assets will amount to a total of €258 million.

Benefit payments to cover defined benefit obligations totaled €663 million in 2018 (2017: €684 million); of this amount, €6 million (2017: €16 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2018, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2019	648	421	225	2
2020	643	430	211	2
2021	651	434	215	2
2022	658	438	218	2
2023	678	456	220	2
2024–2028	3,413	2,273	1,127	13
Total	**6,691**	**4,452**	**2,216**	**23**

The weighted-average duration of the defined benefit obligations measured within the E.ON Group was 18.2 years as of December 31, 2018 (2017: 19.7 years).

Description of the Net Defined Benefit Liability

The recognized net liability from the E.ON Group's defined benefit plans results from the difference between the present value of the defined benefit obligations and the fair value of plan assets:

Changes in the Net Defined Benefit Liability

	2018				2017			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Net liability as of January 1	**3,620**	**3,034**	**553**	**33**	**4,009**	**3,339**	**634**	**36**
Net periodic pension cost	47	141	-96	2	278	190	86	2
Changes from remeasurements	488	616	-126	-2	-316	-308	-9	1
Employer contributions to plan assets	-937	-807	-130	–	-195	-61	-134	–
Net benefit payments	-6	-4	–	-2	-16	-12	–	-4
Changes in scope of consolidation	49	48	–	1	2	2	–	–
Exchange rate differences	-1	–	-1	–	-23	–	-21	-2
Other	-13	-12	–	-1	-119	-116	-3	–
Net liability as of December 31	**3,247**	**3,016**	**200**	**31**	**3,620**	**3,034**	**553**	**33**

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

€ in millions	December 31, 2018 Current	December 31, 2018 Non-current	December 31, 2017 Current	December 31, 2017 Non-current
Nuclear-waste management obligations	425	9,463	408	10,047
Personnel obligations	97	830	135	950
Other asset retirement obligations	15	637	28	1,190
Supplier-related obligations	5	28	7	30
Customer-related obligations	185	71	203	58
Environmental remediation and similar obligations	28	492	29	478
Other	1,362	938	1,231	1,628
Total	**2,117**	**12,459**	**2,041**	**14,381**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2018	Exchange rate differ-ences	Changes in scope of consolida-tion	Unwinding of dis-counts	Additions	Utilization	Reclassifi-cations	Reversals	Changes in esti-mates	Dec. 31, 2018
Nuclear-waste management obligations	10,455	–	-739	58	43	-308	–	–	379	9,888
Personnel obligations	1,085	-1	–	5	159	-213	-15	-93	–	927
Other asset retirement obligations	1,218	2	-596	8	4	-9	–	-2	27	652
Supplier-related obligations	37	–	–	–	7	-7	–	-4	–	33
Customer-related obligations	261	-1	–	–	50	-24	–	-30	–	256
Environmental remediation and similar obligations	507	–	–	2	46	-25	–	-10	–	520
Other	2,859	-6	-51	82	1,445	-1,297	23	-755	–	2,300
Total	**16,422**	**-6**	**-1,386**	**155**	**1,754**	**-1,883**	**8**	**-894**	**406**	**14,576**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9). The provision items are discounted in accordance with the maturities with interest rates of between 0 and 3.29 percent.

As of December 31, 2018, provisions for nuclear-waste management obligations exclusively relate to Germany; other provisions mainly relate to eurozone countries and the United Kingdom.

Provisions for Nuclear-Waste Management Obligations

The provisions for nuclear-waste management obligations as of December 31, 2018, in the amount of €9.9 billion exclusively relate to nuclear-power activities in Germany.

The provisions for nuclear-waste management based on nuclear-power legislation comprise all those nuclear obligations relating to the disposal of spent nuclear-fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies, external and internal cost estimates and contractual agreements, as well as the supplementary provisions of the German Act Transferring Responsibility for Nuclear Waste Storage and the German Disposal Fund Act.

The asset retirement obligations recognized include the anticipated costs of post- and service operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Provisions for the disposal of spent nuclear fuel rods also comprise the contractual costs of finalizing reprocessing and the associated return of waste to interim storage, as well as costs incurred for expert handling, including the necessary interim storage containers and transport to interim storage.

The cost estimates used to determine the provision amounts are based on studies and analyses performed by external specialists and are updated annually, provided that the cost estimates are not based on contractual agreements. The provisions were measured taking into account the amendments to the German Nuclear Energy Act of August 6, 2011, and the early decommissioning of individual nuclear power plants related to those amendments, as well as the Act on the Reorganization of Responsibility in Nuclear Waste Disposal, which entered into force in June 2017. E.ON is as a result ultimately exempted from financial responsibility for interim and final storage. Consequently, E.ON no longer recognizes any provisions for the costs of interim and final storage.

In the following, the provision items after deduction of advance payments are classified based on technical criteria:

Nuclear Waste Management Obligations in Germany (Less Advance Payments)

€ in millions	December 31, 2018	2017
Retirement and decomissioning	8,404	8,872
Containers, transports, operational waste, other	1,484	1,583
Total	**9,888**	**10,455**

Provisions, if they are non-current, are measured at their settlement amounts, discounted to the balance sheet date.

Transfer of responsibility in 2017, in particular for interim and permanent storage costs, resulted in a substantial reduction in the duration of the disposal obligation. A risk-free discount rate of an average of about 0.4 percent applies to E.ON's remaining disposal obligations (previous year: 0.6 percent). Correspondingly, an applicable cost increase rate of 2.0 percent p.a. was applied to E.ON's remaining disposal obligations (previous year: 1.5 percent), corresponding to a net interest rate of -1,6 percent (previous year: -0.9 percent). A change in the net interest rate of 0.1 percent would change the amount of the provision recognized on the balance sheet by approximately €0.1 billion.

Provisions in the amount of €739 are reported as liabilities held for sale with respect to the sale of certain nuclear power activities to RWE.

Excluding the effects of discounting and cost increases, the amounts for E.ON's remaining disposal obligations would be €8,516 million with average credit terms of approximately 9 years. The amount disclosed under economic net debt, including the nuclear power provisions to be transferred to RWE, amounts to €9,147 million.

There were changes in estimates for the remaining nuclear power business in 2018 in the amount of €379 million (2017: -€603 million). This mainly includes the effects of the implementation of the increase in the cost increase rate, the reduction in the discount interest rate, with counteracting effects from the optimization of decommissioning and disposal of nuclear power plants. €308 million (2017: €237 million) of this was used, of which €220 million (2017: €166 million) related to decommissioning and non-operating nuclear power plants based on circumstances for which decommissioning and dismantling costs were recognized.

Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations, restructuring and other deferred personnel costs.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for renewable-energy power plants and infrastructure. In addition, the provisions for dismantling conventional plant components in the nuclear power segment, which are based on legally binding civil agreements and public provisions, in the amount of €440 million (2017: €437 million) are taken into account here. Excluding discounting and cost-increase effects, the amounts for these disposal obligations would be €329 million. The amount disclosed under economic net debt, including the nuclear-waste management obligations to be transferred to RWE, amounts to €352 million. The decrease in other asset retirement obligations is mainly due to the reclassification of discontinued operations in the Renewables segment.

The amount of other asset retirement obligations disclosed under economic net debt, not including the provisions for dismantling conventional plant components in the nuclear power segment, amounts to €789 million. This amount also includes provisions for discontinued activities in the Renewables segment.

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 open sales contracts as well as from pending meter readings.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment protection measures and the rehabilitation of contaminated sites.

Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. These include provisions for Renewables Obligation Certificates (ROCs) in the amount of €0.3 billion, which represent an important mechanism for promoting renewable energies in the Customer Solutions UK segment. The ROCs represent a fixed share of renewable energies in power sales and can be acquired either from renewable sources or on the market. During a twelve-month ROC period, the obligations accrued for this purpose are offset against the acquired certificates and used. Further included here are provisions for potential obligations arising from certain environmental remediation obligations of predecessor companies (€0.3 billion) as well as tax-related interest expenses and from taxes other than income taxes.

(26) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Financial liabilities	**1,563**	**8,323**	**3,099**	**9,922**
Trade payables	1,660	–	1,800	–
Capital expenditure grants	8	95	17	230
Construction grants from energy consumers	248	1,898	194	1,705
Liabilities from derivatives	427	1,986	817	2,139
Advance payments	82	–	50	1
Other operating liabilities	5,212	527	5,221	615
Trade payables and other operating liabilities	**7,637**	**4,506**	**8,099**	**4,690**
Total	**9,200**	**12,829**	**11,198**	**14,612**

Financial Liabilities

The following table presents the changes to financial liabilities in fiscal year 2018:

Financial Liabilities

€ in millions	Jan. 1, 2018	Cash flows	Exchange rate differences	Changes in scope of consolidation	Other	Dec. 31, 2018
Bonds	10,641	-1,460	-223	–	–	8,958
Bank loans/Liabilities to banks	116	24	–	–	-2	138
Liabilities from finance leases	357	-53	–	–	23	327
Other financial liabilities	1,907	-367	-3	-1,096	22	463
Financial liabilities	**13,021**	**-1,856**	**-226**	**-1,096**	**43**	**9,886**

Liabilities to financial institutions include, among other items, collateral received, measured at a fair value of €20 million (2017: €56 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 €50 million (2017: €370 million) and financial guarantees totaling €8 million (2017: €8 million). Also included is collateral received in connection with goods and services in the amount of €22 million (2017: €21 million). E.ON can use this collateral without restriction.

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.

Corporate Headquarters

Covenants

The financing activities involve the use of covenants (contractual obligations) consisting primarily of change-of-control clauses (right of cancellation upon change of ownership), negative pledges, pari-passu clauses and cross-default clauses, each referring to a restricted set of significant circumstances. Financial covenants (that is, covenants linked to financial ratios) are not employed.

€35 Billion Debt Issuance Program

A Debt Issuance Program simplifies the issuance from time to time of debt instruments through public and private placements to investors. The Debt Issuance Program of E.ON SE was most recently renewed in April 2018, with a total amount of €35 billion. E.ON SE plans to renew the program in 2019.

At year-end 2018, the following E.ON SE and EIF bonds were outstanding:

Major Bond Issues of E.ON SE and E.ON International Finance B.V.[1]

Volume in the respective currency	Initial term	Repayment	Coupon
GBP 850 million[3]	12 years	Oct 2019	6.000%
EUR 1,400 million[4]	12 years	May 2020	5.750%
EUR 750 million	4 years	Aug 2021	0.375%
EUR 500 million	7 years	May 2024	0.875%
EUR 750 million	12 years	May 2029	1.625%
GBP 975 million[5]	30 years	Jun 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[2]	30 years	Apr 2038	6.650%
GBP 700 million	30 years	Jan 2039	6.750%

[1]Listing: All bonds are listed in Luxembourg with the exception of the Rule 144A/Regulation S USD bond, which is unlisted.
[2]Rule 144A/Regulation S bond.
[3]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[4]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[5]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2018, were private placements with a total volume of approximately €0.9 billion (2017: €0.9 billion), as well as promissory notes with a total volume of approximately €0.1 billion (2017: €0.4 billion).

€2.75 Billion Syndicated Revolving Credit Facility

Effective November 13, 2017, E.ON arranged a syndicated revolving credit facility in the amount of €2.75 billion over an original term of five years, with two renewal options for one year each. The first option to renew the credit facility for an additional year was exercised in November 2018. The facility was granted by 18 banks, which make up E.ON's core banking group. The facility has not been drawn; rather, it serves as the Group's reliable, long-term liquidity reserve, one purpose of which is to function as a backup facility for the commercial paper programs.

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

€10 Billion and $10 Billion Commercial Paper Programs
The euro commercial paper program in the amount of €10 billion allows E.ON SE to issue from time to time commercial paper with maturities of up to two years less one day to investors. The U.S. commercial paper program in the amount of $10 billion allows E.ON SE to issue from time to time commercial paper with maturities of up to 366 days and extendible notes with original maturities of up to 397 days (and a subsequent extension option for the investor) to investors. As in the prior year, as of December 31, 2018, no commercial paper was outstanding under either the euro commercial paper program or the U.S. commercial paper program.

The bonds issued by E.ON SE and EIF (guaranteed by E.ON SE) have the maturities presented in the table below. Liabilities denominated in foreign currency include the effects of economic hedges, and the amounts shown here may therefore vary from the amounts presented on the balance sheet.

Bonds Issued by E.ON SE and E.ON International Finance B.V.

€ in millions	Total	Due in 2018	Due in 2019	Due in 2020	Due in 2021	Due in 2022	Due between 2023 and 2029	Due after 2029
December 31, 2018	9,618	–	1,218	1,400	750	100	1,689	4,461
December 31, 2017	11,298	1,703	1,221	1,400	750	100	1,689	4,435

Financial Liabilities by Segment
The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

	Bonds		Bank loans/ Liabilities to banks		Liabilities from finance leases		Other financial liabilities		Financial liabilities	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Energy Networks	–	–	59	49	302	270	74	367	435	686
Germany	–	–	*59*	*49*	*302*	*270*	*74*	*367*	*435*	*686*
Sweden	–	–	–	–	–	–	–	–	–	–
ECE/Turkey	–	–	–	–	–	–	–	–	–	–
Customer Solutions	–	–	59	9	25	21	80	51	164	81
Germany Sales	–	–	–	*2*	–	*1*	*3*	–	*3*	*3*
UK	–	–	–	–	–	–	*31*	–	*31*	–
Other	–	–	*59*	*7*	*25*	*20*	*46*	*51*	*130*	*78*
Renewables	–	–	–	2	–	–	–	639	–	641
Non-Core Business	–	–	–	–	–	3	99	304	99	307
Corporate Functions/Other	8,958	10,641	20	56	–	63	210	546	9,188	11,306
E.ON Group	**8,958**	**10,641**	**138**	**116**	**327**	**357**	**463**	**1,907**	**9,886**	**13,021**

Trade Payables and Other Operating Liabilities

Trade payables totaled €1,660 million as of December 31, 2018 (2017: €1,800 million).

Capital expenditure grants of €103 million (2017: €247 million) have not yet been recognized as revenue. The E.ON Group retains ownership of the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

Construction grants of €2,146 million (2017: €1,899 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 and represent contractual liabilities under IFRS 15. This includes €200 million in grid connection fees, which were recognized as contract liabilities for the first time upon implementation of IFRS 15 due to their realization over a specific period of time. These grants are customary in the industry, generally non-refundable and recognized as revenue in the amount of €262 million according to the useful lives of the related assets.

Other operating liabilities consist primarily of accruals in the amount of €3,700 million (2017: €3,444 million) and interest payable in the amount of €360 million (2017: €451 million). Also included in other operating liabilities are carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries 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 €289 million (2017: €360 million).

(27) Contingent Liabilities and Other Financial Obligations

As part of its business activities, E.ON is subject to contingent liabilities and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims (as discussed in more detail in Note 28), short- and long-term contractual, legal and other obligations and commitments.

Contingent Liabilities

The fair value of the E.ON Group's contingent liabilities was €0.54 billion as of December 31, 2018, and primarily includes contingent liabilities in connection with contingencies and potential long-term environmental remediation measures.

E.ON has issued direct and indirect guarantees to third parties, which may trigger payment obligations based on the occurrence of certain events. These consist primarily of financial guarantees and warranties.

In addition, E.ON has entered into indemnification agreements, which as a rule are incorporated in agreements concerning the disposal of shareholdings and, above all, affect the customary representations and warranties with relation to liability risks for environmental damage and contingent tax risks. In some cases, obligations are covered in the first instance by provisions of the disposed companies before E.ON itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON SE or its legal predecessors are usually included in the respective final sales contracts in the form of indemnities.

Moreover, E.ON has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

The guarantees of E.ON also include items related to the operation of nuclear power plants. With the entry into force of the German Nuclear Energy Act ("Atomgesetz" or "AtG"), as amended, and of the ordinance regulating the provision for coverage under the Atomgesetz ("Atomrechtliche Deckungsvorsorge-Verordnung" or "AtDeckV") of April 27, 2002, as amended, German nuclear power plant operators are required to provide nuclear accident liability coverage of up to €2.5 billion per incident.

The coverage requirement is satisfied in part by a standardized insurance facility in the amount of €255.6 million. The institution Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR") now only covers costs between €0.5 million and €15 million for claims related to officially ordered evacuation measures. Group companies have agreed to place their subsidiaries operating nuclear power plants in a position to maintain a level of liquidity that will enable them at all times to meet their obligations as members of the Nuklear Haftpflicht GbR, in proportion to their shareholdings in nuclear power plants.

To provide liability coverage for the additional €2,244.4 million per incident required by the above-mentioned amendments, E.ON Energie AG ("E.ON Energie") and the other parent companies of German nuclear power plant operators reached a Solidarity Agreement ("Solidarvereinbarung") on July 11, July 27, August 21, and August 28, 2001, extended by agreement dated March 25, April 18, April 28, and June 1, 2011. If an accident occurs, the Solidarity Agreement calls for the nuclear power plant operator liable for the damages to receive—after the operator's own resources and those of its parent companies are exhausted—financing sufficient for the operator to meet its financial obligations. Under the Solidarity Agreement, E.ON Energie's share of the liability coverage on December 31, 2018, was 44.6 percent (prior year: 42.0 percent) and 46.8 percent from January 1, 2019, plus an additional 5.0 percent charge for the administrative costs of processing damage claims. Sufficient liquidity has been provided for and is included within the liquidity plan.

As of December 31, 2018, E.ON SE also issues collateral in the amount of €1.8 billion for former Group companies, which will be repaid or to a great extent assumed by the companies of the Uniper Group in the future. The largest payment guarantee on a pro rata basis is Uniper Energy Storage GmbH in the amount of €0.9 billion. This also includes guarantees in connection with Swedish nuclear power activities. These guarantees and obligations will be transferred from E.ON to Uniper in the first quarter of 2019.

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, 2018, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €0.8 billion (2017: €1.1 billion). Of these commitments, €0.6 billion are due within one year. The purchase commitment mainly includes financial obligations for as yet outstanding investments, in particular in the Energy Networks Germany and Sweden segments. On December 31, 2018, these obligations totaled €0.7 billion.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2018, relate primarily to the purchase of electricity and natural gas. Financial obligations under the electricity purchase contracts amount to approximately €4.0 billion on December 31, 2018 (€2.8 billion due within one year). Financial obligations under the gas purchase contracts amount to approximately €2.9 billion on December 31, 2018 (€1.4 billion due within one year). Additional purchase commitments as of December 31, 2018, amounted to approximately €0.6 billion (€0.1 billion due within one year). They include long-term contractual commitments to purchase heat and alternative fuels.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

E.ON as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	2018	2017
Due within 1 year	109	107
Due in 1 to 5 years	295	262
Due in more than 5 years	181	81
Total	**585**	**450**

The expenses reported in the income statement for these leasing agreements amounted to €125 million (2017: €115 million). They include contingent rents.

In addition, further financial obligations in place as of December 31, 2018, totaled approximately €3.3 billion (€2.6 billion due within one year). This item also includes financial obligations from services to be procured, capital obligations from joint ventures and obligations concerning the acquisition of real estate funds held as financial assets, as well as corporate actions. Also included is the financial obligation from the voluntary public takeover bid for the shares of innogy SE in the amount of €1.9 billion, which is an open transaction.

(28) Litigation and Claims

A number of different court actions, governmental investigations and proceedings, and other claims are currently pending or may be instituted or asserted in the future against companies of the E.ON Group. This in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the electricity and gas sectors (also as a consequence of the energy transition) and concerning price increases and anticompetitive practices.

In the Energy Networks segment, Group companies are involved in proceedings for the award of concessions, the insolvency of energy suppliers and in connection with grid connections and the calculation of the grid fee. Official regulations and changes in regulatory practice have given rise to legal disputes. The national regulatory regimes within Europe are also subject to significant changes. The changes to the legal and regulatory framework can in some cases significantly impact subsidies and remuneration practices, which in turn are the object of regulatory or court proceedings.

Lawsuits are also pending in connection with the construction and operation of plants for generating electricity from renewable energy sources.

On April 13, 2017, the Federal Constitutional Court declared the Nuclear Fuel Tax Act to be incompatible with the Basic Law and invalid. The nuclear-fuel tax plus interest paid by E.ON was refunded. Nuclear operators use two models for the calculation of interest with the German customs authorities, one of which is used by PreussenElektra. With the 16th amendment to the German Nuclear Energy Act, the German Federal Government has implemented the ruling of the German Federal Constitutional Court on the phase-out of nuclear energy. This amendment regulated compensation claims for certain investments and residual volumes of electricity, and created an obligation to offer these residual volumes at reasonable terms and conditions. PreussenElektra sued Krümmel GmbH & Co. OHG and Vattenfall Nuclear GmbH with the aim of transferring, without compensation, the residual volumes of electricity from the Krümmel nuclear power plant corresponding to the ownership interest.

(29) Supplemental Cash Flow Disclosures

The total consideration received by E.ON in 2018 on the disposal of consolidated equity interests and activities generated cash inflows of €239 million (2017: €517 million). Cash and cash equivalents sold amounted to €20 million (2017: €0 million). The sale of the consolidated activities led to reductions of €167 million (2017: €134 million) in assets and €62 million (2017: €34 million) in provisions and liabilities.

At €4.1 billion, cash provided by operating activities before interest and taxes from continuing and discontinued operations was €6.3 billion higher than in the prior-year period. A material factor in this increase was the July 2017 payment of around €10.3 billion into Germany's public fund for financing nuclear-waste disposal. The €2.85 billion nuclear-fuel tax refunded in June 2017 and positive effects on working capital in the previous year had an offsetting effect. Cash provided by operating activities from continuing and discontinued operations also declined due to higher interest and tax payments.

Cash provided by investing activities from continuing and discontinued operations amounted to roughly +€1.0 billion in 2018 (2017: -€0.4 billion). The disposal of the shareholding in Uniper SE (+€3.8 billion) had a particular impact in this regard. This was offset by lower net cash inflows from the sale of securities and changes in financial receivables (-€1.9 billion) and an increase in cash investments (-€0.2 billion).

At -€2.6 billion, cash provided by financing activities from continuing and discontinued operations was €3.1 billion less than the prior-year figure of +€0.5 billion. This was due in particular to the €2.0 billion bond issued in the first half of 2017 and the €1.35 billion capital increase carried out in 2017. In addition, E.ON SE's dividend payment in 2018 was approximately €0.3 billion higher than in the prior year. This was offset by lower payouts on the redemption of bonds.

In fiscal year 2018, tax liabilities were reduced by €143 million (2017: €228 million) through the transfer of tax credits (accelerated depreciation, so-called "MACRS" and production tax credits, "PTCs") to tax equity investors. These non-cash transactions had no impact on the consolidated cash flow statement.

(30) Derivative Financial Instruments and Hedging Transactions

Strategy and Objectives

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, planned transactions, or legally binding rights or obligations.

At the E.ON Group, hedge accounting in accordance with IFRS 9 is employed primarily in connection with hedging long-term liabilities and bonds to be issued in the future via interest-rate derivatives and for hedging long-term foreign currency receivables and payables and foreign investments via currency derivatives. E.ON also hedges net investments in foreign operations.

In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group are hedged.

To hedge currency risk, E.ON entered into hedging transactions in the reporting year in pounds sterling at an average hedging rate of GBP 0.84/EUR (2017: GBP 0.84/EUR) and in U.S. dollars at an average hedging rate of USD 1.22/EUR (2017: USD 1.26/EUR). Hedging transactions were concluded at an average interest rate of 3.53 percent (2017: 3.53 percent) to hedge the interest rate risk in the euro zone. The average hedging price for hedging commodity price change risks amounted to €52.63/MWh in the year under review (2017: €0/MWh).

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 and cross-currency interest rate swaps 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.

The following table presents the carrying amounts of the hedging instruments and the changes in the fair values of the hedging instruments and hedged items by hedged risk type:

Carrying Amounts of Hedging Instruments and Changes in Fair Value of Hedging Instruments and Hedged Items in Connection with Cash Flow Hedges

	Carrying amount							
	Receivables from derivative financial instruments		Liabilities from derivatives		Change in the fair value of the designated portion of hedging instruments		Change in the fair value of hedged items	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017
Currency risk	135	205	257	298	23	-293	-24	289
Interest-rate risk	29	–	911	836	-67	-9	64	9
Commodity price change risk	2	–	3	–	–	–	–	–

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2018, produced an expense of €4 million (2017: €5 million gain). Of this amount, €3 million relates to hedging of interest-rate risk (2017: €0 million).

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 other interest income or expenses.

The development of OCI arising from cash flow hedges, broken down by hedged risk type, is as follows:

Changes in OCI Arising from Cash Flow Hedges

€ in millions	Total	Currency risk	Interest-rate risk
Balance as of January 1, 2017	**-1,243**		
Unrealized changes—hedging reserve	-48	-222	174
Unrealized changes—reserve for hedging costs	64	64	–
Reclassification adjustments recognized in income	182	149	33
Companies accounted for under the equity method	3		
Income taxes	26		
Balance as of December 31, 2017[1]	**-1,016**		
Balance as of January 1, 2018	**-1,016**		
Unrealized changes—hedging reserve	-15	-2	-13
Unrealized changes—reserve for hedging costs	59	59	–
Reclassification adjustments recognized in income	9	-45	54
Companies accounted for under the equity method	-15		
Income taxes	-14		
Balance as of December 31, 2018[1]	**-992**		

[1]As of December 31, 2018, includes -€249 million (2017: -€304 million) from terminated cash flow hedges.

The balance of the OCI arising from cash flow hedges as of December 31, 2018, contains €0.8 billion relating to hedging of interest-rate risk (2017: €0.8 billion).

Reclassifications recognized in income are generally reported in that line item of the income statement which also includes the respective hedged transaction.

The nominal volume of the hedging instruments is presented in the following table:

Nominal Values of Hedging Instruments in Connection with Cash Flow Hedges

		Maturity		Total	
€ in millions	< 1 year	1–5 years	> 5 years	2018	2017
Currency risk	1,311	350	1,184	2,845	3,662
Interest-rate risk	196	296	4,000	4,492	4,495
Commodity price change risk	18	38	–	56	–

Net Investment Hedges

The Company uses foreign currency forwards, foreign currency swaps and foreign currency loans to protect the value of its net investments in its foreign operations denominated in foreign currency.

The carrying amount of the assets used as hedging instruments as of December 31, 2018, was €12 million (2017: €74 million) and the carrying amount of the liabilities used as hedging instruments was €1,131 million (2017: €1,857 million). The fair values of the designated portion of the hedging instruments changed by €50 million in the reporting period (2017: €445 million).

As in 2017, no ineffectiveness resulted from net investment hedges in 2018.

The development of OCI arising from net investment hedges is as follows:

Changes in OCI Arising from Net Investment Hedges

€ in millions	Currency risk
Balance as of January 1, 2017	**-568**
Unrealized changes—hedging reserve	444
Unrealized changes—reserve for hedging costs	2
Reclassification adjustments recognized in income	–
Income taxes	-2
Balance as of December 31, 2017[1]	**-124**
Balance as of January 1, 2018	**-124**
Unrealized changes—hedging reserve	45
Unrealized changes—reserve for hedging costs	2
Reclassification adjustments recognized in income	–
Income taxes	–
Balance as of December 31, 2018[1]	**-77**

[1]As of December 31, 2018, includes -€71 million (2017: -€71 million) from terminated net investment hedges.

As a rule, reclassifications recognized in income are reported under other operating income and expenses. The nominal volume of hedging instruments in net investment hedges amounted to €7,122 million as of December 31, 2018 (2017: €8,038 million). Since the currency risk of net investment hedges is hedged through the ongoing rollover of the hedging instruments, the majority are concluded with a remaining term of less than one year.

Valuation of Derivative Instruments

The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. The fair value to be determined for each derivative instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). E.ON also takes into account the counterparty credit risk for both own credit risk (debt value adjustment) and the risk of the corresponding counterparty (credit value adjustment) when determining fair value. The fair values of derivative instruments are calculated using common market valuation methods with reference to available market data on the measurement date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas and oil forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for electricity options are valued using standard option pricing models commonly used in the market.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income and expenses are recognized in income at the date of payment or accrual.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking into consideration any timing components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €2 million or an increase of €2 million, respectively.

At the beginning of 2018, a net loss of €68 million from the initial measurement of derivatives was deferred. Deferred expenses decreased to €0 million in the reporting year. The reduction is primarily due to the recognition of the Renewables business as a discontinued operation.

(31) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IFRS 9 (prior year: 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, 2018

€ in millions	Carrying amounts	Carrying amounts within the scope of IFRS 7	Carrying amounts within the scope of IFRS 9	Fair value	Determined using market prices (Level 1)	Derived from active market prices (Level 2)
Equity investments	664	110	FVPL	110	–	–
Financial receivables and other financial assets	711	485				
Receivables from finance leases	*329*	*305*	*n/a*	*305*		
Other financial receivables and financial assets	*382*	*180*	*AmC*	*180*	–	–
Trade receivables and other operating assets	6,919	5,739				
Trade receivables	*3,896*	*3,786*	*AmC*			
Derivatives with no hedging relationships	*1,367*	*1,367*	*FVPL*	*1,367*	*35*	*1,293*
Derivatives with hedging relationships	*170*	*170*	*n/a*	*170*	*2*	*168*
Other operating assets	*1,486*	*416*	*AmC*	*416*	–	–
Securities and fixed-term deposits	3,014	3,014		3,014	2,415	599
		1,612	*FVPL*	*1,612*	*1,302*	*310*
		1,155	*FVOCI*	*1,155*	*1,113*	*42*
		247	*AmC*	*247*		*247*
Cash and cash equivalents	3,924	3,924				
		3,226	*AmC*			
		698	*FVPL*	*698*	*698*	–
Restricted cash	659	659	AmC			
Assets held for sale	11,442	413				
		269	*AmC*	*269*		
		144	*FVPL*	*144*	*1*	*69*
Total assets	**27,333**	**14,344**				
Financial liabilities	9,886	9,705				
Bonds	*8,958*	*8,958*	*AmC*	*11,116*	*11,116*	
Bank loans/Liabilities to banks	*138*	*138*	*AmC*	*138*	*58*	*20*
Liabilities from finance leases	*327*	*327*	*n/a*	*427*		
Other financial liabilities	*463*	*282*	*AmC*	*282*	–	–
Trade payables and other operating liabilities	12,143	8,757				
Trade payables	*1,660*	*1,654*	*AmC*			
Derivatives with no hedging relationships	*1,241*	*1,241*	*FVPL*	*1,241*	*36*	*1,205*
Derivatives with hedging relationships	*1,172*	*1,172*	*n/a*	*1,172*	*2*	*1,170*
Put option liabilities under IAS 32[2]	*289*	*289*	*AmC*	*289*	–	–
Other operating liabilities	*7,781*	*4,401*	*AmC*	*4,401*	–	–
Liabilities associated with assets held for sale	3,682	1,125				
		1,073	*AmC*	*1,073*		
		52	*FVPL*	*52*	–	*36*
Total liabilities	**25,711**	**19,587**				

[1]FVPL: fair value through P&L; FVOCI: fair value through OCI; AmC: amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

The carrying amounts of cash and cash equivalents and of trade receivables and trade payables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This applies in particular to equities held and to bonds held and issued.

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2017

€ in millions	Carrying amounts	Carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices (Level 1)	Derived from active market prices (Level 2)
Equity investments	792	792	AfS	792	6	259
Financial receivables and other financial assets	688	688				
Receivables from finance leases	*329*	*329*	*n/a*	*329*		
Other financial receivables and financial assets	*359*	*359*	*LaR*	*359*	–	–
Trade receivables and other operating assets	7,152	6,405				
Trade receivables	*3,879*	*3,879*	*LaR*			
Derivatives with no hedging relationships	*1,401*	*1,401*	*HfT*	*1,401*	*29*	*1,240*
Derivatives with hedging relationships	*279*	*279*	*n/a*	*279*	–	*279*
Other operating assets	*1,593*	*846*	*LaR*	*846*	–	–
Securities and fixed-term deposits	3,419	3,419	AfS	3,419	2,888	531
Cash and cash equivalents	2,708	2,708	LaR			
Restricted cash	1,782	1,782	LaR			
Assets held for sale	3,301	–	AfS	–	–	–
Total assets	**19,842**	**15,794**				
Financial liabilities	13,021	12,080				
Bonds	*10,641*	*10,641*	*AmC*	*13,280*	*13,280*	–
Bank loans/Liabilities to banks	*116*	*116*	*AmC*	*116*	*55*	*8*
Liabilities from finance leases	*357*	*357*	*n/a*	*467*		
Other financial liabilities	*1,907*	*966*	*AmC*	*982*	–	*564*
Trade payables and other operating liabilities	12,789	9,226				
Trade payables	*1,800*	*1,800*	*AmC*			
Derivatives with no hedging relationships	*1,797*	*1,797*	*HfT*	*1,797*	*14*	*1,756*
Derivatives with hedging relationships	*1,159*	*1,159*	*n/a*	*1,159*	–	*1,159*
Put option liabilities under IAS 32[2]	*360*	*360*	*AmC*	*360*	–	–
Other operating liabilities	*7,673*	*4,110*	*AmC*	*4,110*	–	–
Total liabilities	**25,810**	**21,306**				

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

The 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.

The determination of the fair value of derivative financial instruments is discussed in Note 30.

In 2018, there were no material reclassifications between Levels 1 and 2 of the fair value hierarchy. At the end of each reporting period, E.ON assesses whether there might be grounds for reclassification between hierarchy levels.

The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data (see also Note 1). A hypothetical 10-percent increase or decrease in these key internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €13 million or an increase of €14 million, respectively.

The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation

€ in millions	Dec. 31, 2017	Effects from IFRS 9	Jan. 1, 2018	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/Losses in income statement	Transfers into Level 3	Transfers out of Level 3	Gains/Losses in OCI	Dec. 31, 2018
Equity investments	527	-380	147	10	-52	–	-1	6	–	–	110
Derivative financial instruments	105	–	105	–	12	–	-78	–	–	–	39
Total	**632**	**-380**	**252**	**10**	**-40**	**0**	**-79**	**6**	**0**	**0**	**149**

The sales (including disposals) exclusively relate to the minority shareholdings in nuclear power plants reclassified to the disposal group and the derivative financial instruments of the discontinued operation in the Renewables segment.

The extent to which the offsetting of financial assets is covered by netting agreements is presented in the following table:

Netting Agreements for Financial Assets and Liabilities as of December 31, 2018

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/pledged	Net value
Financial assets						
Trade receivables	3,786	–	3,786	–	–	3,786
Interest-rate and currency derivatives	1,203	–	1,203	–	20	1,183
Commodity derivatives	449	115	334	206	–	128
Total	**5,438**	**115**	**5,323**	**206**	**20**	**5,097**
Financial liabilities						
Trade payables	1,654	–	1,654	–	–	1,654
Interest-rate and currency derivatives	2,207	–	2,207	–	580	1,627
Commodity derivatives	321	115	206	206	–	–
Total	**4.182**	**115**	**4,067**	**206**	**580**	**3,281**

Netting Agreements for Financial Assets and Liabilities as of December 31, 2017

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	3,879	–	3,879	25	–	3,854
Interest-rate and currency derivatives	1,305	–	1,305	–	56	1,249
Commodity derivatives	373	–	373	128	–	245
Total	**5,557**	**0**	**5,557**	**153**	**56**	**5,348**
Financial liabilities						
Trade payables	1,800	–	1,800	25	–	1,775
Interest-rate and currency derivatives	2,146	–	2,146	–	692	1,454
Commodity derivatives	128	–	128	128	–	–
Total	**4,074**	**0**	**4,074**	**153**	**692**	**3,229**

Transactions and business relationships resulting in the derivative financial receivables and liabilities presented are generally concluded on the basis of standard contracts that permit the netting of open transactions in the event that a counterparty becomes insolvent.

The netting agreements are derived from netting clauses contained in master agreements including those of the International Swaps and Derivatives Association (ISDA), the German Master Agreement for Financial Derivatives Transactions (DRV), the European Federation of Energy Traders (EFET) and the Financial Energy Master Agreement (FEMA). Collateral pledged to and received from financial institutions in relation to these liabilities and assets limits the utilization of credit lines in the fair value measurement of interest-rate and currency derivatives, and is shown in the table. The E.ON Group did not net interest-rate and currency derivatives and non-derivative financial instruments.

The following two tables illustrate the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

Cash Flow Analysis as of December 31, 2018

€ in millions	Cash outflows 2019	Cash outflows 2020	Cash outflows 2021–2023	Cash outflows from 2024
Bonds	1,430	1,749	1,739	8,801
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	86	5	13	42
Liabilities from finance leases	52	45	115	255
Other financial liabilities	436	23	1	1
Financial guarantees	8	–	–	–
Cash outflows for financial liabilities	**2,012**	**1,822**	**1,868**	**9,099**
Trade payables	1,654	–	–	–
Derivatives (with/without hedging relationships)	3,387	560	728	2,614
Put option liabilities under IAS 32	20	128	180	46
Other operating liabilities	4,512	2	1	2
Cash outflows for trade payables and other operating liabilities	**9,573**	**690**	**909**	**2,662**
Cash outflows for liabilities within the scope of IFRS 7	**11,585**	**2,512**	**2,777**	**11,761**

Cash Flow Analysis as of December 31, 2017

€ in millions	Cash outflows 2018	Cash outflows 2019	Cash outflows 2020–2022	Cash outflows from 2023
Bonds	2,160	1,369	3,103	9,469
Commercial paper	–	–	–	–
Bank loans/Liabilities to banks	77	4	10	30
Liabilities from finance leases	56	102	100	246
Other financial liabilities	949	18	2	2
Financial guarantees	8	–	–	–
Cash outflows for financial liabilities	**3,250**	**1,493**	**3,215**	**9,747**
Trade payables	1,800	–	–	–
Derivatives (with/without hedging relationships)	5,948	642	921	2,737
Put option liabilities under IAS 32	17	69	270	100
Other operating liabilities	4,136	7	1	3
Cash outflows for trade payables and other operating liabilities	**11,901**	**718**	**1,192**	**2,840**
Cash outflows for liabilities within the scope of IFRS 7	**15,151**	**2,211**	**4,407**	**12,587**

Financial guarantees with a total nominal volume of €8 million (2017: €8 million) were issued to companies outside of the Group. This amount is the maximum amount that E.ON would have to pay in the event of claims on the guarantees. E.ON has recognized a liability for this in the amount of €8 million (2017: €8 million).

For financial liabilities that bear floating interest rates, the rates that were fixed on the balance sheet date are used to calculate future interest payments for subsequent periods as well. Financial liabilities that can be terminated at any time are assigned to the earliest maturity band in the same way as put options that are exercisable at any time. All covenants were complied with during 2018.

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 IFRS 9 (prior year: by IAS 39) category are shown in the following table:

Net Gains and Losses by Category

€ in millions	2018
Financial assets amortized cost	-25
Financial liabilities amortized cost	-659
Fair value through P&L	711
Fair value through OCI	65
Total	**92**

Net Gains and Losses by Category

€ in millions	2017
Loans and receivables	-64
Available for sale	334
Held for trading	-1,084
Amortized cost	-517
Total	**-1,331**

The net result of the category fair value through OCI results in particular from interest income and proceeds from the sale of fair value through OCI securities.

In addition to impairments of financial assets, net gains and losses in the amortized cost category are due primarily to interest income from financial assets and liabilities and effects from the currency translation of financial liabilities.

The net gains and losses in the fair value through profit or loss measurement category encompass both the changes in fair value of equity instruments, from derivative financial instruments and gains and losses on realization. The changes in market value in 2018 were primarily influenced by the derecognition in income of derivative financial instruments related to the sale of Uniper (see Note 4).

Impairments of Financial Assets

Impairment losses on financial assets must be recognized not only for losses already incurred but also for expected future credit losses. E.ON takes into account expected future credit losses of financial assets carried at amortized cost, financial assets measured at fair value through other comprehensive income, and receivables from finance leases.

For trade receivables, expected credit losses are recognized over their entire residual term using the simplified method (lifetime ECL trade receivables). For other financial assets, E.ON first determines the credit loss expected within the first twelve months (stage 1—12 month ECL). In derogation of this, in the event of a significant increase in the default risk, the expected credit loss over the entire residual term of the respective instrument is recognized (stage 2—lifetime ECL). A significant increase in the default risk is assumed if the internally determined counterparty risk has been downgraded by at least three levels since initial recognition. If there are objective indications of an actual default, an individual impairment loss must be recognized on the income statement (stage 3—losses already incurred).

E.ON distinguishes between two approaches when calculating expected future credit losses. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, E.ON determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. In the E.ON Group, a default or the classification of a receivable as uncollectible is assumed after 180 or 360 days, depending on the region.

In 2018, valuation allowances for trade receivables changed as shown in the following table:

Valuation Allowances for Trade Receivables

€ in millions	2018	2017
Balance as of December 31 of the previous year	**-737**	**-794**
Effects from IFRS 9	-66	–
Balance as of January 1	**-803**	**-794**
Change in scope of consolidation	–	–
Net additions/disposals	150	187
Changes in expected credit losses (stage 1 and stage 2)	17	–
Change in incurred losses (stage 3)	-177	-137
Other[1]	8	7
Balance as of December 31	**-805**	**-737**

[1] The item Other includes currency translation differences.

There were no significant changes in valuation allowances in 2018 for other financial assets measured at amortized cost or at fair value through other comprehensive income, or for receivables from finance leases.

The default risks for financial assets for which rating information is available can be found in the following table for each rating grade and separately according to the stages of impairment existing in 2018:

Credit Risk Exposure for Financial Assets for Which Rating Information Is Available

€ in millions	Stage 1–12 month ECL	Lifetime ECL trade receivables
Gross carrying amount investment grade	5,374	1,867
Gross carrying amount non investment grade	43	37
Gross carrying amount default grade	–	6
Total	**5,417**	**1,910**

The default risks for trade receivables for which no rating information is available and the amount of expected credit losses over the remaining term are shown in the following matrix for each maturity class:

Credit Risk Exposure for Trade Receivables for Which No Rating Information Is Available

€ in millions	Gross carrying amount	Lifetime ECL trade receivables
Not past-due	1,923	31
Past-due by	388	109
up to 30 days	*129*	*5*
31 to 60 days	*47*	*6*
61 to 90 days	*21*	*4*
91 to 180 days	*38*	*8*
more than 180 days	*153*	*86*
Total	**2,311**	**140**

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 and credit area for banks and liquidity management is performed by the Financial Controlling department, while risk controlling and reporting in the area of commodities and in the credit area for industrial enterprises 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. On a Group-wide basis, Financial Controlling monitors and controls credit risks for banks, and Risk Management monitors and controls industrial enterprises. These activities are carried out using a uniform standard software package.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Management Board of E.ON SE with regard to commodity, treasury and credit risk management policies.

1. Liquidity Management

The primary objectives of liquidity management at E.ON consist of ensuring ability to pay at all times, the timely satisfaction of contractual payment obligations and the optimization of costs within the E.ON Group.

Cash pooling and external financing are largely centralized at E.ON SE and certain financing companies. Funds are provided to the other Group companies as needed on the basis of an "in-house banking" solution.

E.ON SE determines the Group's financing requirements on the basis of short- and medium-term liquidity planning. The financing of the Group is controlled and implemented on a forward-looking basis in accordance with the planned liquidity requirement or surplus. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, divestments, margin payments and the maturity of bonds and commercial paper.

2. Price Risks

In the normal course of business, the E.ON Group is exposed to risks arising from price changes in foreign exchange, interest rates, commodities and asset management. These risks create volatility in earnings, equity, debt and cash flows from period to period. E.ON has developed a variety of strategies to limit or eliminate these risks, including the use of derivative financial instruments, among others.

3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Uniform credit risk management procedures are in place throughout the Group to identify, measure and control credit risks.

The following discussion of E.ON's risk management activities and the estimated amounts generated from profit-at-risk ("PaR"), value-at-risk ("VaR") and sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual, unforeseeable developments in the global financial markets. The methods used by the Company to analyze risks should not be considered forecasts of future events or losses. For example, E.ON faces certain risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk, regulatory risk and legal risk, which are not represented in the following analyses.

Foreign Exchange Risk Management

E.ON SE is responsible for controlling the currency risks to which the E.ON Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the E.ON Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of the balance sheet and income statement items of the foreign consolidated Group companies included in the Consolidated Financial Statements. Translation risks are hedged through borrowing in the corresponding local currency, which may also include shareholder loans in foreign currency. In addition, derivative and primary financial instruments are employed as needed. The hedges qualify for hedge accounting under IFRS as hedges of net investments in foreign operations. The Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor, net assets and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The E.ON Group is also exposed to operating and financial transaction risks attributable to foreign currency transactions. The subsidiaries are responsible for controlling their operating currency risks. E.ON SE coordinates hedging throughout the Group and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and by shareholder loans from within the Group denominated in foreign currency. Financial transaction risks are generally fully hedged.

The one-day value-at-risk (99 percent confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €67 million as of December 31, 2018 (2017: €100 million) and resulted primarily from the positions in British pounds, US dollars and Swedish kronor.

Interest Risk Management

E.ON is exposed to profit risks arising from floating-rate financial liabilities. Positions based on fixed interest rates, on the other hand, are subject to changes in fair value resulting from the volatility of market rates. E.ON seeks a specific mix of fixed-interest and floating-rate debt over time. This is influenced, among other factors, by the type of business model, existing liabilities as well as the regulatory framework in which E.ON operates. To manage the interest rate position, several instruments, including derivatives, are deployed.

With interest rate derivatives included, the share of financial liabilities with floating interest rates was 0 percent as of December 31, 2018 (2017: 0 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €8.6 billion at year-end 2018, would decline to €7.2 billion in 2019 and €7.2 billion in 2020. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 13.5 years as of December 31, 2018 (2017: 12.0 years). The volume-weighted average interest rate of the financial liabilities, including interest rate derivatives, was 5.3 percent as of December 31, 2018 (2017: 5.4 percent).

As of December 31, 2018, the E.ON Group held interest rate derivatives with a nominal value of €4,495 million (2017: €4,533 million).

A sensitivity analysis was performed on the Group's short-term floating-rate borrowings, including hedges of both foreign exchange risk and interest risk. This measure is used for internal risk controlling and reflects the economic position of the E.ON Group. A one-percentage-point upward or downward change in interest rates (across all currencies) would raise or lower interest charges by ±€8.0 million (2017: ±€0 million) in the subsequent fiscal year.

Commodity Price Risk Management

The E.ON portfolio of physical assets, long-term contracts and end-customer sales is exposed to substantial risks from fluctuations in commodity prices. The principal commodity prices to which E.ON is exposed relate to electricity, gas and emission certificates.

The objective of commodity risk management is to transact through physical and financial contracts to optimize the value of the portfolio while reducing the potential negative deviation from target EBIT.

Since the spinoff of Uniper, E.ON has established procurement capabilities for its sales business and thus ensured market access for E.ON's remaining energy production. In the normal course of business of the underlying energy production and retail sales activities, E.ON's individual management units are exposed to uncertain commodity market prices, which impacts operating gains and costs. All external trading on commodity markets must be related to reducing open commodity positions and be undertaken in strict accordance with approved commodity hedging strategies.

Due to the decentralized governance approach and the primary focus on procurement and purely hedging transactions, the allocation of risk capital is no longer necessary. The processes and operational management models within the trading system are monitored by the local market risk teams and centrally managed by the Risk Management department. At the end of 2018, the open position from the procurement on the markets in Germany, the U.K., the Czech Republic, Sweden, Romania and Hungary for the reporting period from 2019 to 2021 was not more than 2,400 GWh per commodity in each case. The biggest drivers primarily relate to the special market conditions in Romania, where hedging activities are carried out within the approved commodity hedging strategy.

As of December 31, 2018, the E.ON Group primarily held electricity and gas derivatives with a nominal value of €4,076 million (2017: €3,958 million).

A key foundation of the commodity risk management system is the Group-wide Commodity Risk Policy and the corresponding internal policies of the units. These specify the control principles for commodity risk management, minimum required standards and clear management and operational responsibilities.

The risk policy was updated at the beginning of 2017 with a focus on the Renewables and PreussenElektra electricity generation business and the regional distribution business. The central market-oriented business approach was replaced by decentralized commodity risk management with regional market access.

Commodity exposures and risks are reported across the Group on a monthly basis to the members of the Risk Committee.

Credit Risk Management

In order to minimize credit risk arising from operating activities and from the use of financial instruments, the Company enters into transactions only with counterparties that satisfy the Company's internally established minimum requirements. Maximum credit risk limits are set on the basis of internal and (where available) external credit ratings. The setting and monitoring of credit limits is subject to certain minimum requirements, which are based on Group-wide credit risk management guidelines.

Long-term operating contracts and asset management transactions are not comprehensively included in this process. They are monitored separately at the level of the responsible units.

In principle, each Group company is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the credit risk, additional credit risk monitoring and controls are performed both by the units and by Corporate Headquarters. 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 €1,301 million.

The levels and details of financial assets received as collateral are described in more detail in Notes 18 and 26.

Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements.

There is no credit risk with respect to the exchange-traded forward and option contracts with an aggregate nominal value of €630 million as of December 31, 2018 (2017: €189 million). For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

At E.ON, liquid funds are normally invested at banks with good credit ratings, in money market funds with first-class ratings or in short-term securities (for example, commercial paper) of issuers with strong credit ratings. Bonds of public and private issuers are also selected for investment. Group companies that for legal reasons are not included in the cash pool invest money at leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels at the banks and at other significant counterparties.

Asset Management

For the purpose of financing long-term payment obligations, including those relating to asset retirement obligations (see Note 25) and cash investments, financial investments totaling €1.4 billion (2017: €3.3 billion) were held predominantly by German E.ON Group companies as of December 31, 2018.

These financial assets are invested on the basis of an accumulation strategy (total-return approach), with investments broadly diversified across the various asset classes, for example the money market, bond and equity asset classes, as well as alternative asset classes like real estate. The majority of the assets are 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. The three-month VaR with a 98-percent confidence interval for these financial assets was €54 million (2017: €38 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG i.L. ("VKE i.L."), which is currently in liquidation, still manages financial assets totaling €78.8 million at year-end 2018 (2017: €1.1 billion). The shares of VKE i.L.'s guarantee fund assets attributable to the E.ON Group were transferred to the CTA (see Note 24) as an equivalent follow-on solution in the first half of 2018. Non-consolidated shares of VKE i.L.'s guarantee fund assets were correspondingly transferred to the respective follow-on solutions of the member companies of VKE i.L. concerned and thus deconsolidated.

(32) Transactions with Related Parties

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties, the most significant of which are associated companies accounted for under the equity method and their subsidiaries. Receivables and payables consist primarily of trade receivables and lease obligations from leaseback models. Income and expenses from transactions with associated companies mainly related to companies of the Uniper Group, until their sale to Fortum. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries. Transactions with related parties are summarized as follows:

Related-Party Transactions

€ in millions	2018	2017
Income	**1,379**	**2,874**
Associated companies	*1,224*	*2,723*
Joint ventures	*11*	*1*
Other related parties	*144*	*150*
Expenses	**2,496**	**6,723**
Associated companies	*2,112*	*6,398*
Joint ventures	*4*	*1*
Other related parties	*380*	*324*
Receivables	**374**	**868**
Associated companies	*166*	*643*
Joint ventures	*3*	*1*
Other related parties	*205*	*224*
Liabilities	**1,013**	**1,671**
Associated companies	*568*	*1,250*
Joint ventures	*15*	*32*
Other related parties	*430*	*389*
Provisions	**20**	**54**
Associated companies	*20*	*34*
Other related parties	*–*	*20*

In 2018, revenues of €820 million (2017: €2,325 million), interest income of €0 million (2017: €2 million) as well as other income of €100 million (2017: €94 million), other expenses of €1,957 million (2017: €6,202 million) and interest expenses of €6 million (2017: €5 million) were generated with the companies of the Uniper Group for half a year until their sale to Fortum.

In addition, E.ON generates income from transactions with related companies through the delivery of gas and electricity to distributors and municipal entities, especially municipal utilities. The relationships with these entities do not generally differ from those that exist with municipal entities in which E.ON does not have an interest. Expenses from transactions with related companies are generated mainly through electricity and gas deliveries as well as through management fees, IT services and third-party services.

Liabilities of E.ON payable to related companies as of December 31, 2018, include €48 million (2017: €104 million) in trade payables and shareholder loans to operators of jointly-owned nuclear power plants. These shareholder loans bear interest based on Euribor at 1.0 percent (2017: 1.0 percent) and have no fixed maturity. E.ON continues to have in place with these power plants a cost-transfer agreement and a cost-plus-fee agreement for the procurement of electricity. The settlement of such liabilities occurs mainly through clearing accounts.

Under IAS 24, compensation paid to key management personnel (members of the Management Board and of the Supervisory Board of E.ON SE) must be disclosed.

The total expense for 2018 for members of the Management Board amounted to €11.1 million (2017: €9.7 million) in short-term benefits and €2.3 million (2017: €2.2 million) in post-employment benefits. The cost of post-employment benefits is equal to the service and interest cost of the provisions for pensions. Additionally taken into account in 2018 were actuarial gains of €0.4 million (2017: €1.1 million).

The expense determined in accordance with IFRS 2 for existing commitments arising from share-based payment in 2018 was €3.6 million (2017: €6.5 million).

Provisions for these commitments amounted to €12.8 million as of December 31, 2018 (2017: €14.9 million).

The members of the Supervisory Board received a total of €4.1 million for their activity in 2018 (2017: €4.5 million). Employee representatives on the Supervisory Board were paid compensation under the existing employment contracts with subsidiaries totaling €0.5 million (2017: €0.6 million).

Detailed, individualized information on compensation can be found in the Compensation Report on pages 82 through 97.

(33) Segment Reporting

Segment Information

Led by its Corporate Headquarters in Essen, Germany, the E.ON Group comprises the seven reporting segments described below, and the Non-Core Business and Corporate Functions/Other, all of which are reported here in accordance with IFRS 8. The combined segments, which are not separately reportable, in the East-Central Europe/Turkey Energy Networks unit and the Customer Solutions Other unit are of subordinate importance and have similar economic characteristics with respect to customer structure, products and distribution channels.

In addition, changes were made to segment reporting in 2018. The generation business in Turkey is now reported in Non-Core Business. Within the Customer Solutions unit, the German heating business is no longer reported under Germany, but under Other. In addition, costs for the further development of the business with new digital products and services as well as innovative projects that were previously included under Corporate Functions/Other are allocated to the operating units in the Customer Solutions unit. The prior-year figures were adjusted accordingly.

Energy Networks

Germany
This segment combines the electricity and gas distribution networks and all related activities in Germany.

Sweden
This segment comprises the electricity networks businesses in Sweden.

East-Central Europe/Turkey
This segment combines the distribution network activities in the Czech Republic, Hungary, Romania, Slovakia and Turkey.

Customer Solutions

Germany
This segment consists of activities that supply our customers in Germany with electricity and gas and the distribution of specific products and services in areas for improving energy efficiency and energy independence.

United Kingdom
The segment comprises sales activities and customer solutions in the U.K.

Other
This segment combines sales activities and the corresponding Customer Solutions in Sweden, Italy, the Czech Republic, Hungary and Romania and E.ON Connecting Energies as well as the heating business in Germany.

Renewables

The Renewables segment combines the Group's activities for the production of wind power plants (onshore and offshore) as well as solar farms.

On March 12, 2018, E.ON SE entered into an agreement with RWE AG to acquire the 76.8-percent stake in innogy SE held by RWE. The acquisition is to take place within the framework of a comprehensive exchange of business activities and investments. In this context, E.ON will transfer the majority of its Renewables business to RWE. Since June 30, 2018, the transferred business has been reported as a discontinued operation in E.ON's consolidated financial statements in accordance with IFRS 5 (see Note 4 for further information).

However, until the final transfer to RWE, the activities in the Renewables business will continue unchanged. For internal management purposes, these activities will therefore continue to be fully included in the relevant key performance indicators. The presentation of key performance indicators in segment reporting therefore also includes the components attributable to discontinued operations in the Renewables business. Reconciliations of these figures to the information in the E.ON Group's consolidated income statement and consolidated statement of cash flows are provided on pages 210, 211 and 213.

Non-Core Business

Non-Core Business comprises the non-strategic activities of the E.ON Group. This includes the operation of the German nuclear power plants, which are managed by the PreussenElektra operating unit, and the electricity generation business in Turkey.

Corporate Functions/Other

Corporate Functions/Other contains E.ON SE itself and the interests held directly by E.ON SE. Until June 26, 2018, the Uniper Group, which was accounted for in the consolidated financial statements using the equity method, was also allocated to this segment. Uniper's earnings were reported under non-operating earnings. Additional information regarding the Uniper Group is provided in Note 4.

Financial Information by Business Segment[1]

	Energy Networks						Customer Solutions					
	Germany		Sweden		ECE/Turkey		Germany Sales		United Kingdom		Other	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales	4,819	12,536	978	1,038	598	742	6,648	6,986	7,699	7,147	7,289	7,038
Intersegment sales	1,424	1,663	11	34	939	977	120	28	59	58	312	319
Sales[2]	**6,243**	**14,199**	**989**	**1,072**	**1,537**	**1,719**	**6,768**	**7,014**	**7,758**	**7,205**	**7,601**	**7,357**
Depreciation and amortization[3]	**-593**	**-591**	**-150**	**-158**	**-232**	**-237**	**-33**	**-30**	**-95**	**-103**	**-183**	**-183**
Adjusted EBIT	**895**	**1,030**	**498**	**474**	**451**	**530**	**160**	**102**	**142**	**248**	**111**	**129**
Equity-method earnings[4]	*69*	*74*	–	–	*97*	*157*	–	–	–	–	*10*	*14*
Operating cash flow before interest and taxes	**1,559**	**2,429**	**771**	**640**	**652**	**605**	**273**	**284**	**92**	**401**	**211**	**237**
Investments	**802**	**703**	**341**	**345**	**454**	**371**	**35**	**25**	**207**	**211**	**395**	**360**

[1]Because of the changes in our reporting, the prior-year figure was adjusted accordingly.
[2]The presentation of our sales in 2018 was substantially affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" (see the commentary in Note 2).
[3]Adjusted for non-operating effects.
[4]Under IFRS, impairment charges on companies accounted for using the equity method and impairment charges on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for using the equity method and financial results, respectively. These income effects are not part of adjusted EBIT.
[5]Operating business including the divisions in the Renewables segment reclassified as discontinued operations in accordance with IFRS 5.

The following table shows the reconciliation in segment reporting of operating cash flow before interest and taxes to operating cash flow:

Reconciliation of Sales

	E.ON Group		Reclassified businesses at Renewables		E.ON Group (continuing operations)	
€ in millions	2018	2017	2018	2017	2018	2017
Sales	**30,253**	**37,965**	**-688**	**-668**	**29,565**	**37,297**

		Non-Core Business									
Renewables[5]		PreussenElektra		Generation Turkey		Corporate Functions/ Other		Consolidation		E.ON Group[5]	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
784	767	1,399	1,585	–	–	38	125	1	1	30,253	37,965
970	837	–	–	–	–	606	671	-4,441	-4,587	0	0
1,754	**1,604**	**1,399**	**1,585**	**–**	**–**	**644**	**796**	**-4,440**	**-4,586**	**30,253**	**37,965**
-340	**-331**	**-157**	**-148**	**–**	**–**	**-72**	**-100**	**4**	**–**	**-1,851**	**-1,881**
521	**454**	**399**	**506**	**-17**	**-113**	**-153**	**-275**	**-18**	**-11**	**2,989**	**3,074**
44	*24*	*53*	*55*	*-17*	*-113*	*65*	*67*	*-1*	*-1*	*320*	*277*
657	**601**	**199**	**-7,357**	**–**	**–**	**-328**	**-81**	**1**	**6**	**4,087**	**-2,235**
1,037	**1,225**	**15**	**14**	**154**	**–**	**86**	**53**	**-3**	**1**	**3,523**	**3,308**

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow from continuing operations:

Reconciliation of Operating Cash Flow

€ in millions	2018	2017
Operating cash flow before interest and taxes	**4,087**	**-2,235**
Interest payments	-606	-234
Tax payments	-628	-483
Operating cash flow	**2,853**	**-2,952**
Reclassified businesses at Renewables	-558	-557
Operating cash flow from continuing operations	**2,295**	**-3,509**

The following table shows the reconciliation in segment reporting of the investments shown in segment reporting to the investments of continuing operations. The latter correspond to payments for investments reported in the Consolidated Statements of Cash Flows.

Reconciliation of Investments

€ in millions	2018	2017
Investments	**3,523**	**3,308**
Reclassified businesses at Renewables	-1,036	-1,212
Investments from continuing operations	**2,487**	**2,096**

The equity result in the Renewables segment, which is reported in the segment information, is fully attributable to discontinued operations.

Adjusted EBIT

Adjusted EBIT, a measure of earnings before interest and taxes ("EBIT") adjusted to exclude non-operating effects, is used at E.ON for purposes of internal management control and as the most important indicator of a business's sustainable earnings power.

The E.ON Management Board is convinced that adjusted EBIT is the most suitable key figure for assessing operating performance because it presents a business's operating earnings independently of non-operating factors, interest, and taxes.

Unadjusted EBIT represents the Group's income/loss reported in accordance with IFRS before financial results and income taxes, taking into account the net income/expense from equity investments. To improve its meaningfulness as an indicator of the sustainable earnings power of the E.ON Group's business, unadjusted EBIT is adjusted for certain non-operating effects.

Operating earnings also include income from investment subsidies for which liabilities are recognized.

The non-operating earnings effects for which EBIT is adjusted include, in particular, non-operating interest expense/income, income and expenses from the marking to market of derivative financial instruments used for hedging and, where material, book gains/losses, certain restructuring expenses, impairment charges and reversals recognized in the context of impairment tests on non-current assets, on equity investments in affiliated or associated companies and on goodwill, and other contributions to non-operating earnings. The refund of the nuclear-fuel tax was also reported in non-operating earnings in the prior year. In addition, since the 2017 fiscal year, effects from the valuation of certain provisions on the balance sheet date are disclosed in non-operating earnings. The change in recognition results in improved presentation of sustainable earnings power.

In addition, earnings from discontinued operations in the Renewables segment, adjusted for non-operating effects, are also included in adjusted EBIT. Pursuant to IFRS 5, equity carried forward from investments in discontinued operations is to be terminated. However, this will be continued within the framework of internal management and will then also be included in adjusted EBIT. As with the treatment of the effects of the equity carried forward, depreciation in discontinued operations, which is generally to be deferred in accordance with IFRS 5, is continued and carried forward in adjusted EBIT.

Net book gains in 2018 were significantly above the prior-year level. The increase resulted primarily from the disposal of our Uniper shareholding, Hamburg Netz, and E.ON Gas Sverige. By contrast, the IPO of Enerjisa Enerji in Turkey resulted in an overall loss. The prior-year figure also included income from the sale of an interest in Customer Solutions in Sweden. In addition, income from the disposal of securities was significantly lower than in the prior year.

Restructuring expenditures decreased substantially year on year. Among other factors, the decline is attributable to significantly lower expenses in connection with Group-wide cost reduction programs. In contrast, expenses in connection with the planned acquisition of innogy were included for the first time in 2018.

Marking to market of derivatives used to protect our operating business from price fluctuations, as well as other derivatives, resulted in a positive effect of €610 million as of December 31, 2018 (previous year: -€954 million). The positive value in 2018 is mainly attributable to the derecognition of derivative financial instruments in connection with contractual rights and obligations from the sale of the Uniper shares in the second quarter. As in the previous year, other effects arose from hedging price fluctuations, particularly in Customer Solutions.

In the 2018 reporting period, impairments were recognized in particular in the areas of Customer Solutions in the United Kingdom and E.ON Connecting Energies. In the prior year, impairments were incurred primarily in the UK Customer Solutions segment.

The significant decrease in other non-operating earnings is primarily attributable to the refund of the nuclear-fuel tax included in the previous year. The equity earnings contribution of Uniper is also included in 2017. Effective the end of September 2017, we classify Uniper as an asset held for sale. The equity method has not been used since then.

The following table shows the reconciliation of earnings before interest and taxes to adjusted EBIT or adjusted EBITDA:

Reconciliation of Income before Financial Results and Income Taxes

€ in millions	2018	2017
Income/Loss from continuing operations before financial results and income taxes	**3,953**	**4,932**
Income/Loss from equity investments	44	-5
EBIT	**3,997**	**4,927**
Non-operating adjustments	**-1,521**	**-2,293**
Net book gains/losses	*-857*	*-375*
Restructuring/cost-management expenses	*64*	*539*
Market valuation derivatives	*-610*	*954*
Impairments (+)/Reversals (-)	*61*	*171*
Other non-operating earnings	*-179*	*-3,582*
Reclassified businesses of Renewables (scheduled depreciation)	513	440
Adjusted EBIT	**2,989**	**3,074**
Impairments (+)/Reversals (-)	45	72
Scheduled depreciation and amortization	1,475	1,488
Reclassified businesses of Renewables (scheduled depreciation and amortization, impairments and reversals)	331	321
Adjusted EBITDA	**4,840**	**4,955**

Pages 32 and 33 of the Combined Group Management Report provide a more detailed explanation of the reconciliation of adjusted EBIT to the net income/loss reported in the Consolidated Financial Statements.

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product

€ in millions	2018	2017
Electricity	22,599	30,178
Gas	5,825	5,897
Other	1,829	1,890
Total	**30,253**	**37,965**

The "Other" item consists in particular of revenues generated from services.

The following table breaks down external sales (by customer and seller location), intangible assets and property, plant and equipment, as well as companies accounted for under the equity method, by geographic area:

Geographic Segment Information

	Germany		United Kingdom		Sweden		Europe (other)		Other		Total	
€ in millions	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External sales by location of customer	13,359	21,953	7,707	7,056	2,238	2,194	6,666	6,551	283	211	30,253	37,965
External sales by location of seller	13,651	21,995	7,866	7,360	2,232	2,123	6,224	6,278	280	209	30,253	37,965
Intangible assets	600	560	287	395	145	146	1,130	1,088	–	54	2,162	2,243
Property, plant and equipment	9,557	10,555	620	3,708	4,593	4,679	3,287	3,517	–	2,307	18,057	24,766
Companies accounted for under the equity method	787	1,123	–	–	71	90	1,745	2,054	–	280	2,603	3,547

E.ON's customer structure resulted in a focus on the Germany region. Aside from that, there was no major concentration in any given geographical region or business area. Due to the large number of customers the Company serves and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

(34) Compensation of Supervisory Board and Management Board

Supervisory Board

Total remuneration to members of the Supervisory Board in 2018 amounted to €4.1 million (2017: €4.5 million).

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

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on page 96 and 97 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on pages 242 and 243.

Management Board

Total compensation of the Management Board in 2018 amounted to €15.9 million (2017: €14 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

In 2018, the members of the Management Board were granted second-tranche virtual shares under the E.ON Performance Plan (2017: first tranche of the E.ON Performance Plan) with a value of €4.9 million (2017: €4.4 million) and a total number of shares of 760,078 (2017: 751,857).

Total payments to former members of the Management Board and their beneficiaries amounted to €12.5 million (2017: €12.4 million). Provisions of €155.8 million (2017: €159 million) have been established for the pension obligations to former members of the Management Board and their beneficiaries.

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

The Management Board's compensation structure and the individual amounts for each member of the Management Board as well as additional disclosures on the amounts are presented on pages 82 through 95 in the Compensation Report.

Additional information about the members of the Management Board is provided on page 244.

(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, 2018)

Name, location	Stake (%)
:agile accelerator GmbH, DE, Düsseldorf[2]	100.0
100 Kilowatt Naperőmű Alfa Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Béta Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Delta Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Epszilon Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Éta Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Gamma Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
100 Kilowatt Naperőmű Kappa Korlátolt Felelősségű Társaság, HU, Budapest[2]	100.0
Aabenraa- og Tønderegnens Biogas ApS, DK, Bevtoft[6]	50.0
Abens-Donau Netz GmbH & Co. KG, DE, Mainburg[6]	50.0
Abens-Donau Netz Verwaltung GmbH, DE, Mainburg[6]	50.0
Abfallwirtschaft Dithmarschen GmbH, DE, Heide[6]	49.0
Abfallwirtschaft Schleswig-Flensburg GmbH, DE, Schleswig[6]	49.0
Abfallwirtschaft Südholstein GmbH - AWSH -, DE, Elmenhorst[6]	49.0
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[6]	49.0
Abwasser und Service Burg, Hochdonn GmbH, DE, Burg[6]	39.0
Abwasser und Service Mittelangeln GmbH, DE, Satrup[6]	33.3
Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[6]	49.0
Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[6]	49.0
Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[6]	49.0
Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[6]	27.0
Abwasserentsorgung Bleckede GmbH, DE, Bleckede[6]	49.0
Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[6]	49.0
Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[6]	49.0
Abwasserentsorgung Kappeln GmbH, DE, Kappeln[6]	25.0
Abwasserentsorgung Kropp GmbH, DE, Kropp[6]	20.0
Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[6]	49.0
Abwasserentsorgung Schladen GmbH, DE, Schladen[6]	49.0
Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[6]	49.0
Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[6]	25.1
Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[6]	25.0
Abwasserentsorgung Uetersen GmbH, DE, Uetersen[6]	49.0
Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[6]	49.0
Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[6]	49.0
Abwassergesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Abwassergesellschaft Ilmenau mbH, DE, Melbeck[6]	49.0
Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[6]	25.0
Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[6]	30.0
Alcamo II S.r.l., IT, Milan[2]	100.0
Amrum-Offshore West GmbH, DE, Düsseldorf[1]	100.0
Anacacho Holdco, LLC, US, Wilmington[2]	100.0
Anacacho Wind Farm, LLC, US, Wilmington[1]	100.0
ANCO Sp. z o.o., PL, Jarocin[2]	100.0
Aurum Solaris 4 GmbH & Co. KG, DE, Kassel[2]	100.0
AV Packaging GmbH, DE, Munich[1]	0.0
Avacon AG, DE, Helmstedt[1]	61.5
Avacon Beteiligungen GmbH, DE, Helmstedt[1]	100.0
Avacon Connect GmbH, DE, Laatzen[1]	100.0
Avacon Hochdrucknetz GmbH, DE, Helmstedt[1]	100.0
Avacon Natur GmbH, DE, Sarstedt[1]	100.0
Avacon Netz GmbH, DE, Helmstedt[1]	100.0
Avon Energy Partners Holdings, GB, Coventry[2]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Hamburg[4]	50.0
BAG Port 1 GmbH, DE, Regensburg[2]	100.0
Bayernwerk AG, DE, Regensburg[1]	100.0
Bayernwerk Energiedienstleistungen Licht GmbH, DE, Regensburg[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
Bayernwerk Energietechnik GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur 1. Beteiligungs-GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur GmbH, DE, Unterschleißheim[1]	100.0
Bayernwerk Netz GmbH, DE, Regensburg[1]	100.0
Bayernwerk Portfolio GmbH & Co. KG, DE, Regensburg[2]	100.0
Bayernwerk Portfolio Verwaltungs GmbH, DE, Regensburg[1]	100.0
Bayernwerk Regio Energie GmbH, DE, Regensburg[2]	100.0
Beteiligung H1 GmbH, DE, Helmstedt[2]	100.0
Beteiligung H2 GmbH, DE, Helmstedt[2]	100.0
Beteiligung N1 GmbH, DE, Helmstedt[2]	100.0
Beteiligung N2 GmbH, DE, Helmstedt[2]	100.0
Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Eggenstein-Leopoldshofen[6]	46.3
Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2]	100.0
BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[6]	25.1
BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[6]	40.7
BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[6]	46.5
Bioenergie Merzig GmbH, DE, Merzig[2]	51.0
Bioerdgas Hallertau GmbH, DE, Wolnzach[2]	90.0
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Steyerberg GmbH, DE, Steyerberg[2]	100.0
Biomasseverwertung Straubing GmbH, DE, Straubing[2]	100.0
Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[6]	40.0
Blackbeard Solar, LLC, US, Wilmington[2]	100.0
Blackbriar Battery, LLC, US, Wilmington[2]	100.0
Blackjack Creek Wind Farm, LLC, US, Wilmington[2]	100.0
BMV Energie Beteiligungs GmbH, DE, Fürstenwalde/Spree[2]	100.0
BMV Energie GmbH & Co. KG, DE, Fürstenwalde/Spree[6]	25.6
BO Baltic Offshore GmbH, DE, Hamburg[2]	98.0
Boiling Springs Wind Farm, LLC, US, Wilmington[2]	100.0
Broken Spoke Solar, LLC, US, Wilmington[2]	100.0
Bruenning's Breeze Holdco, LLC, US, Wilmington[2]	100.0
Bruenning's Breeze Wind Farm, LLC, US, Wilmington[1]	100.0
Brunnshög Energi AB, SE, Malmö[2]	100.0
BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[6]	33.3
Bursjöliden Vind AB, SE, Malmö[2]	100.0
Bützower Wärme GmbH, DE, Bützow[6]	20.0
Cameleon B.V., NL, Rotterdam[2]	100.0
Camellia Solar LLC, US, Wilmington[2]	100.0
Camellia Solar Member LLC, US, Wilmington[2]	100.0
Cardinal Wind Farm, LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm, LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm II, LLC, US, Wilmington[2]	100.0
Celle-Uelzen Netz GmbH, DE, Celle[1]	97.5
Celsium Serwis Sp. z o.o., PL, Skarżysko-Kamienna[2]	100.0
Celsium Sp. z o.o., PL, Skarżysko-Kamienna[2]	87.8
Champion WF Holdco, LLC, US, Wilmington[1]	100.0
Champion Wind Farm, LLC, US, Wilmington[1]	100.0
Charge-ON GmbH, DE, Essen[1]	100.0
CHN Contractors Limited, GB, Coventry[2]	100.0
CHN Electrical Services Limited, GB, Coventry[2]	100.0
CHN Group Ltd, GB, Coventry[2]	100.0
CHN Special Projects Limited, GB, Coventry[2]	100.0
Citigen (London) Limited, GB, Coventry[1]	100.0
Clinton Wind, LLC, US, Wilmington[2]	100.0
Colbeck's Corner, LLC, US, Wilmington[1]	100.0
Colbeck's Corner Holdco, LLC, US, Wilmington[2]	100.0
Colonia-Cluj-Napoca-Energie S.R.L., RO, Cluj-Napoca[6]	33.3
Cordova Wind Farm, LLC, US, Wilmington[2]	100.0
Cranell Holdco, LLC, US, Wilmington[1]	100.0
Cranell Wind Farm, LLC, US, Wilmington[1]	100.0
Cremlinger Energie GmbH, DE, Cremlingen[6]	49.0
Cuculus GmbH, DE, Ilmenau[6]	20.4
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[6]	50.0
DD Turkey Holdings S.à r.l., LU, Luxembourg[1]	100.0
Delgaz Grid S.A., RO, Târgu Mureş[1]	56.5

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[6]	42.5
DOTI Deutsche Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[5]	26.3
DOTI Management GmbH, DE, Oldenburg[6]	26.3
DOTTO MORCONE S.r.l., IT, Milan[2]	100.0
Drivango GmbH, DE, Düsseldorf[2]	100.0
Dutchdelta Finance S.à r.l., LU, Luxembourg[1]	100.0
E WIE EINFACH GmbH, DE, Cologne[1]	100.0
e.dialog Netz GmbH, DE, Potsdam[2]	100.0
E.DIS AG, DE, Fürstenwalde/Spree[1]	67.0
E.DIS Bau- und Energieservice GmbH, DE, Fürstenwalde/Spree[2]	100.0
E.DIS Netz GmbH, DE, Fürstenwalde/Spree[1]	100.0
e.discom Telekommunikation GmbH, DE, Rostock[2]	100.0
e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1]	100.0
e.distherm Wärmedienstleistungen GmbH, DE, Potsdam[1]	100.0
e.kundenservice Netz GmbH, DE, Hamburg[1]	100.0
E.ON (Cross-Border) Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON 6. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 7. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 8. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 9. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 11. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON 12. Verwaltungs GmbH, DE, Essen[2]	100.0
E.ON Agile Nordic AB, SE, Malmö[2]	100.0
E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8]	100.0
E.ON Bayern Verwaltungs AG, DE, Essen[2]	100.0
E.ON Beteiligungen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Bioerdgas GmbH, DE, Essen[1]	100.0
E.ON Biofor Sverige AB, SE, Malmö[1]	100.0
E.ON Business Services Cluj S.R.L., RO, Cluj-Napoca[1]	100.0
E.ON Business Services Czech Republic s.r.o., CZ, České Budějovice[2]	100.0
E.ON Business Services GmbH, DE, Hanover[1]	100.0
E.ON Business Services Hungary Kft., HU, Budapest[2]	100.0
E.ON Business Services Iași S.A., RO, Iași[2]	100.0
E.ON Business Services Regensburg GmbH, DE, Regensburg[1, 8]	100.0
E.ON Business Services Sverige AB, SE, Malmö[2]	100.0
E.ON Carbon Sourcing North America LLC, US, Wilmington[2]	100.0
E.ON CDNE. S.p.A., IT, Milan[2]	81.1
E.ON Česká republika, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Climate & Renewables Canada Ltd., CA, Saint John[1]	100.0
E.ON Climate & Renewables France, FR, Levallois-Perret[2]	100.0
E.ON Climate & Renewables GmbH, DE, Essen[1]	100.0
E.ON Climate & Renewables Italia S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables North America, LLC, US, Wilmington[1]	100.0
E.ON Climate & Renewables Services GmbH, DE, Essen[2]	100.0
E.ON Climate & Renewables UK Biomass Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Blyth Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Developments Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Humber Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK London Array Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Operations Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg East Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg West Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Zone Six Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables Windparks Deutschland GmbH, DE, Essen[2]	100.0
E.ON Connecting Energies GmbH, DE, Essen[1]	100.0
E.ON Connecting Energies Italia S.r.l., IT, Milan[1]	100.0
E.ON Connecting Energies Limited, GB, Coventry[1]	100.0
E.ON Connecting Energies SAS, FR, Levallois-Perret[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
E.ON Control Solutions Limited, GB, Coventry[1]	100.0
E.ON Country Hub Germany GmbH, DE, Berlin[1, 8]	100.0
E.ON Danmark A/S, DK, Frederiksberg[1]	100.0
E.ON Dél-dunántúli Áramhálózati Zrt., HU, Pécs[1]	100.0
E.ON Dél-dunántúli Gázhálózati Zrt., HU, Pécs[1]	100.0
E.ON Dialog S.R.L., RO, Șelimbăr[2]	100.0
E.ON Distribuce, a.s., CZ, České Budějovice[1]	100.0
E.ON Drive Infrastructure GmbH, DE, Essen[1, 8]	100.0
E.ON Drive Infrastructure UK Limited, GB, Coventry[2]	100.0
E.ON edis Contracting GmbH, DE, Fürstenwalde/Spree[2]	100.0
E.ON edis energia Sp. z o.o., PL, Warsaw[1]	100.0
E.ON Elnät Stockholm AB, SE, Malmö[1]	100.0
E.ON Energetikai Tanácsadó Kft., HU, Budapest[2]	100.0
E.ON Energia S.p.A., IT, Milan[1]	100.0
E.ON Energiakereskedelmi Kft., HU, Budapest[1]	100.0
E.ON Energiatermelő Kft., HU, Budapest[1]	100.0
E.ON Energidistribution AB, SE, Malmö[1]	100.0
E.ON Energie 25. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie AG, DE, Düsseldorf[1, 8]	100.0
E.ON Energie Deutschland GmbH, DE, Munich[1]	100.0
E.ON Energie Deutschland Holding GmbH, DE, Munich[1]	99.8
E.ON Energie Dialog GmbH, DE, Potsdam[2]	100.0
E.ON Energie Odnawialne Sp. z o.o., PL, Szczecin[1]	100.0
E.ON Energie Real Estate Investment GmbH, DE, Munich[2]	100.0
E.ON Energie România S.A., RO, Târgu Mureş[1]	68.2
E.ON Energie, a.s., CZ, České Budějovice[1]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0
E.ON Energilösningar AB, SE, Malmö[1]	100.0
E.ON Energy Gas (Eastern) Limited, GB, Coventry[2]	100.0
E.ON Energy Gas (Northwest) Limited, GB, Coventry[2]	100.0
E.ON Energy Installation Services Limited, GB, Coventry[1]	100.0
E.ON Energy Projects GmbH, DE, Munich[1]	100.0
E.ON Energy Services, LLC, US, Wilmington[1]	100.0
E.ON Energy Solutions GmbH, DE, Unterschleißheim[2]	100.0
E.ON Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON Észak-dunántúli Áramhálózati Zrt., HU, Győr[1]	100.0
E.ON Fastigheter 1 AB, SE, Malmö[2]	100.0
E.ON Fastigheter 2 AB, SE, Malmö[2]	100.0
E.ON Fastigheter Sverige AB, SE, Malmö[1]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Finanzholding Beteiligungs-GmbH, DE, Berlin[2]	100.0
E.ON Finanzholding SE & Co. KG, DE, Essen[1, 8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[2]	100.0
E.ON Flash S.R.L., RO, Târgu Mureş[2]	100.0
E.ON Fünfundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Gas Mobil GmbH, DE, Essen[2]	100.0
E.ON Gashandel Sverige AB, SE, Malmö[1]	100.0
E.ON Gasol Sverige AB, SE, Malmö[1]	100.0
E.ON Gaz Furnizare S.A., RO, Târgu Mureş[1]	68.2
E.ON Gazdasági Szolgáltató Kft., HU, Győr[1]	100.0
E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[1, 8]	100.0
E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Essen[1, 8]	100.0
E.ON Human Resources International GmbH, DE, Hanover[1, 8]	100.0
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság, HU, Budapest[1]	100.0
E.ON Iberia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Inhouse Consulting GmbH, DE, Essen[2]	100.0
E.ON Innovation Co-Investments Inc., US, Wilmington[1]	100.0
E.ON Innovation Hub S.A., RO, Târgu Mureş[2]	100.0
E.ON Insurance Services GmbH, DE, Essen[2]	100.0
E.ON INTERNATIONAL FINANCE B.V., NL, Amsterdam[1]	100.0
E.ON Invest GmbH, DE, Grünwald[2]	100.0
E.ON IT UK Limited, GB, Coventry[2]	100.0
E.ON Italia S.p.A., IT, Milan[1]	100.0
E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1]	99.9
E.ON Kundsupport Sverige AB, SE, Malmö[1]	100.0
E.ON Mälarkraft Värme AB, SE, Håbo kommun[1]	99.8

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
E.ON Metering GmbH, DE, Munich[2]	100.0
E.ON NA Capital LLC, US, Wilmington[1]	100.0
E.ON Nord Sverige AB, SE, Malmö[1]	100.0
E.ON Nordic AB, SE, Malmö[1]	100.0
E.ON Norge AS, NO, Stavanger[2]	100.0
E.ON North America Finance, LLC, US, Wilmington[1]	100.0
E.ON Nutzenergie GmbH i. Gr., DE, Essen[2]	100.0
E.ON Off Grid Solutions GmbH, DE, Düsseldorf[2]	100.0
E.ON Perspekt GmbH, DE, Düsseldorf[2]	70.0
E.ON Power Plants Belgium BVBA, BE, Mechelen[1]	100.0
E.ON Produktion Danmark A/S, DK, Frederiksberg[1]	100.0
E.ON Produzione S.p.A., IT, Milan[1]	100.0
E.ON Project Earth Limited, GB, Coventry[1]	100.0
E.ON RAG Beteiligungsgesellschaft mbH, DE, Düsseldorf[1]	100.0
E.ON RE Investments LLC, US, Wilmington[1]	100.0
E.ON Real Estate GmbH, DE, Essen[2]	100.0
E.ON Rhein-Ruhr Ausbildungs-GmbH, DE, Essen[2]	100.0
E.ON Rhein-Ruhr Werke GmbH, DE, Essen[2]	100.0
E.ON România S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Portfolio GmbH, DE, Essen[1, 8]	100.0
E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Service GmbH, DE, Essen[2]	100.0
E.ON Servicii Clienţi S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii Tehnice S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servisní, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Slovensko, a.s., SK, Bratislava[1]	100.0
E.ON Software Development SRL, RO, Târgu Mureş[2]	100.0
E.ON Solar GmbH, DE, Essen[2]	100.0
E.ON Solutions GmbH, DE, Essen[1, 8]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0
E.ON Telco, s.r.o., CZ, České Budějovice[2]	100.0
E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[1]	100.0
E.ON Ügyfélszolgálati Kft., HU, Budapest[1]	100.0
E.ON UK CHP Limited, GB, Coventry[1]	100.0
E.ON UK CoGeneration Limited, GB, Coventry[1]	100.0
E.ON UK Directors Limited, GB, Coventry[2]	100.0
E.ON UK Energy Markets Limited, GB, Coventry[1]	100.0
E.ON UK Energy Services Limited, GB, Coventry[2]	100.0
E.ON UK Heat Limited, GB, Coventry[2]	100.0
E.ON UK Holding Company Limited, GB, Coventry[1]	100.0
E.ON UK Industrial Shipping Limited, GB, Coventry[2]	100.0
E.ON UK Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON UK plc, GB, Coventry[1]	100.0
E.ON UK Property Services Limited, GB, Coventry[2]	100.0
E.ON UK PS Limited, GB, Coventry[2]	100.0
E.ON UK Secretaries Limited, GB, Coventry[2]	100.0
E.ON UK Steven's Croft Limited, GB, Coventry[2]	100.0
E.ON UK Trustees Limited, GB, Coventry[2]	100.0
E.ON US Corporation, US, Wilmington[1]	100.0
E.ON US Energy LLC, US, Wilmington[1]	100.0
E.ON US Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Varme Danmark ApS, DK, Frederiksberg[1]	100.0
E.ON Värme Sverige AB, SE, Malmö[1]	100.0
E.ON Verwaltungs AG Nr. 1, DE, Munich[2]	100.0
E.ON Verwaltungs SE, DE, Düsseldorf[1, 8]	100.0
E.ON Wind Denmark AB, SE, Malmö[2]	100.0
E.ON Wind Denmark 2 AB, SE, Malmö[2]	100.0
E.ON Wind Kårehamn AB, SE, Malmö[1]	100.0
E.ON Wind Norway AB, SE, Malmö[2]	100.0
E.ON Wind Service GmbH, DE, Neubukow[2]	100.0
E.ON WIND SERVICE ITALIA S.r.l., IT, Milan[2]	100.0
E.ON Wind Services A/S, DK, Rødby[1]	100.0
E.ON Wind Sweden AB, SE, Malmö[1]	100.0
E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E3 Haustechnik GmbH, DE, Magdeburg[2]	100.0
East Midlands Electricity Distribution Holdings, GB, Coventry[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EBERnetz GmbH & Co. KG, DE, Ebersberg[6]	49.0
EBY Immobilien GmbH & Co KG, DE, Regensburg[2]	100.0
EBY Port 1 GmbH, DE, Munich[1, 8]	100.0
EBY Port 3 GmbH, DE, Regensburg[1]	100.0
EC&R Asset Management, LLC, US, Wilmington[1]	100.0
EC&R Canada Ltd., CA, Saint John[1]	100.0
EC&R Development, LLC, US, Wilmington[1]	100.0
EC&R Energy Marketing, LLC, US, Wilmington[1]	100.0
EC&R Ft. Huachuca Solar, LLC, US, Wilmington[2]	100.0
EC&R Grandview Holdco, LLC, US, Wilmington[2]	100.0
EC&R Investco EPC Mgmt, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt II, LLC, US, Wilmington[1]	100.0
EC&R Magicat Holdco, LLC, US, Wilmington[1]	100.0
EC&R NA Solar PV, LLC, US, Wilmington[1]	100.0
EC&R O&M, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm III, LLC, US, Wilmington[1]	100.0
EC&R QSE, LLC, US, Wilmington[1]	100.0
EC&R Services, LLC, US, Wilmington[1]	100.0
EC&R Sherman, LLC, US, Wilmington[2]	100.0
EC&R Solar Development, LLC, US, Wilmington[1]	100.0
Economy Power Limited, GB, Coventry[1]	100.0
EDT Energie Werder GmbH, DE, Werder (Havel)[2]	100.0
EEP 2. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EFG Erdgas Forchheim GmbH, DE, Forchheim[6]	24.9
EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[6]	39.9
El Algodon Alto Wind Farm, LLC, US, Wilmington[2]	100.0
ElbEnergie GmbH, DE, Quickborn[2]	100.0
Elektrizitätsnetzgesellschaft Grünwald mbH & Co. KG, DE, Grünwald[6]	49.0
Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2]	100.0
Elevate Wind Holdco, LLC, US, Wilmington[4]	50.0
Elmregia GmbH, DE, Schöningen[6]	49.0
EMSZET Első Magyar Szélerőmű Korlátolt Felelősségű Társaság, HU, Kulcs[2]	74.7
Energetyka Cieplna Opolszczyzny S.A., PL, Opole[5]	46.7
Energie und Wasser Potsdam GmbH, DE, Potsdam[5]	35.0
Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[6]	50.1
Energie Vorpommern GmbH, DE, Trassenheide[6]	49.0
Energie-Agentur Weyhe GmbH, DE, Weyhe[6]	50.0
energielösung GmbH, DE, Regensburg[2]	100.0
Energienetz Neufahrn/Eching GmbH & Co. KG, DE, Neufahrn bei Freising[6]	49.0
Energienetze Bayern GmbH, DE, Regensburg[1]	100.0
Energienetze Schaafheim GmbH, DE, Regensburg[2]	100.0
Energie-Pensions-Management GmbH, DE, Hanover[2]	70.0
Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[6]	69.5
Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[6]	50.0
Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[6]	50.0
Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[6]	50.0
Energieversorgung Sehnde GmbH, DE, Sehnde[6]	30.0
Energieversorgung Vechelde GmbH & Co. KG, DE, Vechelde[6]	49.0
Energie-Wende-Garching GmbH & Co. KG, DE, Garching[6]	50.0
Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching[6]	50.0
Energiewerke Isernhagen GmbH, DE, Isernhagen[6]	49.0
Energiewerke Osterburg GmbH, DE, Osterburg (Altmark)[6]	49.0
Energy Collection Services Limited, GB, Coventry[2]	100.0
Enerjisa Enerji A.Ş., TR, Istanbul[4]	40.0
Enerjisa Üretim Santralleri A.Ş., TR, Istanbul[4]	50.0
EPS Polska Holding Sp. z o.o., PL, Warsaw[1]	100.0
Ergon Energia S.r.l. in liquidazione, IT, Brescia[6]	50.0
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
ErwärmBAR GmbH, DE, Eberswalde[6]	50.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[2]	55.0
ESN Sicherheit und Zertifizierung GmbH, DE, Schwentinental[2]	100.0
etatherm GmbH, DE, Potsdam[6]	20.4

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[6]	49.0
ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[6]	50.2
EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[6]	28.9
EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[6]	28.8
Falkenbergs Biogas AB, SE, Malmö[2]	65.0
Farma Wiatrowa Barzowice Sp. z o.o., PL, Warsaw[1]	100.0
Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[6]	50.0
FEVA Infrastrukturgesellschaft mbH, DE, Wolfsburg[6]	49.0
FIDELIA Holding LLC, US, Wilmington[1]	100.0
Fifth Standard Solar PV, LLC, US, Wilmington[2]	100.0
Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach im Isartal[2]	90.0
FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach im Isartal[2]	90.0
Flatlands Wind Farm, LLC, US, Wilmington[2]	100.0
Florida Solar and Power Group LLC, US, Wilmington[2]	100.0
Forest Creek Investco, Inc., US, Wilmington[1]	100.0
Forest Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Forest Creek Wind Farm, LLC, US, Wilmington[1]	100.0
Fortuna Solar, LLC, US, Wilmington[2]	100.0
Frazier Solar, LLC, US, Wilmington[2]	100.0
Frendi AB, SE, Malmö[1]	100.0
GASAG AG, DE, Berlin[5]	36.9
Gasnetzgesellschaft Laatzen-Süd mbH, DE, Laatzen[6]	49.0
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[6]	50.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[6]	50.0
Gasversorgung im Landkreis Gifhorn GmbH, DE, Gifhorn[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[5]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[6]	49.0
Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[6]	50.0
Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1, 8]	100.0
Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
Gelsenwasser Beteiligungs-GmbH, DE, Munich[2]	100.0
Gemeindewerke Gräfelfing GmbH & Co. KG, DE, Gräfelfing[6]	49.0
Gemeindewerke Gräfelfing Verwaltungs GmbH, DE, Gräfelfing[6]	49.0
Gemeindewerke Leck GmbH, DE, Leck[6]	49.9
Gemeindewerke Uetze GmbH, DE, Uetze[6]	49.0
Gemeindewerke Wedemark GmbH, DE, Wedemark[6]	49.0
Gemeindewerke Wietze GmbH, DE, Wietze[6]	49.0
Gemeinnützige Gesellschaft zur Förderung des E.ON Energy Research Center mbH, DE, Aachen[6]	50.0
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG, DE, Emmerthal[1]	100.0
Gemeinschaftskernkraftwerk Grohnde Management GmbH, DE, Emmerthal[2]	83.2
Gemeinschaftskernkraftwerk Isar 2 GmbH, DE, Essenbach[2]	75.0
Gemeinschaftskraftwerk Weser GmbH & Co. oHG, DE, Emmerthal[1]	66.7
Geotermisk Operaterselskab ApS, DK, Kirke Saby[6]	20.0
Geothermie-Wärmegesellschaft Braunau-Simbach mbH, AT, Braunau am Inn[6]	20.0
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH, DE, Kiel[6]	33.3
GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[6]	41.7
GHD Bayernwerk Natur GmbH & Co. KG, DE, Dingolfing[2]	75.0
GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[6]	48.0
GOLLIPP Bioerdgas GmbH & Co. KG, DE, Gollhofen[6]	50.0
GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Gollhofen[6]	50.0
Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2]	100.0
Gottburg Energie- und Wärmetechnik GmbH & Co. KG, DE, Leck[6]	49.9
Gottburg Verwaltungs GmbH, DE, Leck[6]	49.9
Grandview Wind Farm, LLC, US, Wilmington[4]	50.0
Grandview Wind Farm III, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm IV, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm V, LLC, US, Wilmington[2]	100.0
Green Sky Energy Limited, GB, Coventry[1]	100.0
greenited GmbH, DE, Hamburg[6]	50.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
greenXmoney.com GmbH i. L., DE, Neu-Ulm[2]	100.0
GrönGas Partner A/S, DK, Hirtshals[6]	50.0
Hams Hall Management Company Limited, GB, Coventry[6]	44.8
HanseGas GmbH, DE, Quickborn[1]	100.0
HanseWerk AG, DE, Quickborn[1]	66.5
HanseWerk Natur GmbH, DE, Hamburg[1]	100.0
Harzwasserwerke GmbH, DE, Hildesheim[5]	20.8
Havelstrom Zehdenick GmbH, DE, Zehdenick[6]	49.0
Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[6]	50.0
HGC Hamburg Gas Consult GmbH, DE, Hamburg[2]	100.0
HOCHTEMPERATUR-KERNKRAFTWERK GmbH (HKG). Gemeinsames europäisches Unternehmen, DE, Hamm[6]	26.0
Holsteiner Wasser GmbH, DE, Neumünster[6]	50.0
Home.ON GmbH, DE, Aachen[6]	45.0
iamsmart GmbH, DE, Essen[2]	100.0
Improbed AB, SE, Malmö[2]	100.0
Inadale Wind Farm, LLC, US, Wilmington[1]	100.0
Induboden GmbH, DE, Düsseldorf[2]	100.0
Induboden GmbH & Co. Grundstücksgesellschaft oHG, DE, Essen[2]	100.0
Industriekraftwerk Greifswald GmbH, DE, Kassel[6]	49.0
Industry Development Services Limited, GB, Coventry[2]	100.0
InfraServ - Bayernwerk Gendorf GmbH, DE, Burgkirchen a. d. Alz[6]	50.0
Infrastrukturgesellschaft Stadt Nienburg/Weser mbH, DE, Nienburg/Weser[6]	49.9
Intelligent Maintenance Systems Limited, GB, Milton Keynes[6]	25.0
IPP ESN Power Engineering GmbH, DE, Kiel[2]	51.0
Iron Horse Battery Storage, LLC, US, Wilmington[2]	100.0
Jihočeská plynárenská, a.s., CZ, České Budějovice[2]	100.0
Kalmar Energi Försäljning AB, SE, Kalmar[6]	40.0
Kalmar Energi Holding AB, SE, Kalmar[4]	50.0
Kasson Manteca Solar, LLC, US, Wilmington[2]	100.0
Kemsley CHP Limited, GB, Coventry[1]	100.0
Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1]	80.0
Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[5]	33.3

Name, location	Stake (%)
Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[5]	25.0
Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[3]	50.0
Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1]	66.7
Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1]	100.0
KGW - Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1]	100.0
Kite Power Systems Limited, GB, Chelmsford[6]	20.0
Komáromi Kogenerációs Erőmű Kft., HU, Budapest[2]	100.0
KommEnergie Erzeugungs GmbH, DE, Eichenau[6]	100.0
KommEnergie GmbH, DE, Eichenau[6]	61.0
Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[6]	49.0
Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[6]	25.0
Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[6]	25.0
Kraftwerk Burghausen GmbH, DE, Munich[1]	100.0
Kraftwerk Hattorf GmbH, DE, Munich[1]	100.0
Kraftwerk Marl GmbH, DE, Munich[1]	100.0
Kraftwerk Plattling GmbH, DE, Munich[1]	100.0
KSG Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[6]	41.7
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald[1]	90.0
Lake Fork Wind Farm, LLC, US, Wilmington[2]	100.0
LandE GmbH, DE, Wolfsburg[1]	69.6
Landwehr Wassertechnik GmbH, DE, Schöppenstedt[2]	100.0
Lighting for Staffordshire Holdings Limited, GB, Coventry[1]	60.0
Lighting for Staffordshire Limited, GB, Coventry[1]	100.0
Liikennevirta Oy, FI, Helsinki[6]	34.9
Lillo Energy NV, BE, Brussels[6]	50.0
Limfjordens Bioenergi ApS, DK, Frederiksberg[2]	78.0
Local Energies, a. s., CZ, Zlín - Malenovice[2]	100.0
London Array Limited, GB, Tunbridge Wells[6]	30.0
LSW Energie Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
LSW Holding GmbH & Co. KG, DE, Wolfsburg[5]	57.0
LSW Holding Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
LSW Netz Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
Luna Lüneburg GmbH, DE, Lüneburg[6]	49.0
Magicat Holdco, LLC, US, Wilmington[5]	20.0
Major Wind Farm, LLC, US, Wilmington[2]	100.0
March Road Solar, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV 2, LLC, US, Wilmington[2]	100.0
Maricopa Land Holding, LLC, US, Wilmington[2]	100.0
Maricopa West Solar PV 2, LLC, US, Wilmington[2]	100.0
Matrix Control Solutions Limited, GB, Coventry[1]	100.0
MEON Pensions GmbH & Co. KG, DE, Grünwald[1, 8]	100.0
MEON Verwaltungs GmbH, DE, Grünwald[2]	100.0
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG i.L., DE, Grünwald[2]	90.0
Midlands Electricity Limited, GB, Coventry[2]	100.0
MINUS 181 GmbH, DE, Parchim[6]	25.1
Mosoni-Duna Menti Szélerőmű Kft., HU, Budapest[2]	100.0
Munnsville Investco, LLC, US, Wilmington[1]	100.0
Munnsville WF Holdco, LLC, US, Wilmington[1]	100.0
Munnsville Wind Farm, LLC, US, Wilmington[1]	100.0
Nahwärme Ascha GmbH, DE, Ascha[2]	90.0
Naranjo Battery, LLC, US, Wilmington[2]	100.0
Netz- und Wartungsservice (NWS) GmbH, DE, Schwerin[2]	100.0
Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[6]	34.8
Netzgesellschaft Bad Münder GmbH & Co. KG, DE, Bad Münder[6]	49.0
Netzgesellschaft Barsinghausen GmbH & Co. KG, DE, Barsinghausen[6]	49.0
Netzgesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Netzgesellschaft Hemmingen mbH, DE, Hemmingen[6]	49.0
Netzgesellschaft Hennigsdorf Strom mbH, DE, Hennigsdorf[6]	50.0
Netzgesellschaft Hildesheimer Land GmbH & Co. KG, DE, Giesen[6]	49.0
Netzgesellschaft Hildesheimer Land Verwaltung GmbH, DE, Giesen[6]	49.0
Netzgesellschaft Hohen Neuendorf Strom GmbH & Co. KG, DE, Hohen Neuendorf[6]	49.0
Netzgesellschaft Ronnenberg GmbH & Co. KG, DE, Ronnenberg[6]	49.0
Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[6]	40.0
Netzgesellschaft Stuhr/Weyhe mbH i. L., DE, Helmstedt[2]	100.0
Netzgesellschaft Syke GmbH, DE, Syke[6]	49.0
Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1]	50.1
New Cogen Sp. z o.o., PL, Warsaw[2]	100.0
NIS Norddeutsche Informations-Systeme Gesellschaft mbH, DE, Schwentinental[2]	100.0
Nord Stream AG, CH, Zug[5]	15.5
NORD-direkt GmbH, DE, Neumünster[2]	100.0
NordNetz GmbH, DE, Quickborn[2]	100.0
Northern Orchard Solar PV, LLC, US, Wilmington[2]	100.0
Northern Orchard Solar PV 2, LLC, US, Wilmington[2]	100.0
Northern Orchard Solar PV 3, LLC, US, Wilmington[2]	100.0
Novo Innovations Limited, GB, Coventry[2]	100.0
Nysäter Wind AB, SE, Malmö[5]	20.0
Oberland Stromnetz GmbH & Co. KG, DE, Murnau a. Staffelsee[6]	33.9
ocean5 Digital Service GmbH, DE, Kiel[6]	50.0
Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[6]	49.0
Offshore-Windpark Delta Nordsee GmbH, DE, Hamburg[2]	100.0
OMNI Energy Kft., HU, Kiskunhalas[6]	50.0
OOO E.ON Connecting Energies, RU, Moscow[4]	50.0
OOO E.ON IT, RU, Moscow[2]	100.0
Oskarshamn Energi AB, SE, Oskarshamn[4]	50.0
OurGreenCar Sweden AB, SE, Malmö[6]	30.0
Owen Prairie Wind Farm, LLC, US, Wilmington[2]	100.0
PannonWatt Energetikai Megoldások Zrt., HU, Győr[6]	49.9
Panther Creek I&II Retrofit, LLC, US, Wilmington[2]	100.0
Panther Creek Solar, LLC, US, Wilmington[2]	100.0
Panther Creek Wind Farm I&II, LLC, US, Wilmington[1]	100.0
Paradise Cut Battery, LLC, US, Wilmington[2]	100.0
Pawnee Spirit Wind Farm, LLC, US, Wilmington[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
PEG Infrastruktur AG, CH, Zug[1]	100.0
Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg[2]	100.0
Peißenberger Wärmegesellschaft mbH, DE, Peißenberg[6]	50.0
Perstorps Fjärrvärme AB, SE, Perstorp[6]	50.0
Peyton Creek Wind Farm, LLC, US, Wilmington[2]	100.0
Pinckard Solar LLC, US, Wilmington[2]	100.0
Pinckard Solar Member LLC, US, Wilmington[2]	100.0
Pioneer Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Pipkin Ranch Wind Farm, LLC, US, Wilmington[2]	100.0
Portfolio EDL GmbH, DE, Helmstedt[1, 8]	100.0
Powergen Holdings B.V., NL, Rotterdam[1]	100.0
Powergen International Limited, GB, Coventry[1]	100.0
Powergen Limited, GB, Coventry[1]	100.0
Powergen Luxembourg Holdings S.à r.l., LU, Luxembourg[1]	100.0
Powergen Power No. 1 Limited, GB, Coventry[2]	100.0
Powergen Power No. 2 Limited, GB, Coventry[2]	100.0
Powergen Serang Limited, GB, Coventry[2]	100.0
Powergen UK Investments, GB, Coventry[2]	100.0
PreussenElektra GmbH, DE, Hanover[1]	100.0
Purena Consult GmbH, DE, Wolfenbüttel[2]	100.0
Purena GmbH, DE, Wolfenbüttel[1]	94.1
Pyron Wind Farm, LLC, US, Wilmington[1]	100.0
Radford's Run Holdco, LLC, US, Wilmington[1]	100.0
Radford's Run Wind Farm, LLC, US, Wilmington[1]	100.0
Rampion Offshore Wind Limited, GB, Coventry[1]	50.1
Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	77.4
Raymond Wind Farm, LLC, US, Wilmington[2]	100.0
RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Veitshöchheim[2]	100.0
RDE Verwaltungs-GmbH, DE, Veitshöchheim[2]	100.0
Redsted Varmetransmission ApS, DK, Frederiksberg[2]	100.0
Refarmed ApS, DK, Copenhagen[6]	20.0
REGAS GmbH & Co KG, DE, Regensburg[6]	50.0

Name, location	Stake (%)
REGAS Verwaltungs-GmbH, DE, Regensburg[6]	50.0
REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[6]	35.5
regiolicht GmbH, DE, Helmstedt[2]	89.8
RegioNetzMünchen GmbH & Co. KG, DE, Garching[6]	50.0
RegioNetzMünchen Verwaltungs GmbH, DE, Garching[6]	50.0
Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[6]	33.3
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG, DE, Regensburg[5]	35.5
R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[6]	20.0
R-KOM Regensburger Telekommunikationsverwaltungsgesellschaft mbH, DE, Regensburg[6]	20.0
Rødsand 2 Offshore Wind Farm AB, SE, Malmö[5]	20.0
Roscoe WF Holdco, LLC, US, Wilmington[1]	100.0
Roscoe Wind Farm, LLC, US, Wilmington[1]	100.0
Rose Rock Wind Farm, LLC, US, Wilmington[2]	100.0
Rosengård Invest AB, SE, Malmö[6]	25.0
S.C. Salgaz S.A., RO, Salonta[2]	56.7
Safekont GmbH, DE, Munich[2]	100.0
Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2]	100.0
Safetec-Swiss GmbH, CH, Stans[2]	100.0
Sand Bluff WF Holdco, LLC, US, Wilmington[1]	100.0
Sand Bluff Wind Farm, LLC, US, Wilmington[1]	100.0
Scarweather Sands Limited, GB, Coventry[6]	50.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	81.1
Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1]	100.0
SEC A Sp. z o.o., PL, Szczecin[2]	100.0
SEC B Sp. z o.o., PL, Szczecin[2]	100.0
SEC C Sp. z o.o., PL, Szczecin[2]	100.0
SEC D Sp. z o.o., PL, Szczecin[2]	100.0
SEC E Sp. z o.o., PL, Szczecin[2]	100.0
SEC Energia Sp. z o.o., PL, Szczecin[2]	100.0
SEC F Sp. z o.o., PL, Szczecin[2]	100.0

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Name, location	Stake (%)
SEC G Sp. z o.o., PL, Szczecin[2]	100.0
SEC H Sp. z o.o., PL, Szczecin[2]	100.0
SEC HR Sp. z o.o., PL, Szczecin[2]	100.0
SEC I Sp. z o.o., PL, Szczecin[2]	100.0
SEC J Sp. z o.o., PL, Szczecin[2]	100.0
SEC K Sp. z o.o., PL, Szczecin[2]	100.0
SEC Myślibórz Sp. z o.o., PL, Myślibórz[2]	89.9
SEC Region Sp. z o.o., PL, Barlinek[2]	100.0
SEC Serwis Sp. z o.o., PL, Szczecin[2]	100.0
SERVICE plus GmbH, DE, Neumünster[2]	100.0
Service Plus Recycling GmbH, DE, Neumünster[2]	100.0
Servicii Energetice pentru Acasa - SEA Complet S.A., RO, Târgu Mureş[2]	96.0
Settlers Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Skive GreenLab Biogas ApS, DK, Frederiksberg[2]	100.0
ŠKO ENERGO, s.r.o., CZ, Mladá Boleslav[6]	21.0
ŠKO-ENERGO FIN, s.r.o., CZ, Mladá Boleslav[5]	42.5
SmartSim GmbH, DE, Essen[6]	24.0
Snow Shoe Wind Farm, LLC, US, Wilmington[2]	100.0
Söderåsens Bioenergi AB, SE, Malmö[2]	63.3
Solar Supply Sweden AB, SE, Karlshamn[2]	100.0
Sønderjysk Biogas Bevtoft A/S, DK, Vojens[6]	50.0
Sparta North, LLC, US, Wilmington[2]	100.0
Sparta South, LLC, US, Wilmington[2]	100.0
SPIE Energy Solutions Harburg GmbH, DE, Hamburg[6]	35.0
Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[6]	29.0
Städtische Werke Magdeburg GmbH & Co. KG, DE, Magdeburg[5]	26.7
Städtische Werke Magdeburg Verwaltungs-GmbH, DE, Magdeburg[6]	26.7
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[6]	24.9
Stadtnetze Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[6]	24.9
Stadtversorgung Pattensen GmbH & Co. KG, DE, Pattensen[6]	49.0
Stadtversorgung Pattensen Verwaltung GmbH, DE, Pattensen[6]	49.0
Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[6]	36.0
Stadtwerke Barth GmbH, DE, Barth[6]	49.0
Stadtwerke Bayreuth Energie und Wasser GmbH, DE, Bayreuth[5]	24.9
Stadtwerke Bergen GmbH, DE, Bergen[6]	49.0
Stadtwerke Blankenburg GmbH, DE, Blankenburg[6]	30.0
Stadtwerke Bogen GmbH, DE, Bogen[6]	41.0
Stadtwerke Bredstedt GmbH, DE, Bredstedt[6]	49.9
Stadtwerke Burgdorf GmbH, DE, Burgdorf[6]	49.0
Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[6]	25.0
Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[6]	49.0
Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt (Oder)[5]	39.0
Stadtwerke Garbsen GmbH, DE, Garbsen[6]	24.9
Stadtwerke Geesthacht GmbH, DE, Geesthacht[6]	24.9
Stadtwerke Husum GmbH, DE, Husum[6]	49.9
Stadtwerke Lübz GmbH, DE, Lübz[6]	25.0
Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[6]	29.0
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[6]	24.9
Stadtwerke Niebüll GmbH, DE, Niebüll[6]	49.9
Stadtwerke Olching Stromnetz GmbH & Co. KG, DE, Olching[6]	49.0
Stadtwerke Olching Stromnetz Verwaltungs GmbH, DE, Olching[6]	49.0
Stadtwerke Parchim GmbH, DE, Parchim[6]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[6]	35.0
Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[6]	49.0
Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[6]	39.0
Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[6]	37.8
Stadtwerke Tornesch GmbH, DE, Tornesch[6]	49.0
Stadtwerke Vilshofen GmbH, DE, Vilshofen[6]	41.0
Stadtwerke Wismar GmbH, DE, Wismar[5]	49.0
Stadtwerke Wittenberge GmbH, DE, Wittenberge[6]	22.7
Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[6]	26.0
Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[6]	49.4
Stella Holdco, LLC, US, Wilmington[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
Stella Wind Farm, LLC, US, Wilmington[1]	100.0
Stillwater Energy Storage, LLC, US, Wilmington[2]	100.0
Stockton Solar I, LLC, US, Wilmington[2]	100.0
Stockton Solar II, LLC, US, Wilmington[2]	100.0
Strom Germering GmbH, DE, Germering[2]	90.0
Stromnetz Kulmbach GmbH & Co. KG, DE, Kulmbach[6]	49.0
Stromnetz Kulmbach Verwaltungs GmbH, DE, Kulmbach[6]	49.0
Stromnetz Pullach GmbH, DE, Pullach im Isartal[2]	100.0
Stromnetz Weiden i.d.OPf. GmbH & Co. KG, DE, Weiden i. d. OPf.[6]	49.0
Stromnetz Würmtal GmbH & Co. KG, DE, Planegg[2]	74.5
Stromnetz Würmtal Verwaltungs GmbH, DE, Planegg[2]	100.0
Stromnetze Peiner Land GmbH, DE, Ilsede[6]	49.0
Stromnetzgesellschaft Bad Salzdetfurth - Diekholzen mbH & Co. KG, DE, Bad Salzdetfurth[6]	49.0
Stromnetzgesellschaft Barsinghausen GmbH & Co. KG, DE, Barsinghausen[6]	49.0
Stromnetzgesellschaft Wunstorf GmbH & Co. KG, DE, Wunstorf[6]	49.0
Stromversorgung Angermünde GmbH, DE, Angermünde[6]	49.0
Stromversorgung Penzberg GmbH & Co. KG, DE, Penzberg[6]	49.0
Stromversorgung Pfaffenhofen a. d. Ilm GmbH & Co. KG, DE, Pfaffenhofen[6]	49.0
Stromversorgung Pfaffenhofen a. d. Ilm Verwaltungs GmbH, DE, Pfaffenhofen[6]	49.0
Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	100.0
Stromversorgung Unterschleißheim GmbH & Co. KG, DE, Unterschleißheim[6]	49.0
Stromversorgung Unterschleißheim Verwaltungs GmbH, DE, Unterschleißheim[6]	49.0
strotög GmbH Strom für Töging, DE, Töging am Inn[6]	50.0
StWB Stadtwerke Brandenburg an der Havel GmbH & Co. KG, DE, Brandenburg an der Havel[5]	36.8
StWB Verwaltungs GmbH, DE, Brandenburg an der Havel[6]	36.8
SüdWasser GmbH, DE, Erlangen[2]	100.0
SVH Stromversorgung Haar GmbH, DE, Haar[6]	50.0
SVI-Stromversorgung Ismaning GmbH, DE, Ismaning[6]	25.1
SVO Holding GmbH, DE, Celle[1]	50.1
SVO Vertrieb GmbH, DE, Celle[1]	100.0
SWG Glasfaser Netz GmbH, DE, Geesthacht[6]	33.4
SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[6]	25.1
SWS Energie GmbH, DE, Stralsund[5]	49.0
Szczecińska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1]	66.5
Szombathelyi Erőmű Zrt., HU, Budapest[2]	55.0
Szombathelyi Távhőszolgáltató Kft., HU, Szombathely[6]	25.0
Tech Park Solar, LLC, US, Wilmington[1]	100.0
The Power Generation Company Limited, GB, Coventry[2]	100.0
Three Rocks Solar, LLC, US, Wilmington[2]	100.0
Tierra Blanca Wind Farm, LLC, US, Wilmington[2]	100.0
Tipton Wind, LLC, US, Wilmington[2]	100.0
TPG Wind Limited, GB, Coventry[6]	50.0
Triangeln 10 i Norrköping Fastighets AB, SE, Sundsvall[1]	100.0
Triangeln 15 i Norrköping Fastighets AB, SE, Malmö[2]	100.0
Trocknungsanlage Zolling GmbH & Co. KG, DE, Zolling[6]	33.3
Trocknungsanlage Zolling Verwaltungs GmbH, DE, Zolling[6]	33.3
Turkey Run, LLC, US, Wilmington[2]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[6]	48.0
Ultra-Fast Charging Joint Venture Scandinavia ApS, DK, Copenhagen[6]	50.0
Umspannwerk Miltzow-Mannhagen GbR, DE, Sundhagen[6]	22.2
Union Grid s.r.o., CZ, Prague[6]	34.0
Uranit GmbH, DE, Jülich[4]	50.0
Utility Debt Services Limited, GB, Coventry[2]	100.0
Valencia Solar, LLC, US, Tucson[1]	100.0
Valverde Wind Farm, LLC, US, Wilmington[2]	100.0
VDE Komplementär GmbH, DE, Kassel[2]	100.0
VDE Projects GmbH, DE, Kassel[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

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[6]	49.0
Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[6]	49.0
Versorgungskasse Energie (VVaG) i. L., DE, Hanover[1]	70.3
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[6]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Budapest[2]	100.0
Vici Wind Farm, LLC, US, Wilmington[2]	100.0
Vici Wind Farm II, LLC, US, Wilmington[2]	100.0
Vici Wind Farm III, LLC, US, Wilmington[2]	100.0
Visioncash, GB, Coventry[1]	100.0
Vortex Energy Deutschland GmbH, DE, Kassel[2]	100.0
Vortex Energy Windpark GmbH & Co. KG, DE, Kassel[2]	100.0
Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[6]	40.0
Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2]	50.1
Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Goslar[6]	49.0
Wasserkraft Baierbrunn GmbH, DE, Unterschleißheim[6]	50.0
Wasserkraft Farchet GmbH, DE, Bad Tölz[2]	60.0
Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[6]	50.0
Wasserversorgung Sarstedt GmbH, DE, Sarstedt[6]	49.0
Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[6]	49.8
Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[6]	49.8
Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[6]	29.0
WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2]	70.0
Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Bad Berneck[2]	93.5
werkkraft GmbH, DE, Unterschleißheim[6]	50.0
West of the Pecos Solar, LLC, US, Wilmington[2]	100.0
WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1]	50.2
WEVG Verwaltungs GmbH, DE, Salzgitter[2]	50.2
Wildcat Wind Farm II, LLC, US, Wilmington[2]	100.0
Wildcat Wind Farm III, LLC, US, Wilmington[2]	100.0
Windenergie Leinetal 2 Verwaltungs GmbH, DE, Freden (Leine)[2]	100.0
Windenergie Leinetal GmbH & Co. KG, DE, Freden (Leine)[6]	26.2
Windenergie Leinetal Verwaltungs GmbH, DE, Freden (Leine)[6]	24.9
Windenergie Osterburg GmbH & Co. KG, DE, Osterburg (Altmark)[6]	49.0
Windenergie Osterburg Verwaltungs GmbH, DE, Osterburg (Altmark)[6]	49.0
WINDENERGIEPARK WESTKÜSTE GmbH, DE, Kaiser-Wilhelm-Koog[2]	80.0
Windpark Anhalt-Süd (Köthen) OHG, DE, Potsdam[2]	83.3
Windpark Fresenhede GmbH & Co. KG, DE, Kassel[6]	50.0
Windpark Herßum-Vinnen Projekt GmbH & Co. KG, DE, Kassel[6]	50.0
Windpark Hölzerberg GmbH & Co. KG, DE, Kassel[2]	100.0
Windpark Mutzschen OHG, DE, Potsdam[2]	77.8
Windpark Naundorf OHG, DE, Potsdam[2]	66.7
Windpark Rotenburg GmbH & Co. KG, DE, Kassel[6]	50.0
Windpark Schapen GmbH & Co. KG, DE, Kassel[6]	50.0
Windpark Winterlingen-Alb GmbH & Co. KG, DE, Kassel[2]	100.0
Wiregrass, LLC, US, Wilmington[2]	100.0
WIT Ranch Wind Farm, LLC, US, Wilmington[2]	100.0
WR Graceland Solar, LLC, US, Wilmington[2]	100.0
WUN Pellets GmbH, DE, Wunsiedel[6]	25.1
WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[6]	22.2
Yorkshire Windpower Limited, GB, Coventry[6]	50.0
Západoslovenská energetika a.s. (ZSE), SK, Bratislava[5]	49.0
Zenit-SIS GmbH i.L., DE, Düsseldorf[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2018)

Name, location	Stake (%)
Consolidated investment funds	
ASF, DE, Düsseldorf[1]	100.0
HANSEFONDS, DE, Düsseldorf[1]	100.0
OB 2, DE, Düsseldorf[1]	100.0
OB 5, DE, Düsseldorf[1]	100.0

Name, location	Stake (%)	Equity € in millions	Earnings € in millions
Other companies in which share investments are held			
e-werk Sachsenwald GmbH, DE, Reinbek[7]	16.0	28.4	4.5
Herzo Werke GmbH, DE, Herzogenaurach[7]	19.9	12.8	0.0
HEW HofEnergie+Wasser GmbH, DE, Hof[7]	19.9	22.1	0.0
infra fürth gmbh, DE, Fürth[7]	19.9	72.9	0.0
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH, DE, Bamberg[7]	10.0	30.1	0.0
Stadtwerke Straubing Strom und Gas GmbH, DE, Straubing[7]	19.9	10.8	0.0
Stadtwerke Wertheim GmbH, DE, Wertheim[7]	10.0	20.5	0.0
Thermondo GmbH, DE, Berlin[7]	19.4	20.3	-11.8

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Further Information

Declaration of the Management Board

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group Management Report, which is combined with the management report of E.ON SE, provides a fair review of the development and performance of the business and the position of the E.ON Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Essen, February 28, 2019

The Management Board

Teyssen Birnbaum

König Spieker Wildberger

To E.ON SE, Essen

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

Audit Opinions

We have audited the consolidated financial statements of E.ON SE, Essen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statement of income, consolidated statement of recognized income and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of E.ON SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and

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

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. Exchange of business activities with RWE
2. Recoverability of goodwill
3. Non-current provisions

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

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

Hereinafter we present the key audit matters:

1. Exchange of business activities with RWE

a. In the consolidated financial statements of E.ON SE as of December 31, 2018, an amount of EUR 11.4 billion is recognized under the "Assets held for sale" balance sheet item, and an amount of EUR 3.7 billion is recognized under the "Liabilities associated with assets held for sale" balance sheet item. Of these, EUR 11.3 billion and EUR 2.7 billion, respectively, relate in particular to the renewables business and EUR 0.2 billion and EUR 1.0 billion, respectively, to two minority stocks in the Emsland and Gundremmingen nuclear power plants operated by RWE AG, Essen (RWE) as well as further assets connected with operating and decommissioning those power plants, including the associated decommissioning obligations (nuclear power equity interests).

   On March 12, 2018, E.ON and RWE entered into an agreement on a comprehensive exchange of business activities. The agreement is subject to conditions precedent, in particular approval from antitrust authorities. In accordance with the agreement, E.ON acquires RWE's 76.8% interest in innogy SE, Essen (innogy), and receives a cash payment of EUR 1.5 billion. In return, E.ON will transfer substantially all of its current renewables business, the nuclear power minority stocks and (following closing of the innogy takeover) innogy's complete renewables and gas storage businesses as well as its equity interests in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft to RWE. In addition, RWE obtains 440,219,800 new shares of E.ON SE created from the latter's authorized capital, corresponding to an approx. 16.67% interest in E.ON's share capital.

   On April 27, 2018, E.ON made a voluntary public takeover offer to acquire all shares of innogy SE for EUR 36.76 per share. If the transaction closes before the date of innogy's annual general meeting resolving on the appropriation of net profit for financial year 2018, the consideration will increase by EUR 1.64 per innogy share. The closing of the transaction and the public takeover offer are subject to conditions precedent and require approval from antitrust authorities. 9.4% of the shares have been tendered under the takeover offer. E.ON's obligation arising from the takeover offer is reported under other financial obligations in the notes to the consolidated financial statements.

   Based on the assessment by the Company's executive directors that the overall transaction is highly probable to close, the renewables business subject to transfer is presented as a discontinued operation and the nuclear power minority stocks as a disposal group effective June 30, 2018, in accordance with IFRS 5. Since E.ON will manage the renewables business until the disposal takes effect, the activities will continue to be fully included in the relevant key performance indicators and the segment reporting. In connection with the mandatory impairment testing of the two disposal groups' assets prior to reclassification, no material impairment losses or reversals were identified. The subsequent impairment test on the renewables business as a whole did not identify any further impairment. Due to the highly complex nature of the overall transaction and the accounting treatment of the agreement with RWE as well as the underlying assumptions and estimates the presentation as a discontinued operation/disposal group, the associated impairment testing, and E.ON's reporting of the public takeover offer in its consolidated financial statements were of particular significance in the context of our audit.

b. As part of our audit, we assessed in particular the presentation of the renewables business as a discontinued operation and the nuclear power minority stocks as a disposal group. We assessed whether the classification as a discontinued operation/disposal group as of June 30, 2018 was appropriate and whether the presentation in the balance sheet, income statement and statement of cash flows complied with the relevant standards and the generally accepted professional interpretations. For this purpose we first of all obtained an understanding of the underlying contractual agreements and evaluated their impact on the presentation of the renewables business and the nuclear power equity interests, and on the accounting treatment.

In evaluating the estimate that the transaction was highly probably to close, we took into particular consideration the public takeover offer made by E.ON to innogy's minority shareholders, the cooperation agreement between innogy, RWE and E.ON, and the executive directors' assessments with respect to approval from the antitrust authorities.
A subsequent focal point for our audit was the measurement of the assets and liabilities of both disposal groups, as well as the impairment testing on the renewables business.
We assessed the measurement models and the underlying assumptions, as well as the specific calculation. We also evaluated how the transaction was reported in the notes, in particular the disclosures on the discontinued operation within the segment reporting. We were able to satisfy ourselves that the renewables business and the minority equity interests were properly presented, that the assumptions and parameters underlying the measurement were sufficiently documented and substantiated overall, and that the disclosures on the discontinued operation within the segment information were appropriate.

We also focused on the reporting of the public takeover offer and E.ON's resulting obligation in the consolidated financial statements. For this purpose, we looked in particular at the legal basis for such a takeover offer in the context of the overall transaction, which is aimed at acquiring control. In addition, we assessed the value of the offer and its composition against the background of innogy's current market value. We were able to satisfy ourselves that there was no need to recognize the public takeover offer or E.ON's resulting obligation in the balance sheet, but that the obligation was correctly disclosed as an "other financial obligation" in the notes to the consolidated financial statements.

c. The Company's disclosures on the planned disposal of the renewables business and the minority stocks are contained in notes 4, 27 and 33 to the consolidated financial statements.

2. Recoverability of goodwill

a. Following reclassification of the EUR 1.3 billion in goodwill attributable to renewables to "Assets held for sale", a remaining amount of EUR 2.1 billion is reported under the "Goodwill" balance sheet item in the consolidated financial statements of E.ON SE as of December 31, 2018. In financial year 2018, no impairment loss was to be recognized. The Company allocates goodwill to cash-generating units or groups of cash-generating units that are primarily equivalent to the E.ON Group's operating segments. These are subject to impairment tests on a regular basis in the fourth quarter of a given financial year or whenever there are indications of impairment. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The present value of the future cash flows from the respective cash-generating unit serves as the basis of valuation in the context of an impairment test. The cash flows are based on the E.ON Group's medium-term planning for the years 2019 to 2021. For the purposes of assessing the recoverability of goodwill, the three-year detailed planning period is generally extended by another two years – or more, if required – and is then extrapolated on the basis of assumptions about long-term growth rates in perpetual annuity. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit in each case. The result of this measurement depends to a large extent on the executive directors' estimates of the amount of future cash flows, the discount rate applied and the growth rate. The assumptions about the long-term development of the underlying prices and the relevant regulatory influencing factors are also of particular importance. Due to the complexity of the measurement and the considerable uncertainties relating to the underlying assumptions this matter was of particular significance in the context of our audit.

b. As part of our audit, we assessed, among other things, whether the measurement model for performing impairment tests properly reflects the conceptual requirements of the relevant standards and whether the calculations in the models were correctly performed. The critical assessment of the key assumptions underlying the measurements was the focal point of our audit. We evaluated the appropriateness of the future cash flows used for the measurement by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment, finance and HR plan for 2019 prepared by the executive directors and approved by the supervisory board on December 18, 2018 as well as the planning for the years 2020 and 2021 prepared by the executive directors and acknowledged by the supervisory board. Among other things, we assessed how the long-term growth rates used for perpetual annuities were derived from the observable market data and market expectations. We also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. In addition, we compared the assumptions about long-term price development and the relevant regulatory influencing factors against sector-specific expectations. Within the context of our assessment of the recoverability of goodwill, we also evaluated whether the costs for corporate overheads were properly ascertained, allocated, and included in the impairment tests of the respective cash-generating units. Finally, we assessed the calculation of the carrying amounts of the cash-generating units, which were compared against the corresponding recoverable amount, as well as the mathematical comparison.

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

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

3. Non-current provisions

a. In the consolidated financial statements of E.ON SE as of December 31, 2018, an amount of EUR 12.5 billion is reported under the "Other provisions" balance sheet item. EUR 9.5 billion of this amount is attributable to provisions for the decommissioning of nuclear plants. Both the recognition and the subsequent measurement of provisions, like the determination of the underlying assumptions used in this regard, including the rates of cost increases and discount rate used, are highly dependent on estimates and assumptions by the executive directors. We therefore consider this matter to be of particular significance for our audit.

b. With the knowledge that the measurement of provisions is primarily based on the executive directors' assessments and that these have a significant effect on consolidated net income, in particular we assessed the reliability of the information used as well as the appropriateness of the assumptions underlying the measurement. As part of our assessment of the provisions for the decommissioning of nuclear plants, we looked, among other things, at the external expert opinions on which the measurement was based. We focused on the evaluation of the technical decommissioning concepts and the underlying cost assumptions, particularly with regard to HR costs. Furthermore, we evaluated whether the rates of cost increases and the interest rates with matching terms were properly derived from market data.

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

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

Other Information

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

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report, and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

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

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

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

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

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

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

German Public Auditor Responsible for the Engagement

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

Düsseldorf, March 5, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To E.ON SE, Essen

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of E.ON SE, Essen (hereinafter the "Company") for the period from 1st January to 31st December 2018 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1st January to 31st December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement,
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report,
- Identification of the likely risks of material misstatement of the Non-financial Report,
- Analytical evaluation of selected disclosures in the Non-financial Report,
- Survey regarding local data gathering and approval of GHG emissions FY18 in order to obtain an understanding of how the data has been gathered in the first place and how potential sources of error have been dealt with (e.g. incomplete or wrong data),
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report, and
- Evaluation of the presentation of the non-financial information.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1st January to 31st December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Essen, 5 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

Hendrik Fink
Wirtschaftsprüfer
(German Public Auditor)

Supervisory Board (and Information on Other Directorships)

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

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

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

Andreas Scheidt
Deputy Chairman of the E.ON SE Supervisory Board
Member of National Board, Unified Service Sector Union, ver.di, Director of Utility/Waste Management Section

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

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

Tibor Gila (until May 9, 2018)
Chairman of the Combined Works Council of E.ON Hungária Zrt.
Deputy Chairman of the SE Works Council of E.ON SE
Chairman of the Works Council of E.ON Észak-dunántúli Áramhálózati Zrt.
→ E.ON Észak-dunántúli Áramhálózati Zrt.

Carolina Dybeck Happe
Chief Financial Officer of ASSA ABLOY AB
→ ASSA ABLOY Asia Holding AB (Chairperson)
→ ASSA ABLOY East Europe AB (Chairperson)
→ ASSA ABLOY Entrance Systems AB (Chairperson)
→ ASSA ABLOY Financial Services AB (Chairperson)
→ ASSA ABLOY Finans AB (Chairperson)
→ ASSA ABLOY IP AB (Chairperson)
→ ASSA ABLOY Kredit AB (Chairperson)
→ ASSA ABLOY Mobile Services AB (Chairperson)

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

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

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

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

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

Unless otherwise indicated, information is as of December 31, 2018, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Silvia Šmátralová (until May 9, 2018)
Chairperson of the Works Council of Západoslovenská energetika a.s. (ZSE)
Member of the SE Works Council of E.ON SE
→ Západoslovenská distribučná a.s.
→ Západoslovenská energetika a.s.

Dr. Karen de Segundo
Attorney

Dr. Theo Siegert (until May 9, 2018)
Managing Partner, de Haen-Carstanjen & Söhne
→ Henkel AG & Co. KGaA
→ Merck KGaA
→ DKSH Holding Ltd.
→ E. Merck KG

Elisabeth Wallbaum
Expert, SE Works Council of E.ON SE and E.ON Group Works Council

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

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

Supervisory Board Committees

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

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

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

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

Unless otherwise indicated, information is as of December 31, 2018, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Management Board (and Information on Other Directorships)

Dr. Johannes Teyssen
Born in 1959 in Hildesheim, Germany
Chairman of the Management Board and CEO since 2010
Member of the Management Board since 2004
Strategy and Corporate Development, Turkey, HR, Political Affairs and Communications, Legal and Compliance, Corporate Audit
→ Deutsche Bank AG (until May 24, 2018)
→ Nord Stream AG

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

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

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

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

Unless otherwise indicated, information is as of December 31, 2018, or as of the date on which membership in the E.ON Management Board ended.
→ Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Exempted E.ON Group directorship within the meaning of Section 100, Paragraph 2, Sentence 2 of the German Stock Corporation Act.
[2]Other E.ON Group directorship.

Summary of Financial Highlights[1, 2]

€ in millions	2014	2015	2016	2017	2018
Sales and earnings					
Sales	113,095	42,656	38,173	37,965	30,253
Adjusted EBITDA[3]	8,376	5,844	4,939	4,955	4,840
Adjusted EBIT[3]	4,695	3,563	3,112	3,074	2,989
Net income/Net loss	-3,130	-6,377	-16,007	4,180	3,524
Net income/Net loss attributable to shareholders of E.ON SE	-3,160	-6,999	-8,450	3,925	3,223
Adjusted net income[3]	1,646	1,076	904	1,427	1,505
Value measures					
ROACE/effective 2015 ROCE (%)	8.6	10.9	10.4	10.6	10.4
Pretax cost of capital (%)	7.4	6.7	5.8	6.4	6.4
Value added[4]	640	1,217	1,370	1,211	1,145
Asset and capital structure					
Non-current assets	83,065	73,612	46,296	40,164	30,883
Current assets	42,625	40,081	17,403	15,786	23,441
Total assets	125,690	113,693	63,699	55,950	54,324
Equity	26,713	19,077	1,287	6,708	8,518
Capital stock	*2,001*	*2,001*	*2,001*	*2,201*	*2,201*
Minority interests without controlling influence	*2,128*	*2,648*	*2,342*	*2,701*	*2,760*
Non-current liabilities	63,335	61,172	39,287	35,198	30,545
Provisions	*31,376*	*30,655*	*19,618*	*18,001*	*15,706*
Financial liabilities	*15,784*	*14,954*	*10,435*	*9,922*	*8,323*
Other liabilities and other	*16,175*	*15,563*	*9,234*	*7,275*	*6,516*
Current liabilities	35,642	33,444	23,125	14,044	15,261
Provisions	*4,120*	*4,280*	*12,008*	*2,041*	*2,117*
Financial liabilities	*3,883*	*2,788*	*3,792*	*3,099*	*1,563*
Other liabilities and other	*27,639*	*26,376*	*7,325*	*8,904*	*11,581*
Total assets and liabilities	125,690	113,693	63,699	55,950	54,324
Cash flow, investments and financial ratios					
Cash provided by operating activities of continuing operations[5]	6,354	4,191	2,961	-2,952	2,853
Cash-effective investments	4,637	3,227	3,169	3,308	3,523
Equity ratio (%)	21	17	2	12	16
Economic net debt (at year-end)	33,394	27,714	26,320	19,248	16,580
Debt factor[6]	4.0	3.7	5.3	3.9	3.4
Cash provided by operating activities of continuing operations as a percentage of sales	5.6	9.8	7.8	–	9
Stock and E.ON SE long-term ratings					
Earnings per share attributable to shareholders of E.ON SE (€)	-1.64	-3.6	-4.33	1.84	1.49
Equity[7] per share (€)	12.72	8.42	-0.50	1.85	2.66
Twelve-month high[8] (€)	15.46	12.98	8.49	10.69	9.93
Twelve-month low[8] (€)	12.56	6.28	6.04	6.64	7.89
Year-end closing price per share[8, 9] (€)	14.2	7.87	6.70	9.06	8.63
Dividend per share[10] (€)	0.50	0.50	0.21	0.30	0.43
Dividend payout	966	976	410	650	932
Market capitalization[9, 11] (€ in billions)	27.4	17.4	13.1	19.6	18.7
Moody's	A3	Baa1	Baa1	Baa2	Baa2
Standard & Poor's	A-	BBB+	BBB+	BBB	BBB
Employees					
Employees at year-end	58,811	43,162	43,138	42,699	43,302

[1]Adjusted for discontinued operations and for the application of IFRS 10 and 11 and IAS 32. · [2]Line items from the Consolidated Statements of Income for 2016 and 2015 were adjusted to exclude Uniper; they include Uniper prior to 2015. Line items from the Consolidated Balance Sheets for 2016 were adjusted to exclude Uniper; they include Uniper prior to 2016. · [3]Adjusted for non-operating effects. · [4]As of the balance-sheet date. · [5]Cash provided by operating activities of continuing operations; the 2018 figure includes the entire Renewables segment. · [6]Ratio between economic net debt and adjusted EBITDA; 2015 figure not adjusted to exclude Uniper. · [7]Attributable to shareholders of E.ON SE. · [8]Xetra; 2015 and 2016 were adjusted for the Uniper spinoff. · [9]At the end of December. [10]For the respective financial year; the 2018 figure is management's proposed dividend. · [11]Based on shares outstanding.

Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of a number of variables, such as projected future salaries and pensions. An actuarial gain or loss is recorded when the actual numbers turn out to be different from the projections.

Adjusted EBIT[1]
Adjusted earnings before interest and taxes is our most important earnings figure for the purpose of internal management control and as an indicator of our businesses' long-term earnings power. Adjusted EBIT used by E.ON is adjusted to exclude material non-operating income and expenses (see Non-operating effects).

Adjusted EBITDA[1]
Earnings before interest, taxes, depreciation, and amortization. It is adjusted to exclude material non-operating income and expenses (see Non-operating effects).

Adjusted net income[1]
An earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude non-operating effects.

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.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

Capital employed[1]
Represents the interest-bearing capital tied up in the E.ON Group. It is equal to a segment's non-current and current operating assets less the amount of non-interest-bearing available capital. Other equity interests are included at their acquisition cost, not their fair value.

Capital stock
The aggregate face value of all shares of stock issued by a company; entered as a liability in the company's balance sheet.

Cash-conversion rate[1]
Operating cash flow before interest and taxes divided by adjusted EBITDA. It indicates whether our operating earnings are generating enough liquidity.

Cash flow statement
Calculation and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing, and financing activities.

Cash provided by operating activities
Cash provided by, or used for, operating activities of continuing and discontinued operations.

Commercial paper ("CP")
Unsecured, short-term debt instruments issued by commercial firms and financial institutions. CP is usually quoted on a discounted basis, with repayment at par value.

Consolidation
Accounting approach in which a parent company and its affiliates are presented as if they formed a single legal entity. All intracompany income and expenses, intracompany accounts payable and receivable, and other intracompany transactions are offset against each other. Share investments in affiliates are offset against their capital stock, as are all intracompany credits and debts, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items in the annual financial statements yields the consolidated balance sheets and the consolidated statements of income.

Contractual trust arrangement ("CTA")
Model for financing pension obligations under which company assets are converted to assets of a pension plan administered by an independent trust that is legally separate from the company.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

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[1]
Ratio between economic net debt and EBITDA. Serves as a metric for managing E.ON's capital structure.

Debt issuance program
Contractual framework and standard documentation for the issuance of bonds.

Discontinued operations
Businesses or parts of a business that are planned for divestment or have already been divested. They are subject to special disclosure rules.

Economic net debt[1]
Key figure that supplements net financial position with pension obligations as well as asset-retirement and dismantling obligations. In the case of material provisions affected by negative real interest rates, we use the actual amount of the obligation instead of the balance-sheet figure to calculate our economic net debt.

Equity method
Method for valuing shareholdings in associated companies whose assets and liabilities are not fully consolidated. The proportional share of the company's annual net income (or loss) is reflected in the shareholding's book value. This change is usually shown in the owning company's income statement.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment as well as the waste-disposal and dismantling obligations associated with our stakes in Emsland and Gundremmingen nuclear power stations, which are classified as a disposal group at PreussenElektra.

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 (its net sales value or value in use, whichever is higher). A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. This is particularly relevant for goodwill, which is tested for impairment on at least an annual basis.

International Financial Reporting Standards ("IFRS")
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS.

Investments[1]
Cash-effective investments shown in the Consolidated Statements of Cash Flows.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

Net financial position[1]
Difference between total financial assets (cash and non-current securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies, including effects from currency translation).

Non-operating effects
In particular, income and expenses from the marking to market of derivatives used for hedging, as well as any material book gains and book losses on disposals, certain restructuring expenses, impairment charges and/or reversals on fixed assets, on share investments in affiliated and associated companies, and on goodwill in the context of an impairment test, and other non-operating income and expenses.

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.

Profit at Risk ("PaR")
Risk measure that indicates, with a certain degree of confidence (for example, 95 percent), that changes in market prices will not cause a profit margin to fall below expectations during the holding period, depending on market liquidity. For E.ON's business, the main market prices are those for power, gas, and carbon.

Purchase price allocation
In a business combination accounted for as a purchase, the values at which the acquired company's assets and liabilities are recorded in the acquiring company's balance sheet.

Rating
Standardized performance categories for an issuer's short- and long-term debt instruments based on the probability of interest payment and full repayment. Ratings provide investors and creditors with the transparency they need to compare the default risk of various financial investments.

Return on equity
The return earned on an equity investment (in this case, E.ON stock), calculated after corporate taxes but before an investor's individual income taxes.

ROACE
Acronym for return on average capital employed. A key indicator for periodically monitoring the performance of E.ON's operating business, ROACE is the ratio between adjusted EBIT and average capital employed. Capital employed is equal to the E.ON Group's total assets at half their historical acquisition or production cost.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

ROCE[1]
Acronym for return on capital employed. A key indicator for periodically monitoring the performance of E.ON's operating business, ROCE is the ratio between adjusted EBIT and average capital employed. Capital employed is equal to the book value of the E.ON Group's total assets.

Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

Value added
Key measure of E.ON's financial performance based on residual wealth calculated by deducting the cost of capital (debt and equity) from operating profit. It is equivalent to the return spread (ROCE minus the cost of capital) multiplied by capital employed, which represents the average interest-bearing capital tied up in the E.ON Group.

Value at Risk ("VaR")
Risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99 percent) over a certain period of time (for example, one day). Due to the correlation of individual transactions, the risk faced by a portfolio is lower than the sum of the risks of the individual investments it contains.

Working capital
The difference between a company's current operating assets and current operating liabilities.

[1]For the purpose of internal management control, it includes the E.ON Group's continuing operations as well as the discontinued operations in the Renewables segment.

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Financial Calendar

May 13, 2019	Quarterly Statement: January – March 2019
May 14, 2019	2019 Annual Shareholders Meeting
August 7, 2019	Half-Year Financial Report: January – June 2019
November 13, 2019	Quarterly Statement: January – September 2019
March 25, 2020	Release of the 2019 Annual Report
May 12, 2020	Quarterly Statement: January – March 2020
May 13, 2020	2020 Annual Shareholders Meeting
August 12, 2020	Half-Year Financial Report: January – June 2020
November 11, 2020	Quarterly Statement: January – September 2020

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